

General Review of the Indonesia-Australia Comprehensive Economic Partnership Agreement

Joint submission from the Australia
Indonesia Investor Dialogue and Indonesian
Chamber of Commerce and Industry

AIID
AUSTRALIA
INDONESIA
INVESTOR DIALOGUE



KADIN INDONESIA

Executive Summary

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA)¹ was conceived as a non-traditional agreement that goes beyond tariff liberalisation to facilitate deeper economic integration and business collaboration. As the IA-CEPA enters its next phase, there is an opportunity to build on this foundation by positioning the Agreement not only as a framework for market access but an active platform fit for purpose for investment generation, industry integration and commercial partnership development.

From an investor and industry perspective, the key constraint is no longer market access but execution, specifically the ability to identify opportunities, navigate regulatory environments and deploy capital with confidence. The next phase of IA-CEPA should therefore focus on translating strong policy settings into tangible commercial outcomes, including bankable projects, scalable partnerships and integrated bilateral industries.

Consistent with the original intent of the IA-CEPA, this submission adopts an opportunity led approach, identifying sectors where bilateral collaboration can generate practical and scalable economic outcomes. This submission reflects a joint investor and industry perspective informed by long-standing collaboration between the Australia Indonesia Investor Dialogue (AIID) and the Indonesian Chamber of Commerce and Industry (KADIN) and direct engagement with industries and investors in both countries in support of durable and long-term Australia-Indonesia investment outcomes.



About us

Australia Indonesia Investor Dialogue (AIID)

The AIID is a bilateral investment platform established to facilitate two-way investment and commercial engagement between Australia and Indonesia.² Officially launched on 3 September 2025 in Melbourne at the Parliament of Victoria, AIID provides a permanent, non-membership and independent forum that brings together institutional investors, corporates, industry representatives and policymakers from both countries.

Led by co-founders Eamonn Fitzpatrick, George Marantika and Jack Allen, AIID was established in response to a recognised need to facilitate deeper, long-term investment partnerships aligned with both countries' strategic and economic priorities. Building on the foundations of IA-CEPA, AIID focuses on execution and implementation, supporting the identification of investable opportunities, improving market understanding and helping investors and industries navigate regulatory and commercial complexity.

Working closely with Indonesian counterparts, including KADIN, AIID convenes strategic dialogues, high-level roundtables and sector focused engagements in Australia and Indonesia across priority growth areas. These activities are supported by regular investment briefings designed to provide practical market insights of both nations and align investor interest with policy and project pipelines.

Indonesian Chamber of Commerce and Industry (KADIN)

KADIN is Indonesia's peak business organisation, established by Indonesia Parliamentary Act no 1 1987, is the sole representative of the interests of Indonesia's private sector across all industries and regions. As the official partner of the Indonesian Government on trade, investment and economic policy, KADIN plays a central role in shaping Indonesia's economic development agenda and facilitating engagement between government and industry³. Representing a diverse membership that spans state-owned enterprises, large private corporations and small and medium-sized enterprises and cooperatives with KADIN branches at all of Indonesia's provinces, municipalities and regencies KADIN is a key platform for advancing bilateral economic cooperation and supporting the development of practical, investment-led partnerships between Indonesia and Australia under IA-CEPA.

KADIN engages with a wide range of Australian and bilateral organisations to advance trade, investment and economic cooperation. Its collaboration with AIID reflects a shared focus on investment facilitation and commercial delivery, complementing KADIN's broader and diverse engagement with associations and entities across the Australia-Indonesia relationship.



About this joint submission

This joint submission presented by AIID and the KADIN reflects an active and sustained collaboration focused on investment facilitation, commercial engagement and the delivery of tangible bilateral economic outcomes.

The collaboration is underpinned by a formal Memorandum of Understanding and has been demonstrated through a series of high-level joint engagements involving business leaders, investors and senior policymakers from both countries. These include co-hosting a Sydney business forum and investment roundtable coinciding with the Australia-Indonesia FIFA World Cup qualifier attended by senior ministers including Minister Don Farrell and Indonesia's Vice Minister for Investment and Downstreaming Todotua Pasaribu; a high-level Australia-ASEAN 50th Anniversary roundtable in Melbourne involving Indonesian Coordinating Minister for Economic Affairs Airlangga Hartarto and Penny Williams PSM; a dedicated AI and digital economy roundtable in Yogyakarta, Bandung and Jakarta focused on emerging technologies and commercial applications; and joint participation at the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council meetings and associated business receptions in Jakarta in February 2026. In 2026, AIID and KADIN will continue this collaboration through a series of sector-focused investor and business roundtables and coordinated investment delegation programs, including a KADIN-led fintech delegation to Australia, involving private-sector stakeholders from both Australia and Indonesia.

