

Address by
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May I begin by expressing my thanks to Mr. Frank Burd, President of the Baltimore Council on Foreign Affairs for inviting me to speak on this august forum. It is a great honor for me to have this opportunity to share with you my views about Indonesia and its relationship with the United States, bilaterally as well as within the context of regional cooperation in Southeast Asia.

I will divide my presentation into three parts. In the first part I will update you with some of the important development taking place in Indonesia. In the second part, I will address the state of the Indonesia – US bilateral relations, and in the last part of my presentation I will share with you some thoughts and perspective regarding US role in Southeast Asia.

DEVELOPMENT IN INDONESIA

Ladies and Gentlemen,

Indonesia is located in Southeast Asia. As the largest archipelagic state in the world, Indonesia consists of more than 17,000 islands with population of more than 230 million peoples, making it the

fourth most populous nation in the world after China, India and the United States. Similar to the United States, Indonesia is also a melting pot of rich cultural diversity, a product of century upon century of cultural and religious assimilation. Today, more than 80% of the population is Moslem, while the rest adhere to Christianity, Hinduism, Buddhism and other forms of indigenous beliefs.

These past ten years have emerged as one of the most important periods in the history of our country. We have revived and rebuild our economy out of the most devastating financial crisis in generations. We have recovered from one of the most damaging natural disasters the world has ever seen. We have not merely survived many terror attacks that aimed to destabilize, intimidate and create fears among our society, but we have also been very successful in crushing this terrorist network and in dealing with the violent and extremist ideologies that spawn these terrorists in the first place.

All these progress have created a stable political system in Indonesia within a new democratic environment. Today, Indonesia can take pride in being a new and vibrant democracy. As a diverse and pluralistic society, Indonesians cherish the values of freedom and tolerance based on the principle of unity and diversity. The government is fully committed to uphold and implement those principles in the conduct of statehood.

Much, however, remains to be done. The country needs to have higher economic growth in order to reduce unemployment, alleviate poverty and improve the welfare of the society. Economic development is crucial not only to provide basic needs for the people, but also to further consolidate the democratic transition that are now taking place in Indonesia.

Improved security and stable political environment have allowed us to set our economy into a path of dynamic and sustainable growth. In the past three years the income per capita has increased by 64%, from around US\$ 1200 in 2004 to just below US\$ 2000 in 2007. In a time where many parts of the world are suffering from food crisis, this year Indonesia is able to achieve self sufficiency in rice production, ensuring food safety for more than 230 million people. In 2007 the Indonesian economy grew by 6.3% and even though on the last quarter of 2008 we are facing a global financial crisis, nevertheless we are optimistic that we can achieve growth rate of around 6% in 2008. For 2009 we are anticipating a much more difficult economic condition due to the recession in most of the major economies in Europe, America and Asia.

US-INDONESIA BILATERAL RELATIONS

Ladies and Gentlemen,

Today Indonesia is proud to call itself as the third largest democracy in the world after India and the United States. As a country with the largest Moslem population, Indonesians are also

proud to showcase that Islam and democracy are compatible to one another. Together they serve as a strong foundation for the progress and advancement of the Indonesian society. As democratic and pluralistic societies, Indonesia and the US share many common interests and therefore it is for our mutual benefit to further strengthen and elevate our bilateral relationship. Indeed, there are many factors that served as the platform for building closer strategic bilateral relations between Indonesia and the US:

First, is the shared value of democracy as the basis for cooperation in various fields. Indonesia as a democratic and pluralistic country, and at the same time has the largest Moslem population in the world, ---has the same objective with the United States and other pluralistic societies to promote tolerance, harmony and moderation among its people and human kind in general; Second, is the shared interest to expand our economic and trade ties in many sectors including on energy for our mutual benefit; Third, is the continuing common endeavor to fight against global terrorism; Fourth, is the common interests to preserve and maintain international peace and stability, and particularly in Southeast and East Asia regions; and Fifth, is the strong national leadership in Indonesia that are able to carry out the political and economic reform process and who has strong commitment to develop closer Indonesia-US bilateral relationship.

The United States has also been an indispensable partner in our economic development efforts. The United States is the third largest

market for Indonesia's non-oil and gas exports, after Japan and the European Union. In 2007, total Indonesia-US bilateral trade was US\$18.54 billion; an increase of more than US\$ 2 billion from 2006. Under the Trade and Investment Framework Arrangement (TIFA), our two countries continue to work closely to facilitate greater flows of trade and investment. Through its development aids and assistance, the United States is also playing a crucial role in our efforts to address poverty and enhance the quality of life of the Indonesian people. We in Indonesia put great value on our relationship with the United States.

UNITED STATES IN SOUTHEAST ASIA

Ladies and Gentlemen,

The United States has had a long and strong presence in Asia, including in Southeast Asia. US long term relationship with the major powers in Asia particularly China, Japan and India is critical to the stability of the whole region.

Ever since the end of World War II, the United States has been a pillar of stability in the Asia Pacific. With the growing prosperity and affluence, new powerhouses have emerged among countries in Asia. Japan has been and will continue to be the second largest economy in the world for the foreseeable future. China is already on its way to become a major global economic and military power and India has also emerged as a growing economic powerhouse.

The dynamism of their relations in the region and beyond should be diligently managed. The United States and countries in the region need to creatively seek new areas of cooperation and enhance the existing ones and conduct dialogs aimed at building and strengthening mutual trusts among the countries concerned. These are a number of prerequisite steps to ensure that the regional realignment process will only contribute to the continuing prosperity, peace and stability in the Asia Pacific region.

With regard to Southeast Asia, last year, the Association of South East Asian Nations (or ASEAN) and US celebrated the 30th anniversary of ASEAN-US dialogue relations. The United States is the most important market for Southeast Asian countries. In terms of direct trade, with a total trade of around US\$ 170 billion in 2007, the US is the second largest trading partner of ASEAN, while ASEAN is now US's fourth largest trading partner. In terms of foreign direct investment, many US companies are operating in the gas, oil and mining industry which are in relative abundance through out the region. The US economy also plays an important role in fostering intra-Asia trade. A significant part of this intra-Asia trade consist of natural resources and intermediate goods, which in turn rely on the demand for final goods from established markets such as the US. The United States therefore will continue to be the most important partner for Southeast Asian countries in pursuing mutually beneficial prosperity.

Countries in Southeast Asia are also facing various non-traditional security challenges such as terrorism, piracy, drugs and people smuggling and other trans-border issues. One of the most pressing challenges that some countries in the region have to face is the continuing threats of radicalism, extremism and terrorism that seek to destroy the political and socio-economic foundation upon which progress and prosperity have been built. Dealing with these challenges requires enhanced national capability and cooperation at regional and international level.

Building national and regional capabilities is a priority for countries in the region, and the United States continues to have an important role to assist countries in the region to develop such capabilities. Indonesia has benefited greatly from such cooperation, which has been very crucial in our success in uprooting and crushing the terrorist networks in Indonesia. At the same time, the soft power approach that has been conducted by the Indonesian Government to address the challenges of radicalization and extremism can become a valuable lesson learned for the US.

As their political, security and economic interests become increasingly integrated and interdependent, Southeast Asian countries have been developing a regional architecture that rests on the operation of the Association of Southeast Asian Nations (ASEAN). ASEAN has been critically important for the efforts to promote settlement of disputes among countries in the region, promotion of cooperation and managing the increasingly

interdependent interests. The community building process is still underway and there are many areas where the expertise and resources of the United States could significantly assist ASEAN to achieve its goal of establishing the ASEAN Community by year 2020.

Thank you.