



PRIME MINISTER

SPEECH BY THE PRIME MINISTER, THE HON P J KEATING MP EXPANDING HORIZONS : AUSTRALIA AND INDONESIA INTO THE 21ST CENTURY, JAKARTA, 29 JUNE 1994

Let me say how pleased I am to be here at the opening of this historic event, and I welcome you all.

Three months ago I launched the Australia Today Indonesia 94 program in Sydney.

Today we launch the centrepiece of the program - this trade and investment forum which in time may well be seen as a turning point in the relationship between our two countries.

I am particularly pleased to be joined today by Indonesia's Co-ordinating Minister for Industry and Trade, Hartarto. Minister Hartarto has been a great supporter of expanding economic ties between Indonesia and Australia. The success of the Australia Today program in Indonesia owes much to his efforts and I thank him most warmly for that.

We have with us today Ministers and representatives from a number of Australian State Governments. I welcome them here.

I know how they have worked to develop economic and cultural links between Australia and Indonesia - particularly links with various provincial governments in Indonesia.

The Australian States have a crucial role to play and there is no doubt that they are playing it.

Most of all, I am pleased to see so many Australian and Indonesian business people here.

The trade mission which my colleague Senator Bob McMullan is leading includes representatives of over 200 companies.

This is the largest trade mission ever to leave Australia. It is an outstanding response - and a measure of interest and intent among our business

communities which underlines the force and meaning behind the title - "Expanding Horizons".

It is useful to bear in mind the reasons for this sudden explosion of interest in the relationship between Australia and Indonesia.

It is not merely because we are neighbours. We have always been neighbours. And far-sighted individuals in each country have been urging the value of closer links for decades.

The heightened interest flows from a mixture of new circumstances and new resolve.

It derives partly from changes at work in the wider world, and partly from changes in our two countries.

The end of the Cold War has fundamentally altered the way the international community operates. Old structures have broken up or loosened. New options have opened up and new linkages are being formed. Regional ties are getting stronger. Uncertainties have grown.

At the same time, developments in the global economy - technological change, quicker and easier communication, the free and rapid flow of investment funds - are bringing changes to the patterns of international commerce and to the role which governments must play.

Developing countries are becoming more important in the global economy. For example, in the past decade exports from developing countries in Asia have grown at twice the rate of world exports. And over the same period these countries have grown two and a half times as fast as the world economy.

Like any substantial change, this has caused a degree of unease.

Many have found the adjustment difficult; for many it threatens difficulty. In meetings with some of Europe's leaders earlier this month I argued that the developed world should not fear the products of the developing nations, and should not try to stem the tide of their growth.

Developing countries have the right to expect that their products will be able to flow to world markets without meeting new protectionist barriers, either direct or disguised.

And why should they not expect open markets, when the fact is that they can benefit all of us - at home and abroad?

These changes in the structure of the world and the world economy have run parallel to internal changes in Australia and Indonesia. To keep up with the world, we have opened up to the world.

It is a difficult, even painful, step. But it is the only sensible one to take.

The clear evidence is that the comforts of protectionism are illusory, that without the stimulus of competition economies stagnate and structures decay.

In Australia we are now seeing why the hard decisions of the eighties had to be made. We are seeing some of the rewards.

The Australian economy is growing at five per cent, faster than any other developed country. Our inflation rate, now around 1 per cent, is expected to remain low.

With the floating of the Australian dollar and the abolition of exchange controls, with the total abolition of quotas and the reduction of the general rate of tariffs - with few exceptions - to five per cent or less by 1996, the Australian economy is now one of the most open in the world.

Australian exporters - particularly our manufacturers - have embraced the challenge of competing in world markets.

Our exports grew by more than seven and a half per cent in 1993, faster than either domestic or world economic growth. And elaborately transformed manufactures now represent over 20 per cent of our exports, compared with 11 per cent in 1983.

The results of Indonesia's liberalisation are similarly clear. GDP growth last year was more than six per cent.

This, too, is a product of resolve.

Over recent years - indeed in recent days - the Indonesian Government has undertaken significant deregulation and reform, removing non-tariff barriers and reducing tariffs, taking steps to deregulate industry and to create a more liberal investment environment.

