

Sudjadhan's "State of the Union"

H.E. Sudjadhan Parnohadiningrat
Ambassador the United States, Republic of Indonesia
Thursday, January 17, 2008
Willard InterContinental Washington
Washington, DC

Co-sponsored with the Embassy of the Republic of Indonesia and US-ASEAN Business Council

Indonesia has a good story to tell regarding progress in the past year, and Indonesian Ambassador Sudjadhan Parnohadiningrat wanted to tell it in a "State of the Union" review on January 17, 2008 at a program co-sponsored by USINDO and the US-ASEAN Business Council. He described economic advancements, Indonesia's active role in international affairs and improved U.S.-Indonesian relations.

Indonesians see that there has been a significant change in U.S. views of and interaction with Indonesia, the ambassador said. He believed that securing democracy in Indonesia has greatly helped to change this view. In 2004, almost 124 million Indonesians voted in the elections. Bilateral relations were further strengthened in 2005 with the restoration of military ties between the U.S. and Indonesia, with the visit of President Susilo Bambang Yudhoyono to Washington in the same year and the visit of President Bush to Indonesia in 2006.

In 2006, Indonesia introduced a new investment policy package to stimulate economic growth. That same year was the first since the 1997-98 crash that Indonesia reached a six percent economic growth rate. Bank reserves are a very respectable \$57-58 billion. In 2007 the Indonesian parliament passed Investment Law 25, offering the best incentives thus far for corporations wishing to expand. In the oil and gas industry, the target was set in 2007 to have production back to pre-financial crisis numbers

within five years. Production would then be at least 1.3 million barrels a day.

Investment in Indonesia grew in 2007 to about \$3.5 billion, representing a 134 percent increase since 2006. This clearly represents increased confidence in Indonesia. That same year, thirteen state owned companies went public. Ambassador Sudjadhan pointed out that "privatizing state owned enterprises will show that Indonesia has fully embraced free-market principles."

The Bank Indonesia interest rate has been lowered over time and is now at 8 percent. The ambassador said it is expected to remain about the same on into 2008. Lower lending rates give small and medium enterprises a chance to borrow money for expansion. There was a twenty percent increase in lending in the private sector in 2007, he said. The Indonesian economy saw about a 6.5 percent inflation rate last year, which is expected to continue at the same level this year.

Increased confidence is also carried over into other regions, where Indonesia is also working to solve past conflicts. Poso, in Sulawesi, has recently seen a nurturing of relations between the different religions. The situation there has "improved significantly," from the sectarian conflict in the past. In Maluku there is no longer a fear of being out at night and the different religions are working together.

The biggest success has been in Aceh, he said, referring to the introductory remarks by USINDO President Ed Masters, who noted that the trauma of the tsunami was the final element in bringing warring factions together, unlike Sri Lanka where a similar trauma was not enough to end factional fighting. It has been three years since the tsunami and Aceh is still under reconstruction and it will continue to be a success, Ambassador Sudjadnan said.

There have been a number of natural disasters in Indonesia, but despite the reallocation of resources necessitated by these events, Indonesia “can still achieve growth.”

Indonesia is also actively engaged in regional organizations. It was an architect of the ASEAN Security Community Concept, the goal of which is to provide a platform to freely discuss controversial ideas. ASEAN is now a more vibrant organization and is not limited to regional economics. Indonesia played a part in drafting the ASEAN Charter and in establishing the East Asia Summit that currently includes 15 countries.

In 2008, Indonesia will finish its term as a non-permanent member of the UN Security Council. As a member, Indonesia has contributed troops to the UN mission in Lebanon, and has worked on the situations in Darfur, Somalia and Kosovo, trying to address these issues at a global level.

Indonesia has recently hosted major international conferences, including a two-week conference on the environment in December 2007 and an upcoming meeting on anti-corruption with the participation of more than one hundred countries. It is anticipated that there

will be over 12,000 participants from the private sector, NGOs, and academics in the conference taking place in Bali at the end of January.

In preliminary remarks, State Department official Kamala Lakhdir described the U.S. and Indonesia as “natural partners” working increasingly together on strategic issues of global import. The U.S. “appreciates Indonesian support and cooperation in countering terrorism,” and applauds the successful efforts Indonesia has undertaken, she said. She pointed out, however, that U.S. aid in security issues comprises only 20 percent of total aid, while 80 percent goes to education, health care, improved governance and other efforts to support democracy.

Q: What is being done about illegal logging and to preserve wildlife?

A: Illegal logging is one of the areas the government has worked to overcome over the last two to three years. Stolen wood is not only a local problem, but also an international problem. Indonesia needs the help of the international community to control the buyers. There have been many arrests, including the arrest of police and government officers.

Q: Is Indonesia receiving aid from the Millennium Challenge Corporation?

A: The U.S. pledged \$55 million to Indonesia in 2007. I believed at the time that amount was for one year, but in fact it will be stretched out through 2009. The MCC criteria focus more on achievement rather than effort, as measured by 16 indicators.