



**THE 3<sup>RD</sup> INDONESIA – AUSTRALIA DIALOGUE  
YOGYAKARTA, INDONESIA  
28 – 30 AUGUST 2016**

**SUMMARY OF PROCEEDINGS**

**Co-Chairs:**

**Ambassador Hamzah Thayeb**

**Ambassador John McCarthy**

**Key Recommendations**

- To support and promote the finalisation of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA).
- To promote business-to-business links including the Indonesia Australia Business Council and the strengthening of the ASEAN-Australia Business Council.
- To promote technology transfer in developing the agriculture industry.
- To establish a working group on innovation cooperation with representation from government, academia, industry and community groups.
- To introduce a requirement for Indonesians studying in Australia and Australians studying in Indonesia to promote cultural, economic and social awareness by delivering presentations and courses.
- To establish entrepreneur-led and entrepreneur-designed programs on Indonesia-Australia opportunities, with a focus on creative industries, the digital economy and social innovation.
- To enhance understanding through digital media and social media.
- To engage social media personalities to provide ballast and a balanced perspective in time of crisis.
- To recommend that various media organisations participate in exchange of articles and publications.
- To strengthen understanding through the promotion of joint activities in all disciplines of arts and culture of both countries.
- To utilise digital technology for social identity engagement and public awareness.
- To encourage Australian companies investing in Indonesia to invest funds in Indonesian cultural engagement.

The third Indonesia-Australia Dialogue was held at Hotel Tentrem in Yogyakarta, 28-30 August 2016. The Dialogue was co-chaired by Ambassador Hamzah Thayeb (Indonesia) and Ambassador John McCarthy (Australia) with 40 participants from both Indonesia and Australia to discuss a broad range of issues such as business, science, education, media as well as social and culture.

### **Minister's Keynote Speech**

Minister for Foreign Affairs H.E. Retno Marsudi delivered a keynote speech which highlighted that Indonesia and Australia are neighbors by destiny. She commended that the dialogue has been able to create interactive and fruitful dialogue among participants on a wide range of areas in the spirit of mutual trust and friendship. Having graduated from the University of Gadjah Mada in Yogyakarta and having been assigned to the Indonesian Embassy in Canberra, Australia, she welcomed the convening of this third Indonesia-Australia Dialogue in Yogyakarta as both Yogyakarta and Australia have special meaning to Minister Marsudi.

Indonesia-Australia relations have been through thick and thin; nevertheless, it continues to be one of the most important relationships which is clearly reflected by the signing of the Comprehensive Partnership in 2005 and the Lombok Treaty in 2006. Minister Marsudi specifically referred to the Javanese proverb "*Rukun Agawe Santosa, Crah Agawe Bubrah*" which means: "*If we maintain cordial relations, it will bring prosperity if we damage relations, it will create adversity*". The message of this proverb could well be set within the context of Indonesia-Australia bilateral relations.

Minister Marsudi further highlighted the key modalities to strengthen Indonesia-Australia relations, namely the shared value of pluralistic democracy and the common and shared interest to enhance mutual understanding.

In response, the Honorable John Anderson, Former Deputy Prime Minister of Australia, appraised that the key points highlighted by Minister Marsudi in her keynote speech have been reflected in the dialogue. He reiterated that Australia agreed on the importance of Indonesia-Australia Dialogue as a forum to further advance the already strong people-to-people links. He further underlined that people-to-people links has proven to be most resilient characteristic despite the dynamics between the two countries. Close cooperation in business and technical levels were seen as tangible aspects among others during the Aceh tsunami recovery (2004) and Yogyakarta earthquake (2006).

The Honorable John Anderson furthermore emphasised the importance of improved understanding by the young generations of both countries as they are the future leaders of the two countries. Therefore, the dialogue is expected to focus on improving cooperation and maximizing the understanding between our the countries through generating new ideas in the context of strengthening the relationship between Indonesia and Australia.

## **Co-Chairs' Welcome**

Ambassador Hamzah Thayeb underlined that promoting people-to-people contact and interaction is the essence of the Indonesia-Australia Dialogue as it would promote constructive dialogue to increase mutual understanding and respect. The Indonesia-Australia Dialogue should not be limited merely as a dialogue; on the contrary it should aim to promote concrete and tangible cooperation.

Ambassador John McCarthy reaffirmed that the Indonesia-Australia Dialogue should be part of the solution in responding to a crisis between the two countries. Given the pace of change in the region and the need for Indonesia and Australia to help shape, and adapt to, those changes in ways which are in the strategic interest of both countries, we cannot not afford dislocations in the bilateral relationship. The need for constant high-level political dialogue was simply too important.

