



THE APEC CEO SUMMIT
REBUILDING THE GLOBAL ECONOMY: CRISIS AND OPPORTUNITY
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SPEECH BY
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ACHIEVING BALANCED GROWTH: WHAT MUST WE DO?

Bismillahirrahmanirrahim,

Your Excellencies,
Distinguished Panelists,
Ladies and Gentlemen,

A year ago, when APEC convened in Peru, the world economy was on the verge of a meltdown.

Thankfully, we acted fast, and acted together. The coordinated countercyclical policies and restoring confidence taken by the G20 economies, including the nine who are APEC members, prevented the worst from happening. We are now seeing the early signs of recovery.

But the worst is not over yet because the recovery is still fragile, and structural reforms still need to be done forcefully. So we agreed at the last G20 Summit and reinforced it again here in APEC, that any exit strategy must be coordinated and gradual. We must also find opportunity from this crisis to correct global imbalances, and to reform the international financial architecture and global governance, which is long overdue.

The question now is what next.

It is not just about how and when to phase out the extraordinary fiscal stimulus, and expansionary monetary policy. The challenge ahead of us is, how to replace these crisis response policies with structural policies that will correct global imbalances and promote sustainable, inclusive growth not just in the recovery phase, but beyond.

This will require coordinated policy action by all of us.

Asia and APEC region is especially important to lead the way. Global economy can no longer depend on one engine, such as the United States. We have to create a multi-polar balance growth.

This is because a number of Asian economies managed to grow at a positive rate during the crisis, and in this recovery phase, Asian economies have also rebounded

faster. This includes Indonesia, which experienced the third highest growth level in the world after China and India. In 2008, our growth was 6.1 percent and growth is expected to be 4.3 percent in 2009. Asian economies are also expected to sustain recovery in 2010, and Indonesian growth is projected to pick up to between five and 5.5 percent in 2010.

So just what are the global imbalances between and within economies? What needs to be done is for surplus countries to invest their valuable reserves in the most productive investments such as infrastructure, education, and health, to enhance productivity. For deficit countries, they need to save more, and to adopt structural reform, in order to correct unsustainable growth path. We must also recognize that cries for protection are linked to addressing anxieties of the groups and sectors most impacted. We also have to deal with the reality, that many countries are facing high unemployment.

Let us therefore find the opportunities in this crisis to correct these imbalances, by working towards a more balanced global and regional growth model. To address global imbalances, it is important to keep open flows of trade and investment in Asia, and between Asia and the rest of the world. I am sure, businesses such as those represented by the many captains of business in this room will agree. After all, APEC accounts for 40 percent of world trade, and with open trade and investment, its share in world GDP increased from 47 percent to 56 percent over the last 20 years. Furthermore, intra APEC trade amounts to 67 percent of our total trade - higher than even that of the European Union. We will also need to maintain the APEC vision of an open region. This will require, on the multilateral front, a successful conclusion of the Doha Round of WTO negotiations by 2010. It also requires economic integration in the Asian region that builds on Asia's dynamic markets - which builds on existing free trade areas in ASEAN, and ASEAN with Japan, China, Korea, India and Australia and New Zealand.

APEC's work on the facilitation agenda, which promises to cut the costs of doing business by five percent between 2005-2010, and by 25 percent by 2015, will also contribute to increasing regional integration.

However, we must also recognize the need to have a new balanced growth paradigm. In fact, our APEC founders were ahead of their time in this. From the founding of APEC, Indonesia always saw APEC's vision as, not only about open region based on liberalization and facilitation, but must include capacity-building to give confidence for the first two pillars.

Now more than ever, with rising unemployment faced by many APEC members, we need to bolster confidence to continue opening up our economies and dealing with those left behind and marginalized by globalization.

This is not just about addressing the socio-political economic realities - it is about nurturing the sources of growth and investing in the future. Engines of growth will shift from exports to domestic spending, especially on social priorities. Higher spending on

education and health care, and better designed social safety nets, will improve human capital and increase productivity.

Other possible engines of growth would be green growth with investments in energy conservation, clean energy technology and transportation. The surest way to get sustainable growth is also to increase productivity through investments in technology and reforms. These all offer opportunities for investment and provides incentives for business.

Excellencies, Ladies and Gentlemen,

Apart from the global imbalances, we must also address imbalances at the national level.

