

Indonesia

Australia's engagement with Indonesia rebounded in 2010 by 53.2%, driven by trade, tourism and education. The latest rise seems to confirm an upward trend in the past five years or so, as shown in Figure 18.

Indonesia accounted for a relatively small 2.3% share of Australia's world trade in goods and services in 2010, and 4% of Australia's trade with Asia. While Australia's imports from Indonesia rose in 2010 by almost 17%, exports fell, albeit by a lesser amount of 5%. Meanwhile a similar but more magnified pattern was recorded for investment flows between the two countries; net investment inflows fell by 64% but net outflows rose by 321% (from a low base); investment flows with Indonesia account for less than 2% of Australia's overall investment engagement in Asia.

These relatively small investment and trade shares belie the importance of the Indonesian relationship to Australia. As Australia's closest Asian neighbour in geographic terms, and as the third most populous nation in Asia after China and India, there are good reasons in both countries for encouraging economic, political, security, cultural and social engagement. Hence, Australia and Indonesia cooperate in practical ways on a range of international issues, including counter terrorism, illegal fishing, people smuggling, avian influenza, climate change and interfaith dialogue. Australia is the largest bilateral grant-based donor to Indonesia.²⁸

As a member of ASEAN, Indonesia is a party to the ASEAN–Australia–New Zealand Free Trade Agreement (AANZFTA) signed in February 2009, the largest region-wide FTA Australia has ever signed. Austrade continues to encourage Indonesia to maintain liberalised trade and investment regimes. Austrade has identified significant export opportunities for Australia in Indonesia – in agribusiness, food and beverages, consumer products, ICT, and mining services, amongst others.

In July 2010, the Australian Foreign Minister and his Indonesian counterpart discussed the commencement of an Annual Leaders' Meeting and '2+2' meetings of foreign and defence ministers from both sides.

In April 2011, Australia's Trade Minister met his Indonesian counterpart at the 9th Indonesia–Australia Trade Ministers' Meeting in Indonesia to discuss bilateral trade and investment issues. They also discussed progress of the third round of Indonesia–Australia Comprehensive Economic Partnership Agreement (IA–CEPA) pre-negotiation consultations held earlier that month, noting that the IA–CEPA consultations were preparing a solid foundation for the start of formal negotiations later this year.

²⁸ DFAT Indonesia Country Brief, <http://www.dfat.gov.au/geo/indonesia/>

Figure 18: Indonesia Index

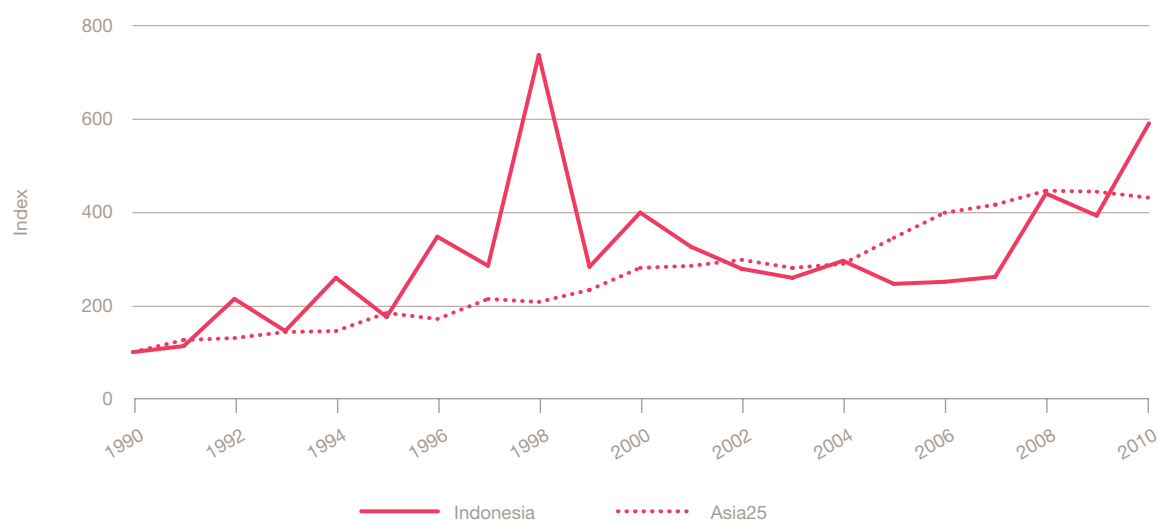


Table 14: Index trends for Indonesia

	1990	1995	2000	2005	2009	2010	% change 2009–10
Indonesia	100.0	169.4	384.8	236.9	381.5	584.4	53.2
Asia25	100.0	188.7	289.1	355.7	453.5	442.1	-2.5

