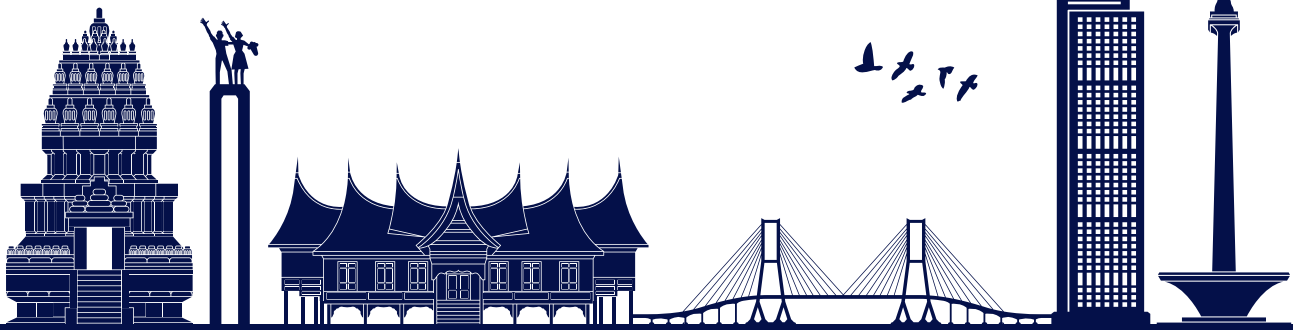




GOVERNMENT OF
WESTERN AUSTRALIA

Invest & Trade
WESTERN AUSTRALIA



Indonesia Market Outlook

2021-22

**Trade and investment opportunities
for Western Australian businesses**

Indonesia market overview

Largest economy in Southeast Asia

US\$1.1 trillion
(EIU 2020)

4th most populous country in the world

268 million
3rd largest democracy (2020)

16th largest
economy in the world

Indonesia is a large and developing economy that offers a broad range of opportunities for Western Australian businesses looking for a new and growing export market. With the world's fourth largest population, of which

half are younger than 30, and a rapidly growing middle class, there is demand for higher standards of consumer goods, education and training services, and new technologies.

Western Australia's trade relationship with Indonesia

1992

Established the Western Australian Investment and Trade Office in Indonesia

\$3.5 billion

11th largest trading partner in 2020-21

\$2.5 billion

9th largest merchandise export market, with 35% of Australia's merchandise exports to Indonesia in 2020-21

WA merchandise exports to India in 2020-21



33%
Iron ore



28%
Petroleum



19%
Wheat

Currently ranked 13th, Indonesia has the potential to be one of Western Australia's biggest international student markets

39,000 arrivals

7th largest market for international visitors in 2019, accounting for 4% of the state's international visitors

The Western Australian Government supports local businesses pursuing opportunities with Indonesia through Invest and Trade WA Perth Hub and the Western Australian Government's Investment and Trade Office in Jakarta. This includes advice and assistance to Western Australian companies looking to export to Indonesia or attract investment to grow their business.

The relationship between Western Australia and Indonesia is also supported by the Western Australia-East Java sister-state relationship. Established in August 1990, this sister-state relationship provides Western Australian businesses with a competitive edge in accessing opportunities in East Java, a province of 40 million people and the powerhouse of Indonesia's economy.

The sister-state relationship provides for cooperation in trade and investment, mining and energy, human resource development, agriculture, tourism, sport, youth affairs, culture and the arts and social welfare.

Indonesia is a key market under Western Australia's Asian Engagement Strategy 2019-2030 which supports:

- » maximising trade and investment opportunities
- » Asia literacy and capability
- » people-to-people links
- » business networks and communities.

The Strategy provides direct support to Western Australian businesses through 2 programs:

- » The Access Asia Business Grants fund initiatives to increase trade and investment with Asia
- » The Asia Business Capability workshops support people in gaining the Asia literacy skills required to develop sophisticated relationships and capture more trade opportunities.

Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)

IA-CEPA entered into force on 5 July 2020 and creates the framework for a new era of closer economic engagement between Australia and Indonesia. It will open new markets and opportunities for businesses, primary producers, service providers and investors.

The leading opportunities for Western Australian businesses from IA-CEPA include:

- » Allowance for higher levels of Australian ownership in joint ventures set up for the provision of mining services in Indonesia and protection against regulatory changes.

- » Duty free access for live male cattle (up to 575,000 head in year one), feed grain (up to 500,000 tonnes in year one) and tariff reductions in frozen beef, sugar, dairy, citrus, potatoes and carrots.
- » Future liberalisation for Australian universities to open campuses in Indonesia.

ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)

AANZFTA entered into force in January 2010, delivering extensive tariff reductions and greater certainty for service providers and investors across ASEAN countries, Australia and New Zealand. The leading opportunities for Australian businesses from AANZFTA include the reduction and eventual elimination for at least 90% of all tariff lines, as well as more liberalised movement of goods through modern and flexible rules of origin, simplified customs procedures and more transparent mechanisms.

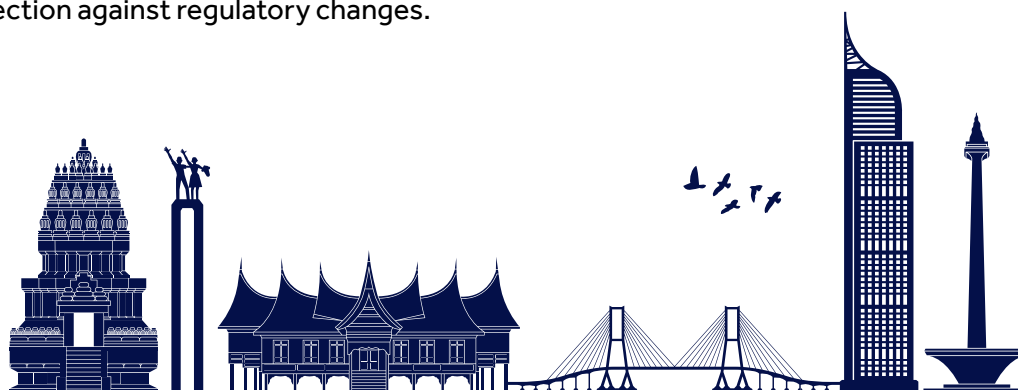
Regional Comprehensive Economic Partnership Agreement (RCEP)

RCEP negotiations were launched in November 2012 between the Association of Southeast Asian Nations (ASEAN includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN's free trade agreement partners (Australia, China, India, Japan, New Zealand and South Korea).

On 15 November 2020, Ministers from 15 countries signed the Agreement. Australia is working towards ratification of the RCEP Agreement in late 2021.

For further information on FTAs with Indonesia visit:

<https://ftaportal.dfat.gov.au/>



Trade and investment opportunities with Indonesia

An outline of trade and investment opportunities with Indonesia is provided below, categorised under Western Australia's key industry sectors.

Each section also describes the Western Australian Government's actions to support businesses pursuing these opportunities in 2021-22. The actions are a combination of initiatives to assist Western Australian businesses to develop their export capability (sector based), and activities that specifically support trade and investment opportunities with Indonesia (market based).

The COVID-19 pandemic has affected both the opportunities that can be pursued and the way the Western Australian Government can practically support Western Australian businesses. The Western Australian Government has adapted its approach to adapt as the COVID-19 situation evolves in both Indonesia and Western Australia.

Energy

Indonesian energy demand is predicted to grow strongly over the medium-term despite impacts from COVID-19. This will put pressure on Indonesia's energy infrastructure and make identifying new energy sources increasingly important for sustaining growth.

The composition of Indonesia's energy demand is also changing. A traditional exporter of LNG, Indonesia is expected to become a net importer of LNG over the next few years.

Renewable energy sources are also increasing in significance, with Indonesia setting a renewable energy target of 23% by 2025. Indonesia is focusing on large scale renewable energy projects, for example East Nusa

Tenggara – the southernmost province of Indonesia – will be the location of a major solar-based power plant. This will create opportunities for renewable energy companies to enter the Indonesian market especially in the solar cell industry and for training in maintenance and repair.

As a large nickel producer, Indonesia has attracted significant investment into its battery industry in 2021. This will provide opportunities for Western Australian businesses in nickel smelter technology and capability, lithium exports, energy storage systems and battery recycling technology.

Western Australian Government actions

- » Implement the Energy Transformation Strategy to attract investment into Western Australia.
- » Facilitate projects to stimulate the renewables industry in Western Australia, including implementation of the state's Renewable Hydrogen Strategy.
- » Work with partners in Indonesia to attract investment into downstream battery materials processing such as precursor-cathode active materials (CAM) and CAM manufacturing.
- » Facilitate engagement between Western Australian businesses and Indonesia's remote and renewable power sectors.
- » Connect Western Australian industry to investment opportunities in the Indonesian LNG sector and facilitate business meetings and seminars to promote joint ventures and partnerships.
- » Continue to implement Western Australia's Lead Agency Framework to facilitate major projects and proposals in Western Australia.



Tourism, events and creative industries

While COVID-19 has disrupted international tourism, Indonesia still offers strong long-term potential as a tourism market for Western Australia. The state's lifestyle advantages and close proximity to Indonesia make it an ideal long and short-stay destination.

In 2019, Indonesia was Western Australia's seventh largest market for international visitors. Indonesia is also one of the fastest-growing markets for cultural and heritage tourism in Western Australia.