Since its launch, AIID, working closely with KADIN has engaged institutional investors, venture capital, corporates and government representatives across priority sectors including energy transition, critical minerals, infrastructure, agri-business, digital economy and emerging technologies. These engagements have consistently highlighted that the key constraint to deeper Australia-Indonesia economic integration is not opportunity but execution: identifying investable projects, navigating regulatory settings and building commercial confidence.

This submission also builds on a long history of private sector engagement with IA-CEPA. KADIN has played an active role in shaping the Agreement, including through a 2016 joint submission⁴ alongside the Indonesia Australia Business Council (IABC), the Australia Indonesia Business Council (AIBC), the Australian Chamber of Commerce and Industry (ACCI) and the Australia Industry Group (Ai Group). That earlier work helped lay the foundations for IA-CEPA as a comprehensive agreement encompassing investment, services and economic cooperation.

AIID is one of several organisations with which KADIN works in the Australia-Indonesia bilateral space. AIID's specific mandate is investment facilitation, connecting capital and projects in both directions. This submission therefore complements broader industry and investor perspectives by providing an investor-led, opportunity-driven assessment of how IA-CEPA can be optimised in its next phase to deliver practical and commercial outcomes for both Australia and Indonesia.

Strengthening two-way investment flows

Deepening bilateral investment should be a central objective of the next phase of IA-CEPA. While trade flows between Australia and Indonesia have grown steadily since the implementation of the Agreement in July 2020, investment flows remain significantly below their potential in both directions⁵. From an investor and industry perspective, the opportunity is not only to increase the volume of capital flows but to enable more strategic, long-term and sector-aligned investment partnerships that support industrial development, supply chain integration and economic diversification in both countries.

Despite Indonesia's growing capital base and status as a G20 economy, its investment footprint in Australia remains limited, underscoring a significant opportunity for IA-CEPA to play a more active role in facilitating investment from Indonesia to Australia. As of 2024, the total investment from Indonesia in Australia was valued at A\$1.42 billion⁶, representing a modest share of Australia's nearly A\$5 trillion in total foreign investment compared to A\$144.8 billion from Singapore, A\$24 billion from Malaysia and A\$8.9 billion from Thailand.⁷ There is an opportunity to position Australia more clearly as a destination for Indonesian investment, particularly in sectors such as renewable energy, agribusiness, food processing, property, logistics and downstream manufacturing. Indonesian investors, including state-owned enterprises, sovereign funds and private conglomerates are increasingly seeking international investment opportunities to support growth and diversification.⁸ Facilitating greater investment from Indonesia will support economic diversification, strengthen bilateral ties and contribute to a more balanced economic integration under IA-CEPA. Enhancing Indonesian investment into Australia will require improved awareness of opportunities, clearer navigation of regulatory processes and stronger institutional linkages between investors and project sponsors. IA-CEPA can support this through targeted investment promotion, improved transparency and closer coordination between relevant agencies.

Increasing Australian investment into Indonesia should be a central priority of IA-CEPA's next phase. Indonesia presents significant opportunities across sectors including energy transition, critical minerals, infrastructure, agriculture, critical technology and the digital economy, underpinned by strong long-term growth fundamentals and increasing industrial capability. Despite this potential, Australian investment into Indonesia remains below comparable regional markets. In 2024, the total stock of Australia's investment in Indonesia was valued at A\$1.36 billion⁹ compared to A\$78.3 billion in Singapore, A\$8.8 billion in Malaysia, A\$6.8 billion in Philippines and A\$3.8 billion in Thailand.¹⁰ This remains modest when compared to Australia's global investment stock of over A\$4 trillion, highlighting the underweight nature of Australian investment in Indonesia relative to both geographic proximity and economic potential.

The next iteration of the IA-CEPA can play a more active role in facilitating bilateral two-way investment by supporting clearer investment pathways, improving coordination between government and industry, and strengthening mechanisms that reduce risk and enhance investor confidence. Feedback from investors and industries indicates that the key constraints are not demand-side factors but execution related challenges from regulatory complexity, project bankability, policy consistency and limited visibility of investable opportunities. Addressing these barriers will be critical to unlocking greater Australian participation in Indonesia's economic development and Indonesia's investment in Australia's economy and sectors. This includes developing structured project pipelines, enhancing regulatory transparency and supporting partnerships that enable Australian and Indonesian firms to participate in both nation's industrial and infrastructure sectors.

