

Investing in human capital

Building Indonesia-Australia Education Powerhouse

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A quick refresher

- Our FKP webinar have explained the structure of IA-CEPA
- Bilaterally: close diplomatic but distant economic relationship
- In investment: human capital seems to be the focus, i.e. higher education and health

The banner features a red background with a close-up of a person's face. The text is white and yellow. The title is in large white font, and the date and time are in smaller white font. The speakers' names and titles are listed below their respective portraits.

#CIPSEvent Webinar
**How Will IA-CEPA
Contribute to Indonesia's
Food Security and Economy?**
Tuesday, 23 June 2020
10.30-12.00 WIB

Sally Deane
Austrade
Senior Trade Commissioner

Valeska
Meat & Livestock Australia
Country Manager for Indonesia

Pingkan Audrine Kosijungan
Center for Indonesian Policy Studies
Researcher

Felippa A. Amanta
Center for Indonesian Policy Studies
Researcher

Some early outcomes in education and health



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Monash University announces new campus in Indonesia



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1)Price based on IDR/AU exchange rate as of 14 October 2016, correct at time of printing but subject to change.



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— Exclusive — Aspen Medical, Docta ink \$1.3bn Indonesia healthcare deal

What happened since 23 June 2020

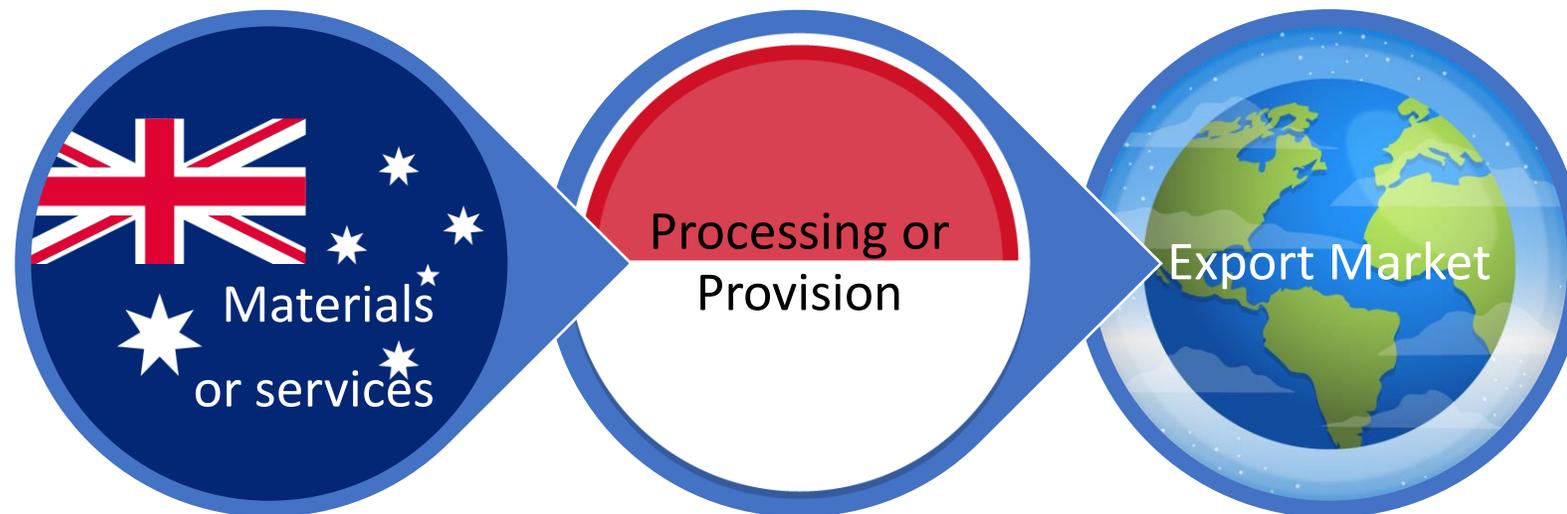
- Both economies went into recession after decades of growth
- About 2.5 million Indonesian lost their jobs, 24 million experience reduced work hours
- Major investment reform in Indonesia: Job Creation Law (UU Ciptaker) and Presidential Regulation (PerPres) 10/2021



