



Submissions to the General Review of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA CEPA)

Submission by:

- Professor Jennifer Westacott AC, Australia's Business Champion for Indonesia
- Dr William Sabandar, Chief Operating Officer, Indonesian Business Council

Background:

The Australian Government is committed to supporting Australian investment to Indonesia under *Invested: Australia's Southeast Asia Economic Strategy to 2040*. Since IA-CEPA came to force in July 2020, two-way trade between Indonesia and Australia has almost tripled. In 2024-25, Indonesia was Australia's 9th largest two-way trading partner by value at AUD 35 billion. While Australian investment in Indonesia is modest, it has been moving in the right direction, and in 2025 Australia was Indonesia's 9th largest source of Foreign Direct Investment (FDI), with total realised FDI at approximately AUD 1 billion. As Indonesia needs FDI to achieve its growth target, the Indonesian private sector, including members of the Indonesian Business Council (IBC), are equally committed to advancing the bilateral trade and investment relationship — recognizing that while trade flows have grown significantly, deepening investment requires a stable, trust-based foundation that both sides must actively work to build.

Reflecting this shared commitment, in February 2026, nineteen leading Australian investors and peak business groups visited Jakarta for the second investor mission and fifth business mission to Indonesia since the launch of the Strategy. During the mission, the Indonesian Business Council (IBC) hosted the inaugural *Indonesia-Australia Business Roundtable* at the Indonesia Economic Summit 2026, which was co-chaired by Professor Jennifer Westacott AC, Australia's Business Champion for Indonesia, and Dr William Sabandar, Chief Operating Officer, IBC. The Roundtable was attended by senior Indonesian and Australian business and government representatives (see Annex). This submission is the outcome of key points raised during the Roundtable and is endorsed by the Business Council of Australia (BCA).

Both the Indonesian and Australian business communities recognise and appreciate the increased effort by both governments to commit to strengthening the trade and investment relationship by undertaking the General Review of IA-CEPA. Indonesia has signed several new trade agreements since 2020, and now is the opportunity to reposition IA-CEPA as the high watermark for bilateral trade.

Below are participants' concerns and suggestions from the roundtable:

1. Labour market, vocational training infrastructure, and proactive talent mobility:

Availability of skilled labour is critical to progress projects, however, companies need access to broad labour markets to meet skills needs. Excessively 'localised' labour requirements can create a mismatch in skills required versus local availability, and impact project viability. For instance, one company noted that local regency regulations required it to recruit 70 per cent of its project labour force from the local area. We encourage the IA-CEPA General Review to consider examining how national labour laws can be applied more consistently at the local level, so that sub-national hiring requirements better reflect actual skills availability.

Australian companies support initiatives to upskill their local Indonesian workforces. However, more vocational training infrastructure alongside major projects could support workforce upskilling. This may require additional national level policy models around the coordination of bilateral vocational training in high-growth investment corridors.

We encourage the IA-CEPA General Review to consider whether Australia's development cooperation programs like Katalis could work with Indonesia to consider long-term sustainable TVET models to meet industry needs ahead of major project commencement.

We also encourage the review committee to improve the utilisation and understanding of specialised visas, including the Engineering Mutual Recognition Agreement (MRA), offered by Australia for skilled labour under IA-CEPA, of which only a small fraction are currently being used. We further recommend the review consider expanding vocational education and training foreign ownership caps beyond the current 67 per cent, and increasing work-and-holiday visa quotas to deepen the bilateral talent mobility framework.

In addition, we recommend broadening the Skills Development Exchange Pilot under IA-CEPA to include healthcare. This will enable Indonesian nurses to work in Australia, while supporting Australia's aged care system. A successful proof of concept was completed by Katalis last year, and a cohort of Indonesian nurses are currently awaiting visa approval to begin work in Australia.

2. Regulatory Environment

Australian businesses called on Governments to use the IA-CEPA General Review to ensure timely issuance of import permits and quotas. For many Australian companies, a successful export relationship is the first step toward deeper investment in Indonesia. An unpredictable import environment damages business confidence and deters Australian companies from establishing investment partnerships in Indonesia. We recommend the review establish a joint mechanism to proactively identify and resolve non-tariff barriers, with clear timelines for permit issuance and an escalation pathway for disputed or delayed permits.