The Indonesian Government aims to double the number of tourists visiting its archipelago to 20 million a year. As Indonesia grows its own tourism industry, there could be opportunities for Western Australia to provide expertise and training in infrastructure development and hospitality.

Western Australian Government actions

- » Implement the tourism Reset Plan 2021 and 2022 to ensure industry sustainability and drive international tourism post the COVID-19 pandemic.
- » Reactivate aviation services between Indonesia and Western Australia.
- » Support key distribution partners in-market to promote Western Australia as a premier tourism destination.

International education

The growth of Indonesia's economy is generating additional demand for higher education. There is a need to upskill workers in industries considered vital to the Indonesian economy, including building and construction, port management, transport, manufacturing, engineering, and tourism and hospitality.

With growing demand and constraints on supply from Indonesia's own institutions, the Indonesian Government has introduced regulations that allow foreign universities to establish campuses in Indonesia. The IA-

CEPA opens up opportunities for Western Australian providers of higher education and vocational training, by allowing Australian vocational education and training (VET) providers to own up to 67% of VET entities established in Indonesia.

Western Australia entered into a Memorandum of Understanding (MoU) with the Ministry of Energy and Mineral Resources of Republic Indonesia (ESDM) on 21 June 2021. The MoU provides a government-to-government umbrella for joint training initiatives, with potential commercial outcomes for Western Australian VET providers.

Western Australia's sister-state in Indonesia, East Java, has identified vocational training as a key priority. The Department of Jobs, Tourism, Science and Innovation and Austrade have jointly funded a report on 'Opportunities for Western Australian VET providers in East Java'. The report provides a comprehensive analysis of East Java's training needs and identifies specific opportunities for Western Australian providers in areas such as engineering, farm management, manufacturing, ship maintenance, English language and digital/ecommerce.

There is also an opportunity to increase the number of Indonesians studying in Western Australia. The state's share of enrolments from Indonesia is relatively low, despite Perth's proximity to Indonesia (a 4-hour direct flight from Jakarta) and the high-quality of its education and training institutions. Western Australia can capitalise on its safe handling of the COVID-19 pandemic to market itself as an attractive destination for Indonesian students.

The education business development manager based in Western Australia's Investment and Trade Office in Jakarta works with education agents across Indonesia to promote Western Australia as an education destination, including undertaking education agent training and familiarisation tours.

Western Australian Government actions

- » Continue to implement the International Education Recovery and Renewal Plan.
- » Leverage the state's international education offshore marketing campaign in market.
- » Work with education agents in the region to elevate the profile of Western Australia's education sector and promote study programs offered by Western Australia universities and vocational education institutions.
- » Gather intelligence to provide regular updates on in-market activities and trends to inform Western Australia's international education policy and ensure it is conducive for recovery.
- » Collaborate with Western Australian education providers to undertake promotional activities and roadshows in Indonesia to assist universities and pathway providers in student recruitment.
- » Activate the report Opportunities for Western Australian VET providers in East Java.
- » Implement actions under the partnership with the Indonesian Ministry of Energy and Mineral Resources on joint training initiatives.
- » Support international education consortia activities in Western Australia and Indonesia, including through the international education business development manager at the state's Investment and Trade Office in Jakarta.
- » Promote Western Australia as a favoured education destination within Indonesia, including by:
 - » collaborating with education agents on relevant events and programs that promote the School Curriculum and Standards Authority, universities, TAFE institutions and public and private schools
 - » exploring the possibility of the School Curriculum and Standards Authority offering the Western Australian pre-primary to Year 10 curriculum to select education institutions in Indonesia.
- » Support Western Australian universities based in Indonesia to expand their student, academic and research links in market.

Mining and Mining Equipment, Technology and Services (METS)

Indonesia has a large mining industry, producing globally significant levels of coal, copper, gold, tin and nickel. Opportunities for Western Australian businesses in Indonesia are therefore more in METS, rather than mining exports.

Demand in Indonesia is strong for mining software, specialised mining equipment, education and training services and specialised mining consultancy services. Demand is also growing for technology and expertise in areas such as work safety, environmental sustainability and corporate social responsibility.

Western Australia has a well-established reputation in Indonesia as a global leader in the mining and METS sector. In partnership with Austrade, Western Australia's Investment and Trade Office in Jakarta has developed a report, The Opportunity for Western Australian METS in Indonesia, which provides a roadmap for METS companies seeking access to the Indonesian market.

Western Australian Government actions

- » Continue to streamline approvals processes and regulatory reforms to create a more attractive investment environment for the mining industry.
- » Activate 'The opportunity for Western Australian METS companies in Indonesia report' in Perth and Jakarta.
- » Attract investment into critical minerals projects in Western Australia by:
 - » facilitating understanding of Western Australia's potential as a secure and reliable supplier and processor of critical minerals (including rare earth elements)
 - » developing investment attraction and trade promotion strategies for Indonesia.