This commitment to reform is bound to boost the confidence of investors. That Indonesia continues to reduce its tariff levels is of course a matter of direct interest to Australian exporters. But as Indonesia industrialises, further liberalisation of the Indonesian market will mean more productivity and more competitive Indonesian exports as well.

Changes in recent global trade arrangements will also help our economies.

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At the beginning of the next century the Uruguay Round alone will be adding well over \$400 billion annually to the world economy. Of that amount, about \$120 billion is likely to benefit developing countries such as Indonesia.

Indeed, once all the effects of the Uruguay Round have flowed through, Indonesia could receive a stimulus to its real GDP of 7 per cent or more.

Australian research suggests that global tariff barriers on industrial products exported by Indonesia will fall by 42 per cent under the Round. Most of Indonesia's exports will have secure access through bound tariffs in its major markets. Real exports could increase by 30 per cent.

Through APEC we can add to that momentum by setting ourselves goals for free trade; and by harmonising standards in key areas. The benefits to Indonesia from further liberalising in concert with other APEC members will be even greater than those flowing from the Uruguay Round.

It is one of those cases where you have to be in it to win - and all who are in it will gain.

These are the realities which underpin our new horizons. These are the reasons we are here. We have all seen the opportunities.

Already, two-way trade between Australia and Indonesia has grown at a trend rate of 22 per cent in the past five years to reach \$3 billion in 1993.

Over 180 Australian companies are now operating in Indonesia, and of course I hope that will rise over the next few days.

Australia is one of the top ten investors in Indonesia.

And the composition of our trade is changing. For both of us, manufactures are an increasing percentage of the total. In 1984 only 7 per cent of Indonesian exports to Australia were elaborately transformed manufactures. In 1992, the figure was 25 per cent. For Australia, the figure has risen from 19 per cent to 24 per cent in the same period.

I expect services trade to be an increasingly strong area of growth in future. Australia is already the fourth most important source of tourists to Indonesia. And more than 7,500 young Indonesians are already studying in Australia.

All these very welcome developments are no accident. And we should not be shy about saying so - for they mean the pain of economic reform had a purpose.

It is a reminder that common sense and the courage to exercise it have rewards. It means that cooperation has rewards.

The rewards, of course, come in the form of jobs, higher standards of living, greater economic strength and resilience, access to knowledge and technology, and the satisfaction that comes from nation building for future generations of our people.

They come in the form of successful enterprises - successful companies.

The companies represented at this forum illustrate what is happening to the relationship. With so many present it is almost invidious to single out a few.

But I want to note the contribution of New Hope Corporation of Australia and its local associate the Swabara Group of Indonesia as co-presenters of the forum.

New Hope Corporation's bulk commodity port project in Kalimantan is an excellent example of Australian design skills, engineering excellence and financial expertise combining to meet Indonesia's infrastructure needs.

It shows how technologies specifically developed in Australia can be transferred to Indonesia.

When the first stage of the port is completed in early 1996 at a cost of \$150 million it will be the only deep water port outside Australia built specially for bulk commodities.

There is a great diversity among the Australian companies now in Indonesia.

The ANZ Banking group is involved in a joint venture with the Pan Indonesian Bank offering financial products to the commercial market. The AMP Society and the Panin Group are launching a joint venture which represents the largest ever Australian involvement in the Indonesian financial services sector.

Dauids' Asla have signed a Technical Assistance Agreement with PT Hero for the development of a modern warehousing and distribution operation in Indonesia.

BTR Nylex is involved in a joint venture with KCI producing glass packaging for a wide range of markets.

ABB Australia is involved in power generation and distribution; Boral is engaged in producing materials for the construction industry.

AWA has provided air navigation and road traffic control systems with its Indonesian joint venture partners and is looking to expand its operations.

Goodman Fielder, with its partner the Sinar Mas Group, is involved in the food manufacturing sector. BHP and CRA have major investments in the minerals

sector; Transfield in engineering projects; Lend Lease Corporation in a range of service industries.

And let me here pay a small tribute to some of the pioneers in this area.

Southcorp Holdings through Rheem Indonesia, established in 1968 what may well be the oldest Australian investment in Indonesia. Commonwealth Industrial Gases set up a joint venture with Industrial Gases Indonesia in 1972. The John Holland Group began operations in Indonesia in 1974.