Both business communities recognize that investment confidence depends on the reliability of commitments between partners, as much as on formal treaty frameworks. Historical instances of sudden and uncoordinated policy shifts have had lasting effects on investor confidence on both sides. We encourage the IA-CEPA General Review to establish a bilateral notification mechanism requiring advance consultation between governments before implementing policy changes that materially affect existing trade or investment relationships. The review should also prioritize alignment of product certification and testing standards between the two jurisdictions, including progress toward mutual recognition of halal certifications ahead of Indonesia's Halal Law implementation in October 2026, reducing the compliance burden on Australian exporters.

The establishment of Danantara was acknowledged as an important co-investment vehicle for Australian investors. Participants encouraged both Danantara and Australian companies to actively pursue partnerships with one another to attract capability, capital, and long-term investment. Both communities encourage the IA-CEPA review to develop a framework under which Danantara can act as the lead co-investor on priority projects, providing a sovereign assurance that effectively de-risks long-term commitments for Australian capital – including for institutional investors such as superannuation funds. Australian participants acknowledge their interest to engage in Danantara's SOE reform agenda including in assets recycling and privatization.

Australian investors appreciate a stable, robust, and predictable investment environment. Participants recommended for the Governments to explore a more streamlined, “concierge-style” investment facilitation model for Indonesia under IA-CEPA to attract more Australian investors – reducing the time, cost, and uncertainty that currently deter new investors from scaling operations in Indonesia.

Both business communities recommend that there be a dedicated process to identify and remove regulations that are structurally unachievable. Regulations that cannot in practice

be complied with erodes the integrity of the investment framework between both countries, and create conditions for contractual disputes.

3. Financial and Taxation System

The Australia and Indonesia Tax Treaty was negotiated in 1992 and requires modernization to increase predictability and certainty in tax treatment between the two jurisdictions. A more competitive and predictable corporate tax framework – including updated withholding tax provisions – would improve investment returns and reduce financing costs for long-term projects. As investment patterns evolve across infrastructure, energy transition, digital services and financial intermediation, updating the treaty would support bilateral capital flows, including through targeted interest withholding tax exemptions or reduced rates for bilateral policy banks and government backed lenders and investors.

Foreign companies have reported facing inconsistent tax treatment in Indonesia, including disputes over methodology. We urge the IA-CEPA General Review team to set out the timeline to update the treaty and consider setting out the taxation standard for investors.

Australian investors also require well-functioning foreign exchange markets to facilitate the conversion and repatriation of capital, profits and dividends in a predictable manner. We recommend the IA-CEPA review address this by developing a bilateral roadmap to deepen Indonesian derivatives markets, which would improve FX hedging capacity and foreign capital inflow (both debt and equity).

4. Public Infrastructure Procurement Process

Australia has investors that are experienced with public infrastructure projects globally and are looking to expand their portfolio in Indonesia. Australian infrastructure investors are keen to partner with the Indonesian Government, and are optimistic on the future project pipeline.

However, they called for stronger upfront project development support, market consultation, government guarantee schemes, standardized documentation, and better financial closing arrangements to ensure projects are bankable before breaking ground.

Investors also flagged the need for strengthening and clarifying the use of IIGF and Ministry of Finance guarantees to cover GCA payment obligations and government related risks. To be effective, guarantees should be comprehensive, cover debt and equity for the contract term, include termination protection and be replenished if called.

We encourage the IA-CEPA General Review committee to set out public procurement standards benchmarked by best international practice to enhance project bankability. Policy should also prioritize private sector entry into commercially viable infrastructure projects, with State Owned Enterprises (SOEs) repositioned as enablers rather than competitors for private capital.

5. Agricultural Trade and Food Security

Indonesia and Australia have complementary interests in agricultural trade and food security. Indonesia's livestock sector has faced significant supply challenges in recent years, creating opportunities for structured, long-term agricultural partnerships with Australia. Both business communities encourage the IA-CEPA General Review to examine frameworks that support sustainable bilateral agricultural supply arrangements – including livestock, feed, and related inputs – as a foundation for deeper food security cooperation. We note that food security is best achieved through reliable bilateral relationships, and that IA-CEPA can play a role in institutionalizing such arrangements against future disruption.

The Indonesian business community notes that Australian biosecurity requirements can create significant compliance complexity for Indonesian agricultural exporters, and encourages the review to consider how greater predictability and advance guidance might ease this burden.