Priority Growth Sectors for Australia-Indonesia economic and investment cooperation

The following priority sectors represent the strongest opportunities for expanding the Australia-Indonesia economic partnership over the next decade, particularly where IA-CEPA can deepen investment, technology transfer and commercial collaboration.

Priority sectors listed in the IA-CEPA:

➤ **Digital trade and services:** Indonesia's digital economy is one of the fastest growing in the ASEAN region, driving strong demand for data infrastructure, cybersecurity, advanced analytics and digital financial services¹¹. Indonesian firms are increasingly regional leaders in e-commerce, fintech and digital platforms, while Australian firms bring capabilities in cloud services, enterprise software, data governance and regulatory design. IA-CEPA's digital trade and regulatory cooperation provisions provide a foundation for two-way investment, joint technology partnerships and greater interoperability, enabling Australian and Indonesian firms to scale digital solutions, invest in regional digital infrastructure and collaborate across digital value chains.

➤ **Food security and agriculture:** Food security and agricultural resilience are shared priorities for both Australia and Indonesia. Indonesia's growing population and evolving consumer demand are driving interest in reliable, high-quality food supplies, modern production systems and agri-technology. At the same time, Indonesia offers opportunities for Australian and Indonesian firms to collaborate in downstream processing, logistics, agribusiness investment and technology adoption. Australia contributes strengths in sustainable farming, food safety systems and agricultural technology, while Indonesia provides scale, labour, production capacity and growing domestic demand. IA-CEPA supports this partnership through improved market access, regulatory cooperation and investment facilitation across integrated agricultural supply chains in both countries.

➤ **Education and healthcare:** Education and healthcare cooperation under IA-CEPA supports skills development, workforce mobility and institutional partnerships in both Australia and Indonesia. Indonesia's economic transformation is driving demand for vocational training, higher education collaboration and professional skills development, while Australia benefits from deepening educational and research links with one of the Indo-Pacific's fastest-growing economies. Indonesian institutions and providers are increasingly active partners in joint campuses, research initiatives and training programs. In healthcare, opportunities exist for two-way investment and collaboration in hospital management, medical training, digital health solutions and pharmaceutical supply chains. IA-CEPA's provisions on skills mobility and professional recognition underpin the expansion of these mutually beneficial partnerships.

Proposed priority sectors to be added in the IA-CEPA:

➤ **Energy transition and the green economy** Both Australia and Indonesia face the shared challenge of delivering secure, affordable and lower-emissions energy systems as their economies grow. Indonesia's energy transition agenda presents opportunities for collaboration across renewable energy deployment, grid modernisation, energy storage and low-emissions technologies. Australia brings expertise in project development, renewable integration, hydrogen and energy services, while Indonesia offers strong domestic demand, manufacturing capability and opportunities for large-scale deployment. IA-CEPA can support joint investment, technology partnerships and co-development of low-emissions infrastructure, strengthening energy security and sustainability outcomes in both countries.

Priority Growth Sectors for Australia-Indonesia economic and investment cooperation

- **Critical minerals and downstream processing:** Australia and Indonesia are natural partners in critical mineral and battery supply chains. Indonesia's growing downstream processing capacity, particularly in nickel and battery materials, complements Australia's strengths in upstream mining, geological expertise, mining technology and ESG practices. Partnership opportunities include Australian and Indonesian co investment across processing, refining and manufacturing, as well as Indonesian participation in Australian mining and downstream projects. IA CEPA provides a framework to deepen investment facilitation, strengthen supply chain integration and support both countries' roles in global clean energy and electric vehicle value chains.
- **Defence and security:** Growing strategic cooperation such as the Australia-Indonesia Treaty on Common Security¹² creates opportunities for industry collaboration in defence adjacent and security related sectors. Areas such as maritime domain awareness, cybersecurity, logistics, maintenance and technology services offer scope for two way commercial engagement, services trade and skills exchange. While defence cooperation is guided primarily by strategic frameworks, IA CEPA can support industry participation by facilitating investment, services market access and workforce mobility, helping build resilient defence industrial cooperation that supports shared regional stability.
- **Digital economy and emerging critical technologies:** The rapid expansion of the digital economy in both Australia and Indonesia creates opportunities for closer technology cooperation, innovation and investment. Indonesian firms are driving growth in e commerce, fintech and digital platforms, while Australian firms contribute expertise in digital infrastructure, cybersecurity, data governance and enterprise technology. The IA CEPA review presents an opportunity to modernise digital trade provisions to better enable two way digital investment, regulatory interoperability and technology partnerships, supporting integrated innovation ecosystems and shared digital infrastructure development.
 - **Artificial Intelligence (AI):** Indonesia's National AI Roadmap¹³ highlights priority applications in healthcare, education, public administration, smart cities and food security. Australia and Indonesia can collaborate through joint research, talent exchange, pilot projects and regulatory cooperation focused on responsible and practical AI deployment. Australia's experience in AI governance and applied AI can complement Indonesia's scale, data ecosystems and application-driven use cases, supporting shared economic and social outcomes. This presents opportunities for Australian AI companies to establish AI hubs in Indonesia working with talent pools in Indonesia higher education institutions.
 - **Blockchain and digital trust infrastructure:** Blockchain and digital trust technologies offer practical applications for both countries in supply chain traceability, digital identity, payments and trade documentation. These applications are particularly relevant to agriculture, critical minerals and renewable energy, where transparency and compliance are increasingly essential. Collaboration on digital trust infrastructure under IA-CEPA could enhance bilateral supply chain integration, cross-border trade efficiency and regulatory interoperability, benefiting businesses and consumers in both economies.

