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INTRODUCTION

Australia and Indonesia are nations with different histories, traditions and cultures. But geography makes us neighbours, with strong common interests in each other's well being and in the stability and prosperity of our region.

We contribute to a stable strategic environment for each other, including in addressing a range of non-traditional threats to security. Our economies provide important markets for each other's exporters and complementary capacities delivering opportunities in third markets. Significant people-to-people links underpin our governmental relations. Large numbers of Indonesian students study at Australian universities. Australians work in all types of commerce in Indonesia.

It is these common interests that mean neither country can ignore the other nor take it for granted. The Government's approach is to remain focused on our common interests and to work with Indonesia in a positive and cooperative spirit to achieve outcomes that benefit both countries. The excellent cooperation between Australia and Indonesia on the investigation into the Bali atrocity and our joint efforts on people smuggling demonstrate the benefits of this approach.

There have been turbulent periods in the relationship during the last 55 years, and it will inevitably continue to be tested from time to time. The relationship will be most resilient if it is based on realism (including about our differences), mutual respect and identification of mutual benefits.

CONTEMPORARY INDONESIA

The end of the New Order and "reformasi"

Contemporary Indonesia is the product of the momentous political and economic developments which have occurred since 1997. It has in many aspects changed significantly from the country which former President Soeharto and his New Order regime had dominated for more than three decades.

The principal catalyst for the transformation of Indonesia from an authoritarian polity to an emerging democracy was the economic crisis which beset Indonesia and several other Asian countries in mid-1997. The crisis severely damaged Indonesia and its effects have persisted in Indonesia longer than anywhere else, largely because of the country's extremely weak and corrupted financial institutions. Growth fell from around 6-7 per cent per annum to minus 13 per cent. Foreign and domestic investment fled the market. Unemployment rose dramatically. The currency (rupiah) plummeted from 2,300 to the U.S dollar to around 18,000 to the dollar at its lowest point in early 1998.

In an effort to restore confidence in its economy, Indonesia sought assistance from the International Monetary Fund (IMF), signing several agreements in return for financial and technical assistance packages. The existing program is scheduled to end in 2003.

The New Order government had based much of its legitimacy on economic success and improved living standards for the population. The economic crisis effectively brought that legitimacy to an end. Large scale protests grew, in which students, civil society groups and opposition figures demanding "*reformasi*" (reformation) played central roles. Riots broke out in Jakarta and other major cities, resulting in the deaths of over 1,000 people, many of them from the ethnic Chinese minority. Key members of the regime (including within the cabinet, the military and the hitherto obedient parliament) eventually withdrew their support for the president. In the face of this opposition, Soeharto resigned in May 1998.

In accordance with the constitution, Soeharto's vice president, B J Habibie, assumed the presidency. Under pressure, Habibie agreed to overhaul political and electoral laws with a view to holding early general elections. He also agreed to hold a subsequent Special Session of the People's Consultative Assembly (MPR), the nation's supreme parliament which *inter alia* was authorised to validate constitutionally the new political laws. With the assistance of the IMF, his government also managed to restore some stability to the currency and arrest the decline in the economy.

Habibie also freed most of the country's political prisoners and made some moves towards addressing its festering internal security problems, particularly in East Timor and Aceh, which the Soeharto administration had sought to suppress militarily. Habibie ended Aceh's formal status as a military operations area (DOM) and offered the East Timorese a vote on whether to accept special autonomy or independence. On 30 August 1999, they overwhelmingly chose independence.

Habibie's East Timor policy, his association with the New Order and the corrupt activities of figures close to him made him unpopular. His party, Golkar, was soundly defeated in the general elections of June 1999, the first truly democratic elections in Indonesia since 1955. Led by Megawati Soekarnoputri, the Indonesian Democratic Party – Struggle (PDI-P) won the largest number of seats (153). Golkar came second with 120 seats. Three other parties, the National Awakening Party (PKB), the United Development Party (PPP) and the National Mandate Party (PAN), each gained between 30 and 60 seats. Small parties picked up the remainder of the 462 elected seats in the 500-strong House of Representatives (DPR). The remaining 38 seats were reserved for the military and police.

Indonesia's Major Political Parties

PDI-P Struggle (Indonesian Democratic Party-Struggle - Partai Demokrasi Indonesia - Perjuangan)

Led by Megawati Soekarnoputri, the party is based on the parts of the PDI that remained loyal to her after her removal in 1996. It draws support from nationalist/secularist-oriented segments of the population, and minorities, particularly in Eastern Indonesia and Bali. It has a core of strong supporters, many of whom are drawn to Megawati because of associations with her father, Soekarno. PDI-P won 34% of the vote in the 1999 general election.

PKB (National Awakening Party - Partai Kebangkitan Nasional)

PKB has its core support in Java and is based on Nahdlatul Ulama (NU), the traditionalist Muslim mass organisation of which Abdurrahman Wahid was the chair. Wahid founded PKB as NU's political vehicle in 1998, largely to counter the emergence of many overtly Islamic parties. Its platform is pluralist and it is willing to accommodate the concerns of non-Muslim minorities. PKB won 13% of the vote in the general election.

Golkar (Golongan Karya)

Golkar was the political vehicle of former President Soeharto and former President Habibie, and is led by Akbar Tandjung, Speaker of the DPR. Golkar sought to recast itself as a party of reform in the lead-up to the 1999 general elections. It won 22 % of the vote, doing particularly well in much of eastern Indonesia.

PAN (National Mandate Party - Partai Amanat Nasional)

Led by Amien Rais, speaker of the top legislative body, the People's Consultative Assembly (MPR), this party draws most of its support from its Muhammadiyah base but is avowedly pluralist. It has recruited minorities, and has attracted some Christians and Chinese. PAN won 7% of the vote in the general election.

PPP (United Development Party - Partai Persatuan Pembangunan)

One of the two officially sanctioned opposition parties during the Soeharto era, the PPP is a union of four diverse Islamic parties patched together in 1973. It is the only party among the top five which has Islam as its core ideology, but its Islamist platform and membership are generally moderate. It won 11% of the vote in the general election.

In accordance with the then constitution, the 700 members of the MPR met in October 1999 to elect the president and vice president. Following Habibie's withdrawal from the election after the MPR had rejected his accountability speech (effectively a report of his term in office), the MPR chose as president the nominee of an alliance of Islamic-oriented parties (the Central Axis): the then chair of Indonesia's largest Muslim mass organisation Nahdlatul Ulama (NU) and PKB's founder, Abdurrahman Wahid. Megawati subsequently defeated the chair of PPP, Hamzah Haz, for the vice-presidency. Wahid selected a cabinet comprising representatives from all the larger parties and the military. The chair of PAN and a prominent opposition figure

during the New Order, Amien Rais, became chair of the MPR. Golkar's chair, Akbar Tandjung, became Speaker of the DPR.

Wahid oversaw some reforms and completed several of those initiated by his predecessor. He released the last of the New Order's political prisoners and made overtures to Acehnese and Papuan separatists with a view to finding a peaceful resolution short of independence. He quickly alienated many within the parliament and his own executive, however, and public opposition to his presidency grew. The DPR initiated the first stages of an impeachment process in response to a corruption scandal and Wahid's sacking of two ministers. Economic policy drifted as the political climate worsened. Growth declined and the currency weakened markedly.

To stave off impeachment by the MPR, Wahid sought to impose a decree suspending the DPR. The MPR rejected the decree as unconstitutional and removed Wahid in a Special Session in July 2001. On 23 July its members installed Megawati as President and elected Hamzah Haz as Vice President.

The government of Megawati Soekarnoputri

President Megawati's accession to the presidency has brought increased stability to Indonesia. She presides over a broad coalition of nationalist and Islamic parties. Her government faces significant political and economic challenges, including a critical need for wide-ranging and complex reforms.

The political system in Indonesia has undergone major change since the departure of President Soeharto. A key element in post-New Order Indonesia is the relationship between the executive and legislative branches. The Indonesian House of Representatives (DPR) has significantly more influence than in previous years. The newly-empowered legislature has taken up with zeal its role as the principal check and balance to executive power.

Constitutional amendments passed during the August 2002 session of the People's Consultative Assembly (MPR) represent a fundamental change to Indonesia's political system. As the nation's supreme parliament responsible for constitutional

issues and shaping the broad guidelines of state policy, the MPR will undergo major change, including the establishment of a more representative chamber for the provinces. Amendments providing for direct elections for the presidency and a fully elected legislature in 2004 are noteworthy.

The MPR also passed a decree bringing to an end the representation of the security forces in Indonesia's parliament (DPR) from 2004. Despite this change, TNI will continue to have influence across all levels of government.

The Indonesian Legislatures

Indonesia presently has two distinct parliamentary bodies: the People's Consultative Assembly (MPR) and the House of Representatives (DPR). The MPR presently has 695 members, including the 500 members of the DPR, 130 representatives from Indonesia's provinces (following East Timor's independence, its five original representatives no longer sit) and 65 representatives of community and professional groups. The MPR holds a General Session every five years after the general election and annual sessions in the intervening years. It approves the guidelines of state policy and is authorised to pass decrees, which constitute the highest legislation in Indonesia's hierarchy of laws. It has the authority to amend the constitution.

The DPR is the principal legislative body of the Indonesian Parliament and meets regularly throughout the year. It presently has 462 elected representatives and 38 appointed representatives of the armed forces and police. Election is determined proportionally within provincial boundaries, with successful candidates subsequently placed notionally against districts. Each administrative district, regardless of population size, is guaranteed at least one DPR representative; larger districts can have several. The DPR consists of eleven committees, each of which examines an area of government responsibility. Consensus decision making is preferred. Should consensus not be reached, however, a two-thirds majority of the quorum is required to pass a bill.

The August 2002 session of the MPR approved a package of constitutional amendments finalising a comprehensive process of constitutional reform initiated in 1999. Key among these amendments was a new system by which the president would be elected directly. Under the amended constitution, presidential and vice-presidential candidates will be elected as part of a joint ticket. In order to be elected in the first round of voting, a ticket must win more than 50% of the overall vote, as well as at least 20% of the vote in every province and the highest vote in at least half of the provinces. If no ticket is able to fulfil these requirements, a second round will be conducted between the two tickets with the highest votes.

The constitutional amendments also include endorsement of a new structure of the MPR which effectively makes the MPR a joint sitting of the House of Representatives (DPR) and the newly created Upper House of Regional Representatives (DPD). In line with the principle that all members of the MPR/DPR should be democratically elected representatives, neither the military nor the functional groups faction will be represented in the DPR from 2004.

While the amendments set out broad principles for a new parliamentary system, crucial implementation legislation remains to be drafted. In order for key institutions and regulations to be in place before the 2004 election, legislation must be finalised by mid-2003 at the latest.

Internal security in Indonesia remains a complex issue for the Megawati government. The police now have formal responsibility for internal security, having been separated from the military in 1999. In instances where the police require assistance in internal security matters, however, it can and does seek TNI's support.

Another key reform in post-New Order Indonesia is the shift to regional autonomy and decentralisation. Decentralisation laws came into effect in January 2001, transferring many government functions to the district level (the central government retains responsibility for foreign policy, defence, the judiciary, national planning and religion). Decentralisation is a challenge for many regional governments as they take on much more responsibility.

Decentralisation laws

The Indonesian government's decentralisation reforms devolve significant fiscal and administrative responsibilities from the central government to the more than 350 district administrations. With the exceptions of foreign policy, defence, the judiciary, national planning and religion, all government functions are now the responsibility of the districts.

Following the introduction of the decentralisation reforms, 25% of central government revenue is now transferred to the districts with some modulation to ensure equity across districts. Special grants are also made to districts. Resource-rich regions have negotiated royalty-sharing arrangements with the central government. Regions also have the right to establish new taxes, provided they obey certain principles.

Under decentralisation, however, the legal, policy and regulatory environment has become more uncertain, particularly for foreign companies operating in the regions. Business is facing new and inconsistent rules and application of taxes by officials seeking to expand regional budgets. There are also concerns about spending priorities.

Legal and judicial reform is critical to Indonesia's future. Since 2000, candidates for appointment to the Supreme Court have been required to undergo a fit and proper test which entails public scrutiny of their financial records and professional background. For the first time a number of non-career judges from academia and the private sector have been appointed. Legal reform (and certainty) remains a major issue, particularly for investors.

Separatism and Sectarianism

Separatism and sectarian issues remain another important security concern for the Indonesian government. President Megawati has expressed her commitment to resolving internal security issues through peaceful means. Her government supported Special Autonomy Laws for Papua and Aceh (which provide for particular autonomy packages for the two provinces) and initiated the Malino Peace Accords for Maluku and Central Sulawesi (two central government proposals endorsed by local Muslim and Christian community leaders). The signing of the Aceh Cessation of Hostilities Agreement on 9 December is a major step forward, which the Australian Government supported through a contribution of \$2 million for ceasefire monitors.

