



PRIME MINISTER

ADDRESS BY THE PRIME MINISTER, THE HON P.J. KEATING, MP
TO THE EAST JAVA CHAMBER OF COMMERCE AND INDUSTRY
SURABAYA, THURSDAY, 23 APRIL 1992

I am very grateful for the opportunity to address you this evening - here in Surabaya where the great success of Indonesia's economic transformation is perhaps most obvious. Where the newly liberalised Indonesian economy is serving to restore a city to its historic commercial pre-eminence.

Ladies and gentlemen, Australia is also in the process of transformation.

Our perspective on the world is changing.

As never before in our history we recognise that our future substantially lies in our own region. In Asia and the Pacific. In Indonesia.

That is where the great opportunity is.

We know that seizing that opportunity will be no easy thing to do.

It involves something like a revolution in the way we do things, and the way we think about ourselves and the world.

When you have been for so long a branch office of empire there is tendency to go on expecting special treatment long after head office stopped opening the mail.

If this were characteristic of Australia once, it is not true now.

We do not entertain the notion that someone else will do the hard things for us.

Or to us. We do not accept the idea that we are forever at the mercy of the major economic powers.

In 1992 we know that we need a degree of national energy, inventiveness and purpose which we have not had before in peacetime.

You will see evidence of this emerging attitude in Australia now.

In the near future, I believe, you will see evidence of it in the Asia-Pacific region. You will see evidence of it in Indonesia - especially, perhaps, here in Surabaya.

These days to the majority of Australians the need to integrate our economy with that of the region is self-evident.

We long since ceased to believe that we could sustain ourselves by exporting commodities, and manufacturing for a tiny market behind tariff walls.

The seventies and the early eighties showed us we had to change.

As a result of the economic policies of the Australian Government since 1983, Australia is now a more efficient, productive, competitive, and outward-looking nation.

It is more geared to exports, more receptive to foreign investment, and more resilient in the face of external economic pressures.

Like Indonesia, Australia reformed its economy in the eighties.

We floated the dollar, and allowed a more competitive exchange rate to be determined by the market.

We reformed our industrial relations, so that we have far fewer strikes, greater flexibility, and lower labour costs.

We reformed our financial system, so that interest rates and not quantity controls balance supply and demand for funds, and most financial business can be transacted free of government control.

We reformed spending and taxing, so that we now have one of the lowest tax regimes and one of the most disciplined government sectors of any OECD nation.

We adopted industry policies to lower the crippling level of protection we inherited, so that we are now one of the most open economies in the world.

The results of reform have been spectacular in Australia, as they have been here in Indonesia.

Over the eighties Australia's economy expanded by more than one third. Today we export more than twice the quantity of goods we did at the beginning of the eighties.

Led by tourism, we have more than tripled exports of services. We export nearly four times the value of manufactures we did in 1980.

The measures introduced in our One Nation Statement in February will build upon these earlier reforms and entrench the trend towards a more open and outward looking economy, while at the same time stimulating growth.

Ladies and Gentlemen, the change in your own economy has been no less dramatic or fundamental. The economic transformation of Indonesia over the last 20 years has been nothing short of astonishing.

Between 1966 and 1991, your economy expanded 450 per cent. Over the last few years growth has averaged around 7 per cent and growth rates of 5 to 6 per cent are expected to the end of the century.

Indonesia has gone from a commodity-based economy to one geared to industrial expansion and manufacturing exports.

Through a sound policy of encouraging foreign investment, bureaucratic reform, financial deregulation, support for manufacturing, and lifting of trade barriers, you have emerged as a dynamic and competitive economic force.

Today, our very different countries are changing in ways which will enable us to find much more common ground - the economies of Australia and Indonesia are beginning to complement each other.

Certainly, I see the strengthening and broadening economic relationship between our two countries as representing the direction in which the Australian economy must go.

Towards the world. Toward greater diversity in our exports. Above all, toward stronger connections with our region.

The developing economic relation with Indonesia shows the way we must go.

Our exports to Indonesia are rapidly increasing, as are our imports from Indonesia.

The trade is also demonstrating greater diversity, with Indonesia manufactured goods joining timber and petroleum in sales to Australia, and Australians construction, banking, telecommunication, engineering and legal services joining wheat and metals in our exports to Indonesia.

Manufactured goods, machinery, computers, telecommunications products, power generation equipment and motor vehicles have all grown to form a larger proportion of Australia's exports to Indonesia.

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Ten years ago, Australian exports to Indonesia totalled \$356 million.

