

Keynote Speech by
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At a Seminar at
The Japan Institute for International Affairs

Tokyo, 28 August 2008

Mr. Chairman,
Distinguished Speakers and Participants,
Ladies and Gentlemen,

I am honoured and delighted to be with you today. A trip to Japan is always a special occasion for me. That is because I have many friends here. And also because every time I come here, I learn something that makes me more confident about the future of the East Asian region.

Let me therefore thank the Japan Institute for International Affairs (JIIA) for organizing this event and inviting me to share my thoughts with you on “*East Asia: Towards Regional Integration.*”

Indeed, there is no better way to commemorate the golden jubilee of the establishment of formal diplomatic relations between Japan and Indonesia than a discussion in depth on what our two nations can do for each other and what we can do together for the region in which we both are active and committed players.

Since half a century ago, Japan has always been one of Indonesia’s closest and most important partners. Japanese investments built up most of the economies of East Asia; the Indonesian economy is no exception. Through Japanese investments and through official development aid (ODA), Japan has been deeply involved in the socioeconomic development of Indonesia. Our bilateral trade has always been growing.

Japan has strongly supported Indonesia’s transition into a more fully democratic system of governance. To cite just one example, during the series of historic elections of 2004 when the Indonesian electorate directly voted into office the country’s President and Vice President, and members of Parliament, 20 election observers and technical experts came over from Japan to help.

Japan has been a true friend in good and bad times. The Japanese Government and people were among the first and quickest to respond when an earthquake and tsunami devastated our province of Aceh and the island of Nias. Japan was there to save lives and bring relief to survivors. Japan is still there helping with the rehabilitation and reconstruction of the devastated communities. That is friendship in its purest form.

And I am sure that friendship will grow stronger, with the signing of the “*Strategic Partnership for Peaceful and Prosperous Future*” in 2006. That partnership has taken our cooperation to a higher and more comprehensive level. I expect it to form a strong bond between our nations that will offer extraordinary opportunities to our future generations.

Fleshing out that partnership is the recent entry into force of the “*Indonesia-Japan Economic Partnership Agreement (IJEPA)*” that further enlarges and strengthens our cooperation in trade, investment and economic development.

What makes our relationship special is its freedom from the baggage of the past. That is because we in Indonesia have taken a positive and practical approach to our relations with Japan. Thus we achieved an early and total reconciliation that enabled us to move forward together on the road to progress, never looking back to the vagaries of history.

We must look intently, however, at the vagaries of the world we live in today. We are in a global situation in which non-traditional threats to security freely mix themselves with traditional threats.

Hence, we still have to worry about the proliferation of weapons of mass destruction and the constant possibility of interstate armed conflicts. We must also come to grips with the reality of intrastate conflicts, the possibility of pandemics, and our vulnerability to natural disasters.

On top of all these, we must contend with an array of crises that humankind is saddled with. The world financial architecture has been in difficulties for some time. The world price of oil, although it came down a few rungs in recent days, is still exceedingly high and can shoot to higher levels any time.

We are in the midst of a food security crisis, as nations have been neglecting agriculture. And, finally, there is the inconvenient truth that global warming has been upon us for some time.

These are the global issues that Japan and Indonesia must address on a bilateral basis and in concert with other nations.

There is no doubt that although Japan is struggling to retrieve its dynamism some two decades ago, it is still the world's second largest economy. As such, it can bear the crises as well as any highly developed country and will certainly contribute to their solution. And Japan remains politically stable.

This is not the case with several countries in Southeast Asia that have been hard-hit by the crises. The ASEAN economies are expected to contract from an average growth rate of 6.5 percent in 2007 to 5.7 percent this year. Malaysia and the Philippines are expected to considerably slow down from their 7.3 growth last year. As a group, the growth of the economies of Cambodia, Myanmar, Laos and Vietnam will stand still at seven percent.

The problem is compounded by political challenges the individual countries are facing. Malaysia is in political turmoil and so is Thailand. The Philippines, so near to resolving its conflict with the Moro Islamic Liberation Front, suddenly must put out brushfires of rebellion that can become a conflagration.

But the ASEAN region has been through a crisis before: the Asian financial and economic crisis of a decade ago that had profound political impact in Indonesia and Thailand. We weathered that crisis not by turning inward but, on the contrary, by intensifying our regional economic integration.

At the same time we deepened our engagement with our more economically mature Northeast Asian neighbours—China, Japan and South Korea—through the ASEAN Plus Three process.

Today, with ASEAN transforming itself into a true Community that stands on economic, political and sociocultural pillars, with ASEAN becoming a rules-based organization by virtue of its Charter, and with the support of reliable dialogue partners like Japan, the ASEAN region is in an even better position to weather any crisis.

Like the rest of the ASEAN family, Indonesia has not been spared from the impact of the crises. Social tension rose to some degree when we began lifting the fuel subsidy two and a half years ago. Fortunately this has not led to political upheaval largely because we spread out over time the impact of that painful but necessary measure. We also gave direct financial assistance to the poorest sector of our society.