Human rights

The human rights situation in Indonesia today differs markedly from that of the New Order. Indonesia now has a vibrant, liberal press. Citizens enjoy greater freedom of speech and are not subject to arbitrary arrest and detention for political offences. The government has taken important steps toward resolving internal conflict peacefully through the Malino Agreements, Special Autonomy Laws and the Cessation of Hostilities Agreement for Aceh. Allegations of human rights abuses in conflict zones nevertheless continue to arise. Australia continues to monitor the human rights situation and to make representations where abuses are alleged to have occurred.

In April 2001, then President Wahid issued a decree to establish an ad hoc human rights court to look at human rights violations committed during the post-ballot violence in East Timor. The tribunal commenced operations on 14 March 2002. The tribunal has been examining 12 dossiers prepared by Indonesia's Attorney-General's office on 18 of 22 suspects. All trials must be concluded before the end of January 2003. To date several of those charged have been convicted and sentenced: most of these have been East Timorese. Only one Indonesian military official and one Indonesian police officer have so far been convicted (both cases are currently under appeal). Human rights groups continue to strongly criticise the performance of prosecutors and the inconsistency of sentences. The Australian Government has expressed its concern about aspects of the tribunal's proceedings.

Islam

The great majority of Indonesian Muslims (who make up around 87 per cent of the population) practise a moderate form of Islam. Many, particularly among the Javanese, have incorporated pre-Islamic beliefs and practices in their religion, and are known as traditionalist Muslims. Their mass organisation, Nahdlatul Ulama (NU), boasts a membership of around 35 million, and is the largest such body in the world. Other Indonesian Muslims practise a form of Islam more literally based on the Koran and its associated texts. Known as modernists, their principal mass organisation is Muhammadiyah, which claims a membership of around 28 million. Both NU and Muhammadiyah are primarily involved in social service provision, particularly education.

At the 1999 general elections, political parties using Islam as their core ideology received only 16% of the vote. Another 20 per cent voted for pluralist parties with a strong Islamic base (i.e., PKB, PAN). During its last session in August 2002, the MPR again rejected overwhelmingly a move by some Islamic parties to pass a constitutional provision requiring all Muslims to practise Islamic law (*syariah*).

Islamic militancy and Terrorism

The more open democratic polity has allowed extremist Islamic groups to be more vocal and visible than during the New Order. Some of these groups, notably Laskar Jihad, have played prominent roles in sectarian conflict.

The most militant of the Islamic groups, Jema'ah Islamiyah, has been implicated in terrorism, including the Bali bombings. As well as the tragic loss of life, the bombings in Bali confirmed the threat from terrorism to Indonesia's sovereign democracy. In the wake of the Bali atrocity, Coordinating Minister for Political and Security Affairs, Susilo Bambang Yudhoyono, announced the outcomes of a special cabinet meeting on Bali chaired by President Megawati. The outcomes included the government's eight-step approach to combating terrorism:

- 1) the government was resolved to take firmer action and not to hesitate any longer in combating terrorism;
- 2) the government requested that public comments that are not objective, such as claims that there are no terrorists in Indonesia, be stopped;
- 3) the government planned to better synchronise the approach and measures adopted between the government and parliament in fighting terrorism;
- 4) the government intended to increase international cooperation, both technical and intelligence;
- 5) the police would be assisted by TNI in increasing detection and prevention capabilities throughout Indonesia;
- 6) security would be increased at airports, ports, and immigration and customs checkpoints;
- 7) TNI would increase its security protection of key infrastructure facilities such as Paiton in East Java, Arun in Aceh and Caltex in Riau, following indications that energy facilities in Indonesia might also be terrorist targets; and,
- 8) the government intended to adopt an "integrated and total" approach to combating terrorism.

Following this announcement, President Megawati issued two regulations in lieu of legislation on counter-terrorism. Draft legislation is currently before the DPR. Indonesia supported the UN listing of Jema'ah Islamiyah as a terrorist organisation. Australia and Indonesia also co-hosted a conference in Bali in December 2002 on combating money laundering and terrorist financing.

The Economy

Indonesia's economy continues to face many challenges. A growth rate of 5-6 per cent is commonly assessed as the minimum necessary to make an impact on employment and poverty. Anticipating a slowdown in tourism and reduced revenues, the government has revised down its 2002 growth forecast for the Indonesian

economy from 5 per cent to 3.5 per cent. The revised forecast for 2003 is 3.5 - 4 per cent. This downgrading is broadly in line with market expectations. Donor countries will convene in January 2003 at the Consultative Group on Indonesia to discuss the need for further financial assistance. The IMF has signed a supplementary Letter of Intent with the Indonesian government, following the seventh review of its IMF program. Indonesian economic ministers have committed the government to decisive action on security and economic reform to win back business confidence.

The Indonesian government has recognised the problem and costs of corruption in terms of economic and social development. It has implemented recently several anti-corruption measures. In 2002, the DPR passed an Anti-Money Laundering Law and approved the establishment of the Commission for the Eradication of Corruption. These recent reforms build on the 2000 initiative by the (then) government to establish the National Ombudsman Commission to eradicate corruption, collusion and nepotism, particularly in the bureaucracy and judiciary. The Indonesian courts have also been pursuing some corruption cases. This year they have found guilty of corruption several high profile individuals, notably the Speaker of Parliament, Akbar Tandjung, and Tommy Soeharto, son of the former President (he was also convicted of ordering the murder of a judge and illegal arms possession). Corruption, however, remains a significant and pervasive problem.

Foreign Policy

President Megawati has engaged her neighbours and ASEAN counterparts in line with Indonesia's traditional foreign policy priorities. Her focus has been on furthering economic ties and restoring Indonesia's authority in the region, which had waned in the wake of the country's economic problems and political instability. She quickly visited all of the ASEAN countries as a sign of her government's commitment to the region and organisation.

Indonesia has worked to establish cooperative and effective ties with East Timor. The two countries have established the Joint Border Committee and are cooperating to address the issue of the approximately 30,000 East Timorese refugees who remain in Indonesia.

Megawati has sought to maintain good relations with other key nations in the wider region, including Japan, China, the United States and Australia. Megawati visited the United States immediately after the 11 September attacks, where she publicly condemned terrorism. Her government has also initiated two sub-regional groups: the Trilateral Meeting of Australia, Indonesia and East Timor; and the South West Pacific Dialogue, which brings together those three countries as well as Papua New Guinea, New Zealand and the Philippines. It has also worked to restore Indonesia's engagement in other regional and international fora, including APEC and the Organisation of Islamic Conference.

The Megawati government's ability to counter the terrorist threat within Indonesia effectively will be a key factor in her ability to restore Indonesia's international reputation and investor confidence.

BILATERAL RELATIONS

The Australia-Indonesia bilateral relationship has experienced turbulent periods in its 55 year history, including over the last decade. However, both countries recognise their national interests are served by a continuing commitment to developing the relationship.

The East Timor crisis saw tensions in the bilateral relationship. Indonesian parliamentary leaders and media commentators were particularly critical of Australia. Notwithstanding these tensions, both governments (including those headed by Habibie and Abdurrahman Wahid) strove to maintain effective links across most sectors. Two-way ministerial visits continued. The Prime Minister has made a number of visits to Indonesia. Former President Wahid visited in June 2001. The Australia-Indonesia Ministerial Forum (AIMF) was successfully held in Australia in December 2000.

Political/Strategic Relations

In working with the Megawati administration, the Government has continued to build on our common interests with Indonesia. This approach has borne fruit on key issues. Australia and Indonesia signed an MOU on Counter-Terrorism during the Prime Minister's visit to Jakarta in February 2002. Our shared desire to fight terrorism in the region also saw Australia and Indonesia work together to host the Conference on Combating Money Laundering and Terrorist Financing in Bali in December 2002. Our common interest in addressing people-smuggling saw Mr Downer work with his counterpart Foreign Minister Wirajuda to run the very successful Bali Conference on People-Smuggling, Trafficking in Persons and Transnational Crime in February 2002.

The Government has developed a network of contacts with the Megawati administration at the most senior level in Indonesia to underpin this approach. As well as the Prime Minister's three visits to Indonesia (August 2001, February 2002 and October 2002), Mr Downer and Mr Vaile have maintained close and regular contact with their counterparts Foreign Minister Hassan Wirajuda and Trade and

Industry Minister, Rini Soewandi. These strong relationships are also supported by a host of ministerial and official visits between both countries.

Democratic Development

Indonesia's ongoing democratic development will serve Australia's interests. Australia supports Indonesia's reform agenda and continues to urge its full implementation by the Indonesian government. Many of our aid initiatives are designed to strengthen civil institutions in Indonesia. As it did in 1999, the Government stands ready to provide further assistance to Indonesia for the holding of general and presidential elections in 2004.

Australia recognises that respect for human rights is a force for stability. We welcomed President Megawati's commitments on human rights and her agreement to the primacy of dialogue and respect for human rights in the Joint Communiqué initialled with the Prime Minister during his visit to Jakarta in August 2001.

The Government has provided tangible support to assist Indonesia in human rights areas. Our approach has been based on the principle that good governance, the development of transparent, accountable institutions, and respect for the rule of law are the foundations on which human rights are built. Australia has provided funding and training to the Indonesian Human Rights Commission (Komnas HAM) and officials in the Department of Justice and Human Rights. We have also provided some advice to Indonesia to develop its Counter-Terrorism law, provided capacity-building support to the Indonesian police and worked with the Indonesian Government to strengthen its judiciary.

The Australian Government supports Indonesia's territorial integrity. We continue to urge the Indonesian Government to rely on dialogue as a means of securing peace and stability in provinces such as Aceh and Papua, where separatism remains a problem; and in provinces suffering from communal conflict such as Maluku and Central Sulawesi. Australia has repeatedly made clear to the Indonesian Government its concern about violence in these areas and has provided humanitarian assistance in the form of food and medical aid to assist the victims of the unrest. Following the signing

of the Cessation of Hostilities Agreement in Aceh, Australia is also giving tangible support to the peace process by providing \$2 million toward the ceasefire monitoring group which will play an important role in ensuring parties adhere to their undertakings under the agreement.

Our relationship with Indonesia is enhanced through an extensive development cooperation program worth \$121.5 million in 2002-03. (AusAID has provided a separate submission on the aid program.)

Counter-Terrorism

The importance of democratic governance and the rule of law to ensuring internal stability has grown as the threat of terrorism in Indonesia, and the region more generally, has become clearer. Australia has supported Indonesia's efforts to increase its counter-terrorism capacity in a number of ways.

The MOU to combat terrorism signed during the Prime Minister's visit in February 2002 provides a framework for bilateral cooperation between Australian and Indonesian officials, with a focus on information and intelligence sharing. The MOU was most recently invoked to establish a Joint Investigation and Intelligence Team and a Joint Police Investigation Team to investigate the Bali bombings.

On 25 October, the Prime Minister announced that Australia would provide an additional \$10 million over four years to assist Indonesia build its counter-terrorism capacity. A key feature of this package is to strengthen the police's capacity on counter-terrorism and other transnational crime. This is in recognition that an improved police capability is necessary if stability and security are to be maintained within Indonesia's borders. Other elements of the package involve new efforts to enhance travel security by strengthening airport, immigration and customs control systems and capabilities; and combating terrorist-financing flows.

In respect to counter-terrorist financing measures, we have supported Indonesia's counter-terrorism efforts through the provision of legal advice on the draft counter-terrorism and anti-money laundering bills. Australia and Indonesia co-hosted a

Regional Conference on Money Laundering and Terrorist Financing in Bali in December 2002.

Impact of Bali on Australia's Relationship with Indonesia

The Bali bombings have inspired a renewed commitment to the bilateral relationship and our joint efforts to combat terrorism in the region. The timely establishment of a Joint Australia-Indonesia Investigation and Intelligence Team and a Joint Australia-Indonesia Police Investigation Team under the auspices of our Counter Terrorism MOU provided a comprehensive framework for cooperation on the Bali investigations and terrorism more generally. Australia has committed \$10 million over four years to assist Indonesia build its counter-terrorism capacity. Australia has encouraged Indonesia to heighten security, stamp out terrorism and achieve real progress on economic reform.

The Bali bombings have a potential to impact on Australia's commercial links with Indonesia. The tourism sector has slumped and economic growth forecasts have been revised down. The bombing also has the potential to slow Indonesia's economic recovery. The degree and duration of any downturn will depend on the Indonesian government's response to the threat of terrorism. We are also examining how our existing aid programs might be drawn upon to alleviate social and economic impacts of the bombings in Bali.

Following the Bali bombings, the Government has recommended that all Australians defer non-essential travel to Indonesia. This has the potential to affect adversely the number of Australian tourists travelling to Indonesia. The Australia-Indonesia Institute activities have also been affected, including the cancellation of the reciprocal visit to Indonesia of the Australia-Indonesia Youth Exchange Program 2002-03. The Government's travel advice has generated considerable criticism within Indonesia. The Government appreciates Indonesian concerns about the potential impact on Indonesia's tourist industry. It has endeavoured, however, to emphasise to the Indonesian government that its first priority is, and must continue to be, the safety of Australians, including those living and travelling abroad.