Thus, to rectify the imbalances within nations : we must provide the necessary social protection for the vulnerable groups who are most impacted by globalization forces. We must also debottleneck and implement ambitious structural reform, in order to enhance productivity and build a stronger basis for healthy and sustainable growth. There are many things that can be done. Let me share with you the Indonesian experience.

Indonesia is no stranger to financial meltdowns. In the 1997-98 Asian financial crisis, Indonesia was hardest hit.

But the crisis brought blessings too. It spurred a new era of “reformasi” and democracy, which transformed Indonesia for good.

That crisis has taught us not to repeat our mistakes. At the onset of this new crisis, our banking system was sound, and exposure to debt, or over leveraging by our companies was low.

Early on, we also moved quickly to shore up confidence, and implement counter-cyclical expansionary measures. Side by side with our business sector, we made sure that business and consumer confidence remained high. We worked closely with the business sector, to ensure we were taking the right steps, including temporary incentives and support, to minimize the impact on unemployment. The countercyclical measures include increasing spending and reducing tax that have direct impact on growth. Corporate tax rates have been reduced to 28 percent this year compared with 30 percent in 2008 and will come down to 25 percent in 2010.

As a result our businesses were able to manage the downturn and minimize layoffs. The vision of my new government in its next five-year term is indeed for balanced, inclusive and sustainable growth. We have adopted this as the heart of our national program.

Let me just share with you the main highlights of Indonesia’s new “balanced growth” paradigm.

Growth is targeted to reach 6.3-6.8 percent for the next five years and to do so we have identified development funding needs of around 120-200 billion US\$ per year. Around 80 percent is expected to come from the private sector, both domestic and foreign. Investments are needed to address infrastructure bottlenecks, revitalize the industrial and agriculture sector, and creative and innovative industries.

How do we achieve this growth and at the same time ensure balanced and inclusive growth? And how can you join with us in being part of Indonesia's new growth impetus?

First, we will continue to build confidence in the government. This will mean continuing and completing our bureaucratic reform program, which has already been spearheaded by the Finance Ministry especially in the tax and customs reforms.

Second, ensuring a conducive investment climate. We will continue to streamline investment procedures, implement the one stop investment service and ensure the climate for doing business continues to improve. We are determined also to de-bottleneck any problems and issues that arise to ensure smooth flows of investment. We are also aware that national logistics and internal connectivity will be key drivers of investment, competitiveness, and growth in domestic markets. Third, giving due attention to infrastructure. The most immediate short term need is for power generation. The first accelerated 10,000 mw is in progress and the next 10,000 mw will begin and here the target is for 40-50 percent to come from cleaner energy sources such as geothermal. At the same time, in line with green growth strategy, the regulations regarding the bio-fuel mix in fuel and incentives for use of renewable energy will also be completed.

Fourth, revitalization of industry and agriculture. In the short term, it will be focused on the sugar and fertilizer industries, and on increasing production to ensure greater food security with meat and soybeans. In the longer term, we will focus on increasing our competitiveness in various industries and in the food sector.

Fifth, on inclusive growth, we have a comprehensive program. First, the importance of SMEs cannot be over emphasized and here we will be scaling up the microfinance scheme guaranteed by the government so that we can finance loans totaling Rp. 20 trillion or \$2 billion a year.

Second, better targeted subsidies and building more effective social safety nets are also critical to inclusive growth.

So we still have a great deal to do. We must ensure growth by improving our investment and fiscal policies. We will increase our spending on infrastructure development and social priorities. We will see the gradual end of fuel subsidies, boost our agricultural production, and bring the direct benefits of subsidies to the poor, the farmers and those normally marginalized.

We will increase connectivity and efficiency in logistics, and build up our infrastructures - especially our maritime infrastructure.

I need not tell you that there are investment opportunities in all these. I am inviting you to take active part in this massive but promising and rewarding endeavor. And that brings me to this one final thought that I want to share with you today. To the

many economic and financial problems that people have to live with on a daily basis, I do not believe that big government is the answer. The answer is better government.

What we need are governments that respond quickly and decisively to crises. Governments that work in tandem with all sectors of society.

The fine-tuning of our financial systems needs the contributions of every one of us. If we are to achieve equitable and sustainable global growth, we all have to work together to make sure the wheels of our economies are set to run smoothly and in the right direction so that it does not swerve into a ditch.

Together let us set the wheels in motion, and together let us guide it to the right direction - so that there will be progress and a better life for us all.

Thank you.

Singapore, 13 November 2009
PRESIDENT OF REPUBLIC OF INDONESIA,

DR. H. SUSILO BAMBANG YUDHOYONO