6. Trade Infrastructure and Logistics Connectivity

As bilateral trade deepens under IA-CEPA, gaps in the physical and logistical infrastructure needed to move goods efficiently between Australia and Indonesia risk becoming a binding constraint on growth. High logistics costs, limited direct shipping services, and fragmented inland connectivity continue to constrain the practical benefits of negotiated market access. Australian businesses have noted that transshipment through third-country hubs adds cost and uncertainty that erodes the competitiveness of bilateral trade.

We encourage the IA-CEPA General Review to recommend that both governments treat trade infrastructure as a priority area for bilateral economic cooperation. This includes identifying port, warehousing, and inland connectivity investments that would materially improve bilateral supply chain reliability, and developing co-investment mechanisms through which Australian and Indonesian entities can jointly participate in priority logistics infrastructure.

We also recommend the review consider whether IA-CEPA's investment provisions, currently focused narrowly on power generation, could be broadened to cover the logistics, warehousing, renewable energy infrastructure, digital and technology services, and advanced manufacturing sectors where there is demonstrated Australian investor interest but where foreign ownership caps and approval complexity remain barriers to entry.

Thank you to the review committee for considering this submission.

Yours sincerely,



Professor Jennifer Westacott, AC
Australia's Business Champion for
Indonesia



William Sabandar
Chief Operating Officer, Indonesian
Business Council (IBC)

Annex – Indonesia and Australian Participants

No	Name	Job Title
Indonesian participants		
1	Dr Siswo Pramono	Indonesian Ambassador to Australia
2	Rachmat Kaimuddin	Deputy for the Coordination of Basic Infrastructure, Coordinating Ministry of Infrastructure and Regional Development
3	Tirta Mursitama	Senior Advisor, Ministry of Investment / BKPM
4	Pendekar Leonard Sondakh	Consul General of Indonesia for NSW, QLD, & SA
5	Muhammad Al-Arief	Managing Director, Global Relations & Governance, Danantara Indonesia
6	Dr William Sabandar	Chief Operating Officer, IBC
7	Arsjad Rasjid	Chairman of the Board, IBC
8	Husodo Angkosubroto	Chairman, PT Gunung Sewu Kencana
9	Julian Smith	CEO, Samudera Indonesia
10	Raj Kannan	Partner; APAC & SEA Infrastructure Leader, Deloitte
11	Agung Nugroho	Director of Investments, Danantara Investment Management
12	Daniel Budiman	Vice Chairman, Investment Committee, APINDO
13	Andrew Wanandy	Head of Bilateral Engagement (AU-ID), APINDO
14	Radju Munusamy	Partner, PwC Indonesia
15	Hendrik Jaya Soewatdy	KPN
Australian participants		
1	Prof. Jennifer Westacott AC	Australia's Business Champion for Indonesia
2	Nicholas Moore AO	Australia's Special Envoy for Southeast Asia
3	Roderick Brazier	Australia's Ambassador to Indonesia
4	Dr Paul Grimes PSM	Chief Executive Officer, Austrade
5	Catherine Gallagher	Minister (Commercial) and Head of Austrade, Southeast Asia
6	Justin Whyatt	First Assistant Secretary, Office of Southeast Asia (OSA) - Southeast Asia Strategy and Development Division
7	Garry Embleton	National President, AIBC
8	Oliver Redrup	Director, Plenary
9	Simon Burley	President Director, PT Leighton Contractors
10	Dougal Crawford	GM, Institutional International, Southeast Asia, Export Finance Australia
11	Antony Shaw	Chair of Global Engagement Committee, Business Council of Australia
12	Titus Goh	Investment Director, AustralianSuper
13	Rajkumar Mathiravedu	Group Executive and President Asia, Orica Limited
14	Serena Wee	CEO (ASEAN), Icon

15	Jodi West	President Director – Indonesia, ANZ
16	Wendy Black	Executive Director of Policy, Business Council of Australia
17	Nirad Deshpande	Associate Director, Macquarie Asset Management
18	Wei Sun Teh	Executive Director, IFM Investors Hk Ltd
19	Mariam Kartikatresni	National President, Indonesia Australia Business Council (IABC)
20	David Bradburry	Partner, KPMG Australia
21	Peter McGregor	National Treasurer, AIBC
22	Stephen Skulley	Senior Trade and Investment Commissioner, Jakarta, Austrade