



GOVERNMENT OF
WESTERN AUSTRALIA

Invest & Trade
WESTERN AUSTRALIA



Indonesia Market Outlook

2022-2023

Trade and investment opportunities
for Western Australian businesses

Indonesia market overview

Largest economy
in Southeast Asia

US\$1.26 trillion

(EIU 2021)

4th most populous
country in the world

270 million

3rd largest democracy (2021)

**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 Invest and Trade WA Jakarta office

\$3.8 billion

12th largest trading partner in 2021-22

\$3.0 billion

8th largest merchandise export market, with 28% of Australia's merchandise exports to Indonesia in 2021-22

Western Australian merchandise exports to Indonesia in 2021-22



30%

Petroleum



27%

Iron ore



18%

Wheat



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

The Western Australian Government supports local businesses pursuing opportunities with Indonesia through Invest and Trade WA. 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 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 development (including education and training, youth engagement and sport), agriculture, tourism and creative industries.

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.

Australian investors and exporters receive preferential market access through free trade agreements. Western Australian businesses looking to expand into Indonesia can reap the benefits of these agreements.

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

IA-CEPA entered into force on 5 July 2020. Building on the ASEAN-Australia-New Zealand Free Trade Agreement, it provides improved access to the Indonesian market for Australian exporters.

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

- » Improved access for live male cattle, frozen beef, sheep meat, feed grains, dairy, citrus, vegetables as well as hot and cold rolled steel coil and copper cathodes
- » Allowance for higher levels of Australian ownership in joint ventures set up for the provision of mining services in Indonesia and protection against regulatory change
- » Improved access for Western Australian business to Indonesian training, university education, mining and related services, tourism, construction services, as well as energy and transport
- » Guarantees that Australian vocational education and training providers can establish majority-owned training institutions in Indonesia
- » A work and holiday visa outcome, reciprocal skills exchange program and workplace skills training program.

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 the Association of Southeast Asian Nations (ASEAN) countries, Australia and New Zealand.

The leading opportunities for Australian businesses from AANZFTA include:

- » Increased access for Western Australian primary producers of meat and livestock, fish, grains, horticulture and wine
- » Increased access for minerals, iron, steel, copper, lead, zinc and aluminium
- » Binding existing levels of market access for various service sectors and guarantee certain legal protections for investment
- » Increased access for the temporary entry of Australian service suppliers.

Regional Comprehensive Economic Partnership Agreement (RCEP)

RCEP negotiations were launched in November 2012 between ASEAN (that 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.

The main benefits of RCEP include:

- » Increased opportunities for Australian business to build and access regional value chains and significantly reduce the burden of complying with rules of origin
- » Increased market access including in education, healthcare and other business services
- » Core investment protection, providing greater protection for Australian investors in these markets
- » Easier access to enter and work in RCEP markets
- » Easier access to government tenders and provided certainty for intellectual property rights holders.

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 2022-23. 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).

Energy

The transition to sustainable energy remains a high priority for Indonesia, with projected increases in energy consumption over the next decade putting pressure on energy infrastructure, particularly in more remote areas. Identifying new sources of energy will be fundamental to economic growth, while net zero emissions targets will require innovative approaches to Indonesia's energy mix.

Currently, Indonesia is the world's largest exporter of coal. Gross domestic consumption of coal in Indonesia increased by an estimated 5.5% year on year in 2021, reflecting rising demand for electric power generated from coal-burning power plants.

Indonesia has significant potential to generate renewable energy through geothermal, hydropower, tidal and solar energy sources. Western Australia is well placed to support Indonesia to explore new and renewable energy sources, as it has world-class energy expertise, strong environmental social governance (ESG) frameworks and leading technology solutions. Further, expertise in delivering standalone power generation solutions to remote communities could be applied to identifying effective energy solutions across the Indonesian archipelago.

Western Australian Government actions

- » 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.
- » Continue to implement Western Australia's Lead Agency Framework to facilitate major projects and proposals in Western Australia.



