

AUSTRALIA AND INDONESIA: A DEVELOPING RELATIONSHIP

Address by Senator Gareth Evans, Minister for Foreign Affairs and Trade, to the Conference on Indonesia's New Order: Past, Present and Future, Canberra, 4 December 1989.

Those who look to foreign policy for high drama will be disappointed at the turn that Australia-Indonesia relations have taken over the last year. A relationship with more than its fair share of past suspicion and uncomfortable silences, Australia-Indonesia relations have entered a new period of confidence building, a period of practical cooperation for concrete results.

It is a less self-conscious phase, reflecting the desire of both countries to get on with the job of building up the relationship layer by layer; of adding stabilising ballast to a previously brittle relationship whose depth has always lagged well behind its importance. Some may see this as the foreign policy equivalent of putting sport back on the front page! It is not. It is a coherent effort - on both sides - to develop areas of mutual interest and mutual benefit, and to give the relationship equilibrium by giving it a solid series of foundations.

Both Australia and Indonesia are facing critical challenges in a rapidly changing region and a rapidly changing world. We each have an interest in seeing that we meet these challenges. Neither has an interest in seeing the other fail. In short, the relationship is today focusing much less on differences and bilateral irritations, and much more on shared interests and bilateral opportunities across several fields from commerce to culture.

The trend towards more depth in the Australia-Indonesia relationship makes this important conference on "Indonesia's New Order: Past, Present and Future" all the more timely. This is not a conference about the Indonesian-Australian relationship, nor about the country's external relations at all. But the breadth of internal themes to be discussed at the conference - ranging as they do across political, economic, environmental, cultural and demographic themes - will constitute a very significant contribution to a better understanding in Australia of Indonesia.

This is the most comprehensive conference on Indonesia held in Australia in a decade, and the participation in it by many eminent Australian and Indonesian experts clearly demonstrates not only the interest which exists in Australia about Indonesia, but also the scope for a broad-based dialogue between our two communities.

Timor Gap Zone of Cooperation Treaty. Nowhere is this commitment by both governments to expand practical cooperation in practical matters better reflected than in the Treaty on the Timor Gap, which Indonesian Foreign Minister Ali Alatas and I will be signing next week in a mid-air ceremony above the Timor Sea.

The Treaty will be the most substantial bilateral agreement concluded in the forty year history of Australia-Indonesia relations. The negotiations on this complex arrangement, which establishes a Zone of Cooperation for the exploration and exploitation of the potentially significant oil and gas reserves which lie beneath the Timor Sea began some ten years ago. In October 1988 - during the course of my first visit to Jakarta as Foreign Minister - agreement was reached in principle on the approach to adopt, and a year specified to negotiate the detail: almost to the day, in October 1989, the agreed final draft was initialled.

This agreement represents a triumph of creative solution over diplomatic impasse: if you cannot agree where to draw a sea-boundary line, draw a box instead, create joint arrangements for drilling and piping out the oil it might contain, and share the proceeds 50:50! It embodies, in a very real and practical way, the strong mutual political will that now exists between Australia and Indonesia to work together as friends, as neighbours and as economic partners.

The Timor Gap Zone of Cooperation Treaty is significant in another important respect. Quite apart from its potential economic value, it is a clear example of a non-military solution to a problem that historically has often led to conflict - a disputed boundary involving the fate of valuable resources. It is a measure of the maturity of relations between Australia and Indonesia that instead of either country seeking to impose a unilateral solution to the Timor Gap issue, we were able to substitute years of common study and final intense negotiation, which produced a prescription which is in the national interest of both countries.

The Treaty is thus not just an important agreement in itself: it is a symbol of a more sophisticated approach to the security concerns between us which spring naturally from our geographical proximity.

Bilateral Economic Relations. The Timor Gap Treaty deals with future economic cooperation in one area. We still have some way to go before we can say that we have the sort of diversified and integrated commercial relationship that is appropriate for two countries which are close neighbours in the fast growing Asia Pacific region. There are still too few Australian companies active in the big and potentially massive Indonesian market. With some notable exceptions, Australian companies are not looking seriously enough at Indonesia.