Moreover we are still meeting our energy needs. We are enjoying a surplus of coal—the price of which has risen sharply, to the advantage of Indonesia. If you look at our total mix of energy sources, we are producing the equivalent of six million barrels of oil per day.

During the past one and a half years, our agricultural exports increased in volume and in value. Our trade surplus last year was US\$37 billion. We are still going for a growth of 6.3 percent this year, the target set by the Government. Our year-on-year growth during the second quarter was 6.4 percent.

So inspite of the global crises and the world economic slowdown, we in Indonesia are by no means in bad shape. And if the current trend holds, it augurs well for our democracy as we prepare for national elections in the middle of next year.

The democratic electoral process, I am happy to tell you, is alive and well in Indonesia. We probably hold the record in the number of democratic elections held within a span of three years. We had three national elections in 2004, and more than 280 local elections since then. By 2009 all local officials will be directly accountable to their constituent electorates.

Evidence of our political maturation is all over the country. In Aceh, for the first time in 30 years, we have achieved durable peace, which could finally deliver prosperity to the Aceh people.

In Papua, we have met the people's aspirations for meaningful autonomy by establishing the institutions for this purpose. We have engaged them in a "new deal" that has allayed popular dissatisfaction. The Papuans have also chosen their local leaders in free and democratic elections. Ample funds for development are flowing into Papua.

As the country with the largest Muslim population in the world, Indonesia has proven that Islam and democracy are not incompatible, but can exist side by side, each reinforcing the other.

Political observers have noted that Islamic political parties in Indonesia are all moving toward the ideological centre, since that is the only way they can improve their performance during elections.

We have made our democratic transition. Our challenge now is how to further consolidate our democracy, making it more effective in delivering stability and prosperity to our people.

It is our hope that as we regain our economic dynamism and achieve greater political stability, we will be able to contribute more to the security, stability and prosperity of the East Asian region. We hope to make that contribution largely through the dynamics of a transformed ASEAN.

Today ASEAN is in the final stage of its transformation into an ASEAN Community resting on three pillars: the security, the economic and the sociocultural pillars. This means completing the integration process by 2015 and addressing the development gaps, political and economic, among its members. This means achieving sociocultural cohesiveness.

In all these efforts, the ASEAN Charter will serve ASEAN in good stead. Once in force, the Charter will give ASEAN legal personality, establish institutional accountability and enhance compliance, and affirm ASEAN's role as the driving force in East Asian integration and a robust player in Asia Pacific affairs.

When ASEAN was newly formed, it took a learning process of almost a decade before the ASEAN countries acquired the habit of dialogue and consultation not only among themselves but also with countries and organizations that are their dialogue partners. In the beginning there was even an unwritten taboo on discussing security issues.

But at the Bali Summit of 1976, the taboo on security issues was lifted with the signing of the Treaty of Amity and Cooperation (TAC) in Southeast Asia. And in the 1980s, ASEAN finally addressed a major regional security issue, the protracted conflict in Cambodia.

As ASEAN's interlocutor, Indonesia organized the Jakarta Informal Meetings (JIM) attended by the parties to the conflict and other interested parties. This was followed by a United Nations process that culminated in the signing of the 1991 Paris Agreement that led to the rebirth of the Kingdom of Cambodia.

Since then, two major intrastate conflicts have been settled in the region. In 1996, a peace agreement was reached between the

Government of the Republic of the Philippines and the Moro National Liberation Front, putting an end to two decades of conflict between the two sides in southern Philippines. And in 2005, three decades of separatist rebellion came to a peaceful end with the signing of a peace agreement between the Free Aceh Movement (GAM) and the Government of Indonesia.

Although ASEAN was not directly involved in either case, the ASEAN spirit was clearly at work through Indonesia serving as facilitator of the MNLF-GRP peace talks, and through the participation of ASEAN countries in the EU-led Aceh Monitoring Mission that supervised the implementation of the GAM-GOI peace agreement.

Now confident in addressing security issues, ASEAN established in July 1994 the ASEAN Regional Forum (ARF) where its foreign ministers can meet with their counterparts from countries that have an impact on the security situation in the Asia Pacific. The aims of the Forum are to build mutual confidence, carry out preventive diplomacy and eventually “elaborate” on a dispute settlement mechanism.

And also since then, ASEAN has grown to include ten countries in Southeast Asia and the ARF has also greatly enlarged his membership. Although the ARF has not moved much beyond confidence building and preventive diplomacy, there is within ASEAN an intensive dialogue on security and military matters among its defence ministers.

And there is today within ASEAN, and between ASEAN and its dialogue partners, a great deal of concrete initiatives in counter-terrorism, in ensuring the safety of the Strait of Malacca, in fighting non-traditional security threats and in the management and mitigation of natural disasters.

Also serving as a code of conduct governing relations among ASEAN members and between ASEAN and external powers is its Treaty of Amity and Cooperation (TAC) in Southeast Asia. Signatories and acceding states renounce the use of force and bind themselves to the peaceful settlement of disputes.