Defence

The Government recognises that Australia and Indonesia share strategic interests and that it is in our interests to maintain a mutually beneficial defence relationship. We are taking a gradual, step-by-step approach to rebuilding our defence relationship with Indonesia. Our defence ties currently comprise Defence Attache representation, staff

college exchanges, non-combat training, support for maritime surveillance, senior officer visits, educational exchanges and attachments. Australia suspended cooperation with Kopassus, Indonesia's special forces, in June 1997.

People Smuggling

Stemming the flow of illegal migration through our region is a key Government objective in both countries. In February 2002 Australia and Indonesia co-hosted the Bali Regional Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime. The Conference aimed to develop a regional cooperation framework to address the problems of people smuggling and trafficking, and strengthened the capacity of the region to respond to the threats posed by these criminal activities. It delivered outcomes in areas such as regional police cooperation, intelligence sharing, border management and visa control issues, criminalisation and harmonisation of legal frameworks. Australia and Indonesia are set to co-host a follow-up conference in early 2003.

Australia has been cooperating successfully with the Indonesian police on people smuggling issues under a separate agreement covering police cooperation. Cooperation is working well and has contributed to the stemming of the outflow of illegal immigrants from Indonesia to Australia. These activities will be enhanced when the Indonesian parliament amends the Immigration Act to criminalise people smuggling. (The legislation has been submitted to parliament and is currently waiting parliamentary approval.)

Regional and Multilateral Cooperation

In addition to co-hosting two major regional conferences, Australia has also supported Indonesia's sub-regional initiatives. In February 2002, Australia participated in an inaugural Trilateral Meeting hosted by Indonesia which brought together Australia, East Timor and Indonesia. This added momentum to our continuing efforts to develop a productive relationship with Indonesia. Australia also actively supported Indonesia's efforts to establish and host the inaugural South West Pacific Dialogue in

early October 2002 which brought together other key countries in the region: Philippines, Papua New Guinea, New Zealand, and East Timor.

Australia and Indonesia cooperate actively in a range of regional and multilateral fora. These include APEC, the ASEAN Regional Forum and the Cairns Group. Australia continues to be vocal in international fora (e.g., the UN, the OECD, Paris Club, the Financial Action Task Force, Asia Pacific Economic Cooperation, and the Commission for the Conservation of Southern Bluefin Tuna) in commending Indonesia's progress towards democratic governance, and urging other countries to continue to support Indonesia.

Maritime Boundaries

The 1971 and 1972 treaties between Australia and Indonesia permanently settled seabed boundaries to the east and west of the Timor Gap. Also in effect are the 1974 Memorandum of Understanding on traditional Indonesian fishing in an area within the Australian Fishing Zone and the 1981 Provisional Fisheries Surveillance and Enforcement Line.

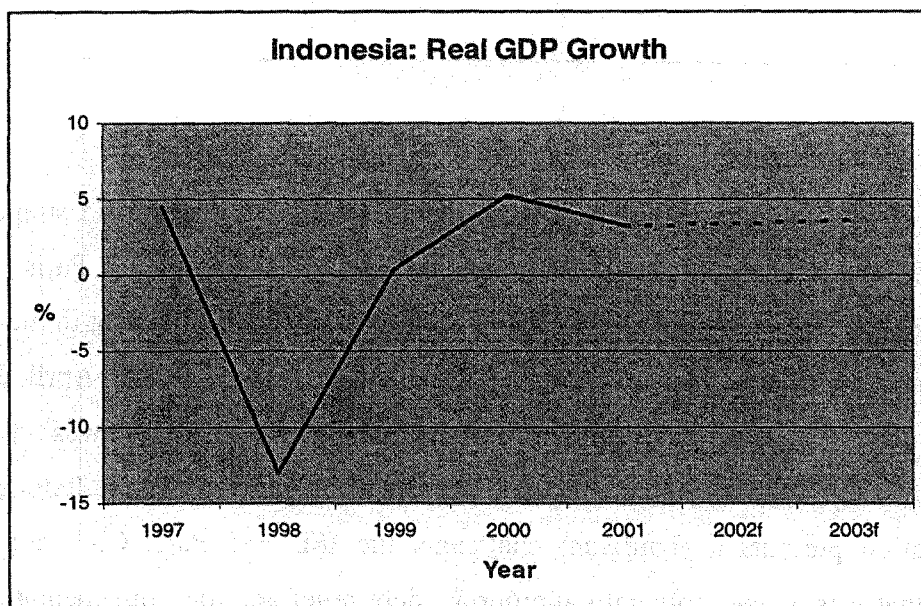
A maritime boundary agreement, settling a number of outstanding boundaries between Australia and Indonesia, was signed in Perth in 1997 (the Perth Treaty). The Treaty, not yet ratified:

- . extends the seabed boundary westwards from point A25 (in the vicinity of Ashmore and Cartier Island);
- . establishes the exclusive economic zone boundary between continental Australia and Indonesia; and
- . establishes the seabed and exclusive economic zone boundaries in the vicinity of Christmas Island and Java.

The Perth Treaty, which was concluded before the separation of East Timor from Indonesia, includes an exclusive economic zone boundary across the Timor Gap. Prior to its entry into force, all references in the text of the Perth Treaty to the Timor Gap need to be excised.

Australian Support for Indonesia's Economic Recovery

Australia is supporting Indonesia's economic recovery to ensure a stable, prosperous and democratic neighbour that contributes to regional stability. Australia has encouraged international support for Indonesia, ensured that the aid program assists Indonesia to build capacity in financial and economic management, encouraged sound debt management and encouraged constructive participation in regional and multilateral fora.



Australia views concrete progress on Indonesia's economic reform program as central to the return of sustainable growth. At the time of the financial crisis, Australia also indicated its preparedness to provide USD\$1 billion in second tier support funding as part of the IMF support package for Indonesia. We have sought to marshal appropriate international support for Indonesia, especially through the International Financial Institutions (IFIs). Through our participation in the IMF Board, we have emphasised that reforms should focus on key economic and structural weaknesses and that the sequencing of reform should reflect Indonesia's implementation capacity. We

have also noted that country ownership of the IMF program is important to achieving program conditions and objectives. Australia will continue to remain engaged in IMF processes and seek terms appropriate to the key challenges facing Indonesia.

Status of Indonesia's IMF Program

On 5 December 2002 the Executive Board of the International Monetary Fund (IMF) completed its seventh review of its Indonesia program. The IMF was satisfied that all June to September quantitative performance criteria and indicative targets were met, while acknowledging delays regarding certain structural benchmarks, such as the sale of Bank Danamon. This allowed the release of a further US\$365 million, bringing the total amount drawn under the arrangement to about US\$3 billion.

The IMF has commenced negotiation on a new letter of intent (LOI) with Indonesia for 2003 (the eighth agreement in the current series). In general terms, the IMF has signalled that it will be looking for Indonesia to:

- continue a cautious monetary stance
- sell majority stakes in Bank Danamon, Bank Lippo and remaining IBRA banks
- collect payment from cooperating debtors and take action against non-compliant debtors
- and, accelerate implementation of legal and judicial reforms, including establishment of an Anti-Corruption Commission, reform of the commercial court and review of the bankruptcy law.

Australia has encouraged sound Indonesian management of its debt and supported appropriate multilateral debt relief for Indonesia, including through the Paris Club. Australia agreed to significant reschedulings of Indonesia's sovereign debt in the first, second and third Paris Club debt reschedulings. At Paris Club III April 2002, Australia agreed to reschedule USD\$220 million in Indonesian debt and was a strong advocate of a Paris Club outcome that met Indonesia's objectives. While Indonesia's debt situation presents a significant challenge, the IFIs and Paris Club creditors consider that it is manageable with appropriate debt relief and the implementation of economic reforms.

Australia is an active member of the Consultative Group on Indonesia (CGI) which is the main forum for policy dialogue between the Indonesian Government and donors. The key priority for the CGI is poverty reduction. The CGI recognises the importance of improved economic management and structural reform and is discussing issues of fiscal sustainability (including debt management and asset sales), taxation reform, improved governance (especially judicial reform) and the creation of better government procurement and financial management. The CGI has increasingly

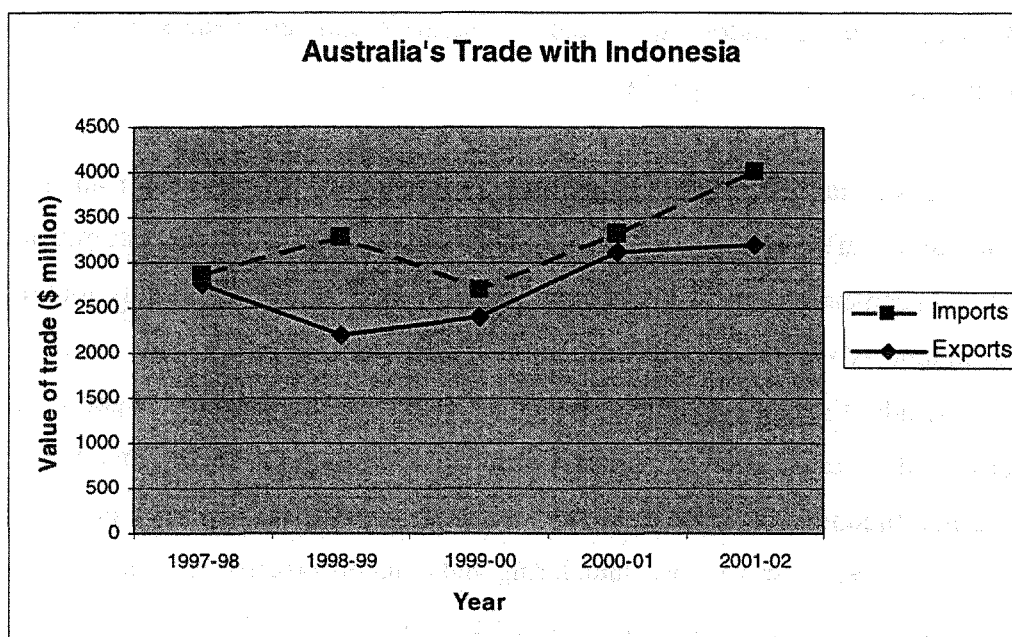
focused on the need for Indonesia to address business competitiveness issues as a plank of the economic reform agenda.

Australia's substantial aid program to Indonesia (around A\$120 million per annum), our second largest after PNG, includes components to build capacity in economic and financial management and meet IMF commitments. AusAID is increasingly looking to assist Indonesia's economic reform through the aid program. Key areas for assistance include: fiscal management, financial sector restructuring and supervision; legal reform; debt management; and institutional strengthening in key institutions such as Bank Indonesia and the Ministry of Finance. Australia is also providing assistance in the area of anti-money laundering and counter-terrorist financing and for the establishment of its new Financial Intelligence Unit.

Australia's Trade and Investment with Indonesia

Australia and Indonesia enjoy a strong economic relationship which – notwithstanding the slump in bilateral trade in the late 1990s – has matured over the past decade. Indonesia is currently Australia's tenth largest export market with merchandise exports totalling A\$3.2 billion in 2001-02. Last financial year, two-way merchandise trade reached its highest point ever, at A\$7.2 billion. By comparison, in 1991-92, Australian merchandise exports were A\$1.6 billion with two-way merchandise trade totalling A\$2.6 billion. Exports have grown at a trend annual rate of 6.1% over the past decade although annual statistics are subject to some volatility.

Following the Bali bombings, Australian exports to the tourist industry in Bali are expected to decline, in line with the expected reduction in tourist numbers. But Bali forms only a small part of our total commercial relationship with Indonesia (direct merchandise exports to Bali were valued at \$23.6 million in 2001-02 which was less than 1 per cent of our total exports to Indonesia). Overall merchandise exports to Indonesia are likely to continue at around current levels in the short term although the drought may have some impact on agricultural commodity exports.



Our export portfolio to Indonesia is broadly-based, with strong representation from both primary commodities and ETMs. Indonesia has emerged as a key market for Australian wheat, cotton and live animals. Other major export commodities include aluminium and motor vehicles and parts. Other aspects of the trade relationship have also developed well. Services credits in 2001-02 were A\$0.9 billion; services debits were A\$0.6 billion. Indonesia remains one of the largest sources of overseas students in Australia, with approximately 17,000 Indonesian students enrolled in Australian education institutions in 2000. Tourist flows have also been strong, with over 10,000 Australians holidaying in Indonesia at any time, before the attacks in Bali.

Indonesian exports to Australia have also increased substantially over the past decade, from A\$1.0 billion in 1991-92 to A\$4.0 billion in 2001-02. Indonesia has emerged as Australia's eighth largest source of imports. Over the past four years, Indonesia's export performance has been assisted by the low value of the rupiah. Indonesian exports are, however, dominated by two main commodities – crude petroleum and non-monetary gold – and the growth in these commodities has underpinned Indonesia's overall improved export performance to Australia. In 2001-02, Indonesia enjoyed a merchandise trade surplus with Australia of A\$816 million.