Components of the Indonesia Index

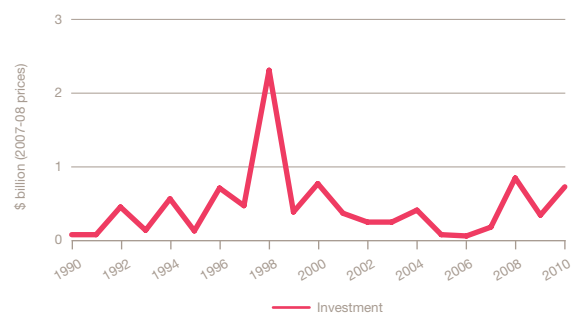
Trade

Indonesia accounts for a relatively minor share of Australia's trade with Asia. The Indonesia Trade component rose sharply by 11% in 2010, reflecting a large rise in imports and a small fall in exports. Around 80% of Australia's exports to Indonesia are merchandise goods, largely agricultural goods and aluminium. The main services trade with Indonesia are education-related travel and tourism. A big increase in the number of tourists travelling to Indonesia for holidays contributed to the rise in overall service imports.



Investment

The Investment component increased sharply in 2010, albeit from a low base; investment with Indonesia is of relatively minor significance in Australia's overall investment relationship with Asia. The net flow of Australian investment into Indonesia during 2010 was around 10 times the size of the investment in the opposite direction, at \$658 million.



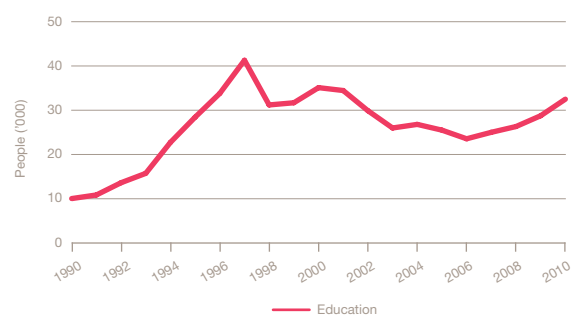
Research and business development

The Indonesia R&BD component fell in 2010 due to a sharp fall in patent applications and a smaller fall in research publications. These falls more than offset increases in the number of Australians and Indonesians travelling between the two countries for business and education reasons.



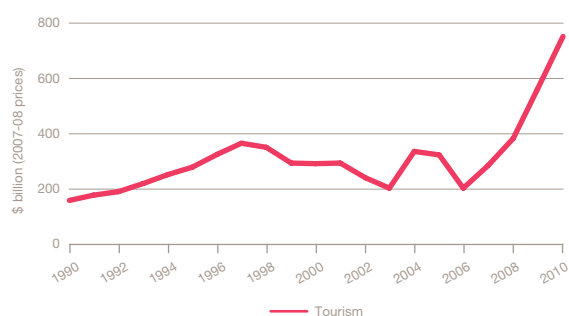
Education

Indonesia and Australia enjoy a strong bilateral education relationship. The Education component increased sharply in 2010, reflecting a significant rise of 36% (off a relatively low base of just over 5,000), in the number of Australians travelling to Indonesia to study and a more modest 8% increase in Indonesians coming to Australia for education purposes. Australia's development assistance in Indonesia has a strong education component. Indonesia accounted for 6% of foreign Asian students travelling to study in Australia in 2010.



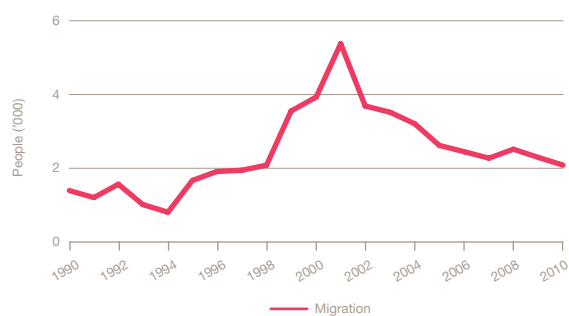
Tourism

Tourism engagement between Australia and Indonesia grew sharply in 2010, with a total of almost 752,000 movements of people between the two countries. Australia's outbound tourism to Indonesia rose by 38% in 2010, while there was a 15% increase in the number of Indonesians coming to Australia. Clearly the sharp rise in the value of the Australian dollar is encouraging Australians to holiday abroad.



Migration

Migration between Australia and Indonesia is relatively small, accounting for just 3% of total migration flows between Australia and Asia in 2010. The Migration component fell by 13% in 2010, due primarily to a fall in the number of Indonesians immigrating to Australia to just 1,300 people. Around 700 left Australia permanently in 2010. There were 73,527 Indonesian-born residents of Australia in 2010.²⁹



Humanitarian assistance

Humanitarian assistance continued to fall sharply in 2010 reflecting, primarily, a sharp fall in the number of Australian volunteers working with NGOs in Indonesia. This offset increases in both scholarships awarded to Indonesian students to come and study in Australia, and in the number of Australian doctors, nurses and teachers stationed in Indonesia. Australia is the largest bilateral grant-based donor to Indonesia.³⁰



²⁹ ABS Cat. 3412.0 Migration Table 4.7.

³⁰ DFAT Indonesia Country Brief.