Tourism, events and creative industries

Indonesia is a world class tourism destination and has committed to develop five 'super priority' tourism destinations, including Lake Toba in Northern Sumatra, Borobudur in Central Java, Labuan Bajo in East Nusa Tenggara, Mandalika in West Nusa Tenggara and Likupang in North Sulawesi. These could present opportunities for potential Western Australian export and investment.

IA-CEPA allows for up to 100% Australian ownership in Indonesian three, four and five-star hotels and resorts, with no geographic limits. Australian investors can own up to 67% of most other accommodation, restaurants, cafes and bars, as well as tour operator services and tourism consultancy services.

Further, Indonesia's expanding middle class represents an emerging market generating new opportunities for Western Australia's tourism sector. Indonesia was Western Australia's 7th largest market for international visitors in 2019¹, accounting for 4% (38,836 visitors) of the State's total international visitors. In 2019 visitors from Indonesia spent \$81 million in Western Australia, accounting for 3% of the State's total international visitor spend.

Western Australian Government actions

- » Establish Western Australia as the most desirable destination choice for international leisure visitors through the delivery of a new world class tourism brand.
- » Support key distribution partners in market to promote Western Australia as a premier tourism destination.
- » Explore opportunities to promote creative industries through artist exchanges as part of Western Australia's sister-state relationship with East Java.

¹ Due to COVID-19 travel restrictions in 2020-2022 the composition of international visitors in these years was significantly different from previous years. International visitor statistics for 2019 provide a better representation of the relative size of each market.

International education

By 2030, Indonesia seeks to add 57 million skilled workers to its economy. Policy priorities reflect a commitment to developing human capital through quality undergraduate education programs and vocational education and training reforms designed to better match labour skills with industry needs.

With a large working population, there is strong demand for training and upskilling. Western Australia has opportunities to provide education and training services to Indonesia, specifically in vocational education and training. IA-CEPA has unlocked potential for Vocational Education and Training (VET) providers, enabling training delivery through majority Australian-owned businesses in Indonesia, providing the full range of Australian qualifications and non-award courses.

Prior to the pandemic (2019), there were 1,199 Indonesians enrolled to study in Western Australia. In 2021, Western Australia recorded 1,010 Indonesian international student enrolments. Following the lifting of border restrictions, Western Australia can leverage the popularity of Australia as a study destination and Western Australia's proximity to Indonesia and world class education offering to attract more Indonesian students to study in Western Australia.

The Australian Government's Excellence in Research for Australia (ERA) mapped Australian capability against Indonesia's workforce needs and identified focus areas for education and training, namely food and agribusiness, digital transformation and healthcare. Indonesia is also focusing on improving infrastructure and its service sector (tourism and hospitality), which also presents opportunities for Western Australia's VET sector.

Western Australian Government actions

- » 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 the State's universities and vocational education institutions.
- » Work with StudyPerth to promote Western Australia as a study destination of choice to educational institutions and student markets in Indonesia.
- » Gather intelligence to provide regular updates on in-market activities and trends to inform Western Australia's international education policy.
- » Collaborate with Western Australian education providers to undertake promotional activities and roadshows in Indonesia to assist universities and pathway providers in student recruitment.
- » Implement the report 'Opportunities for Western Australian VET providers in East Java'.
- » Explore the broadening of opportunities 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 located in the Invest and Trade WA Jakarta office.
- » Promote Western Australia as a favoured education destination within Indonesia, including by:
 - » collaborating with education agents on relevant events and programs that promote the Western Australian School Curriculum and Standards Authority (SCSA), universities, TAFE institutions and public and private schools
 - » exploring the possibility of SCSA offering the Western Australian pre-primary to Year 10 curriculum to select education institutions in Indonesia.
- » Support Western Australian universities to expand their student, academic and research links in-market.

Mining and mining equipment, technology and services (METS)

Indonesia is a leading producer of nickel, tin and coal, with significant bauxite, copper and gold reserves. Like Western Australia, mining is critical for economic activity and employment in regional areas.

