



**AUSTRALIA-INDONESIA
BUSINESS COUNCIL LTD**
ABN 32 059 751638

**PROPOSED AUSTRALIA- INDONESIA FREE TRADE AGREEMENT
SUBMISSION FROM AUSTRALIA-INDONESIA BUSINESS COUNCIL LTD**

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INTRODUCTION

The Australia Indonesia Business Council Ltd (AIBC) is a national, non-profit business association established to represent the interests of its members in commercial and trade matters between Indonesia and Australia. The AIBC has a vision to be the peak business association concerned with the promotion and facilitation of bilateral trade and investment between Australia & Indonesia.

The AIBC has branches in each state of Australia, in addition to a national board of directors. The membership comprises people seeking trade and investment opportunities in Indonesia , including:

- well known public companies,
- professional service providers (lawyers, accountants, engineers, educational, management consultants),
- government departments,
- small and medium sized businesses.

The AIBC has maintained close liaison in recent years with a number of key stakeholders in the scoping study towards a Free Trade Agreement (FTA) between Australia and Indonesia. These include Ministers and Departments of Trade in both countries, Ambassadors in both countries, and business at all levels.

The AIBC therefore wishes to submit a number of issues which touch on the proposed FTA. Most of these relate to non-tariff barriers to trade and investment.

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ISSUE 1 - APPLICATION AND ADMINISTRATION OF REGULATIONS

A common problem as reported to AIBC, is the lack of transparency and consistency in Indonesia in the application and administration of regulations, laws and policies, and this is a significant non-tariff barrier. If trade between Australia and Indonesia is to be opened up under an FTA and if both parties are going to benefit then this needs to be address and fixed.

Much of Australian industry has perceived on-going problems with the 2007 re-issue of the Indonesian "negative investment" list. This is probably more of a perceived than a "real" problem but illustrates the level of concern in Australia about issues of regulation in Indonesia.

The AIBC would also reinforce concerns about a very real issue in this area, that of continuing confusion in the mining sector with inconsistencies between central and regional requirements. Continued delays in bringing into force long discussed new mining laws have added to this problem.

To address the lack of transparency and consistency in the application and administration of regulations, laws and policies not only will there need to be a willingness to address the issue and ensure change on the part of politicians and bureaucrats but significant training will be required.

ISSUE 2 – TRADE IN SERVICES

Trade in Services is a concern as there are significant barriers to many services exports to Indonesia, particularly legal and accounting services. Indonesia is one of the most restrictive countries when it comes to imported services.

Education of Australian business into new opportunities which could open up in provision of services, particularly corporate training, would be needed.

ISSUE 3 – AUSTRALIAN DOCTORS IN INDONESIA

A recent Director of AIBC reports the following:

My Australian company has a developing relationship with a major Jakarta hospital, where we will launch a new medical service in March 2008. We are also looking at a range of health tourism businesses in Indonesia, and especially Bali.

A major opportunity for Bali is to tap into the thousands of Indonesians, Australians and other nationalities that travel to other parts of Asia for cosmetic surgery/holidays. Along with my business partners, who include 2 of Australia's leading cosmetic surgeons, I have been exploring establishing such a business in Bali.

A major non-tariff barrier appears to be restrictions on foreign surgeons operating in Indonesia, other than as consultants. With such services in high demand, this is an opportunity for Indonesia and Australia to tap into one of the fastest growing global industries - health tourism.

ISSUE 4 – THE WINE INDUSTRY

The very high tariffs which apply to wines (and other alcoholic beverages), combined with present restrictive import licensing, are severely restricting opportunities for increasing exports of Australian wines to Indonesia. As tourism increases in Indonesia, this situation will worsen unless addressed.

ISSUE 5 – AUSTRALIAN TRAVEL ADVISORY

Although it may sound an unusual item to include in an FTA submission, the AIBC firmly believes that the continuance of the present Australian Government Travel Advice is causing significant restrictions on development of export trade to Indonesia. Although the AIBC recognizes the “duty of care owed” by the Australian Government to business (and tourists), there can be no doubt that the threat of terrorist attacks and related security risks in Indonesia, has diminished in the past two years (in no small measure due to cooperation between Indonesian and Australian authorities working in this area). There has been no significant change to the travel advice in that period. Major groups such as Australian Universities and large business, have placed travel bans or very restrictive travel rules on their employees, because of the formal Advice, and this is causing loss of export trade development.

We are aware of constant pressure by the Indonesian Government, to change this situation. The AIBC suggest that a review of the impact of the travel Advice is timely and could assist in lowering this very real non-tariff barrier.

ISSUE 6 – AUSTRALIAN WORK VISAS

There is a continuing shortage of skilled workers in Australia in many trades and professions. Despite plans by the new Australian Government to address this issue through training initiatives, this will take considerable time (probably years) to take effect. Indonesia is suffering from significant unemployment and could provide a greater number of skilled workers to Australia than at present.

The current regulations governing sub-class 457 visas are restricting opportunities to make this potential labour force available to Australian industry. A wider range of occupations (down to ASCO 7) are available for regional 457 visas but not for the more general, “capital city” 457 visa. A concession under a bilateral FTA to allow all 457 visas to include occupations including ASCO 5 – 7 would provide a wider range of potential Indonesian workers for Australian industry.

ISSUE 7 – INDONESIAN STUDENTS

There has been a significant drop in the number of Indonesian students studying in Australia in recent years – we understand almost 20% in less than 5 years. A conservative estimate of the cost of this loss to Australia would be at least \$15M per annum (including loss of student fees and living costs). With the proximity of the two countries and the quality of Australian education, Indonesian student numbers should be rising, not falling. The AIBC is not aware of detailed reasons for the drop but we suggest this area should receive close scrutiny in the lead-up to an FTA.

ISSUE 8 – SMALL AND MEDIUM SIZE ENTERPRISES

The Trade and Investment Framework signed by the Indonesia and Australia Governments in 2005 highlights a need to develop SMEs in both countries, as a means of increasing trade opportunities in both countries. Some initiatives under IASTP III are under way whereby Australian funding will help a relatively small number of Indonesian SMEs to develop export readiness.

The AIBC believes much more could be done in both countries to develop an awareness and skills in their SMEs of the trade opportunities between both countries. Greater involvement of established business in both countries with mentoring of SMEs, with government funding assistance, is one way to enhance this process. The FTA would provide an ideal opportunity to develop this process.

The AIBC would be willing to undertake detailed surveys of its membership on any specific trade development issues leading to an FTA, and invites the Department of Foreign Affairs and Trade to engage in dialogue over this issue.

We also wish to thank DFAT for the opportunity to present this submission.

Blaine Gordon

National President

29 January 2008