In 1988/89, two way trade between Australia and Indonesia was around \$A 1.2 billion. This is not an insignificant trading relationship - we are the sixth largest supplier to the Indonesian market - but neither of us is a leading trading partner to the other. The potential for expansion is considerable given the structural changes and the rate of growth of the Indonesian economy, as well as the advantages of proximity.

In the last year the pace of commerce has quickened. Australian exports to Indonesia in 1988/89 were up 25 per cent from the previous year. Service trade is expanding, with Australian firms making a valuable contribution to the development of Indonesia's rapidly changing economy through the provision of professional services in the accounting, legal, mining, engineering and education sectors. Australia has become the second most popular destination for Indonesian students, with currently some 5,500 Indonesian students in Australia - over twenty per cent of the total number of Indonesian students studying overseas.

On the other side of the ledger, Australia is assisting Indonesia with a three year strategy to increase Indonesian exports to Australia in nine targeted product areas from rattan furniture to food-stuffs. Australia is a major contributor to Indonesia's burgeoning tourist industry, with some 150,000 Australians visiting Indonesia last year. We, in turn, were pleased to see almost 30,000 Indonesian visitors come to Australia.

Two way investment remains modest. Indonesian investment in Australia is around \$A60 million. Australian investment in Indonesia was around \$A82 million as at the end of June 1988. Investment decisions already taken mean that this could increase significantly by 1991, notably because of CRA's coal investment in East Kalimantan. Moreover, investment liberalisation measures taken by the Indonesian government should encourage Australian companies to look more favourably at the benefits of investing in Indonesia.

A significant new step in the economic relationship was taken at the end of last month when the Indonesia/Australia High Level Group on Energy and Mineral Resources Consultations and Technical Cooperation met for the first time to explore opportunities in these sectors of vital importance to both economies.

A further element in the bilateral economic relationship is the very practical links in development co-operation which have grown over the years. Australia was influential in the creation of an aid consortium for Indonesia - the Inter-Governmental Group on Indonesia (IGGI) - which followed the accession of President Soeharto's "New Order" after 1965. Our role in IGGI is, I believe, valued for the contribution - both qualitative and quantitative - which it makes to Indonesia's economic development. The Australian aid program, with its emphasis on education, agriculture and public infrastructure programs, is also a useful vehicle for the promotion of distinctive Australian skills and expertise in Indonesia.

But while the bilateral economic relationship is acquiring more substance, the Australian private sector generally still tends to underestimate both the opportunities and the dynamism of the Indonesian market. This is in spite of the strong vote of confidence the international market place is currently giving Indonesia. Gross Domestic Product in Indonesia is growing at an annual rate of about 6 per cent. Economic indicators for the level of investment, export revenue and capital market activity are all at record levels. Indonesia is entering the 1990s far less dependent on oil price fluctuations than at any time since the 1960s, and indeed less dependent on price fluctuations of a few primary commodities than at any time this century.

The Indonesian Government's policies on economic restructuring are leading to a boom in non-oil and gas exports. Significant and far-reaching deregulation measures in the banking, finance, insurance, and domestic shipping sectors as well as in the stock exchange will promote increased competition, increase the amount of domestic capital available for investment, and generally create a very much more positive environment for doing business than was the case previously.

The combination of strong growth, economic restructuring, and liberal economic policies create many opportunities for Australia in the Indonesian market. Indonesia will require increasing quantities of wheat, meat and possibly sugars and metals. There are good prospects for mining equipment, communications equipment, steel, food processing equipment, and building materials and fittings. Indonesia will have a growing requirement for education and health services, for sophisticated engineering and design services, and for the professional services of accountants, lawyers and engineers.

Indonesia is already a market of 180 million people. At current growth rates its GDP will be about \$US 150 billion by the year 2000. In the 21st century, Indonesia will be, by today's standards, a massive and wealthy market. Now is the time for Australian business to be positioning itself to take advantage of these opportunities.