Australia has substantial investment interests in Indonesia. Australian investment in Indonesia was A\$3.1 billion at June 2001, making Indonesia our 12th largest

Australian investment market. Indonesian investment in Australia was A\$417 million at June 2001 and Indonesia is the 21st largest investor in Australia.

Australian – and broader foreign – investment in Indonesia has slowed over recent years as a consequence of Indonesia's economic difficulties and the current legal and regulatory uncertainty. In particular, investment in the mining sector – traditionally the largest destination for Australian investment – has fallen sharply. This situation will be exacerbated by the Bali bombings.

Promotion of Bilateral Trade and Investment

Australia has a raft of economic agreements with Indonesia to promote bilateral trade. The majority of the agreements are sector-specific MOUs which have fostered closer government-to-government links while also stimulating private sector contact. There are two main economic treaties in place: a Double Tax Agreement and Investment Protection and Promotion Agreement (IPPA). The IPPA has not been relied on to date, with investors generally preferring to resolve their difficulties without resorting to legal remedies.

The Australia Indonesia Ministerial Forum was established in 1992 to help expand the relationship between Australia and Indonesia into areas of practical economic and trade cooperation. Besides providing a vehicle to address impediments to trade and investment, the Forum provides an opportunity to explore likely future directions and growth areas in our economies. It allows us to identify sectors for collaborative activities and more specific areas within which trade and investment can be encouraged. As an institution, it has added significant weight and momentum to the development of bilateral economic relations. The Forum meets biennially. The next meeting is planned for early 2003 in Indonesia.

The Forum is currently composed of 11 sector specific working groups. These are: Trade, Industry and Investment (DFAT); Education and Training (DEST); Minerals and Energy (ITR); Public Works and Infrastructure (ITR); Science and Technology (ITR); Transport and Tourism (DoTaRS/ITR); Environment (EA and Austrade);

Agriculture and Food Cooperation (AFFA); Health Cooperation (DoHA); Legal Cooperation (AGs); and Marine Affairs and Fisheries (AFFA/TTR/EA).

The 11 working groups, which usually meet annually or biennially, focus their attention on new and emerging opportunities for greater cooperation. Private sector participation is an important ingredient of many working group meetings, presenting business matching opportunities. Given the broad sectoral coverage of the working groups, their strong focus on promoting commercial links, and the frequency of meetings, the Ministerial Forum continues to provide an effective and forward-looking mechanism to advance bilateral trade.

In order to formalise contact between Australia's and Indonesia's Trade Ministers, in 2000 Mr Vaile and his then Indonesian counterpart, Luhut Panjaitan, agreed to convene annual Trade Ministers' meetings. These meetings have continued with Panjaitan's successor, Ms Rini Soewandi, providing an important opportunity for a range of pertinent issues, especially trade grievances, to be managed in a consultative and frank fashion.

The Australia Indonesia and Indonesia Australia Business Councils were amalgamated from a variety of small business chambers in the early 1990s as the bilateral trade relationship began to flourish. The AIBC has established chapters in each Australian state capital. After weathering the downturn in bilateral trade in the late 1990s, the two business councils have re-energised their activities and, in March 2002, convened a joint meeting in Bali which was attended by Mr Vaile and Ms Soewandi. The business councils anticipate a modest growth in membership over coming years as bilateral trade and the Indonesian economy grow further.

The Australia Indonesia Development Area was launched in 1997 as a mechanism for strengthening economic cooperation between eastern Indonesia and Australia, principally through private sector linkages.

Alongside formal bilateral frameworks for dialogue, the Australian Government is continuing to advance our trade and investment interests through direct advocacy with key Indonesian decision makers. Indonesia's more complicated investment

environment has led an increasing number of Australian companies to seek our assistance to resolve commercial disputes including labour problems, immigration/visa issues and divestment issues. The Australian Embassy in Jakarta is leading efforts to assist these companies on the ground in Indonesia. The Australian Government is also reminding Australians looking to invest in Indonesia to exercise care in the selection of joint venture partners.

Multilateral Economic Relations

Australia continues to encourage Indonesia to engage constructively with regional and multilateral fora (including the WTO Doha Round, APEC, Cairns Group, the G20, the AFTA-CER CEP) and international financial institutions. Indonesia receives benefits from capacity building in these fora. Recent renewed interest in APEC has seen a greater focus by Indonesia on a range of business facilitation activities. Terrorist attacks in Bali have propelled Indonesia to play a constructive and prominent role in regional counter-terrorism efforts, particularly in APEC.

COMMUNITY LINKS

The links between our communities provide a foundation to our broader relationship. As the Prime Minister said when he was in Jakarta in February 2002,

...it is a relationship that must be built upon the links between our people...If all that exists between two countries in terms of their relationship is a dialogue between the members of the government; it is a relationship of an empty shell. But if it is a relationship which is best expressed in the linkages between people it is a relationship that has much substance...

Since Indonesia's independence, Australia has played a major role in the education of thousands of young Indonesians, with many studying here under the Colombo Plan and subsequent aid programs. Today, more than 17,000 Indonesian students are studying in Australia, making them the largest group of foreign students here. Australia is the most popular destination for Indonesian students studying abroad.

The Australian alumni association in Indonesia is active in promoting bilateral links. In recent years an increasing number of Australians also have been studying in Indonesia under schemes such as ACICIS (the Australian Consortium for In-Country Indonesian Studies.)

Tourism has also played a key role in the links between our communities. About 10,000 Australians holiday in Indonesia at any given time, the majority in Bali. In the immediate aftermath of the Bali attack, these numbers have understandably dwindled.

The Australia-Indonesia Institute (AII) complements and strengthens these linkages. The Institute was established in 1989 to encourage and develop personal and institutional relations between Australians and Indonesians. It covers a broad range of activities in sectors as diverse as education, culture, inter-faith, civil society, sport, the media and health. The AII encourages such links between people through seed funding of projects, which may have the involvement and funding of other parties.

During his February 2002 visit to Indonesia, the Prime Minister announced two new major programs to be funded by the AII. The Australia-Indonesia Dialogue seeks to build enduring relationships between young, emerging leaders in Australia and

Indonesia and to identify ways to deepen the bilateral relationship. The Muslim Exchange is a three-year AII program under which Islamic leaders from both Australia and Indonesia will visit each other's country for up to two weeks to meet counterparts and other religious, ethnic and community groups. The exchange aims to build links between our Muslim communities and promote greater understanding about Islam in each country.

Another key AII activity is the annual Australia-Indonesia Youth Exchange Program (AIYEP), now in its twenty first year. The program was extended with the signing in Jakarta of a new MOU between the Australian and Indonesian governments in March 2000. Under the program AIYEP participants visit a state or territory in Australia and a province in Indonesia. Indonesian participants in the 2002-2003 AIYEP visited Sydney and Orange in October and November.

The breadth of our people-to-people ties is one of the relationship's greatest assets. Substantial education and tourist linkages have encouraged greater understanding of each other's country. This does not mean that both countries can ignore the need to continue to learn about the other. But there is a substantial reservoir of goodwill and understanding which has been tested and proven over time.

"Mutual Cooperation" Cabinet announced 9 August 2001:

President	Megawati Soekarnoputri
Vice President	Hamzah Haz
Coordinating Minister for Political & Security Affairs	Lt Gen (Ret.) Susilo Bambang Yodhoyono
Coordinating Minister for the Economy	Prof Dr Dorodjatun Kuntjoro-Jakti
Coordinating Minister for People's Welfare	Dr Yusuf Kalla
Minister of Home Affairs and Regional Autonomy	Hari Sabarno
Minister of Foreign Affairs	Dr Hassan Wirajuda
Minister of Defence	Matori Abdul Djallil
Minister of Finance	Dr Boediono
Minister of Religious Affairs	Said Agiel Munawar
Minister of Agriculture	Prof Dr Bungaran Saragih
Minister of Forestry	Dr Ir M. Prakosa
Minister of National Education	Abdul Malik Fajar
Minister of Health	Dr Achmad Suyudi
Minister of Transportation	Gen (Ret.) Agum Gumelar
Minister of Manpower and Transmigration	Jacob Nuwa Wea
Minister of Trade and Industry	Rini Soewandi
Minister of Energy and Mineral Resources	Dr Ir Purnomo Yusgiantoro
Minister of Justice and Human Rights	Yusril Ihza Mahendra
Minister of Resettlement and Regional Infrastructure	Soenarno
Minister for Social Affairs	Bachtiar Chamsyah
Minister of Maritime Affairs and Fisheries	Rokhmin Dahuri
State Ministers	
Head of the National Development Planning Board	Kwik Kian Gie
State Minister of Culture and Tourism	I Gede Ardika
State Minister for Women's Empowerment	Sri Redjeki Soemaryoto
State Minister for Administrative Reform	M Feisal Tamin
State Minister for the Environment	Nabiel Makarim
State Minister for Research and Technology	M Hatta Rajasa
State Minister for Cooperatives & SMEs	Alimarwan Hanan
State Minister for Communication and Information	Syamsul Mu'arif
State Minister for Development of Eastern Regions	Manuel Kaisiepo
State Minister for Revenue and State Companies	Laksamana Sukardi
Attorney General	Muhammad Abdur Rahman
State Secretary	Bambang Kesowo

AUSTRALIA-INDONESIA MINISTERIAL VISITS AND CONTACTS**Visits 2000-2002: all Ministers**

23-24 January 2000	Mr Downer visited Jakarta
31 January 2000	Immigration and Multicultural Affairs Minister Philip Ruddock visited Jakarta
17-20 April 2000	Environment Minister Sonny Keraf visited Perth
27-28 June 2000	Maritime Affairs and Fisheries Minister Sarwono Kusumaatmadja visited Canberra
6-7 June 2000	Trade and Industry Minister Luhut Panjaitan visited Darwin for the APEC Trade Ministers' Meeting
28 July 2000	Mr Downer met Foreign Minister Shihab in the context of the ASEAN 10 plus 1 dialogue
29 July 2000	Mr Downer met Foreign Minister Dr Shihab in the margins of the ASEAN PMC in Bangkok
27-29 August 2000	Mr Vaile visited Jakarta
6-8 September 2000	Treasurer Peter Costello visited Jakarta
12-14 September 2000	Indonesian Settlement and Regional Infrastructure Minister Erna Witoelar visited Melbourne for the World Economic Forum
12-14 September 2000	Trade and Industry Minister Luhut Panjaitan visited Melbourne for the World Economic Forum, and met with Mr Downer, Mr Vaile, and Minister for Industry, Science and Resources, Senator Minchin
22 September 2000	Coordinating Minister for the Economy Dr Rizal Ramli and Assistant Treasurer Senator Rod Kemp met in Prague
24-27 October 2000	Minister for Justice and Human Rights Yusril Mahendra visited Canberra and Sydney, and met with the Attorney-General Daryl Williams, Mr Ruddock and the Minister for Justice and Customs, Senator Vanstone
12-13 November 2000	Mr Downer and Mr Vaile met Foreign Minister Dr Shihab and Trade and Industry Minister Panjaitan in the context of the APEC Joint Ministers' Meeting in Brunei
7-8 December 2000	Australia-Indonesia Ministerial Forum Indonesia: Foreign Minister Dr Alwi Shihab Trade and Industry Minister Luhut Panjaitan Education Minister Yahya Muhaimin

	<p>Maritime Affairs and Fisheries Minister Sarwono Kusumaatmadja Agriculture and Forestry Minister Bungaran Saragih</p> <p>Australia: Mr Downer Mr Anderson, Deputy PM and Minister for Transport and Regional Services Mr Costello, Treasurer Senator Hill, Minister for the Environment and Heritage Dr Kemp, Minister for Education, Training and Youth Affairs Senator Minchin, Minister for Industry, Science & Resources Mr Williams, Attorney-General Mr Ruddock Mr Truss, Minister for Agriculture, Fisheries and Forestry Dr Wooldridge, Minister for Health and Aged Care Senator Kemp, Assistant Treasurer</p>
14-16 February 2001	Mr Vaile visited Jakarta
6-7 June 2001	Mr Vaile met Trade and Industry Minister Luhut Panjaitan at Shanghai APEC meeting for Ministers Responsible for Trade
13 June 2001	Mr Ruddock visited Jakarta
25-27, 28-29 June 2001	Visit to Australia by President Wahid with Foreign Minister Dr Shihab, Education Minister Yahya Muhaimin, Marine Affairs and Fisheries Minister Rokhmin Dahuri, and Agriculture and Forestry Minister Bungaran Saragih
30 June-5 July 2001	Forestry Minister, Dr Marzuki Usman, visited Australia, and met with Mr Downer and Mr Truss
12 July 2001	Mr Vaile met Trade and Industry Minister Luhut Panjaitan in Darwin at the National Trade Consultations
3 September 2001	Mr Vaile met Agricultural Minister Bungaran on the margins of the Cairns Group Ministerial Meeting in Punta del Este
6-7 September 2001	Mr Downer, Mr Ruddock and Defence Minister Reith visited Jakarta
15-16 September 2001	Mr Vaile met Trade and Industry Minister Rini Soewandi in the margins of the ASEAN-CER Economic Ministers Meeting Hanoi
13-14 October 2001	Mr Vaile met Trade and Industry Minister Rini Soewandi at the informal WTO Ministerial Meeting in Singapore
17-18 October 2001	Mr Downer met Foreign Minister Dr Hassan Wirajuda at the Shanghai APEC Meeting