## **Session I – State of the Nations: Politics**

*The session was co-chaired by Dr. Siti Ruhaini Dzuhayatin and Assoc. Prof. Greg Fealy. To stimulate discussion, Nasir Tamara PhD and Greg Earl were trigger speakers for the session.*

The dialogue underlined that the growing public opinion in both societies has become more influential in shaping important issues between the two countries. Reform in Indonesia has transformed the nation into a thriving, more solid democracy as reflected through growing voters' awareness about candidates' policies, allowing pluralism and religion to co-exist, thus providing a firm foundation for Indonesia to play a more active role in the international scene. On the other hand, Australia has shown that its consolidation of democracy is an influential aspect in shaping the current prosperity experienced in Australia. These domestic aspects are what allows both nations to forge closer cooperation in the region as well as globally. It is therefore essential to elevate mutual understanding and cooperation, particularly in responding to the global uncertainty, such as the impact of Brexit, the result of the US Presidential election and the global economic recovery.

Both countries need to promote the habit of dialogue and consultation to exchange views about topics related to the interests of both societies as well as to encourage better understanding and respect of local wisdom as well as shared values and democracy. The dialogue considered that both countries should promote cooperation between parliament including activities to increase mutual understanding about the parliamentary system, as well as about how the majority group in the parliament influences government policies.

## **Session II – State of the Nations: Economics**

*The session was co-chaired by Kris Sulisto and Christine Holgate. To stimulate further discussion, Emirsyah Satar and David Uren were the trigger speakers for the session.*

The dialogue touched upon Indonesia's growing economic potential, among others through the Government's 13 economic packages, demographic dividend (70% under 45 years and 50% middle class) and economic growth of 5%. Whereas Australia has a strong economy with major trade in services, agriculture and mineral resources. At the moment bilateral trade has reached US\$ 10 billion and is still a challenge for both countries to improve further due to fact that Australia is Indonesia's 10<sup>th</sup> largest exporter and 9<sup>th</sup> importer, while Indonesia is Australia's 13<sup>th</sup> largest exporter and 14<sup>th</sup> importer. Investment is relatively low; Australia's investment is valued AUD\$ 8 billion which is considerably small compared to Australia's total global investment that reached AUD\$500 billion. Indonesia's investment in Australia is only US\$ 1.5 billion.

Participants shared the view that one of the reasons for underdeveloped bilateral trade is because both Indonesia and Australia are substantially export-oriented countries and, as such, are competitors rather than natural counterparts. Furthermore, there are different overseas investment priorities for investors to explore. In this regard, Indonesian investors are more focused on exploiting its fast growing domestic market, while Australian investors consider other countries as offering promising investment benefits.

Taking this into account, the dialogue underscored that both countries should promote the complementarity of both economies: for example Australia's move from a manufacture industry/commodity economy to investing-based economy and Indonesia's from an export-oriented economy to manufacture hub economy.

Participants shared the view that Australia should have increased its economic engagement with Indonesia's economy having noted that Indonesia is predicted to be the 4<sup>th</sup> largest economy in the world by 2030. The Indonesian Government must take all the necessary measures so as to be able to implement a sustained economic policy in order to overcome confusion and doubt from the Australian business community who are hesitant to do business and invest in Indonesia.

The dialogue also touched upon the potential to explore closer cooperation in the digital economy. Through the launching of Indonesia's Palapa Ring Project and 6 Digital Economy Policy, Indonesia envisions itself becoming the largest digital economy in Southeast Asia. This has offered both countries another area of cooperation which could help improve the scale of bilateral trade. The Indonesian participants are aware that economic nationalism in Indonesia is on the rise; however they do not consider this as necessarily meaning protectionism.

### **Session III – Cooperation in Innovation, Science and Technology**

*The session was co-chaired by Prof. Frederik L. Benu and Prof. Cheryl Praeger AM FAA. To stimulate further discussion, Patrick Owen and Caroline McMillen were trigger speakers for the session.*

The dialogue underscored that international engagement has been a strong impetus to enhance economic innovation as well as national competitiveness. Therefore, governments have the responsibility to create an enabling environment that allows innovation through policies, human resources and supportive infrastructure. Local leading sectors should be the basis for further cooperation in innovation. The dialogue also noted the beneficial cooperation developed by ACIAR which is focused on the agriculture sector and empowers farmers at the same time.

The role of science and technology is vital and therefore both countries should promote cooperation in research and innovation as one of the pillars of bilateral relations. The dialogue highlighted the existing cooperation between the University of Gadjah Mada and University of Tasmania and the Trilateral Consortium on University Roundtable Meeting between universities in the eastern part of Indonesia, Charles Darwin University and National University of Timor-Leste. Participants indicated possible areas of cooperation such as collaborative research, establishing joint science and technology parks and local industry partnerships, particularly engaging young entrepreneurs.

Participants shared the view that research and innovation are vital to support and develop creative industries such as the fashion industry, for example innovation to produce a modified wool for garment material for tropical markets. Moreover, innovation and research could also support the sustainability aspect related to the food-chain including food security, access to clean water and energy.