Security Dialogue. A sharper focus on the economic relationship is warranted, but this should not be seen as somehow diminishing the continuing importance of further developing a security dialogue with Indonesia. Together with Papua New Guinea, Indonesia is central to Australian security interests. This reflects the inescapable geographical reality that any military threat to Australia - unlikely though that is in the foreseeable future - would almost certainly be posed from or through our north. It also reflects the fact that Indonesia's security and stability is central to the stability of the region as a whole, and that we both - Australia as an ally of the United States, and Indonesia as a leading voice of non-alignment - seek to promote stability in our common region.

Both governments are working to enhance understanding and cooperation in the defence

field. There have been, over the past year, important meetings between our respective defence ministers and chiefs of defence forces. We have agreed to expand the number of exchange students at each others staff colleges. Our two navies participate in joint passage exercises. There is today a better understanding of each other's defence policy and posture. While there may from time to time be some misunderstandings in non-government circles, it is clearly understood at the highest levels of government in both countries that neither country constitutes a military threat to the other.

Mutual understanding in the defence area - as elsewhere - does not happen by chance. It has to be worked at. As neighbours it is important that Australia and Indonesia continue to nurture a sense of the community of strategic interest between us. We both benefit from an open and constructive dialogue on our common strategic environment, particularly at a time when fundamental shifts in East-West relations, and the growing strength of regional players, combine to increase the fluidity of that environment. A review has just been completed of Australia's regional security policies which examines the implications of these and other issues. I shall be tabling that review in Parliament later this week.

Multilateral Cooperation. This shared interest in regional security extends beyond traditional strategic issues to include the economic stability of the region. Both Australia and Indonesia recognise the vital contribution that economic growth makes to regional stability. Indonesia's leading role in ASEAN - the centrepiece of South East Asian cooperation - is one expression of this. Our mutual interest in broader Asia Pacific economic cooperation is another.

The sensible and cooperative working relationship between Australia and Indonesia was an important ingredient in the success of the recent ministerial level meeting on Asia Pacific Economic Cooperation (APEC). The constructive way in which our two delegations at the Canberra meeting worked with each other, and with the other participants, demonstrates the flow-on effect that an improved and open Australia-Indonesia relationship can have on important regional issues. Without that cooperative approach, it is unlikely that the APEC process would have developed to the point that it has in the consensual manner that it has.

APEC is only one example of fruitful cooperation between Australia and Indonesia on multilateral issues. Indonesia has also been a valuable participant in the Australian regional initiative on chemical weapons aimed at increasing knowledge of and support for a comprehensive chemical weapons convention among the countries of South East Asia and the South Pacific. Cooperation on chemical weapons issues also extends to our shared membership of the Conference on Disarmament in Geneva where the actual negotiations on a convention take place.

In addition, Australia and Indonesia have over the years developed a good working

relationship at the United Nations in New York which goes well beyond close consultation on regional issues like Cambodia. We are both also active members of the Cairns Group of agricultural fair traders, and we work closely together, there and elsewhere, in the cause of an open and liberal multilateral trading system.

Knowing Each Other Better. One aspect of the bilateral relationship to which we have given particular attention over the past year is the expansion of cultural contacts and other people-to-people links. I have remarked on several occasions that no two neighbours anywhere in the world are as different, in terms of history, culture, demography, language, and political and social traditions, as Australia and Indonesia.

These differences place a special burden - and a particular obligation - on each of us to make the effort to understand one another; not just at the government to government level, but also at the broader cultural and social levels.

The constituency of Australians and Indonesians who know and understand their neighbouring country needs to be expanded to include a new generation of not just scholars, writers, journalists and diplomats, but also business and professional people - not to mention politicians. Both Australia and Indonesia need to work on this. The Australia-Indonesia Institute is already embarked on this task, but in an open society, with a competitive information network, foreign countries must also make their own effort if they are to receive attention, especially in the media.