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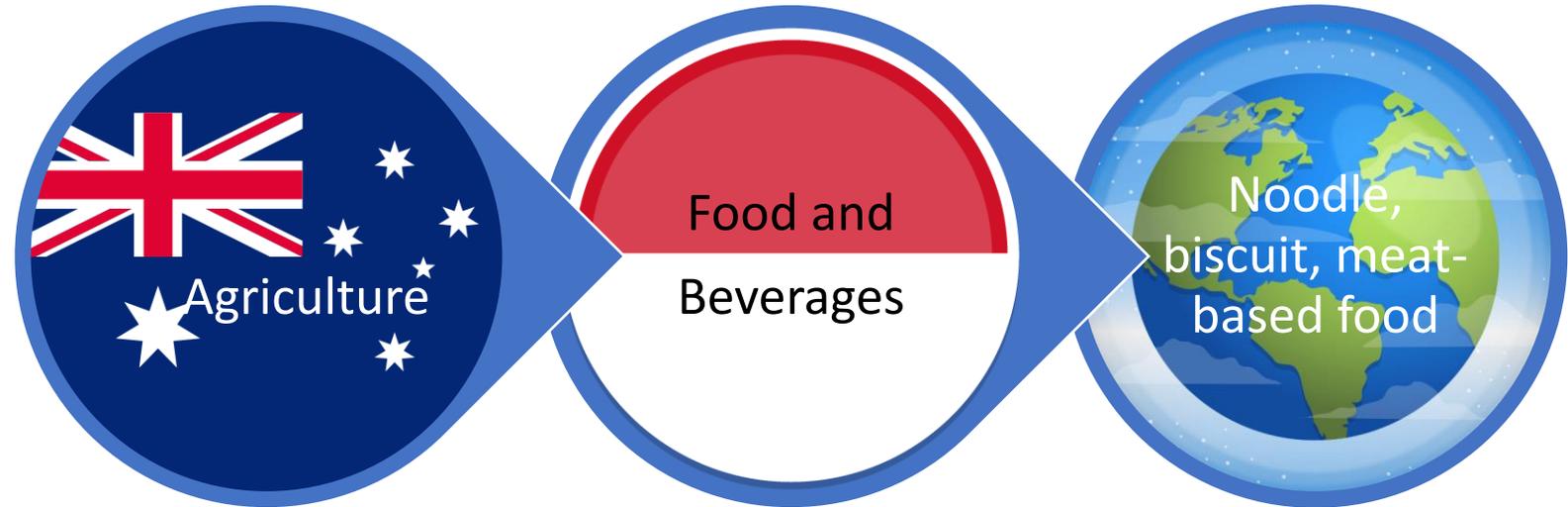
Recovery through Powerhouse

- COVID-19 induced GVC reshoring vs regional nearshoring
- IA-CEPA focus should extend beyond the two partners to create a Regional Economic Powerhouse
- Combining complementary strengths to supply third markets