Priority Growth Sectors for Australia–Indonesia economic and investment cooperation

► **Superannuation:** IA-CEPA was a critical step in removing substantive barriers to the flow of goods between Australia and Indonesia. As part of this review, AIID and KADIN consider that there is now strong scope to expand the remit of the Agreement to address barriers to the flow of institutional investment, which remains a foundational element of deeper cross-border economic integration. Since IA-CEPA was negotiated and concluded, the scale and role of Australia's mandatory pension savings system - "universal superannuation" - has materially changed. Total assets under management have more than doubled, growing from approximately A\$2trillion to around A\$4trillion¹⁴, making it the fourth-largest pool of pension capital globally. As a result of this scale, Australian superannuation funds have increasingly moved beyond domestic investment opportunities and are actively seeking offshore exposure¹⁵. While established investment pipelines already exist across Europe and North America, Southeast Asia's fast-growing economies represent a natural next destination. The region's focus on nation-building infrastructure and projects that enhance regional connectivity aligns closely with superannuation funds' preference for stable, long-term exposure to unlisted asset classes such as infrastructure and private debt. This growing appetite for direct investment is further evidenced by the expanding role of Australian pension funds in corporate finance, where they have recently overtaken traditional banks as the largest source of funding, contributing approximately 44cents in every dollar, compared to 36cents from conventional lenders¹⁶. This reflects both capability and comfort with direct, productive investment. For Indonesia, this presents a significant opportunity. Micro, small, and medium enterprises account for approximately 61percent of national GDP¹⁷, and increased access to patient, institutional capital could play a transformative role in supporting enterprise growth, productivity, and economic resilience.

Despite this alignment of interests, deeper institutional investment integration has been constrained by cultural, linguistic, and regulatory unfamiliarity. This persists notwithstanding the Australian Government's stated commitment to greater regional integration, as articulated in the *2040 Southeast Asia Strategy*. AIID and KADIN submit that a coordinated set of targeted initiatives—combining the removal of structural barriers with proactive investor incentives—can bridge the gap between aspiration and action, unlocking a new phase of mutually beneficial economic integration under IA-CEPA.

► **Sovereign wealth funds:** Both Australia and Indonesia have statutorily independent sovereign wealth funds. Australia's 'Future Fund' was seeded with the proceeds of past budgetary surpluses. The Future Fund has the primary mandate of funding future pension liabilities of commonwealth public servants, it has – over the course of the last decade and a half – been given investment mandates apropos generating income for Government investments in priority sectors such as housing, medical technology, and infrastructural development in Northern Australia.¹⁸ Indonesia's 'Danantara' has been constituted through the commercial consolidation of Indonesia' state-owned enterprises and has been tasked by the current administration with investing – both directly, and through partnerships with foreign state-owned wealth funds – into priority sectors such as renewable energy, supply chain and interregional interconnectivity, and downstream minerals processing.¹⁹ In the view of KADIN and AIID, there is latitude for, and benefit in, creating tax-effective frameworks through which private equity investors can access investment products issued by and conducive to the aims of the mandates carried by both sovereign wealth funds.