Primary industries

Indonesia is an important market for Western Australia's exports of agricultural commodities, particularly wheat and live animals. In 2020-21, Indonesia was Western Australia's largest market for wheat and second largest market for live animals (cattle).

Growth in discretionary income is leading to an increase in demand for imported goods in Indonesia. Demand for food ingredients and innovative technologies for Indonesia's substantial local food-processing sector is also growing. The Western Australian Government's commissioned research found there are specific opportunities in Indonesia for Western Australian suppliers of meat, vegetables, fruit, seafood, dairy and gourmet foods (prepacked salads, yoghurt, chocolates, nougat, honey and olives).

Western Australia's reputation as a reliable supplier of clean, safe and high-quality food,

and its existing agricultural trade relationship, provides a platform to increase supply to Indonesia's growing demand for premium, healthy agrifood products.

Western Australian Government actions

- » Increase visibility of Western Australia's agrifood commodities and premium products in Indonesia.
- » Strengthen links with retailers, hotel and restaurant operators in Indonesia to assist Western Australian agrifood industries to access new market opportunities.
- » Further leverage Western Australia's success in exporting products such as apples, carrots, meat and grain to the Indonesian market.
- » Facilitate virtual business-matching sessions and trade missions to promote the benefits of IA-CEPA and promote market diversification for the Western Australian agrifood industry.



Western Australian business success with Indonesia



Bravo apple and Fresh Flavour of Western Australia

Fruit West Co-operative Ltd is the innovative industry-based business that is licensed to commercialise the apple variety that produces the stunning Bravo™ apple.

After successful entry into Hong Kong, Malaysia, Singapore and Thailand in 2020, Fruit West expanded its presence in ASEAN by entering Indonesia in 2021.

Fruit West appointed Mulia Raya as the exclusive distributor for Bravo apples in Indonesia. The collaboration was achieved through a virtual business matching program, delivered by Western Australia's Investment and Trade Office in Jakarta.

The first ever shipment of Bravo apples arrived in Indonesia from Western Australia in June 2021.

To promote the Bravo apples entry into market, the Western Australia products, the Western Australian Department of Primary Industries and Regional Development worked with Mulia Raya to create the Fresh Flavour of Western Australia marketing campaign.

Fresh Flavour of Western Australia is an in store activity created by the Western Australian Government to promote products from the state, including Bravo apples from Fruit West, Autumn Crisp grapes from Fruitico Pty Ltd, and onions from Patane Produce Pty Ltd. This marketing campaign increased Indonesian consumer awareness of Western Australia's reputation as a reliable supplier of clean, safe and high-quality food.

The Ministry of Energy and Mineral Resources of Republic Indonesia and Western Australia

As part of Indonesia's transition to a low carbon future, the government committed to increasing its renewable energy mix to 51.6% in its recently released Electricity Supply Business Plan 2021-2030. This has led to an increase in demand for a skilled Indonesian renewable energy workforce.

In June 2021, the Indonesian Ministry of Energy and Mineral Resources and the

Western Australian Government signed a MoU to promote collaboration between Western Australia and Indonesia on vocational education and training, especially in electrical and renewable energy. The Western Australian Government, together with City of Joondalup, introduced the National Electrical and Communications Association (Western Australia) as a potential training partner.

In addition to technical training, the Ministry of Energy and Mineral Resources is also looking to source Western Australian professional skills training, such as project management and leadership skills.



Western Australian Government support

Western Australia's Investment and Trade Office in Jakarta has supported Western Australian businesses seeking to access trade and investment opportunities in Indonesia for over 25 years. The office has established a strong network of contacts to support Western Australian businesses in Indonesia. This includes close working relationships with the Australian Embassy in Jakarta and with the Australian consulates in Surabaya, Denpasar and Makassar.

In 2020-21, Western Australia's International Investment and Trade Office Network moved to a regional hub model. The office in Indonesia will continue to operate as part of the ASEAN regional hub, providing the following services:

- » Advice on the Indonesian market and specific trade and investment opportunities
- » Advice on market entry strategies
- » Supporting in-market promotion and visits

Facilitating introductions to potential customers and partners.

Invest and Trade WA

The Department of Jobs, Tourism, Science and Innovation's Invest and Trade WA Perth Hub promotes Western Australia as a destination for investment, provides a 'one-stop-shop' for incoming trade and investment enquiries, and assists Western Australian businesses to develop and expand their export potential.

Contact:

investandtrade@jtsi.wa.gov.au

View Western Australia's Asian Engagement Strategy 2019-2030

www.wa.gov.au/asian-engagement-strategy



Department of
**Jobs, Tourism, Science
and Innovation**

