

AUSTRALIA INDONESIA MINISTERIAL FORUM

Introductory Statement by Senator the Hon Gareth Evans QC, Minister for Foreign Affairs of Australia, to the Australia Indonesia Ministerial Forum, Canberra, 23 August 1994.

Australia is delighted to host this second Australia Indonesia Ministerial Forum. One conclusion emerged quite clearly for all of us who attended this Forum's inaugural meeting two years ago. That was the considerable progress which had been made in building a more substantial and broadly-based relationship by developing areas of mutual interest and mutual benefit.

There were new cooperative arrangements in environmental cooperation, search and rescue, extradition and fisheries. There was the establishment of the Australia-Indonesia Institute. And we had the successful establishment of the Ministerial Forum itself, an initiative arising from Prime Minister Keating's meeting with President Soeharto a few months before.

It was clear to us then that the steady expansion of practical cooperation was contributing a new intimacy to the relationship. This was providing, as we saw it, the ballast that would safeguard the relationship from the occasional squall which might threaten to blow it off course.

Developments in our bilateral relations since the first Forum have fully confirmed those trends. The last two years have been a period of remarkable growth and diversification in the relationship. We are in the process of developing and consolidating a mature, multi-layered relationship with a growing level of understanding and appreciation: very much one of 'comprehensive engagement'. There is even greater recognition of the importance we hold for each other and of the fact that we each have much to gain by building a close, dynamic and resilient relationship. As the Prime Minister said in March this year in launching the "Australia Today Indonesia '94" promotion, no country is more important to Australia than Indonesia.

The relationship has grown at a number of levels. Trade and investment flows have continued to expand. Political linkages have been intensified with an unprecedented level of contact between our respective Ministerial teams. We understand each other better than ever before, particularly at the government-to-government level, based on a growing knowledge of each other and a widening recognition of our shared interests, although there remains much more to be done in promoting contact and understanding at the crucial business-to-business and people-to-people levels.

We are, in other words, in the process of building a mature bilateral partnership. There is certainly still more for us to do to strengthen this partnership, particularly in expanding two-way trade and investment, but the achievements of the past few years provide every reason for confidence that we will succeed.

To start with the most obvious, the bilateral commercial relationship has continued to expand very satisfactorily. The total volume of two-way trade reached A\$3 billion in 1993. Although the rate of growth slowed noticeably last year, the past five years have seen a near-trebling of two-way trade. As a result, Australia has emerged as one of Indonesia's major trade partners, ranking tenth as a market for Indonesian exports and sixth as a source of imports. Most encouragingly, the composition of this trade has been rapidly diversifying as Indonesia's industrialisation creates new demands for industrial inputs and investment in capital equipment and infrastructure. Australia's exports of ETMs to Indonesia grew by some 24 per cent last year, to reach about 20 per cent of our overall exports. Australia has also become one of Indonesia's top ten foreign investors, with some \$A2.5 billion in direct investment to date.

We should not be complacent about these trends. It is clear that in a number of areas of trade and investment, we could do significantly better. Indeed, we must do so if we are to realise the promise the economic relationship holds for the future.

And there is indeed much potential. Both economies are continuing to undergo major structural reform. A most important and welcome recent example was the investment deregulation measures announced by Indonesia in June. Our own reforms, which have transformed the Australian economy over the past ten years, will be familiar to you. Both economies are now harvesting the benefits and both are now exhibiting strong growth. In Australia's case, this has produced a growth rate of 5 per cent, the highest in the OECD, and inflation under 2 per cent.

For Indonesia, continuation of growth is strongly dependent on foreign participation. We believe Australia is well placed to provide strategic support for Indonesia's continued economic growth and development. Indonesia's continued population growth, changing age structure, rapidly growing middle class and developing industrial base will drive demand for the kind of goods and services that Australia can provide. Our expertise will be in increasing demand in areas such as infrastructure projects, processed foods, education and training, health care, residential housing, financial services and telecommunications.

Meanwhile, Indonesia can expect a continuation of the strong demand from the Australian market for Indonesian commodities, including petroleum and agricultural products and manufactures.

The institutional framework for this expansion in trade and investment is firmly established with the entry into force since the first Ministerial Forum of agreements on investment promotion and protection, copyright and double taxation.

Most importantly we have developed the Ministerial Forum itself as the central institutional framework for developing the economic and commercial relationship. In its first two years, the Forum, with its associated Working Groups, has proved to be a most useful vehicle for constructive dialogue on economic and trade issues, a stimulus for business networking, and a means of identifying targeted business opportunities. The involvement of the private sector to ensure that all this activity is commercially relevant has been most important.