Priority Growth Sectors for Australia-Indonesia economic and investment cooperation

➤ **Harmonisation of financial services**

licensing frameworks: Australia and Indonesia are regional hubs for dynamic, micro- and alternative finance providers. Australia is, however, acknowledged to have one of the most conservatively geared financial licensing and regulatory regimes.²⁰ While Indonesia's licensing framework is arguably less restrictive in terms of liquidity requirements and regulatory operating standards, its licensing system is based on sub-industries with separate licence types and operating requirements attaching to sectors such as financial advice, investment management, and capital markets.²¹ Short of the overarching, interjurisdictional regulatory and taxational relief measures proposed in the preceding paragraphs, KADIN and AIID believe that the key to unlocking a greater cross-border flow of capital is to make it easier for financial institutions (at both the retail and wholesale level) to access the licensing and permits required to create operations or overseas entities in the neighbouring jurisdiction.

➤ **Venture capitalism and startup investment incentives:**

The present Indonesian administration has prioritised the development of downstream, 'value-add' industries and domestic capacity.²² In distinct yet adjunctive fashion, the Australian Government has prioritised the need for greater commercialisation of domestically generated Intellectual Property.²³ This has led to a growing trend toward venture capital-oriented private equity institutions in both countries. Both Governments offer various incentives and forms of tax relief where specific criteria around investment in early stage innovative, research and development oriented businesses are met by venture capital firms. In the view of AIID and KADIN, venture capitalist entities in both Australia and Indonesia should not be discouraged from concurrent investment in related research and development fields across both jurisdictions. For this to occur, the harmonisation of equivalent tax benefits must occur.

➤ **Islamic finance:** AIID and KADIN note the exponential growth in the volume and sophistication of Shariah finance institutions across Southeast Asia; but especially in Malaysia and Indonesia. We also note the gradual yet steady growth of the industry within Australia. By way of example, 'Salaam Superannuation' is a Shariah-compliant sub-plan of the Russel Investments Master Trust – a Registrable Superannuation Entity – with nearly \$1 billion AUD in assets under management, as well as nearly 20,000 beneficiaries. AIID and KADIN note that non-Shariah compliant financial institutions suffer comparative disadvantages relative to non-shariah institutions. This is inherent in dynamics such as the inability to access debt-backed, interest-bearing securities and assets – including Retail Investment Trusts, debt portfolios, and fixed-yield interest bearing term deposits. The preference for asset-backed investments denies access to benefits such as franked dividend credits and mortgage-backed equity. Indonesia is the largest southeast Asian economy and is also the world's most populous Muslim-majority country. In consequence, the unique, culturally significant barrier to economic interoperability posed by Shariah financial requirements cannot be overlooked. It merits deferential, structured, and coherent treatment vis a vis interjurisdictional tax arrangements.

Optimising IA-CEPA as a next-phase economic platform

As the IA-CEPA enters its next phase, there is an opportunity for both governments to build on this foundation by positioning the Agreement not only as a framework or market access but as an active platform for investment generation, industry integration and commercial partnership development. From an investor and industry perspective, the priority is no longer simply reducing barriers but enabling the conditions under which businesses and investors can confidently deploy capital, scale operations and participate in bilateral value chains.

To support the next phase of the IA-CEPA, this joint submission recommends the following to the IA-CEPA general review:

- **An opportunity-led approach to the IA-CEPA expansion:** Instead of viewing the IA-CEPA mainly through concessions or regulatory alignment, the focus is on sectors where Australia and Indonesia's economic complementarities can translate into joint commercial activity, co-investment and shared access to global markets. Feedback from investors and industry consistently highlights that the core challenge is not a lack of opportunities but a lack of mechanisms to activate them.
- **Developing integrated bilateral value chains:** A major opportunity for strengthening IA-CEPA lies in developing integrated bilateral value chains. Australia's strengths in upstream production, technology and services complement Indonesia's capabilities in manufacturing, labour and domestic demand. Building joint production systems, particularly in critical minerals, agriculture, energy and advanced manufacturing would deepen economic collaboration, enhance bilateral trade and position both countries to compete more effectively in regional and global markets, especially in sectors linked to the energy transition and digital economy.
- **Recognising the importance of early-stage, high impact projects:** Translating aspiration into action requires prioritising early-stage high visibility initiatives under IA-CEPA. Experience with the Agreement demonstrates that early wins build business confidence and momentum. Pilot projects, such as renewable energy deployment, critical mineral processing, digital trade systems and integrated agricultural supply chains could demonstrate the partnership's value.