Today they are worth nearly \$1.5 billion.

Over the last two years imports from Indonesia have nearly doubled.

Just as trade has grown in recent years, investment between Australia and Indonesia has also diversified and consolidated.

Australia is now the 5th largest foreign investor in Indonesia, accounting for about \$1 billion in assets.

There are more than 120 Australian companies with significant interests in Indonesia. In the areas of coal mining, and to a lesser extent gold mining, Australia is the dominant source of investment.

The number of companies investing in manufacturing industries is also rapidly increasing.

In services too, such as business and engineering consultancy, Australian companies are becoming a significant presence.

Ladies and gentlemen, one area which has enormous economic potential for both our countries and where Australia is already making a significant contribution is right here in East Java.

For many years now, Australia's development assistance program in Indonesia has had a strong focus on the special needs of eastern Indonesia.

East Java is the fastest growing commercial area in Indonesia. Already home to key agricultural industries, it is quickly becoming a major industrial and manufacturing region with activity in petrochemicals, shipbuilding, cement, metal processing, machine tools, and pharmaceuticals.

The manufacturing sector has already attracted significant foreign investment, including from Australia. Ready-mix concrete, plasterboard, roofing tiles and medical products are areas in which Australian companies have existing or planned investments.

Infrastructure development, such as in natural gas production and processing and bulk water supply, is also a major area for investment, and one in which Australian companies are already or potentially involved.

Tourism is a growth area, as is evidenced by the presence of a QANTAS office here in Surabaya.

Now Australian business is beginning to realise the potential of the area in such fields as dryland farming, tourism, mining and manufacturing.

Through your introduction of special tax incentives to encourage foreign investment in eastern Indonesia, this potential can be more easily realised.

Ladies and gentlemen, as our commercial relationship continues to grow, institutional arrangements will need to be developed to manage the relationship at all levels.

On this visit we have concluded five important bilateral agreements ranging from taxation to science and technology collaboration.

We have agreed in principle to conclude four other agreements from investment protection to maritime boundaries.

And most significantly, we have agreed to explore the idea of setting up a regular ministerial meeting, chaired by our foreign ministers, and including economic ministers, which will give a more coherent framework to the multitude of ministerial exchanges now taking place.

Just as such institutional arrangements can assist bilateral commerce, regional institutions can and do play a critical role in regional economic development.

In the regional sphere, Indonesia's active participation in ASEAN and APEC have been crucial in ensuring the success of these forums.

Since its formation in 1967, ASEAN has proven its value as a vehicle for economic growth in the region. The cohesion and stability it has provided has enabled Australian business to develop links with the region with confidence.

Today, the fastest area of growth of Australia's exports is to the ASEAN Group. It has now displaced the EC as our second largest export market after North-East Asia.

As the largest member of ASEAN, Indonesia has played a pivotal role in providing clear direction and stability within ASEAN itself.

Just as ASEAN has provided the basis for long-term growth and stability in South-East Asia, APEC will, I believe, form the foundation for economic cooperation throughout the Asia Pacific region. The 15 members of the APEC group accounts for half the world's GDP and 40% of world trade.

APEC provides us with the first ever opportunity to harness and direct the powerful economic forces at work around the Pacific Rim.

By bringing Japan and the US, the two most powerful economies in the Pacific, together with the other economies of the Pacific Rim, APEC can work to ensure that these forces develop to the benefit of us all - and to the benefit of the open, multilateral trading system which has underpinned the economic dynamism of the region.

Indonesia's response to the APEC initiative has been one of the most positive and constructive of all the APEC nations.

Your strong endorsement of APEC at the recent ASEAN Summit, and your offer to host the 1994 APEC Ministerial Meeting, signal your continuing commitment to this very important initiative.

In the multilateral sphere, Indonesia and Australia have worked together in the Cairns Group in support of a successful conclusion of the Uruguay Round of negotiations in the GATT.

As we have discussed with our Indonesian hosts, Australia and Indonesia are now concerned that a protracted stalemate in negotiations may jeopardise a successful outcome of the Round.

The open trading system has been a key factor in the growth of countries like Indonesia and Australia, and it is important that the major economies continue to work to strengthen and develop world trade.

Ladies and gentlemen, Australia is changing. Our economy is emerging from a recession in more competitive shape than it has ever been.

We are casting aside the baggage of the past and directing our energies towards greater integration with our region.

And within this region we look especially to our relationship with Indonesia - our largest and most important neighbour - as a material and symbolic example of the way our two countries are resolving themselves for the 21st century.