

Indonesia-Australia ties 'excellent'

Indonesia's economy is heading in the right direction with increased growth, expenditure and a strong fiscal position. *GlobeAsia's* **Jassmyn Goh** spoke with Australian Ambassador Greg Moriarty on his country's view of the rising economy and opportunities for the two neighbors.



After stepping onto Indonesian shores for the first time about 12 years ago, Greg Moriarty was appointed Australia's ambassador to the country in late 2010. With more than a decade of Indonesian experience under his belt, the ambassador has high hopes for Indonesian and Australian relations.

Since Indonesia's independence, Indonesia and Australia have always had strong ties led by trade and aid, and while different perspectives have at times caused friction, nevertheless the relationship has developed strongly. With more than 80 ministerial visits in both directions since 2007, it is clear that both countries perceive each other in a positive manner.

"Australia's current relations with Indonesia are excellent. We continue to work closely with Indonesia on many important issues, including in international forums such as the G-20, APEC and the East Asia Summit on issues such as climate change and in countering terrorism," the ambassador said.

Australia plans to progress and strengthen this relationship as Indonesia continues to rise as a world economic player. "Indonesia has an economy that is on track to grow at 6.5% for many years to come. There is an economic transformation underway and I look at this very favorably. In the near future, Indonesia's economy will be one of the top ten in the world," he said.

In 2010-2011, Australia exported goods and services worth \$5.16 billion to Indonesia with major exports being wheat (\$1.22 billion), crude petroleum (\$318 million), live animals excluding seafood (\$314 million) and aluminum (\$311 million).

In the same year, Australia imported goods

worth \$6.22 billion from Indonesia with major imports including crude petroleum (\$3.16 billion), gold (\$467 million), refined petroleum (\$206 million) and timber (\$160 million).

Regional free trade

The trade figures look like they are rising as Indonesia and Australia have recently joined forces again in the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA). The trade pact was signed on 1 January 2010 but Indonesia only joined the agreement in January this year. Australia hopes it will encourage businesses to view Indonesia as an expansion opportunity as well as creating growth for Australian exporters and investors who already do business in Indonesia.

Currently, more than 400 Australian companies are active in the Indonesian market in sectors such as mining, mining services and banking. These sectors have enormous potential for growth, recognized by Australian companies such as Bluescope Steel, Santos, Rio Tinto and Linfox, which already have significant investments in Indonesia.

"The economies of both countries complement each other. Australian companies would thrive in sectors such as natural commodities where our complementarities help to promote cooperation and investment," said Moriarty.

There is also plenty of opportunity in Indonesia's service sector, particularly in finance, and there is great demand for technical knowledge and expertise as Indonesia plans to develop the country's infrastructure.

With Indonesia drawing close to the \$1 trillion GDP mark, Australia understands the reality of Indonesia's growing business potential. "Indonesia is growing at a rapid pace, Australians



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Greg Moriarty
Australian Ambassador

will need to appreciate that Indonesia will become a more prosperous and influential neighbor in our region. By 2020, the Indonesian economy will be larger than the Australian economy," notes the ambassador.

"This development should be welcomed by Australians as there is an increased spread of wealth amongst Indonesians which will create a huge market for consumer products and services.

"But we must do more to capitalize on this potential. This is why both countries are looking to strengthen mutual investment and economic cooperation to foster future economic security," he added.

Challenges remain

Although these are positive predictions, Ambassador Moriarty says there are also many challenges Australian businesses face in Indonesia.

"In decades past, trade has taken a back seat to the important political and security issues in the region. Priorities must change for trade to flourish. We recognize that there are challenges with corruption which will take time to overcome but there is a strong political party which will tackle the problem and we support the Indonesian government's efforts to address corruption," he said.

Last year's suspension of the live cattle trade proved another test of the resilience of the relationship. Moriarty believes the quick settlement of the problem proved that underlying strengths outweigh the strains.

"The implementation of new supply chain arrangements has gone smoothly. This is a credit to Australian industry and our Indonesian



With Foreign Minister Marty Natalegawa



Hosting *buka puasa* (Ramadan breaking of the fast) at the residence last year.

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partners who have made improvements in animal welfare and food hygiene so quickly,” he said.

Moriarty said his aim is to strengthen economic and commercial relations between the two largest economies in the region. Both countries need to meet the challenge of raising their economic relationship to achieve the same level of partnership already established in other fields, he said.

“There is vast potential for Australian investment in Indonesia that Australian companies have yet to tackle. I would like to make sure that

corporate Australia recognizes this potential and does not miss the boat,” he said.

Another government-to-government initiative that will help boost the relationship is the Comprehensive Economic Partnership Agreement announced in November 2010 by Australian Prime Minister Julia Gillard and Indonesian President Susilo Bambang Yudhoyono.

“It will cover trade, investment and economic cooperation and I hope that it will not only promote mutual investment between the countries, but in turn help to lift the living standards of Indonesian people more broadly,” Moriarty told *GlobeAsia*.

Aid favors education

The ambassador also plans to continue to provide aid to create a prosperous, democratic and safe Indonesia. In 2011-2012, an estimated \$598 million in aid will be given to Indonesia. The largest component goes towards supporting education, with the aim of helping provide every Indonesian child with a good basic education.

“Since 2005, we have built more than 2,000 junior secondary schools, providing 330,000 new places to Indonesian students, and we plan to build a further 2,000 schools,” he said.

Australia also provides aid for the development of infrastructure and the economy. “Between June 2010 and January 2011 we connected more than 339,000 people in urban areas to water and sanitation networks. This means that poor households are getting connected, many for the first time,” he said.

For this coming year, the ambassador is confident in taking the relationship to the next level with President Yudhoyono and Prime Minister Gillard meeting again for talks during the year.

There are also hopes for a joint meeting of foreign and defense ministers. Other events will be used to encourage Australian companies to invest in Indonesia.

“Despite a very difficult period in world trade, Australia and Indonesia’s bilateral trade relationship has been remarkably resilient,” said Moriarty. “In 2009, our two-way trade declined by only 3% compared with a 10% fall in our two-way trade with the world. I am confident our strong trade relationship can survive the challenges that are inevitably thrown at it.” GA