A clear pipeline of such projects jointly by government and industry would help position IA-CEPA as a practical delivery vehicle rather than only a policy framework.

- **Strengthening business-to-business engagement mechanisms:** Business-to-business engagement is essential for generating real economic activity. While IA-CEPA provides a governmental public policy framework, more systematic mechanisms are needed to connect businesses, identify opportunities and facilitate partnerships. Strengthening sector specific dialogues, investment matchmaking initiatives and joint industry working groups would help fill this gap. In doing so, IA-CEPA can play a more active role in supporting direct commercial connections that underpin long-term investment and collaboration.
- **Addressing information gaps and market familiarity:** Despite strong macroeconomic complementarities, investment remains constrained by information gaps and limited familiarity with the Indonesian market among Australian and Indonesian firms and investors. Concerns about regulatory complexity, policy certainty and market entry often overshadow recognised commercial opportunities. Addressing these issues requires improved transparency, better access to practical market intelligence and clearer pathways for engagement. IA-CEPA can support this through enhanced information sharing systems, targeted investment promotion and strong cooperation between government and industry bodies.²⁴

Optimising IA-CEPA as a next-phase economic platform

- **Movement of people as an enabler of economic integration²⁵:** Skilled mobility is vital for trade in services, investment and broader economic cooperation. Although IA-CEPA includes mobility and professional recognition provisions, there are opportunities to expand and operationalise them to better meet industry needs. Facilitating the movement of engineers, technical specialists, educators, healthcare professionals and digital talent will help deliver cross-border projects and support knowledge transfer. Improved temporary mobility pathways, mutual recognition of qualifications and streamlined visa processes would significantly enhance bilateral integration.
- **Supporting inclusive and broad-based economic growth:** IA-CEPA's expansion should continue to promote inclusive economic growth in both countries. This includes enabling SMEs to access bilateral trade and investment opportunities and support economic development in regional areas. Enhancing SME participation in supply chains, improving access to market information and facilitating partnerships with larger firms and funds from both countries will be key. An inclusive approach will strengthen the economic impact of IA-CEPA and build broader support for the partnership.
- **Evolving capacity building into joint capability development:** Capacity building remains a longstanding feature of the bilateral relationship but there is an opportunity to shift toward joint capability development aligned with industry priorities. This includes collaboration in workforce training, vocational education, research partnerships and technology transfer across sectors like energy, digital technologies, agriculture and advanced manufacturing. Aligning these initiatives with commercial needs will support a more skilled workforce and foster deeper industry involvement and investment.²⁶
- **IA-CEPA as a living and adaptive agreement²⁷:** IA-CEPA was designed as a flexible and evolving framework. As global supply chains shift and new industries emerge, maintaining adaptability is essential. Strengthening institutional mechanisms for review, consultation and policy refinement will keep the Agreement relevant and optimal. Regular and structural engagement with industry, including investors and business associations will ensure IA-CEPA continues to deliver practical sustainable outcomes.

Recommendations to expand IA-CEPA

The general review of IA-CEPA presents an opportunity to enhance the Agreement's effectiveness in facilitating trade, investment and economic integration between Indonesia and Australia. The following recommendations outlined targeted, sector-specific measures to deepen commercial and investment engagement and support growth across the identified current and proposed new priority sectors.

Current priority sectors:

Digital trade and services

- Modernise the Electronic Commerce Chapter to strengthen mutually beneficial commitments on cross-border data flows, proportionate data localisation safeguards and regulatory interoperability, reflecting both Indonesia's evolving digital regulatory frameworks and Australia's data governance standards.
- Establish an IA-CEPA Digital Economy Working Group bringing together relevant Australian and Indonesian agencies — including Australia's Department of Industry, Science and Resources and Digital Transformation Agency, and Indonesia's Komdigi, OJK and other regulators — to jointly address regulatory, market access and investment issues affecting cloud services, fintech, data governance and digital platforms.
- Embed cooperation on AI, digital public infrastructure and emerging critical technologies through jointly designed pilot projects, including smart cities, digital health, agri-tech and skills exchange initiatives that generate scalable outcomes for both economies.

Food security and agriculture

- Strengthen the implementation of IA-CEPA market access commitments through greater transparency, information sharing and administrative cooperation in agricultural trade, including import licensing arrangements affecting key commodities for both countries.

Digital trade and services

- Expand agricultural cooperation to support two-way capability building in biosecurity systems, cold-chain logistics, supply-chain modernisation and agri-technology adoption, drawing on Australia's technical expertise and Indonesia's scale, production capacity and domestic market.