The dialogue also exchanged views on how to strengthen cooperation between universities by maximising scholarship funding from both countries. Participants considered the importance of establishing an Australian Centre in Indonesia to promote mutual understanding and respect between Indonesia and Australia. They underscored possible areas of cooperation by promoting exchange of visits such as an Imam exchange program to enrich mutual understanding. Participants also underlined the importance of strengthening Australian alumni networking by conducting a variety of activities including leadership training. Communication and marketing strategy are considered vital to disseminate information about research program to the public.

### **Session IV – Regional and Global Change**

*The session was co-chaired by Phillips J. Vermonte PhD. and Bill Farmer AO. Dr. Siswo Pramono and the Honorable Stephen Smith were the trigger speakers for the session.*

Regional and global change are hinged on a number of aspects, particularly the geopolitical shift of China becoming more influential in shaping the dynamic of international relations; secondly, the geographical characteristics of Southeast Asia which is divided into continental and maritime Southeast Asia; thirdly, the rise of China in the region that has contributed significantly to the economic architecture in Southeast Asia through its various initiatives, such as the establishment of Asian International Infrastructure Bank, “One Belt, One Road” initiative and development cooperation; fourth, the role and the relevance of ASEAN, with ASEAN celebrating its 50<sup>th</sup> anniversary next year. It is in the interest of Indonesia and Australia to see how ASEAN evolves and how Indonesia can maintain its leading role in ASEAN.

Participants exchanged views about recent development in the South China Sea (SCS) among countries in the region, particularly concerning maritime safety as well as the issue of illegal unreported and unregulated (IUU) fishing. Nevertheless, the prospect for peace and stability in the SCS must be built upon the strengthening of dialogue, common interests and economic relations among countries in the region, as both China and other countries in the region equally share an interest in maintaining mutually beneficial trade relations valued at US\$ 2 trillion.

Australia was one of the first countries to establish a dialogue partnership with ASEAN. Australia and Indonesia have strong cooperation at the regional level such as through the Bali Process, the East Asia Summit, G20, the South Pacific, and new issues such as sustainable fisheries and food security. With regard to initiatives to strengthen partnership in the Indian Ocean, such initiatives will add to the current regional geostrategic architecture as highlighted in the Australian Defence White Paper 2016.

The dialogue underscored that Indonesia and Australia could work together not only to strengthen but also to ensure the evolving regional architecture becomes more effective in projecting mutual cooperation for its people. Participants noted that Indonesia has the capacity to be the natural leader – to even become the engine of ASEAN – and as such, it is expected to be more articulate about its role in the region.

#### **Session V – Identification Option for Closer Engagement**

*The session was co-chaired by Meidyatama Suryodiningrat and Prof. Tim Lindsey.*

The dialogue shared the view that both countries have common interests and responsibility in the maintenance of peace, stability and prosperity in the region. Nevertheless, there are perception issues between the two countries which need to be properly addressed to achieve stronger bilateral cooperation. On the economic front, the dialogue recognised there is strong potential in both countries, however both countries need to address the lack of interest from investors, as well as to support policies that promote economic complementarity. In the media, social and culture area, the dialogue considered these areas

of cooperation – which thus far remain underdone – as strategically important. Both countries need to pay more attention to supporting and facilitating activities in these areas.

Participants further were of the view that Indonesia, being an important country in the region, could play an essential role in the region. Therefore, the dialogue considered Indonesia should elevate its foreign policy profile. On the other hand, Australia considered it to be strategically important to elevate its engagement with Indonesia.

While commitment at the government-to-government level is solid, participants noted that the political commitments were still less articulated within the domestic public of both. Therefore, the dialogue discussed ways to promote the importance for closer engagement between the two countries including through people-to-people links and the various areas of cooperation represented by participants.

## **Summary of Recommendations**

### **Working Group 1: *Business***

*Co-Chairs: Iwan Lukminto and Chris Sargent*

- To support and promote the finalisation of the Indonesia – Australia Comprehensive Economic Partnership Agreement (IA-CEPA). IA-CEPA to include permitting e-commerce trade with limited restrictions provided it is B2C.
- To promote business-to-business links including the Indonesia Australia Business Council and the strengthening of the ASEAN-Australia Business Council.
- To support the New Colombo Plan for young Australian students to experience studying and to have internship program in Indonesia, including the possibility to broaden the New Colombo Plan beyond university graduates.
- To promote “point-to-point” connection between Australia to Indonesia and vice-versa in distributing goods.
  - ➔ Form a working group on transport logistics, particularly looking at ports.
  - ➔ Initiate discussions between Australia Post and Indonesia Post on direct parcel delivery.
  - ➔ Low Cost Carrier establishing routes between second tier cities.
- To promote technology transfer in developing the agriculture industry.
  - ➔ Investment opportunity to grow cotton and wool processing.
  - ➔ Greater co-operation on eucalyptus oil production.
  - ➔ Collaboration on Indonesian natural medicines.
- To change visas to Australia to allow Indonesian students to obtain meaningful work experience in their field of study (e.g. allow blocks of working time instead of 20 hours per week). Consider if the onus is on Universities or the Government to supply the work experience.