At the political level, relations between us have never been better and our two Governments have never been more keenly focused on making the relationship a success. This is reflected in the high level of political contact - most importantly between President Soeharto and Prime Minister Keating, who have made clear the importance they attach to a strong and stable relationship.

This is not to say that there will not be issues which arise from time to time on which we have differences of opinion, and on which we will want to have some frank exchanges. The continuing unhappy situation in East Timor is one such issue: we continue to hope that it will be possible sooner rather than later to implement a reconciliation strategy involving major drawdowns of the military presence, more substantial recognition of the distinctive culture of this province, sensitive development of its economic potential, and hopefully some greater degree of political autonomy. Other such issues that have caused some international concern lately include the withdrawal of licences from three mass circulation magazines, *Tempo*, *DeTik* and *Editor*, and the arrest on criminal charges of the trade union leader Pakpahan. We understand that the social conditions prevailing in Indonesia, at this time of transition, are very different from our own. But we hope nonetheless that our voice of concern -about the impact of issues of this kind on Indonesia's international reputation - will be heard, and that it will be heard, moreover, in the friendly and constructive spirit in which it is meant.

For our part, we have been working hard to broaden the agenda of the relationship to include economic, social and cultural cooperation. The "Australia Today Indonesia '94" promotion, which concluded last month, was the largest and most successful of its kind Australia has ever launched. It was supported by visits to Indonesia by the Prime Minister and eight Australian Ministers, including Senator Ray myself. What made this promotion so important was not just its scale, but the fact that it was a joint venture between the Indonesian and Australian Governments and the private sector. In a sense it represented the future of Australia-Indonesia relations: working together for a common goal.

In this context, may I say how warmly we welcome Indonesia's proposal for a promotion in Australia in the not too distant future. We look forward to working with you to ensure that it is equally successful.

The rapid development of the bilateral relationship has occurred against a background of continuing rapid change, both globally and in our own Asia Pacific region. A feature of our relationship has been the way we have cooperated in shaping that change. In order to advance our shared economic and security goals, we have worked closely with Indonesia to establish a favourable regional and international environment. Our joint action through the Cairns Group, for example, played an important part in securing a successful outcome on agriculture in the Uruguay Round negotiations.

We are both equally strongly committed to ensuring that APEC fulfils its potential as a forum for economic cooperation and trade facilitation, and as a means of liberalising the region's trade, in a GATT-consistent manner. The endorsement of APEC's objectives at the highest political level in Seattle last year was a decisive point in APEC's development. We are determined that the momentum be maintained. We are, of course, working closely with Indonesia, as the current Chair of APEC, to prepare for the forthcoming Ministerial and Leaders' Meetings in November. I know there is a strong commitment at the highest levels within both our countries to a shared vision of what APEC can achieve, and this in itself marks an extremely important step in the evolution of our relationship.

We also see exciting possibilities for more immediate economic cooperation, centred on sub-regional arrangements. These seem to us to be particularly promising fields for the two governments to explore. As you are aware, we are now discussing with you and your other ASEAN colleagues possible linkages between CER and AFTA. We believe such linkages between two economic groupings of roughly equal size could make a major contribution to the free-trade dynamics of the whole region, and this certainly merits serious consideration.

While moving towards these larger objectives, there are a number of important practical steps that our governments can take on the way. One within immediate sight is the rapid development of the BIMP-East Asean Growth Area: and I would suggest to you that Northern Australia is a logical addition to this "polygon" - not least because of the developing links between the Northern Territory and Eastern Indonesia. Australia has a great many skills in agriculture, infrastructure engineering, manufacturing technology and environmental management, all of which are immensely relevant in this respect.

Significantly, our collaborative efforts are also shaping developments in the field of regional security, including last month's successful inaugural meeting of the ASEAN Regional Forum. We share a vision of the ARF as a vital mechanism for developing processes of preventive diplomacy in the region and trust-building measures between its

members. The new body has made a most promising start, bringing together, for the first time, the region's major security players, and we look forward to continued cooperation with Indonesia on its further development.

Australia and Indonesia are, and will remain, centrally important to each other. We have recognised the potential in the relationship and what we can do cooperatively in our mutual interests at a time of great fluidity in the regional and global environment. On the Australian side, we are certainly determined to maintain the momentum of growth in the bilateral relationship to ensure that its very great potential is realised. The Ministerial Forum provides an invaluable framework within which Australia and Indonesia can work toward this goal. In doing so I believe we should continue to follow the guiding principle of tangible and mutual benefit.

It will be evident from what I have said that the progress we have recorded is matched by the hard work which remains to be done. The important thing is not where we are now, but where we can get to. Each of us brings great, and growing, strengths to the relationship. Government and business on both sides of the Arafura and Timor seas are, I believe, fully committed to the challenging course on which we have embarked.

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