In 1997, ASEAN Plus Three was established in response to the Asian financial crisis. It has also served as a platform for East Asian

countries to strengthen cooperation at various levels and in various fields.

The ASEAN Plus Three Process gained such a momentum that in 2004, ASEAN launched the idea of an East Asia Summit. To some, the East Asia Summit should comprise the ASEAN Plus Three countries. But Indonesia pushed for a more inclusive idea of East Asia, one that embraced India, Australia and New Zealand.

Thus ASEAN redefined the notion of East Asia so that it is no longer just a geographical, racial or cultural entity—but an entity formed over many years of habitual and intensive consultation and cooperation between ASEAN and its dialogue partners.

Not unlike Indonesia itself with its immense diversity of ethnic cultures, the countries that make up the new East Asia are widely varied, but are bound together and made one by a commonality of purpose and values.

With this concept of a more inclusive East Asia, ASEAN remains at the centre not only geographically but also in terms of occupying the driver's seat in this important process.

Today ASEAN has embarked on a process of negotiating free trade area agreements with six dialogue partners, which can lead to the establishment of an East Asia free trade area by 2015. In a way, this will repeat the process within ASEAN soon after its founding in Bangkok of using economic cooperation as the driving force of its integration. Thus the new East Asia will be consolidated first through a process of economic integration before it goes into a wider field of cooperation.

Thus, during its forty one years of existence, ASEAN as a regional organization has fundamentally shifted the dynamics of the region toward peace and security. And through its networking, it has influenced the dynamics for peace and prosperity well beyond its geographic borders.

Combined with its Northeast Asian partners, ASEAN serves as the main pillar of the East Asia process. To the world, this must be a vitally important process, considering just the geographic magnitude of its coverage.

ASEAN alone has a population of 567.56 million. Add that to the aggregate population of Northeast Asia (China, Japan and South Korea), which stands at 1.498 billion, and you get a total of 2.065 billion or about one-third of humankind. And if you add to that the population of India, Australia and New Zealand to get an idea of the population represented by the East Asia Summit, you get well more than three billion, which comes close to half of all humankind.

In terms of GDP, ASEAN has a total of US\$1.072 trillion, with a GDP per capita of US\$1,890. Combine that with the total GDP of Northeast Asia, which is US\$8.307 trillion, you get an East Asian GDP of US\$9.38 trillion and a per capita GDP of US\$4,540.

In terms of internal trade, intra-ASEAN trade totals US\$304.89 billion or 24 percent of the aggregate trade of the ASEAN countries. Put together the total internal trade of Southeast and Northeast Asia and you get a total intra-East Asian trade of more than US\$620 billion.

In terms of economic growth, China leads not only the East Asian pack but the rest of the world as well. It has been estimated that China will be the world's largest economy by 2035.

Already a nuclear power with a military capability in outer space and now building a blue water navy, China has doubled military spending in a span of four years. It is therefore important that China remains firmly engaged with forums that are decidedly constructive in orientation, such as the ARF, ASEAN plus Three and the EAS.

The world should be glad that an even more confident China has emerged from hosting the Summer Olympics earlier this month. I imagine that a new infusion of Japanese investment will add to that confidence and also prove rewarding to the Japanese economy. For a confident China that knows and is eager for the rewards of economic and positive political engagement is a tremendous force for East Asian stability and prosperity.

Two other participants to the EAS, South Korea and India, are world leaders in technology, with South Korea already classified as a developed country and India being fancied as in a position to rival China's economic dynamism in a few years' time.

In the midst of all these developments, Japan, which remains the world's second largest economy, must continue playing a pivotal

role if East Asia's stability is to be ensured and its potential for dynamic growth is to be realized.

We in Indonesia realize that Japan is reviewing its pacifist post-World War II constitution as it begins to shoulder more of the cost of its own defence. This is perfectly understandable in the light of the face of the redeployment of US forces out of Japan at a time when no one is fully certain of the intentions of North Korea.

The time may be ripe for Japan to break from its long-held pacifist posture but we neither expect nor wish Japan to go on an arms race with China. We encourage Japan to constructively engage a confident China.

At the same time, we urge Japan to engage more deeply with ASEAN and contribute more to the security of the region—especially in the strategic sea-lanes of Southeast Asia.

We in Indonesia and the rest of ASEAN are eager to work with Japan and the other countries of East Asia in giving political coherence to the many networking processes—mostly in the economic field and initiated and driven by ASEAN—that are taking place in the region. This is something that no individual country can achieve, but is very much attainable if we all work in concert.

If we can achieve this, we can hasten the march of history toward the realization of an East Asia Community. Thus we will ensure the long-term security, stability and prosperity of our region. And thus we will be able to extend the positive influence of our East Asia process to the world beyond our regional borders.

Then we can be sure that the work we are doing is a service to all humankind and to our future generations.

Thank you.