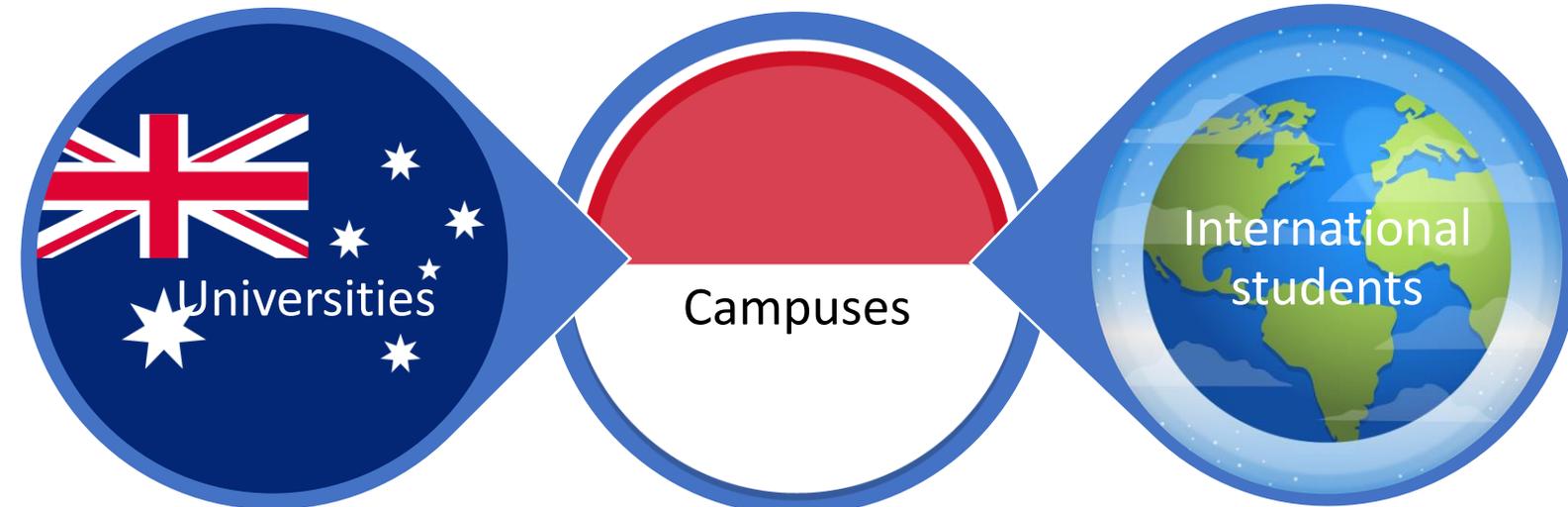


Leveraging complementarities

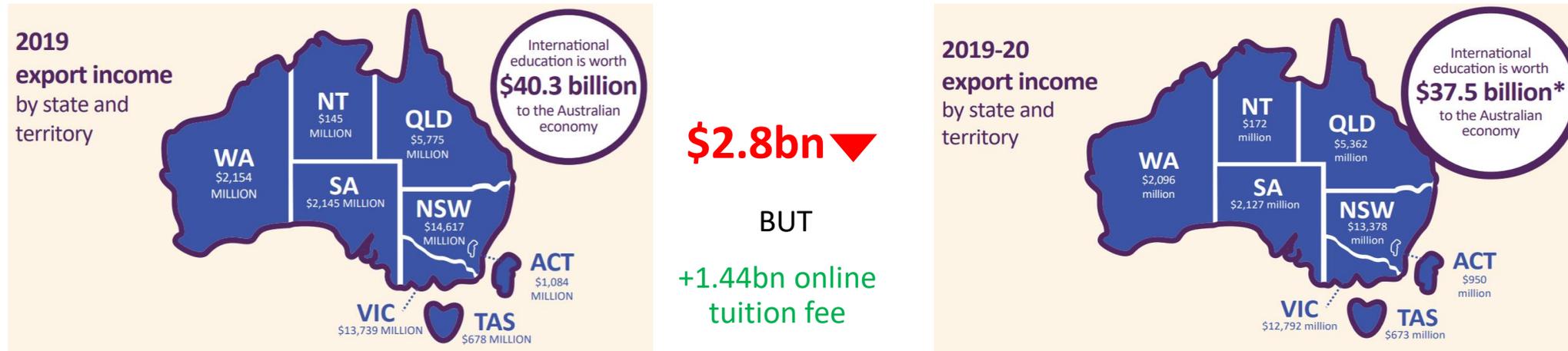
Agrifood
Powerhouse



Higher Education
Powerhouse



In Australia: COVID-19 caused int'l student drought



Source: Department of Educations, Skills and Employment

- Education is the 4th largest Australian export
- Hi-ed hosts 46% of imported (international) students
- Top ten senders are Asian countries

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International students won't return until 2022