The Snowy Mountains Engineering Corporation has operated in Indonesia for almost 25 years - and its expertise will be in growing demand as Indonesia's resources are developed.

I could go on, and perhaps I should - because it is a roll of honour. But there are too many to name here.

Governments can significantly help by creating structures for closer ties.

That is why President Soeharto and I agreed during my first visit to Indonesia to establish a Forum through which our Ministers could explore the possibilities for co-operation.

The Ministerial Forum will meet in Canberra for the second time later this year. Its agenda continues to lengthen.

In the past three years there have been twenty seven visits to Indonesia by Australian Ministers, three times the number over the preceding three years. And the Australia Today promotion has brought a further eight Australian Ministers here.

These bilateral developments are strengthened by developing regional structures.

One of the most important issues President Soeharto and I discussed yesterday was the APEC Leaders' Meeting which he will chair on 15 November in Bogor. I believe the Bogor meeting will be as pathbreaking as the meeting at Bandung was forty years ago.

Both of us see the meeting as critical to consolidating APEC and developing an open Asia-Pacific region.

Both of us want a region which will be actively involved in liberalising trade, facilitating commerce, and strengthening economic linkages between a group of economies which represent half the world's population and more than half its production.

As President Soeharto has said - our aim is to improve 'the stability, security and welfare of the people of the Asia-Pacific region under a spirit of united community'.

Australia will be working very closely with Indonesia towards fulfilling that aim.

I also discussed with President Soeharto the proposal we are studying to promote closer links between the ASEAN Free Trade Area and the Australia - New Zealand agreement on Closer Economic Relations.

With all these things happening, I firmly believe that the conditions - global, regional and bilateral - which have caused this new burst of activity in our relationship will continue to impel us in the same direction.

Because this relationship is not some temporary, take-it-or-leave-it affair.

It is no transitory fascination; no purely academic interest. It is a deep, complex and, I might say, exciting relationship which has to work if both countries are to live up to their potential.

As I said in March, no country is more important to Australia than Indonesia.

I also said then that the job of developing the relationship will not be easy.

We are very different countries with very different societies, we stem from different cultures, we are at different stages of development. Indonesia's population is ten times ours.

We are an industrialised country; Indonesia is a rapidly developing one.

So can we sustain a relationship of depth and worth across this divide?

Of course we can.

Of course we must.

But the doing of it requires clear sight and sensitivity. Courage, hard work, boldness - openness.

I want Australia to be much better known in Indonesia for what it is: A sophisticated, technologically-advanced society with a diverse, open and tolerant people.

It was painful, for example, to learn as part of the research for the Australia Today promotion that most Indonesians still think Australia has a racially-based immigration policy.

In turn, I want Indonesia to be known by Australians for what it is, in all its cultural richness and ethnic diversity, with all its challenges, its achievements and its aspirations.

That is why the Australia Today promotion goes beyond business and trade, and offers an insight into Australia's diverse contemporary society.

Next year Indonesia celebrates fifty years since its declaration of independence from Holland. Just a few years later Australia will celebrate the centenary of our Federation.

As I said back in March, the relationship between Australia and Indonesia can be a model for co-operation between developed and developing countries, between countries based on Western structures and values and those based on Asian models.

So my message to all of you in this room, and to the increasing numbers of people in both our countries who see the great potential in our bilateral relationship, is that your commitment will be worth it.

I said at the beginning of this address that it was worth bearing in mind where the new interest in our relationship came from. I said it came from a mixture of circumstances and resolve.

It is worth bearing in mind because there is a lesson in the story. The fact is that people can live side by side forever and never really be neighbours - they only truly become neighbours when they begin to talk to one another, and cooperate and share an interest in each other's lives, however different those lives might be.

These relationships do not develop by accident, there is nothing inevitable about them. They have to be initiated, common ground has to be established, along with mutual respect for different history, culture and aspirations.

So long as we share the neighbourhood - and we always will - these efforts will be necessary and very worthwhile.

So long as we share the neighbourhood, we should share its responsibilities and its potential.

That is the reason for all this bilateral activity. That is the reason for our support for APEC. It is why I am here, and why you are here - because we have recognised the widening horizons of our relationship and are determined to explore them.

I most sincerely thank you for coming and wish you well in your endeavours of the next few days.