- Promote joint investment and partnership models, such as feedlots, processing facilities and integrated agribusiness ventures, that support Indonesia's food security objectives while enabling Australian and Indonesian firms to participate in value-added agricultural supply chains.

Education and healthcare services

- Accelerate implementation of IA-CEPA skills mobility provisions by clarifying and operationalising pathways that facilitate two-way movement of educators, trainers, healthcare professionals and technical specialists, supporting project delivery and knowledge transfer in both countries.
- Expand IA-CEPA economic cooperation programs to support reciprocal transnational education and training partnerships, including joint campuses, vocational centres, research collaboration and industry-aligned skills programs.
- Address regulatory and administrative barriers in education and healthcare services through structured bilateral dialogue under IA-CEPA, including on licensing, accreditation, professional recognition and foreign participation frameworks, consistent with domestic policy objectives in both countries.

Proposed priority sectors:

Energy Transition and the Green Economy

- Establish an IA-CEPA Energy Transition Work Program under the Investment and Economic Cooperation Chapters to support joint investment, project development and technology deployment in renewable energy, hydrogen, energy storage and grid modernisation across Australia and Indonesia.

Recommendations to expand IA-CEPA

➤ Expand bilateral regulatory dialogue to increase transparency and predictability in licensing, local content requirements and grid access arrangements, helping investors and project developers from both countries assess opportunities and risks more effectively.

➤ Create an IA-CEPA project pipeline mechanism to identify and progress co-developed renewable energy and low-emissions projects, including pilot hydrogen, energy storage and hybrid systems initiatives that can be scaled across both markets.

Critical minerals and downstream processing

➤ Utilise IA-CEPA investment provisions to facilitate two-way participation across critical mineral value chains, including Australian and Indonesian co-investment in downstream processing, refining and advanced manufacturing, as well as Indonesian participation in Australian upstream and midstream projects.

➤ Develop a dedicated IA-CEPA Critical Minerals Cooperation Stream aligned with national industrial and downstream strategies in both countries, supporting supply-chain integration and long-term investment certainty.

➤ Introduce cooperation on ESG standards, certification and traceability frameworks to support joint access to global battery, electric vehicle and clean-energy supply chains and enhance the international competitiveness of both countries' industries.

Defence and security

➤ Use IA-CEPA's services and investment frameworks to support commercial collaboration by firms in both countries in defence-adjacent sectors such as cybersecurity, logistics, maintenance, maritime services and enabling technologies.

➤ Facilitate reciprocal skills exchange, training and workforce development initiatives through IA-CEPA cooperation mechanisms, particularly in areas such as maritime security and cyber capability that benefit from shared operational experience.

➤ Align IA-CEPA industry engagement initiatives with broader bilateral defence and strategic cooperation frameworks to ensure commercial activity complements shared security objectives while respecting each country's regulatory and policy settings.

Digital economy and emerging critical technologies

➤ Update IA-CEPA's Electronic Commerce Chapter to strengthen commitments supporting two-way digital services trade, digital investment and regulatory interoperability, drawing on international best practice while recognising domestic policy considerations in both countries.

➤ Create an Australia-Indonesia AI Cooperation Framework focused on joint research, responsible AI standards, talent development and commercialisation pathways, supporting practical applications aligned with national priorities in both economies.

➤ Advance cooperation on digital trust infrastructure, including blockchain-enabled applications for supply-chain traceability, digital identity, payments and trade documentation, with a focus on improving transparency, efficiency and compliance across bilateral trade.

➤ Facilitate bilateral investment and co-development in digital infrastructure, including data centres, cloud infrastructure and connectivity, supported through public-private partnerships and IA-CEPA-linked investment mechanisms.

➤ Strengthen participation by Australian and Indonesian SMEs and startups in the digital economy by supporting cross-border e-commerce, innovation ecosystem linkages, market access and access to investment and mentoring networks.

Superannuation

➤ The Australian Government to permit Registrable Superannuation Entities to access grants from the Southeast Asia Investment Financing Facility and Export Finance Australia to underwrite the risk of direct investment in alternative asset classes (i.e., non-securities) within Indonesia.

Recommendations to expand IA-CEPA

➤ The Indonesian Government to examine models through which Australian Registrable Superannuation Entities may, where making investments of a prescribed scale, in a prescribed region (including Special Economic Zones), or a prescribed sector, be provided with relief from the need to acquire and operate assets through domestically-domiciled corporate entities.