## **Working Group 2: Education and Research**

*Co-Chairs: I Made Andi Arsana and Paul Ramadge*

- To establish a working group on innovation cooperation with representation from government, academia, industry and community groups.
- To increase the engagement between academia and industry through research in the industrial sector.
- To establish two-year professorships – an Indonesian in Australia and an Australian in Indonesia – to provide education/research thought leadership.
- To establish entrepreneur-led and entrepreneur-designed programs on Indonesia-Australia opportunities, with a focus on creative industries, the digital economy and social innovation.
- To set up Indonesia-Australia Youth Ambassadors under the New Colombo Plan.
- To conduct a Vocational Education and Training (VET) needs analysis with government and industry in Indonesia and develop targeted education and training programs.
- To strengthen the “diploma to degree” education pathways between the two nations.
- To develop and introduce joint Indonesia-Australia PhDs with industry partners to strengthen industry-academia links in priority areas.
- To introduce a requirement for Indonesians studying in Australia and Australians studying in Indonesia to promote cultural, economic and social awareness by delivering presentations and courses.
- To introduce fast-tracked visas (short and long term) for students, researchers and academics.
- To continue to promote greater two-way movement of students and researchers.
- To continue to maximize the opportunities for Indonesian alumni of Australian higher-education institutions – and vice-versa – to be “ambassadors” of the relationship.
- To subsidise in Australia of learning of Indonesian language.
- To re-ignite the teaching of Indonesian in Australian schools

## **Working Group 3: Media**

*Co-Chairs: Putra Nababan and Lynley Marshall*

- To enhance understanding and collaboration through digital media and social media.
- To engage social media personalities to provide ballast and a balanced perspective in time of crisis.
- To review the second Indonesia Australia Dialogue on March 2013 and to pass the recommendation to IAAC to examine how to update the database of experts.
- To recommend that various media organisations participate in exchange of articles and publications.

#### **Working Group 4: Social and Culture**

*Co-Chairs: Abdul Mu'ti and Holly Ransom*

- To promote people-to-people understanding by encouraging dialogue among different cultures to overcome the misperception and misinterpretation.
- To strengthen understanding through the promotion of joint activities in all disciplines of arts and culture of both countries.
- To utilise digital technology for social identity engagement and public awareness.
- To provide greater funding to arts and cultural programs designed to engage, involve and amplify youth and contemporary culture, and to initiatives utilising digital platforms to further cultural and social engagement and understanding.
- To establish Indonesian cultural exchanges, works and artists as a priority for the Australian Government's Arts and Cultural 'Catalyst' fund.
- To encourage the Australia Council to allocate funding to foster greater connections and opportunities between the Australian arts sector and Indonesia.
- To encourage Australian companies investing in Indonesia to invest funds in Indonesian cultural engagement.
- To consider opportunities for both the Australian and Indonesia Business weeks to involve cultural showcases in order to open up more private funding opportunities for cultural and social engagement between our nations.
- To promote cultural works that explore the complexities of Islam, to advance our diplomatic goals of greater cultural understanding.

#### **Closing by Co-Conveners**

Ambassador Hamzah Thayeb commended that the Indonesia-Australia Dialogue was held in a frank, open, cordial and friendly manner where discussions touched the importance of enhancing mutual understanding and cooperation. Ambassador Thayeb noted that the dialogue was a mechanism to nurture habit of dialogue and consultation in particular on topics related to the interests of both societies. Most importantly, Ambassador Thayeb encouraged all participants to follow-up the highlights from the dialogue by implementing them in accordance to their capacity, reflecting participants' shared ownership and contribution to this dialogue.

Ambassador John McCarthy applauded all participants' contribution to enlivening the dialogue and their effort to identify commonalities despite their different backgrounds. He reiterated that understanding the key aspects of domestic issues were crucial to better project foreign policy as well as to promote better mutual understanding. As a country with an outlook, culture and systems that are essentially western, Australia's foreign policy challenge was unique in that most of the countries within its primary foreign policy focus had entirely different historical backgrounds to our own. This is different to, say Canada

or the Netherlands. This means that Australia has to do more by way of public diplomacy to tell others about us. Australia also needs to do more to educate Australians about the region. In both these endeavours Indonesia is central.

The Co-Conveners proposed that the Indonesia-Australia Dialogue should be held on a regular basis once every 18 months. As such, the next Indonesia-Australia Dialogue would be held in Australia in the beginning of 2018.