9-13 November 2001	Finance Minister Mr Fahey met Trade and Industry Minister Soewandi on the margins of the Doha WTO Ministerial Meeting
28-30 November 2001	Foreign Minister Wirajuda visited Australia and met with Mr Downer, Defence Minister Senator Hill, Mr Ruddock
18 December 2001	State and Cabinet Secretary Bambang Kesowo met with Mr Downer in Sydney
23-26 January 2002	Coordinating Minister for the Economy, Dr Dorodjatun Kuntjoro-Jakti, and State Minister for Revenue and State Companies, Laksamana Sukardi, visited Sydney, and spoke with Mr Costello
1-4 February 2002	Marine Affairs and Fisheries Minister Rokhmin Dahuri visited Townsville and Sydney, and met with Mr Truss
26 February 2002	Mr Downer met Indonesian Foreign Minister Dr Hassan Wirajuda at the Trilateral Meeting in Bali
26-28 February 2002	Mr Downer and Dr Wirajuda co-hosted the Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime in Bali. Philip Ruddock and Senator Chris Ellison also attended
5-8 March 2002	Senator Hill visited Jakarta, meeting Susilo Bambang Yudhoyono, Coordinating Minister for Political and Security Affairs, Matori Abdul Djali, Minister for Defence, Hassan Wirajuda, Minister for Foreign Affairs, Gen (Retd) Hendropriyono, Chief of the State Intelligence Agency, and Admiral Widodo As
13-15 March 2002	Mr Vaile attended the joint meeting of the AIBC-IABC in Bali and had bilateral trade talks with Rini Soewandi, Minister for Trade and Industry
9-10 April 2002	The Attorney-General attended the Working Group on Legal Cooperation meeting in Jakarta
1-4 May 2002	Senator Vanstone visited Jakarta, meeting Bambang Kesowo, State Secretary, Jacob Nuwawea, Minister of Manpower and Transmigration, Bachtiar Chamsyah, Minister of Social Affairs, and Jusuf Kalla, Coordinating Minister for People's Welfare
31 July – 1 August 2002	Mr Downer met Foreign Minister Wirajuda in the margins of the ASEAN PMC in Brunei
14-16 October 2002	Senator Ellison visited Bali and Jakarta, meeting Dr Hassan Wirajuda, Minister for Foreign Affairs, Susilo Bambang Yudhoyono, Coordinating Minister for Political and Security

	Affairs, Professor Yusril Ihza Mahendra, Minister for Justice and Human Rights and General Da'i Bachtiar, Chief of Indonesian National Police
14-16 October 2002	Mr Downer visited Bali and Jakarta, meeting President Megawati Soekarnoputri, Dr Hassan Wirajuda, Minister for Foreign Affairs, Susilo Bambang Yudhoyono, Coordinating Minister for Political and Security Affairs, Professor Yusril Ihza Mahendra, Minister for Justice and Human Rights, Gen. AM Hendropriyono, Chief of State Intelligence Agency and General Endriarto Sutarto, Commander of the Indonesian Armed Forces
24 October 2002	Mr Vaile met Rini Soewandi, Minister for Trade and Industry, in the margins of the APEC Ministerial Meetings in Mexico
18-22 November 2002	Senator Vanstone hosted a visit to Australia by Jacob Nuwa Wea, Minister of Manpower and Transmigration
16-18 December 2002	Senator Ellison attended Conference on Combating Money Laundering and Terrorist Financing in Bali and visits Jakarta

Prime Minister's Meetings 2000-2002

8 June 2000	Met President Wahid in Tokyo
5 September 2000	Met President Wahid in New York
15 November 2000	Met President Wahid in Brunei
25-27, 28-29 June 2001	Visit to Australia by President Wahid
12-13 August 2001	<p>"Working" visit to Jakarta. Met with:</p> <ul style="list-style-type: none"> - President Megawati Soekarnoputri - Coordinating Minister for Political and Security Affairs, Susilo Bambang Yudhoyono - Coordinating Minister for the Economy, Prof Dr Dorodjatun Kuntjoro-Jakti - Foreign Minister Hassan Wirajuda - Trade and Industry Minister Rini Soewandi - Finance Minister Boediono
20-21 October 2001	Mr Howard and President Megawati met on the margins of the APEC Leaders' Meeting in Shanghai
20 November 2001	Met Indonesian Foreign Minister Wirajuda in Sydney
6-8 February 2002	<p>State visit to Jakarta and Jogjakarta. Met with:</p> <ul style="list-style-type: none"> - President Megawati Soekarnoputri - Coordinating Minister for Political and Security Affairs, Susilo Bambang Yudhoyono

	<ul style="list-style-type: none">- Foreign Minister, Hassan Wirajuda- Trade and Industry Minister, Rini Soewandi- Energy and Mineral Resources Minister Purnomo Yusgiantoro- State Minister for Research and Technology, M Hatta Rajasa- State Minister for Revenue and State Companies, Laksamana Sukardi- Cabinet and State Secretary Bambang Kesowo
17-18 October 2002	Visit to Bali



INDONESIA

C
Fact Sheet

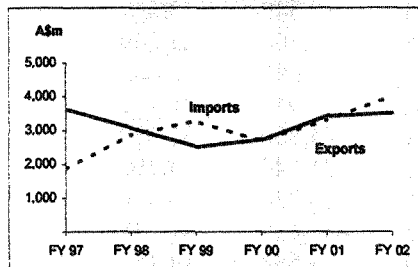
General information:

Capital:	Jakarta	Head of State and Head of Government:
Surface area:	1,826 thousand sq km	H.E. President Megawati Soekarnoputri
Official language:	Bahasa Indonesia	
Population:	211.2 million (2001)	
Exchange rate:	A\$1 = 4,983.3 Rupiah (Jun 2002)	

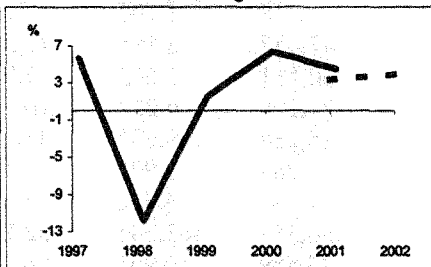
Recent economic indicators:

	1997	1998	1999	2000	2001(a)	2002(b)
GDP (US\$bn):	215.8	95.4	140.7	152.2	145.3	187.1
GDP per capita (US\$):	1,070	470	680	730	690	880
Real GDP growth (% change YOY):	4.5	-13.0	0.3	5.2	3.3	3.9
Current account balance (US\$m):	-4,889	4,096	5,785	7,985	8,360	6,550
Current account balance (% GDP):	-2.3	4.3	4.1	5.2	5.8	3.5
Goods & services exports (% GDP):	27.9	53.0	35.4	42.4	41.1	30.2
Inflation (% change YOY):	6.2	58.4	20.5	3.7	11.5	11.3
Unemployment rate (%):	9.7	15.5	17.5	13.0	10.3	12.5

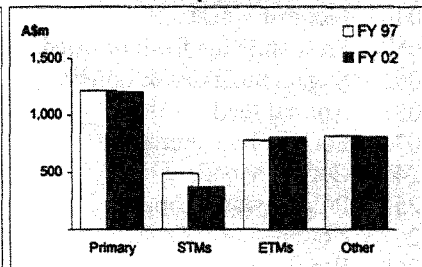
Australia's trade with Indonesia



Real GDP growth



Australia's exports to Indonesia



Australia's trade relationship with Indonesia:

Major Australian exports*, 2001-2002 (A\$m):

Cotton	457
Live animals	209
Aluminium	179
Milk and cream	113
Civil engineering equipment	78

*Includes A\$771m of confidential items, 24.1% of total exports.

Major Australian imports, 2001-2002 (A\$m):

Crude petroleum	1,708
Non-monetary gold	475
Refined petroleum	146
Paper & paperboard	98
Furniture	86

Australian merchandise trade with Indonesia, 2001-2002:

Exports to Indonesia (A\$m):	3,195
Imports from Indonesia (A\$m):	4,009
Total trade (exports + imports) (A\$m):	7,204
Merchandise trade deficit with Indonesia (A\$m):	815

Total share:	Rank:	Growth (yoy):
2.6%	10th	2.7%
3.4%	8th	20.9%
3.0%	10th	12.1%

Australia's trade in services with Indonesia, 2001:

Exports of services to Indonesia (A\$m):	939
Imports of services from Indonesia (A\$m):	611
Services trade surplus with Indonesia (A\$m):	328

Total share:
3.0%
1.9%

Indonesia's global trade relationships:

Indonesia's principal export destinations, 2001:

1	Japan	23.1%
2	United States	13.8%
3	Singapore	9.5%
4	Korea	6.7%
5	China	3.9%
7	Australia	3.3%

Indonesia's principal import sources, 2001:

1	Japan	15.1%
2	United States	10.4%
3	Singapore	8.8%
4	Korea	7.0%
5	China	6.0%
6	Australia	5.9%

Compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources.

(a): all recent data subject to revision; (b): EIU forecast.

Fact sheets are updated biannually; next update: May 2003

D

AUSTRALIA'S TRADE WITH INDONESIA

AS'000	1997	1998	1999	2000	2001
Total exports	3,390,367	2,152,988	2,146,371	2,892,638	3,218,976
Total imports	2,266,309	3,557,074	2,783,778	2,699,626	3,909,843
Balance of merchandise trade	1,124,059	-1,404,086	-637,407	193,012	-690,866
Principal exports ^(a)					
001 Live animals	213,054	17,997	69,308	143,630	174,585
011 Bovine meat f.c.f.	60,904	7,243	36,429	47,905	50,453
022 Milk and cream	55,462	37,167	47,766	64,055	90,867
02* Dairy products & eggs	23,109	7,643	17,305	22,813	24,447
046 Flour of wheat	58	1,700	21,703	19,340	28,647
057 Fruit and nuts fresh or dried	42,487	5,895	12,375	20,760	22,269
061 Sugars molasses & honey	60,511	2,603	2,031	1,687	3,065
081 Animal feed	27,106	6,227	10,466	29,945	38,182
0* Food & live animals	46,234	19,082	33,121	45,850	56,039
24 Cork & wood	288	3,903	9,515	31,546	4,292
251 Pulp & waste paper	11,784	14,522	15,489	20,726	15,906
263 Cotton	366,353	463,645	452,795	436,610	541,548
268 Wool	35,589	10,905	6,717	9,588	14,152
27 Crude fertilizers & minerals	9,071	11,478	11,045	5,096	4,254
282 Ferrous waste & scrap	25,678	2,309	16,235	8,007	12,161
2* Crude materials (excl food & fuels)	18,052	2,877	3,847	8,598	8,553
333 Crude petroleum	246,286	130,856	47,488	22	51,042
334 Refined petroleum	24,005	13,191	18,838	62,351	44,257
342 Liquefied propane & butane	11	14	18,617	230	412
51 Organic chemicals	14,255	11,913	11,445	9,283	8,143
522 Inorganic chemical elements	13,456	14,308	16,240	19,710	22,332
531 Synthetic organic colouring matter	18,683	7,654	4,547	779	988
533 Pigments paints varnishes	22,711	6,772	14,374	22,559	24,150
575 Plastics primary nes	18,710	8,831	11,776	9,430	17,109
598 Miscellaneous chemical products	12,593	10,495	14,119	22,015	28,393
59* Chemical materials & products nes	14,805	9,906	13,435	14,529	21,055
5* Chemicals & related products	42,061	21,994	34,887	40,518	52,323
651 Textile yarn	14,729	13,260	16,969	15,823	9,972
672 Ingots of iron or steel	67,001	4,216	27,380	7,206	1,931
674 Coated flat-rolled steel	24,610	9,101	5,410	2,447	696
676 Iron & steel bars rods shapes	26,335	10,790	7,419	8,084	10,811
67* Iron & steel	17,825	12,329	23,546	33,632	34,642
682 Copper	65,305	15,489	22,383	24,237	30,098
684 Aluminium	146,600	97,206	136,329	187,770	184,109
685 Lead	28,777	16,047	14,328	14,727	12,158
686 Zinc	81,032	62,515	55,760	71,720	54,505
691 Structures of iron steel or aluminium	23,363	3,751	3,121	5,400	7,093
699 Other manufactures of base metal	44,432	55,369	54,554	47,647	69,740
6* Manufactures classified by material	71,931	49,174	50,768	73,338	80,874
71 Power generating machinery	29,962	7,260	13,050	27,654	22,063

^(a) Commodity groups do not include any item classified as confidential.