Julie Hare Education editor

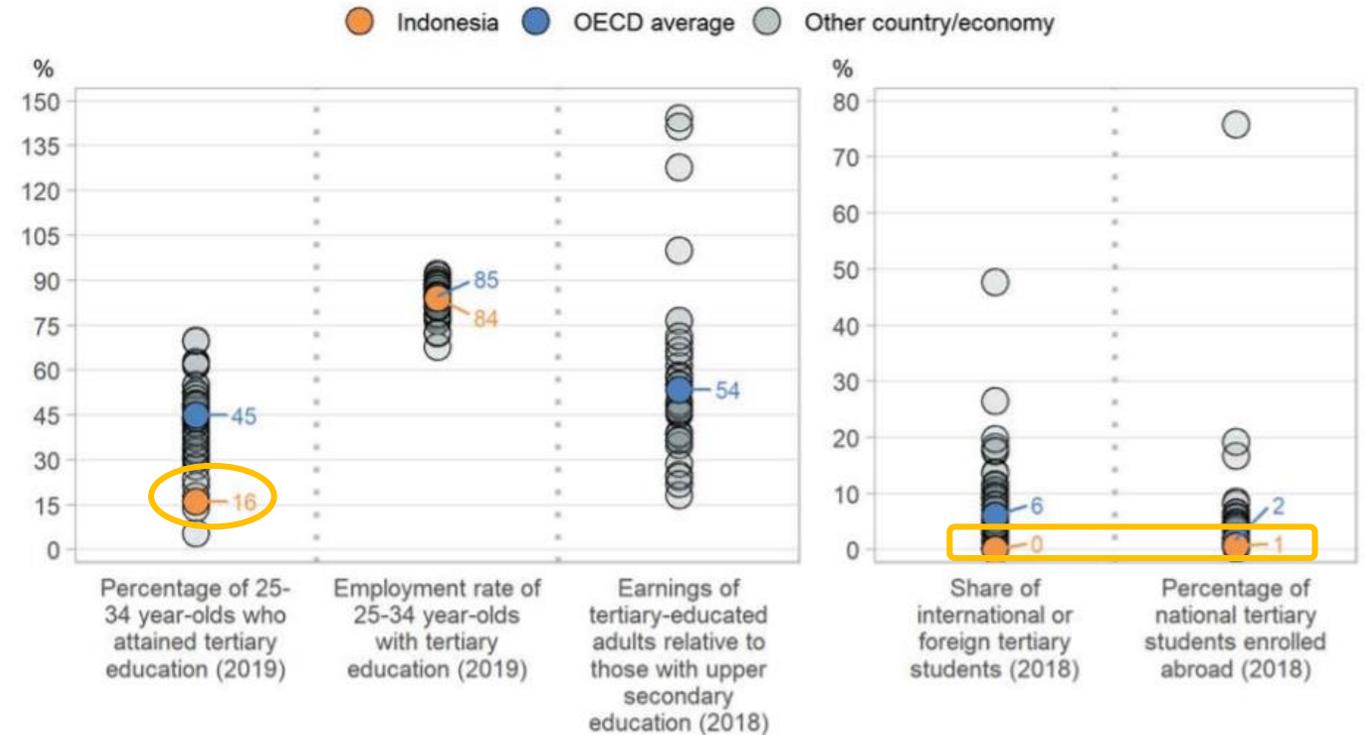


Mar 31, 2021 - 12.00am



In Indonesia: human capital upgrade needed

- Only 16% of 25-34 year-olds Indonesians took tertiary education
- Mostly Bachelor (S1) degree
- Strongly domestic:
 - Inbound international student virtually nil
 - Outbound international student about 1%