➤ Australian and Indonesian Governments respectively examine models through which Australian Registrable Superannuation Entities and Dana Pensiun Lembaga Keuangan (Financial Institution Pension Funds) may, where making investments of a prescribed scale, in a prescribed region (including Special Economic Zones), or prescribed sector, be provided with relief from corporate income tax as well as indirect and provincial taxes (including but not limited to equivalent land and stamp duties imposts).

➤ Evaluate fitness of Australia Indonesia Double Tax Agreement in removing incidental double taxation of offshore dividends, yields, or other such revenue streams which a financial institution may receive from an asset or investment in the other country.

Sovereign wealth funds

➤ Propose an effective 'bond' program, wherethrough an investor may purchase a bond or equivalent product from the neighbouring nation's sovereign wealth fund. The bond delivers a fixed yield and can be tied to investments by the relevant sovereign wealth fund in investments of a particular class, or cross-class exposure.

➤ Up to a threshold to be determined as part of the broader review of IA-CEPA, investments in these special sovereign wealth fund classes are to be taxed at a preferential rate or attract a tax holiday where the investment is made to a prescribed value or held for a prescribed time. This allows investors to offset the comparatively smaller yield of a bond product, relative to direct investment in underpinning assets.

Harmonisation of financial services licensing frameworks

➤ Acknowledging that IA-CEPA is primarily centred on tariff and impost reduction, this joint submission proposes IA-CEPA be expanded to create a collaborative framework for ASIC, APRA, and OJK to explore avenues for the reciprocal recognition of Australian and Indonesian wholesale (or institutional-level) financial services licences and permits; or

➤ Where reciprocal recognition is not feasible or desired, priority should be accorded to the creation of novel, activity-specific bilateral licenses jointly administered by the respective financial services regulators of both jurisdictions.

Venture capitalism and startup investment incentives

➤ This joint submission proposes the IA-CEPA to be updated to include a taxonomy of tax breaks, benefits, and incentives for investment by venture capitalists in early-stage research and development or downstream value-add industries.

➤ Identify how these tax breaks can be extended such that Indonesian and Australian entities investing in relevant fields in the alternative country can gain equivalent preferential treatment to domestic investors entering that same transaction.

Islamic finance

➤ IA-CEPA be reviewed to how the proscription of certain commercial activities and sectors within Shariah finance may constrain the efficacy of tax and tariff reductions otherwise achieved through the framework.

➤ Consideration be given to unique tax and tariff reform and reductions that can be put in place to remove the comparative disadvantage faced by Shariah-compliant financial institutions. This may include, but not be limited to, a fixed value of tax credits accessible to Shariah-compliant entities that seek to do business in Australia, in recognition of lawful minimisation measures unavailable to them (such as the deductibility of interest paid on loans).

Conclusion

The IA-CEPA general review presents an important opportunity to elevate the Australia-Indonesia economic and trade relationship into a new phase of partnership defined by investment, innovation and integrated industry development. While the foundations of the Agreement are strong, the next chapter requires a more active, opportunity-led approach that converts policy settings into practical commercial outcomes. Investors and industries from both countries are clear: the challenge is not the absence of opportunity but the need for mechanisms that it through clearer pathways, stronger regulatory coherence and implementation of the current regulatory framework within IA-CEPA, better information flows and more structured government and business collaboration. It is important to stay focused on the vision of the IA-CEPA which envisions a convergence of the Indonesian and Australian economies through a structured sector to sector convergence of the two economies. Priority sectors alignment as identified in the above is a key success factor to the success of IA-CEPA in the future.

Australia and Indonesia are entering a decade shaped by shared strategic priorities: the energy transition, food security, digital transformation, skills development and resilient supply chains. Each of these areas aligns closely with the complementarities between our two economies and each represents a domain where IA-CEPA can play a catalytic role in supporting bilateral value chains, co-investment, technology partnerships and sustainable economic growth. By strengthening two-way investment facilitation, modernising digital and regulatory frameworks, expanding skills mobility and activating early high impact projects, IA-CEPA can evolve into a dynamic platform that drives real outcomes for both nations.

The ideas and recommendations in this submission jointly presented by the AIID and KADIN provide a practical blueprint for realising this ambition. They reflect the priorities of investors and industry leaders from Australia and Indonesia who are committed to building a more connected and resilient economic partnership. With the right policy and regulatory settings, institutional collaboration and shared commitment, IA-CEPA can help unlock the full potential of the Australia-Indonesia relationship and ensure both economies are better positioned to prosper in a rapidly changing global environment.

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End Notes

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