* denotes "Remainder of category"

AUSTRALIA'S TRADE WITH INDONESIA

(cont'd)

AS'000	1997	1998	1999	2000	2001	
Principal exports ^(a) - continued						
723	Civil engineering equipment	36,349	42,114	37,158	43,311	67,021
728	Specialised machinery	54,425	44,856	25,316	30,340	46,749
744	Mechanical handling equipment	19,661	11,735	11,349	15,812	37,235
74*	General industrial machinery	47,550	26,576	32,740	47,766	54,691
764	Telecommunications equipment	26,464	5,120	4,506	6,985	7,271
773	Equipment for distributing electricity	18,035	6,757	2,506	8,638	10,301
778	Other electrical machinery	39,248	9,060	5,514	5,318	7,482
77*	Electrical machinery & appliances	23,617	13,663	7,102	11,547	16,276
781	Passenger motor vehicles	8,473	6,587	22,947	86,395	67,443
782	Motor vehicles for transporting goods	7,597	1,211	31,697	18,166	19,781
784	Motor vehicle parts	12,758	7,038	19,917	35,787	33,550
791	Railway vehicles	48,570	9,468	4,232	1,554	926
792	Aircraft & parts	24,925	3,708	9,809	9,153	9,091
7*	Machinery & transport equipment	56,147	20,535	31,741	61,777	56,888
874	Measuring and controlling instruments	18,485	10,169	5,843	6,114	8,169
89	Miscellaneous manufactured articles	11,054	5,727	16,344	15,336	17,496
8*	Miscellaneous manufactured articles	19,120	12,338	15,748	26,530	28,306
931	Special transactions	13,364	6,381	15,894	27,712	38,803
988	Confidential items	828,450	696,457	433,228	776,004	797,384
	Other	10,863	5,855	9,858	21,130	15,806
Principal imports ^(a)						
07	Coffee tea cocoa & spices	35,600	53,875	41,524	37,618	40,825
0*	Food & live animals	37,520	42,104	51,471	63,609	65,870
231	Natural rubber	26,522	19,508	18,496	19,668	18,549
248	Wood simply worked	29,211	29,557	28,447	51,013	35,721
251	Pulp & waste paper	5,181	16,466	33,601	56,616	24,875
2*	Crude materials (excl food & fuels)	18,332	17,926	18,126	25,857	26,283
333	Crude petroleum	989,049	1,184,452	1,077,141	890,525	1,681,682
334	Refined petroleum	126,950	31,128	23,929	38,783	102,557
51	Organic chemicals	31,890	49,111	34,137	41,179	36,949
522	Inorganic chemical elements	19,922	20,749	9,714	1,557	4,492
574	Polyacetals primary	18,963	51,862	42,121	52,479	7,707
58	Plastics in non-primary forms	12,382	15,193	20,280	20,839	20,534
5*	Chemicals & related products	14,915	28,017	30,695	33,213	59,699
625	Rubber tyres	15,150	18,924	20,532	21,206	16,897
634	Veneers plywood particle board	30,040	28,553	27,528	27,949	19,425
635	Other wood manufactures	26,964	33,636	40,434	56,438	53,854
641	Paper & paperboard	53,431	98,385	127,485	93,118	71,101
642	Paper manufactures	52,927	78,342	112,794	96,880	72,379
651	Textile yarn	60,887	59,777	55,235	48,410	51,803
653	Woven synthetic fabrics	26,741	30,463	29,724	25,857	18,994
657	Special yarns and textile fabrics	17,383	21,443	24,132	19,880	15,375
65*	Textile yarn & fabrics	21,027	20,678	23,308	19,640	15,751
662	Clay construction materials	9,452	14,726	23,551	27,501	24,058
664	Glass	12,439	18,389	27,283	29,310	22,951
66*	Non-metallic mineral manufactures	21,202	27,422	36,337	36,057	37,010
672	Ingots of iron or steel	36,062	0	1	0	0

(a) Commodity groups do not include any item classified as confidential.

* denotes "Remainder of category"

AUSTRALIA'S TRADE WITH INDONESIA (cont'd)

AS'000	1997	1998	1999	2000	2001
Principal imports ^(a) - continued					
681 Silver platinum	0	27,065	18,674	8,985	1
68* Non-ferrous metals	3,079	4,458	6,347	13,865	48,080
6* Manufactures classified by material	29,494	22,510	29,659	39,268	55,865
752 Computers	11,389	16,446	35,164	55,212	44,864
762 Radio-broadcast receivers	21,023	28,378	16,342	16,628	32,203
763 Sound or video recorders	26,194	17,459	10,615	43,417	50,169
773 Equipment for distributing electricity	15,779	29,000	29,639	38,552	52,851
778 Other electrical machinery	20,690	25,117	29,885	20,892	23,285
7* Machinery & transport equipment	32,874	51,395	62,200	137,552	133,705
821 Furniture	67,967	77,154	79,427	81,110	80,747
841 Men's or boys' clothing (not knitted)	16,166	22,919	20,429	20,892	15,231
84* Clothing	34,626	36,022	26,337	30,072	32,235
851 Footwear	42,025	47,252	43,371	46,481	38,103
897 Jewellery	1,433	414,675	1,847	2,971	5,318
89* Miscellaneous manufactured articles	44,799	57,102	74,062	67,286	60,767
971 Non-monetary gold	95,978	604,647	248,295	111,764	482,938
988 Confidential items	19,798	33,374	48,808	97,054	153,510
Other	32,850	31,420	24,659	32,423	54,639

^(a) Commodity groups do not include any item classified as confidential.

* denotes "Remainder of category"



The Hon. Alexander Downer, MP
MINISTER FOR FOREIGN AFFAIRS, AUSTRALIA



Joint Ministerial Statement

Alexander Downer, Minister for Foreign Affairs, Australia and Dr Hassan Wirajuda, Minister for Foreign Affairs, Republic of Indonesia.

Jakarta and Canberra - 13 December 2002

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Indonesia-Australia Host Conference on Combating Money Laundering and Terrorist Financing

A significant step in the regional fight against money laundering and terrorism will be taken in Bali on 17-18 December 2002 when Australia and Indonesia co-host a regional conference on combating money laundering and terrorist financing. The decision to co-host the conference was announced by the Indonesian Minister of Foreign Affairs, Dr Hassan Wirajuda, and the Australian Minister for Foreign Affairs, Mr Alexander Downer, on 15 September this year.

The conference will be officially opened by the Australian Minister for Justice and Customs, Senator Chris Ellison, and Dr Wirajuda and attended by senior officials from some 30 countries from the Asia-Pacific, as well as senior officials from key international organisations and the private sector with expertise in the field, including the United Nations Counter Terrorism Committee, the World Bank, the IMF, the Asian Development Bank, the Financial Action Task Force and the Asia-Pacific Group on Money Laundering.

This conference is aimed at augmenting and contributing to the existing initiatives undertaken at regional and international level. Both countries believe that the conference will help countries in the region strengthen their efforts to prevent and counter money-laundering and the financing of terrorism, particularly by identifying capacity-building needs to meet the existing and new efforts.

The co-hosting of this conference highlights the continuing commitment of Indonesia and Australia to combat terrorist financing and money laundering in the region. It builds on the Memorandum of Understanding between Indonesia and Australia on Combating International Terrorism signed by the two countries in February this year.

Dr Wirajuda stated that although the choice of Bali as the venue for the conference was made before the tragic events of 12 October, he believes the location would be a reminder to all participating countries of their efforts and commitment to continue effectively fighting terrorism in the region.

Mr Downer expressed his hope that the conference would signify that all nations in the Asia Pacific Rim were prepared to work together to try to prevent a repeat of the horrific events in Bali.

Media inquiries: Chris Kenny (Ministerial) +61 02 6277 7500

**Memorandum of Understanding
between
the Government of Australia
and
the Government of the Republic of Indonesia
on Combating International Terrorism**

The Government of Australia and the Government of the Republic of Indonesia:

Realising that the cross-border activities between Indonesia and Australia may pose a very real danger to the stability and security of the peoples of the two countries;

Recognising the need to strengthen international cooperation at all levels in combating terrorism in a comprehensive manner;

Desiring to enhance counter-terrorism cooperation between the officials of defence, security, intelligence and law-enforcement agencies of the two Governments;

Have come to the following understandings:

1. Objective

This Memorandum of Understanding will provide a framework for cooperation in preventing, suppressing and combating international terrorism through the exchange and flow of information and intelligence. If need be, the existing forms of cooperation could lead to the establishment of a joint operation.

2. Scope and areas of cooperation

Each Government undertakes to implement this Memorandum of Understanding, in accordance with its respective domestic laws, in any or all of the following activities:

- (i) Intelligence information sharing.
- (ii) Further enhancing cooperation between the two countries' law agencies.
- (iii) Strengthening capacity building and capabilities through networking and programs of training and education, exchange of visits of high officials, analysts and field operators, seminars, conferences and joint operations, as appropriate.

3. Participation

Each Government will designate the following components to act as authorised officials for the purpose of the implementation of this Memorandum of Understanding on Combating International Terrorism: police, military, intelligence, other law enforcement agencies and other concerned agencies, including customs, immigration, and justice/ attorney-general's departments.

4. Settlement of Disputes

Any disputes arising out of the interpretation or implementation of this Memorandum of Understanding will be settled amicably through consultation or negotiation between the Governments through diplomatic channels.

5. Amendment

This Memorandum of Understanding may be amended or revised, if it is deemed necessary, by mutual consent in writing by the two Governments. Such amendment or revision will come into effect on such a date as may be determined by the two Governments.

6. Duration

(i) This Memorandum of Understanding will come into effect on the date of signature and will remain in effect initially for one year. It may be renewed by mutual consent in writing.

(ii) Either Government may any time terminate this Memorandum of Understanding by giving, in advance, three (3) months written notification to the other Government.

The undersigned, duly authorised by the respective Governments, have signed this Memorandum of Understanding in Jakarta on this seventh of February in the year two thousand and two, in two original copies in the English language.

**For the Government of
Australia**

[SIGNED]

Richard Smith
Ambassador to Indonesia

**For the Government of the
Republic of Indonesia**

[SIGNED]

Abdurrachman Mattalitti
Director General for Social Cultural
Relations and Foreign Information

JOINT COMMUNIQUE

THE TEXT OF THE JOINT COMMUNIQUE AGREED BETWEEN THE PRIME MINISTER OF AUSTRALIA, THE HON. JOHN HOWARD, AND THE PRESIDENT OF INDONESIA, HER EXCELLENCY MEGAWATI SOEKARNOPUTRI, IN JAKARTA ON 13 AUGUST 2001.

**On the occasion of the visit of the Prime Minister of Australia,
The Hon. John Howard, to Indonesia**

1. At the invitation of Her Excellency Megawati Soekarnoputri, President of the Republic of Indonesia, the Honourable John Howard MP, Prime Minister of Australia, paid a working visit to the Republic of Indonesia on 12-13 August 2001.
2. The President and the Prime Minister reaffirmed the commitment of both countries to a strong bilateral relationship based on mutual benefit and respect. The two leaders recalled the wide-ranging cooperation between the two countries dating back to Indonesia's struggle for independence. They underlined the importance of mutual trust and understanding and a spirit of dialogue as a basis for enhancing friendly relations. They expressed their shared commitment to the importance of maintaining and strengthening the personal and institutional ties between the two countries and their leaders. They reaffirmed the strong desire of both countries to enhance the relationship through continuing practical cooperation in a wide range of fields.
3. President Megawati Soekarnoputri and Prime Minister Howard noted Australia and Indonesia's shared interest in security, prosperity and democracy in South-East Asia. The Prime Minister reaffirmed Australia's support for Indonesia's territorial integrity and unity, noting that Australia's national interests are closely linked to Indonesia's stability and prosperity. The two leaders underlined the importance of a comprehensive approach to solving the problems of Aceh and Irian Jaya through advancing the primacy of dialogue, greater respect for human rights, and the implementation of special autonomy status within the unitary state of the Republic of Indonesia.
4. Prime Minister Howard reaffirmed Australia's commitment to support Indonesia as it addressed its social and economic challenges and to support international efforts aimed at assisting Indonesia's economic recovery. He affirmed that Australia would continue to encourage the international community's support for Indonesia, including in the International Monetary Fund and the International Bank for Reconstruction and Development, and welcomed the importance placed by the Government of Indonesia in reaching agreement with those institutions on programmes of economic reform and management of Indonesia's debt.
5. The President expressed Indonesia's appreciation for Australia's development cooperation programme for 2001-02. The Prime Minister briefed the President about the Australian development cooperation programme, particularly regarding its focus on eastern Indonesia, education and training, and governance. Beginning this year, the programme includes further initiatives in economic and financial management, legal reform and assistance for non-government and other organisations.
6. The two leaders welcomed the strong commercial links between Australia and Indonesia, noted that two-way trade had grown by 25 per cent over the past year to a record level of AUD 6.4 billion, and expressed their desire to see bilateral trade grow further from both sides. They welcomed the trade and investment mission led by the Australian Minister for Trade, the Honourable Mark Vaile, MP, to Indonesia in February 2001, and looked forward to a return visit to Australia by an Indonesian trade and investment mission.
7. The two leaders agreed that the Australia-Indonesia Ministerial Forum provided an effective mechanism for furthering bilateral cooperation. They welcomed the substantial progress made on the Joint Plan of Action agreed at the meeting held in Canberra on 7-8 December 2000, and looked forward to the sixth Ministerial Forum in Indonesia in mid-2002. They welcomed the establishment of the Joint Working Group on Marine Resources and looked to it to address issues of common interest, including Indonesian traditional fishermen.