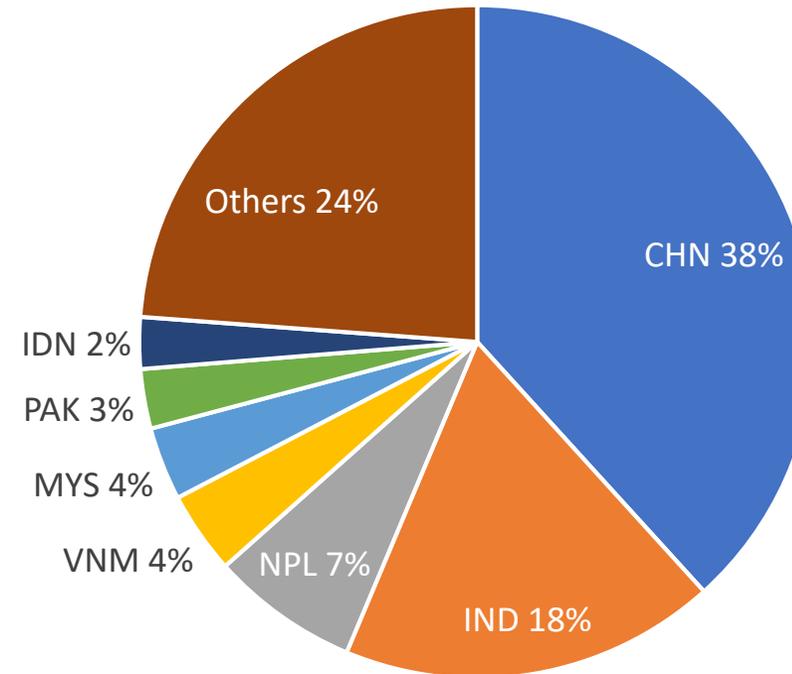


Source: [OECD, 2020](#)

Australian providers: reputational benefit, huge growth potential, but a re-think needed

- Australia is #1 overseas education destination for Indonesian students, welcoming around 10,000 students annually
- Over 30 million aged 25-34 with no tertiary education + 22 million aged 20-24 coming online soon
- But historically, 99% stays in-country
- So, the “onshore” export model may not be the best

2018 Overseas Student Enrollment in Australian Higher Education



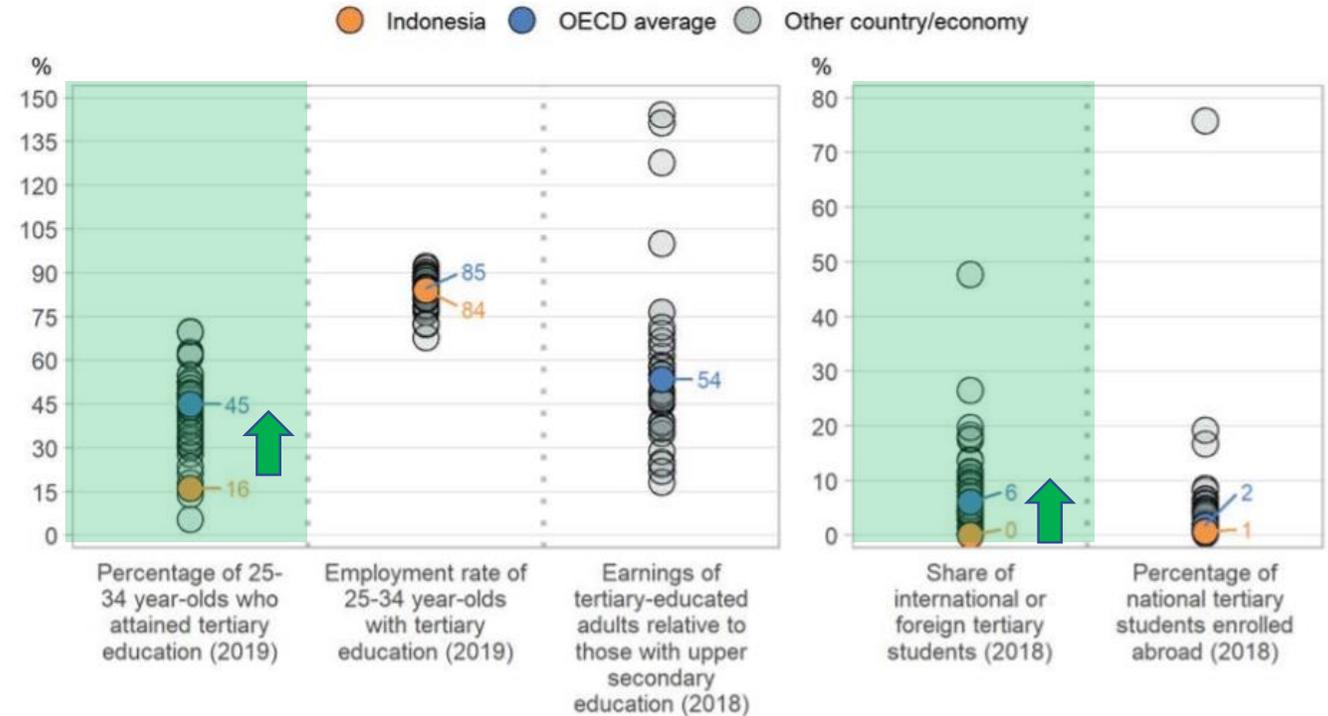
Source: [Ferguson & Sherrell, 2019](#)