With an established mining sector, opportunities exist for Western Australian METS operators. Increasing demand for technology and expertise in areas such as work safety, environmental sustainability and corporate social responsibility provides opportunities for Western Australia to collaborate with Indonesia to move up the value chain through sharing world-class expertise in mining, METS, workforce development, exploration and environmental management and waste solutions.

Indonesian demand for Western Australian iron ore and lithium could increase as it looks to develop its domestic industries. Increased requirements for low emission steel production may also be an opportunity for Western Australia to provide training and expertise to Indonesia.

Western Australian Government actions

- » Continue to streamline approvals processes and regulatory reforms to create a more attractive investment environment for the mining industry.
- » Implement 'The opportunity for Western Australian METS companies in Indonesia' report in Western Australia and Indonesia.
- » 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 ASEAN.



Primary industries

Indonesia's geographic proximity and growing middle class cement it as an important market for Western Australia's exports of agricultural commodities, particularly wheat and live animals. In 2021, Indonesia was Western Australia's largest market for wheat and live animals (cattle).

Precision farming and agricultural technology to boost Indonesia's food production and manufacturing sector is also in high demand, creating opportunities for Western Australian businesses.

Under IA-CEPA, more than 99% of Australian agriculture products will enter Indonesia duty free, further enabling Western Australian exports. 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 Australian Government actions

- » Increase the 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 wine, apples, meat and grain to the Indonesian market.
- » Facilitate business-matching sessions and trade missions to promote the benefits of IA-CEPA and promote market diversification for the Western Australian agrifood industry.
- » Support Western Australia agribusinesses to invest in new market development projects including in the food and beverage sector.

Western Australian business success with Indonesia

Golden Boronia ready to return to Indonesia

With the help of the Invest and Trade WA Jakarta office, Western Australian nougat company, Golden Boronia, is ready to re-enter the Indonesian market to again serve its loyal customers after a long period of absence. Golden Boronia is a well-known brand that was available in the Indonesian market for many years. However, several years ago, Golden Boronia's exports to Indonesia stopped when their local importer ceased operations.

Recognising the opportunity, PT Kastara Primabarkah Indonesia, a local importer that serves both the retail and food service industries, reached out to the Invest and Trade WA Jakarta office for assistance in reestablishing the connection with Golden Boronia. The Jakarta office facilitated an initial meeting between the two businesses.

These discussions have led to the initiation of the product registration process in Indonesia. The Indonesian market can expect the return of Golden Boronia into the market by early 2023.





Collaboration with Singharasi Special Economic Zone, East Java

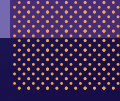
Located in East Java, Singhasari is the first Digital Technology Development Special Economic Zone (SEZ) in Indonesia. Singharasi are currently concentrating on activities around education, animation, film, computing and commerce. The SEZ Singhasari presents many opportunities for Western Australia and East Java to explore under the sister-state relationship.

During the first official Western Australian Ministerial visit to Indonesia in May 2022, the Deputy Premier visited the SEZ Singhasari together with the Vice Governor of East Java. The visit was supported by Austrade Surabaya and attended by Vice Rector of Universitas Muhammadiyah Malang (UMM). The University is developing its Center for Future of Work in SEZ Singhasari, which will focus on preparing future generations for future work and digital transformation.

As a result of the visit, in June 2022, David Santoso, the CEO of SEZ Singhasari, visited Perth and met with several Western Australian stakeholders in the digital and creative industries. The meetings were facilitated by the Invest and Trade WA Perth Hub and the Jakarta office.

The two reciprocal visits have provided a strong foundation for collaboration and ongoing discussions regarding animation courses between SEZ Singhasari and North Metropolitan TAFE. Opportunities are also being explored with Screenwest, Western Australia's screen industry development organisation.





Western Australian Government support

The Invest and Trade WA Jakarta office has supported Western Australian businesses seeking to access trade and investment opportunities in Indonesia for more than 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 2021-22, Western Australia's International Investment and Trade Office Network moved to a regional hub model. The Invest and Trade Jakarta office 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

Invest and Trade WA 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.

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View Western Australia's Asian Engagement Strategy 2019-2030:

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



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