8. The two leaders noted that strong people-to-people links, especially through education, tourism and other social-cultural activities, served as a solid foundation for strong relations between the two countries. Both leaders welcomed the growing links between the Indonesian and Australian parliaments.

9. The two leaders noted the importance of establishing good relations between East Timor and its neighbouring countries, including Australia and Indonesia. The Prime Minister reaffirmed Australia's readiness to assist with the resettlement and repatriation of East Timorese refugees. The two leaders underlined their view that the international community's support in this matter is highly important. The continued full cooperation by all parties concerned, including UNTAET, UNHCR and other relevant international humanitarian agencies with the Government of Indonesia is key to the success of the process.

10. The Prime Minister warmly welcomed the acceptance of Indonesia as a post-Forum dialogue partner of the Pacific Islands Forum. The two leaders noted the importance of Indonesia's ideas on the establishment of the West Pacific Dialogue (formerly known as the West Pacific Forum), and expressed their willingness to work together to develop the ideas further.

11. The two leaders reaffirmed their commitment to APEC's goals of prosperity and social improvement through trade and investment liberalisation, facilitation, and regional integration. They underlined their support for the launch of a new WTO Round at the Doha ministerial, based on a balanced broad-based agenda, taking into account the particular interests of developing countries.

12. The two leaders underlined the importance of ASEAN and of cooperative approaches to regional challenges to bolster regional security and prosperity. They noted the efforts made during the past years in the AFTA-CER linkage, and welcomed the commencement of work on a Closer Economic Partnership.

13. The two leaders emphasised the significance of continued cooperation to deal with irregular people movement and transnational crime, including drug trafficking and organised people smuggling. They agreed to exchange information and to intensify bilateral and international cooperation to address these problems.

14. During the visit, Prime Minister Howard met President Megawati Soekarnoputri and the Vice President, H.E. Dr Hamzah Haz. The Prime Minister called on H.E. Prof. Amien Rais, the Chairman of the People's Consultative Assembly and H.E. Akbar Tandjung, the Speaker of the House of the Representatives of the Republic of Indonesia. In addition, the Prime Minister met H.E. Soesilo Bambang Yudhoyono, Coordinating Minister for Political and Security Affairs, H.E. Prof. Dr Dorodjatun Kuntjoro-Jakti, Coordinating Minister for Economy, H.E. Dr Hassan Wirajuda, Minister for Foreign Affairs, H.E. Rini Soewandi, Minister for Trade and Industry, and H.E. Boediono, Minister for Finance.

15. Prime Minister John Howard expressed his gratitude for the warm reception and hospitality rendered to him and his delegation by the Government of Indonesia and extended his invitation to President Megawati Soekarnoputri to visit Australia at a time convenient to her. The two leaders looked forward to meetings between themselves and meetings between ministers and senior officials on a regular basis.

Jakarta 13 August 2001

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Local Date: Wednesday, 18 December 2002 05:09:48 PM

AUSTRALIA-INDONESIA MINISTERIAL FORUM
AND AUSTRALIA-INDONESIA DEVELOPMENT AREA MINISTERIAL MEETING
CANBERRA, AUSTRALIA 7-8 DECEMBER 2000

JOINT MINISTERIAL STATEMENT

The fifth meeting of the Australia-Indonesia Ministerial Forum and the third Ministerial meeting of the Australia-Indonesia Development Area (AIDA) were held in Canberra on 7 and 8 December 2000.

2. The Australian delegation was led by the Hon. Alexander Downer MP, Minister for Foreign Affairs. It included the Hon. John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services, the Hon. Peter Costello MP, Treasurer, the Hon. Dr David Kemp, Minister for Education, Training and Youth Affairs, Senator the Hon. Nicholas Minchin, Minister for Industry, Science and Resources, the Hon. Daryl Williams MP, Attorney-General, and the Hon. Philip Ruddock MP, Minister for Immigration and Multicultural Affairs, Senator the Hon. Rod Kemp, Assistant Treasurer; Senator the Hon. Robert Hill, Minister for the Environment and Heritage; the Hon. Warren Truss MP, Minister for Agriculture, Fisheries and Forestry; and the Hon. Dr Michael Wooldridge MP, Minister for Health and Aged Care.
3. The Indonesian delegation was led by H.E. Dr Alwi Shihab, Minister for Foreign Affairs. It included H.E. Bungaran Saragih, Minister for Agriculture and Forestry, H.E. Yahya Muhaimin, Minister for National Education, H.E. Luhut Panjaitan, Minister for Industry and Trade, and H.E. Sarwono Kusumaatmadja, Minister for Marine Affairs and Fisheries.
4. The fifth meeting of the Ministerial Forum was conducted in a cordial atmosphere with Ministers taking a practical and forward looking approach to the matters under discussion. Ministers welcomed the holding of the Forum as an important symbol of the enduring commitment of both countries to maintaining sound and mutually respectful neighbourly relations. They noted that the Forum remained an extremely valuable mechanism for deepening and broadening practical cooperation between Australia and Indonesia. They agreed that the results achieved at the Ministerial Forum, and the strengthened relations between Ministers, should be used to invigorate the bilateral relationship across a range of areas. Ministers highlighted the Forum as a valuable occasion to enhance bilateral ties.
5. The meeting took place against the backdrop of the historic democratic transformation underway in Indonesia. Ministers welcomed this development, noting its significance for the region and for Australia. Ministers welcomed the return of economic growth to Indonesia after two difficult years, and the achievements to date of Indonesia's political and economic reform process. Australia underlined its commitment to support Indonesia as it addresses remaining social and economic challenges. It reiterated its strong support for Indonesian territorial integrity, noting that Australia's national interests were closely linked to Indonesia's stability and prosperity. Indonesia underscored its commitment to continuing its economic, legal and political reforms. Australia welcomed this commitment.
6. Ministers acknowledged the continuing commitment of the Australian and Indonesian business communities to maintaining and strengthening the bilateral economic and commercial relationship. They welcomed the contribution that business had made to the success of the Forum. They looked forward to the economic relationship growing rapidly. They noted the considerable potential that existed for intensifying bilateral economic engagement and underlined the commitment of governments to facilitate this engagement. In this context, ministers welcomed the agreement that Trade Ministers would meet annually to consider ways in which to strengthen the economic relationship and to take forward business concerns and views in a structured way. The Forum underlined the crucial importance of galvanising investor support in order to sustain the economic recovery. Ministers urged business to look afresh at investment opportunities in Indonesia, including in the context of the Australian roadshow of the Indonesian Bank Restructuring Agency.

7. Ministers undertook to renew efforts to meet counterparts and develop personal and institutional linkages. They welcomed the fact that there had so far this year been ten ministerial visits between Australia and Indonesia and three meetings of heads of government. Ministers acknowledged that excellent cooperation and complementarities existed in a wide variety of areas including education, law enforcement, immigration, economic development cooperation, cultural ties and people-to-people contact. Against this background they endorsed the continued development of the Ministerial Forum and AIDA, both in relation to deepening established areas of cooperation but also in the development of new areas, such as empowering SMEs and marine issues.

OVERVIEW OF INTERNATIONAL DEVELOPMENTS

Financial Reform

8. Ministers noted that the economic rebound in East Asia since the financial crisis of 1997-98 has exceeded initial expectations, but emphasised the need to sustain efforts to strengthen the international financial system. Ministers endorsed the priorities being given in international institutions and groupings, including the IMF, World Bank, G-20, Asian Development Bank, APEC and the G-7, to improve the international financial framework, reduce poverty and encourage the pursuit of sound economic policies. Ministers emphasised the need for international financial reform to deliver greater stability to the world economy and financial markets, without cutting off the flow of capital essential to growth in much of East Asia.

9. Ministers welcomed the role of the G-20 in examining ways to strengthen the international financial system. Both Indonesia and Australia, as members of the G-20, agreed to work closely in that forum and elsewhere, to build consensus for further substantive international financial reform. Ministers also noted the formation of the ASEAN+3 grouping and welcomed its potential to complement and extend existing measures to provide international and regional financial stability.

Ministers noted that living standards in the region are rising, but that poverty remains a key concern in a number of East Asian countries. In that context, they recognised the need for individual countries to pursue sound domestic economic and regulatory policies that would both generate sustainable economic growth and facilitate poverty alleviation.

International Financial Support for Indonesia

10. Ministers stressed the importance of strengthening international financial cooperation and support for Indonesia's reform and recovery agenda. They noted the progress made under the new IMF Extended Fund Facility. Ministers also welcomed the holding of the 10th meeting of the Consultative Group on Indonesia in Tokyo on 17-18 October, noting that its positive outcomes underlined the ongoing strong partnership between the Government of Indonesia and its partners. Ministers noted the significant support pledged by the international community to Indonesia's program of economic reform and democratisation. The outcomes of the CGI meeting were reviewed by both sides, including structural reforms as outlined in the Letter of Intent by the IMF. Australian Ministers noted that the implementation of the Indonesian Government's extensive reform program was a major challenge that will require continued commitment by Indonesia and the international community, including Australia. In this regard, Indonesian Ministers welcomed Australian support for Indonesia's economic recovery, including through its pledge of A\$120 million for 2000-2001.

World Oil Prices

11. Ministers agreed that uncontrolled fluctuation of international crude oil prices was posing a threat to the stability of the global economy which could jeopardise the current strong phase of growth. Ministers agreed to work together to support stable and sustainable oil prices.

WTO

12. Ministers noted the importance of maintaining a non-discriminatory and open world trading system. They endorsed the call by APEC Leaders to formulate and finalise a balanced and sufficiently broad-based agenda that responded to the interests and concerns of all WTO members as soon as possible in 2001 and to launch a new round of WTO negotiations in 2001 for the benefit of all members. Only broad-based multilateral trade

negotiations can deliver a more equitable, open and predictable (rules-based) trading environment for all countries' exports to grow.

13. Ministers recognised that a new round will require a balanced agenda that is sufficiently broad-based to respond to the interests and concerns of all WTO members. Ministers recognised the importance of capacity building and technical assistance to enable developing countries to benefit from trade liberalisation and implement the WTO agreements as well as participate fully in a new round. Ministers recognised the value of special and differentiated treatment for developing countries as an integral part of the WTO agreement and its effective implementation.

Cairns Group

14. Ministers agreed that the Cairns Group continue to play a role as a caucus in continuing agricultural reform negotiation as mandated in article 20 of the Agreement on Agriculture. Ministers hoped that these negotiations will deliver significant further liberalisation of the international agricultural trade system and take into account the specific concerns of developing countries.

Illegal People Trafficking

15. Ministers agreed that illegal migration posed a threat to national security and prosperity. Ministers affirmed support for an international response requiring close cooperation within and between regions. Australian and Indonesian Ministers expressed their commitment to continue developing closer cooperation against illegal people trafficking and smuggling, including in international fora and with international organisations. In this context, Ministers agreed that officials should continue their constructive collaboration and should report the progress of their activities to Ministers. Ministers acknowledged the value of discussion of immigration issues at the Ministerial Forum.

United Nations

16. Ministers recognised the fundamental importance of the United Nations role in the maintenance of international peace and security and in promoting development. Ministers agreed that without continuing commitment to reform, the United Nations could not ensure its relevance and effectiveness in the 21st century. Ministers undertook to work together to achieve this goal.

Disarmament Issues

17. Ministers welcomed the outcomes of the Nuclear Non-Proliferation Treaty (NPT) 2000 Review Conference and called upon states that have not yet done so to accede to the Treaty as non-nuclear weapon states. Ministers called on all states yet to do so to conclude IAEA comprehensive safeguards agreements and Additional Protocols on strengthened safeguards. Ministers also called on all states to ensure early entry into force of the Comprehensive Nuclear Test Ban Treaty.

18. Ministers welcomed the contribution of the Ottawa Convention to the goal of a world free from landmines and encouraged further reinforcement of international support for landmines clearance and assistance for the rehabilitation of victims.