The Australia-Indonesia Institute is co-sponsoring this conference and it has an important role to play in the process of expanding links between our two communities and widening our knowledge of each other. It has already put in train an imaginative work program targeted towards the "young and influential". It recently co-sponsored, together with my Department, a visit to Australia by the Sultan of Yogyakarta. It is paying particular attention to the media and exchanges in the fields of law, health, teacher education and sport. Just last weekend the Institute sponsored an important meeting in Sydney of senior Australian and Indonesian editors.

As the relations between the governments of Indonesia and Australia become more complex and substantial, interested non-government institutions - such as the media and the educational systems - must respond by giving (speaking from the Australian side) more depth, concentration and constructive analysis to the relationship. The Australian National University has been a leader in the field of Indonesian studies. This conference is a mark of mature scholarship for which there is no substitute. The recent and quite proper emphasis on the economic potential of Northeast Asia will not, I hope, deflect the ANU from building further its international reputation for scholarly assessment of the region nearer to home.

Let me conclude with these observations. The Australian Government obviously attaches importance to the maintenance of a constructive, friendly and cooperative relationship with Indonesia. We do so not only because of strategic imperatives, but also because we both have much to gain by developing a complex and mature relationship framed by political cooperation, economic depth and cultural understanding. While it is easy enough in the light of history to dwell on the differences and on the importance of sensible political management of the problem areas in our relations, we should never lose sight of the fact that on several fundamental issues, Australia and Indonesia share common interests and a growing convergence of outlook.

Sensible political management of problem areas does not mean burying them under the carpet:

- . if there is a problem with Indonesian fishing boats intruding into Australian waters, then sensible management does not mean unilaterally imposing some highly punitive solution likely to be neither understood nor observed by the fishermen, but explaining our concerns and working cooperatively with Indonesia to find long term solutions which respect Australian law, and we have been doing just that;

- . if a sensitive consular issue like the Blenkinsop case arises, then sensible management does not mean trading insults, but following up our concerns in a business-like way to see that both countries are satisfied that justice is done in accordance with the law of the land, and that is exactly what happened in that case; and

- . if there continues to be concern expressed in Australia about human rights and development support for the people of East Timor, then sensible management does not mean making strident allegations, but developing a dialogue on human rights through which we can raise our concerns directly with the Indonesian authorities, and finding ways with them of helping with some development support of our own, and this is what has been happening.

A good relationship between Australia and Indonesia is important, not just for the two countries, but for the broader region. An indifferent or hostile relationship would mean that on many of the substantial issues which Australia and its regional neighbours, especially ASEAN, need to resolve and move forward, no progress can be made.

Whether the issue is Asia Pacific Economic Cooperation, a joint approach to the exploitation of the resources of the Timor Gap, or forging a regional consensus against chemical weapons, without a cooperative approach between Australia and Indonesia these major steps towards the economic development and security of our region would not have been taken as readily as they have been. Indeed, they might not have been taken at all. It is not too much to say that a constructive relationship between Australia and Indonesia is

essential for the security and prosperous development of South East Asia.

The Indonesia-Australia relationship began in a somewhat romantic frame of mind forty or so years ago. I do not wish to denigrate the hopeful emotions of that time, but for a variety of reasons they could not last. Unfortunately, more recently, they occasionally deteriorated into a volatile and needlessly hostile stand-off, when both countries suffered from a lack of sensible communication and discussion of differences. At the risk of repeating myself, let me say again: the relationship now is being managed on both sides with an emphasis on practical outcomes. We are trying to be as helpful to each other as we can be, as good neighbours should.

What we seek with Indonesia, as with the other nations of the region, is a multidimensional relationship forged around common interests. This, together with the inescapable logic of geography, and the vital element of political will - which I believe both sides possess - offer, in my view, grounds for optimism about the future. We cannot guarantee that misunderstandings between our two countries will not occur from time to time. But we can - not least through conferences like this - work to ensure that our two communities are not strangers to each other and that relations between us continue to grow in a constructive and open spirit.

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