Education Minister Alan Tudge on Australian international education:

“... forces a rethink of that model [the onshore, on-campus international education] ...”

Indonesian uptake: expansion required

- A 16% market size will be less appealing for FDI
- The low enrollment rate may be symptomatic of quality, accessibility & affordability issues
- Potential to increase this by welcoming international students
- Double benefit: more customer for local universities and more FDI interest from foreign universities
- Malaysia provides good example



Source: [OECD, 2020](#)

Lessons from across the strait

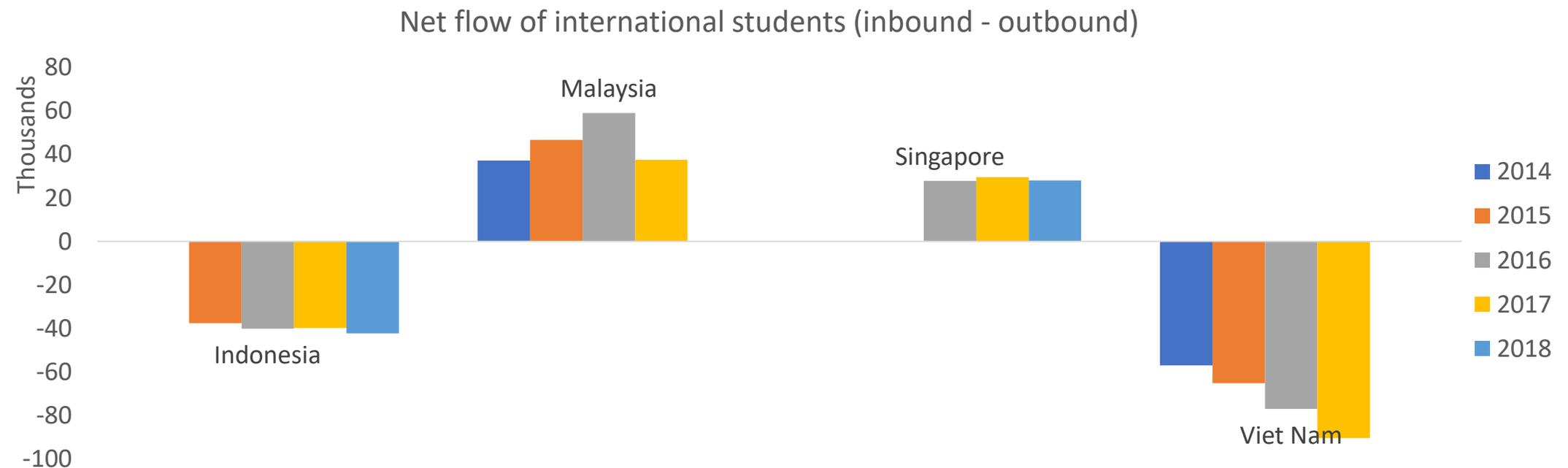
- In 2006, Malaysia began opening up both supply and demand pipeline in higher education
- Universities from Europe, Asia and Australia set up Malaysian campuses; international student entry process was simplified and even subsidised
- Win-win-win-win solution:

	Local students	International students
Local universities	Improve quality to maintain attractiveness	Larger student recruitment pool, more income
Foreign universities	More international-standard choices	Lower cost of living, good quality education

And the country is the biggest winner overall

Malaysia the regional higher education hub

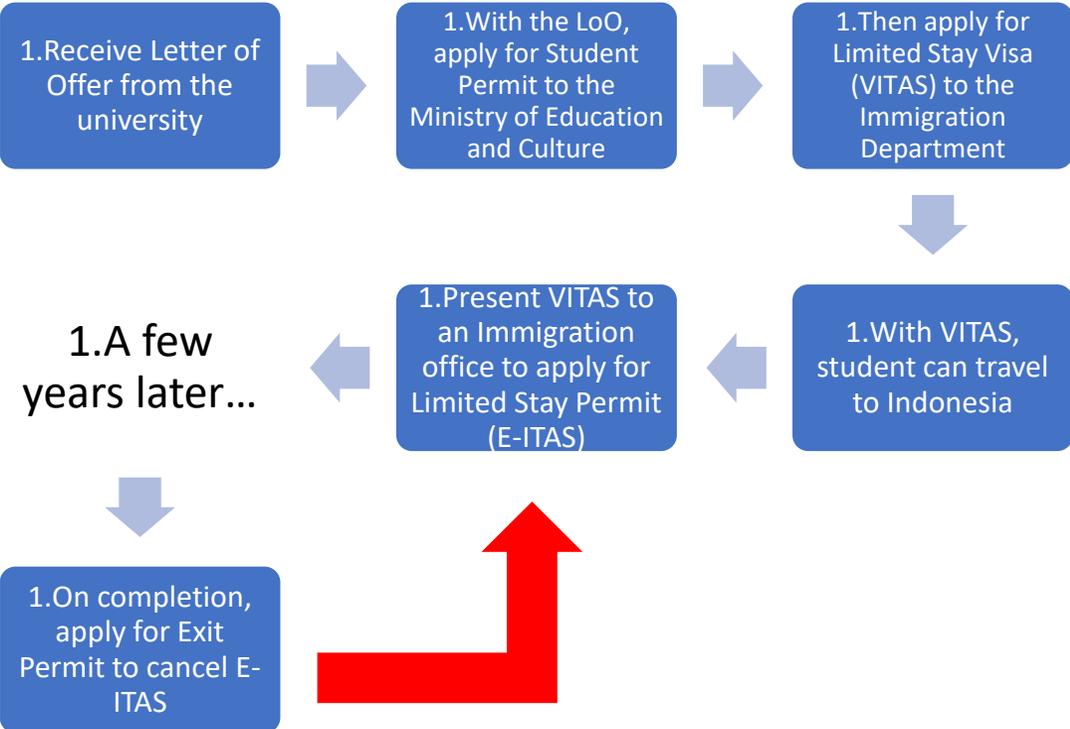
- A new export industry: Malaysia is the 9th largest higher education exporter in 2014 attracting over 100,000 international students
- Highest net inflow of international students compared to its near neighbours



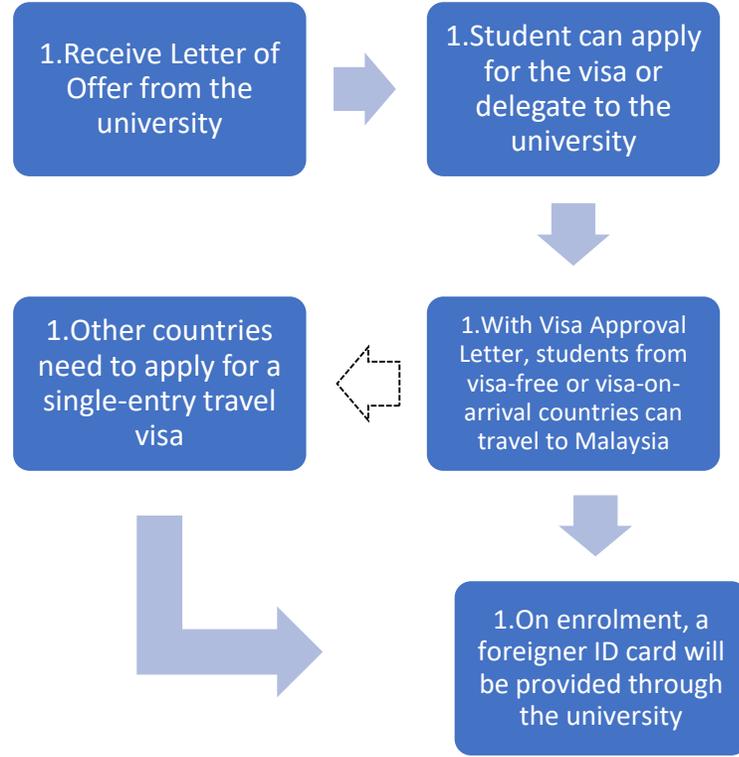
Source: UIS Statistics

Demand expansion: a contrast

INDONESIA: COMPLEX RED TAPES



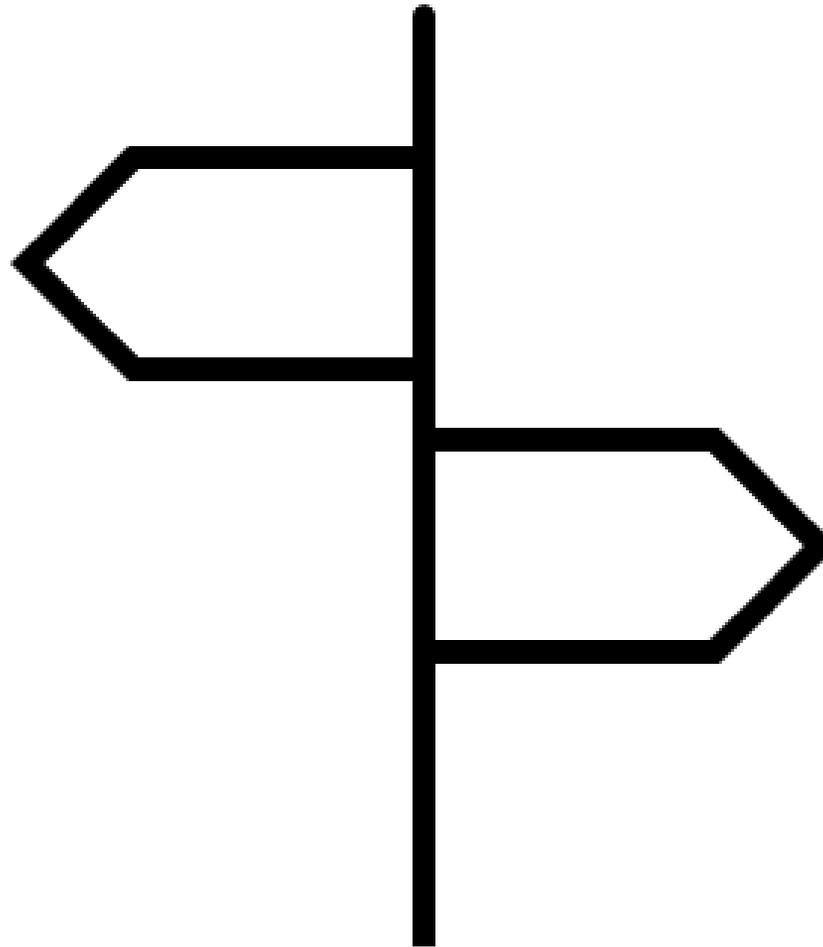
MALAYSIA: SIMPLE AND FLEXIBLE



Supply expansion: domestic distractions

Adjustments to UU
Ciptaker and 50+
implementing
regulations

PerPres 10/2021 on
Investment opens up
Education Services to
all investors



Higher education
policy reforms

Australian providers
vs other countries



Policy Recommendations

- Indonesia should have a global strategy for higher education by increasing inbound international students through streamlined visa and permitting process
- Australia should leverage its educational reputation by bringing its services into the large and domestically-focused Indonesia market
- IA-CEPA engagements should identify broader reforms necessary to usher in more improvements in human capital investment



Thank You

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Policy Paper No. 32
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Economic Partnership Agreement:
Building the Powerhouse**

by Arianto Patunru, Andree Surianta, and Pingkan Audrine

www.cips-indonesia.org