19. Ministers called on those states which have not yet ratified the Chemical Weapons Convention to do so without delay. Ministers also welcomed efforts to conclude negotiations for a protocol to strengthen the Biological Weapons Convention, recognising that such a protocol could provide security benefits to the region.

OVERVIEW OF REGIONAL DEVELOPMENTS

APEC

20. Ministers reaffirmed APEC's shared goal of economic prosperity and social improvement through trade and investment liberalisation and facilitation, economic cooperation and strengthened regional integration. Ministers applauded APEC's continuing support for the multilateral trading system, most recently expressed by APEC Ministers and Leaders in Brunei. In particular, Ministers noted APEC's call for the launch of a new WTO

round in 2001 and tangible commitment to capacity building to assist developing economies implement their WTO obligations. Ministers emphasised the importance of the revitalised Individual Action Plan (IAP) Scheme, including the development of e-IAP and ECOTECH focused on national capacity building in support of APEC's Bogor goals. Ministers undertook to continue cooperation in the development of e-IAP and ECOTECH and called on all APEC members to participate actively in follow-up initiatives.

21. Ministers acknowledged the need to respond to the challenge that globalisation and structural change bring to members of our communities and welcomed the progress made at the APEC Ministers and Leaders meetings under Brunei's theme for APEC 2000 - "Delivering to the Community". Ministers welcomed the acknowledgment by APEC Leaders of the benefits that globalisation brought to all economies in the region and the recognition by Leaders of the need to communicate those benefits better to their communities. The Ministers also noted the acknowledgement by APEC Leaders that meeting the wide range of social and economic challenges that globalisation poses will not always be easy.

22. In this context, Ministers agreed that regional cooperation on strengthening economic governance, human resource development and overcoming the digital divide were high priorities. Ministers noted the successful Symposium on Strengthening Economic Legal Infrastructure co-hosted by Australia, Indonesia and Japan in Jakarta on 20-21 July. Ministers undertook to continue cooperation in this important field. Ministers also welcomed efforts by APEC economies to address social safety net issues.

23. Ministers reaffirmed APEC leaders' commitment to ensuring that APEC takes a leading role in enabling developing economies to participate successfully in the global economy, through enhancing progressively human and institutional capacities and opening markets, taking into account the agreed timeframe of 2010/2020 for achieving the Bogor Goal.

ASEAN

24. Ministers, as in previous years, recognised the important and enduring role that ASEAN has played in maintaining peace, stability and security in the region. Ministers commented positively on the Post Ministerial Conferences (PMC) held in Bangkok in July 2000, and agreed that the various forums provide a valuable way of developing greater regional cooperation across a broad range of issues. Indonesian Ministers welcomed Australia's announcement at the PMC that Australia would continue to support development cooperation with ASEAN through the new ASEAN-Australia Development Cooperation Program (AADCP) which would have a strong economic and trade focus, with funding amounting to A\$45 million. Ministers also welcomed Australia's HIV/AIDS initiative involving funding of A\$200 million, and the A\$5 million project to combat illegal trafficking in women and children, agreeing that all three initiatives conform with the objectives of the Hanoi Plan of Action and make significant contributions to the integration of the newer ASEAN members. Ministers expressed satisfaction with the strength and depth of ASEAN-Australia relations, and looked forward to continued close cooperation.

AFTA-CER

25. Ministers noted the decision made at the 5th annual consultations between ASEAN Economic Ministers (AEM) and Ministers from Australia-New Zealand Closer Economic Relations Trade Area (CER), held in Chiang Mai, Thailand, on 6 October, to work towards a Closer Economic Partnership (CEP) linking the 10 ASEAN countries, Australia and New Zealand. They looked forward to Senior Officials commencing constructive discussions on developing the parameters of the CEP, based on the key recommendations of the Task Force, beginning next year. Ministers also noted the efforts made during the past year in the AFTA-CER Linkage, including completion of a number of projects in the areas of standards and conformance, customs, and transport.

ASEAN Regional Forum (ARF)

26. Ministers emphasised the importance of bilateral security linkages and multilateral security dialogue, including through the ASEAN Regional Forum (ARF). In this regard, Ministers reaffirmed their commitment to the ARF and noted with satisfaction its contribution to peace and security in the region. Ministers also noted the bilateral dialogue on regional security and disarmament between Indonesia and Australia during the past year.

West Pacific Forum

27. Ministers agreed that President Wahid's proposal on the West Pacific Forum was a constructive idea which would be taken forward further early next year.

Overview of Economic Developments and Trade Policies in Indonesia and Australia

28. Indonesian Ministers outlined Indonesia's 10 economic recovery programs and outlook, noting that economic growth was expected to accelerate in the coming year while the budget deficit would shrink as a proportion of GDP. They outlined plans to push ahead with economic reforms as proposed in the Letter of Intent with the IMF and also programs to develop rural infrastructure and small and medium enterprises aimed at creating jobs and reducing poverty over the medium term. They acknowledged that many substantial structural challenges lay ahead, particularly in addressing corporate debt restructuring and restoring full health to the financial system. They also noted the opportunities and challenges of fiscal decentralisation.

29. Australian ministers welcomed the measures taken by the Indonesian government in addressing its economic difficulties. They noted that the economic and trade reforms undertaken so far had laid the groundwork for a more sustained and stable economic recovery. They stressed the importance of Indonesia maintaining the reform momentum, particularly in order to ensure a more robust return of investor confidence.

30. Australian Ministers noted that the Australian economy had benefited enormously from over a decade of sustained economic reform and trade liberalisation. It was now a more resilient economy, underpinned by an increasingly skilled and flexible workforce, a substantially higher level of overall productivity growth, and a more diverse export base. Ministers noted the common interests between Australia and Indonesia in maintaining and expanding access for their exports - particularly primary produce - to developed country markets. They underlined the importance of this access for the alleviation of rural poverty. They acknowledged the important contribution that trade liberalisation had had in strengthening the competitiveness of both economies.

31. Reflecting on the course of economic developments since the Asian economic crisis, Ministers acknowledged the importance of sound macroeconomic policies and strong prudential regulation and supervision of financial institutions in reducing the risks of economic crisis. In this context Australian Ministers reaffirmed their commitment to cooperating with Indonesia and providing ongoing assistance to help improve the quality of economic governance and to build capacity.

Bilateral Economic Relations

32. Ministers noted that two-way merchandise trade had increased five-fold in the decade from 1988 to 1998 from A\$1.2 billion to A\$5.7 billion. Although bilateral trade growth had fallen following the financial crisis in mid-1997, Indonesia and Australia remain major trading partners. In financial year 1999/2000, two-way merchandise trade totalled A\$5.1 billion, with excellent prospects for improvement over the medium-term.

33. Ministers acknowledged the significant component of services trade in the bilateral relationship. In financial year 1998/99, two-way services trade totalled over A\$1.4 billion. Ministers noted the diverse nature of this trade, led by tourism and education, and their long-term cultural benefits. Ministers welcomed the potential improvement in this trade as the regional economy strengthened.

34. Ministers noted the efforts of the Indonesian government to put in place a business environment that will attract new investment. Ministers welcomed the ongoing commitment of Australian investors in Indonesia. Australian Ministers undertook to assist in attracting investor interest in Indonesia, such as the current Indonesia Bank Restructuring Agency investment roadshow and other investment promotions to Australia.

35. Ministers noted that globalisation and the wider trend towards regional economic integration were key dynamics shaping economic developments in the new century. In addition to the considerable work undertaken under the auspices of APEC, ASEAN, IOR-ARC and through discussions of a Closer Economic Partnership between AFTA and CER, Ministers agreed that the economic complementarities and the desire for regional economic prosperity shared by both countries should be used as the basis to stimulate closer economic engagement between Australia and Indonesia. It was noted that each country would benefit from

the other's strong economic performance, and Ministers resolved to work in closer partnership to identify and take advantage of opportunities to intensify bilateral economic relations. The recent establishment of a regular Trade Ministers' dialogue was commended as a positive development in this direction.

AUSTRALIA-INDONESIA DEVELOPMENT AREA (AIDA)

36. Ministers had a detailed discussion of AIDA, noting that the rationale for its launch in 1997 remained relevant. While acknowledging the impact that the economic crisis and adverse security conditions in some provinces had had on business interest in AIDA and on the activities of some AIDA Working Groups, Ministers considered that the longer-term prospects for enhanced cooperation and engagement between Australia and Indonesia's AIDA provinces remained excellent. In this context, Ministers welcomed the appointment of an Indonesian Junior Minister for the Acceleration of Development in Indonesia's Eastern Regions. Australian Ministers confirmed that eastern Indonesia remained a key focus of the development cooperation program. Ministers also welcomed Australia's decision to build a rail link between Darwin and Alice Springs, noting its potential to lower the costs of communications and encourage greater economic integration in the AIDA region.

37. Ministers noted that small and medium enterprises and agribusiness were sectors with great promise in terms of business engagement in the AIDA region. Ministers welcomed Australia's contribution to a World Bank project on SME development. Support for AIDA from states, territories and provincial governments were acknowledged, in particular that of the Northern Territory. Ministers welcomed the catalytic role of the AIDA Working Group on Agriculture, Fisheries and Animal Husbandry in energising agribusiness cooperation in the AIDA region.

WORKING GROUP REPORTS

Working Group on Trade, Industry, Investment and Tourism

38. Ministers noted the commitment both sides had made to facilitating and improving bilateral trade and investment, and cooperation on multilateral issues such as the Cairns Group. Ministers noted the private sector's long-term commitment to bilateral trade and investment, particularly during the economic crisis, and their interest in exploring new areas of opportunity.

39. Ministers noted the useful role the Working Group on Trade, Industry, Investment and Tourism played for frank discussion of trade issues. Ministers welcomed the ongoing efforts both sides to facilitate improvements in the trade relationship, including the development of a range of initiatives on trade concerns, market access issues, capacity building and technical cooperation.

40. Ministers welcomed the proactive agenda setting role of the Australian and Indonesian Trade Ministers, who in 2000 had met in Jakarta, Darwin, Melbourne, Chiang Mai and Brunei. In addition to annual Trade Ministers' meetings, Ministers noted the agreement for senior officials to meet at least annually, reflecting the deep and cooperative nature of trade relations. In September, Australia's most senior trade official visited Indonesia and Indonesia's Head of the Industry and Trade Research Board visited Canberra.

41. Ministers welcomed the scale and range of specialist training and other forms of technical cooperation, particularly under AusAID's Australia-Indonesia Specialised Training Project. They encouraged policy and program development relating to economic and social recovery.

42. Ministers noted the ongoing communications between the respective tourism agencies and industry representatives on bilateral tourism developments. Ministers also welcomed the proposal of an Australia-Indonesia Tourism Summit. It was noted that this is a positive step to bring together members of the tourism industry to discuss a number of issues including how tourism flows between the two countries can be boosted and to examine potential impediments to growth and approaches to overcome these.

43. Ministers welcomed the development of a draft MOU concentrating on the bilateral tourism relationship. It was agreed that the draft be finalised by the Indonesian Department of Culture and Tourism and forwarded to the Australian Department of Industry, Science and Resources for consideration.

44. Ministers agreed that it would be appropriate for Tourism to be transferred from the Working Group on Trade, Industry, Investment and Tourism to a renamed Working Group on Transport and Tourism. This change will allow greater opportunity for tourism officials and officials representing the transport sector to work together more effectively in addressing issues of mutual concern and in harnessing the synergies of these two important sectors.

Working Group on Science and Technology

45. Ministers noted that a wide range of bilateral collaborative activities continue to progress under the umbrella of COSTAI and/or the Joint Working Group on Science and Technology, as well as at the agency to agency, institution to institution and researcher to researcher levels. Major strategic fora on mining and minesite rehabilitation and clean water were held in May and June 2000 respectively. Outcomes of these fora include the identification of priority areas for collaborative research projects. Project proposals are being developed in order to seek project funding.

46. Ministers also noted that bilateral collaborative activities would continue to emphasise areas of mutual interest, taking into account each country's abilities, national priorities and available resources.

47. Ministers noted that a meeting of the Joint Steering Committee of COSTAI was planned for February 2001. In addition to setting priority areas of collaboration and the development of a work program for the year, a major priority at this meeting will be the development of a new Treaty on Scientific and Technological Cooperation between Australian and Indonesia, and the development of a new Memorandum of Understanding between the Department of Industry, Science and Resources and the Ministry of Research and Technology outlining the administrative mechanisms to underpin the Treaty.

48. Ministers noted that a joint strategic forum on biotechnology will be held early in 2001.

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Working Group on Agriculture and Food Cooperation

49. Ministers noted that since the last Ministerial Forum, the Working Group on Agriculture & Food Cooperation met for the eighth time in Jakarta in July 2000. The meeting was held in conjunction with a full-day business forum focusing on food and agribusiness opportunities and cooperation. Ministers noted the continuing high levels of private sector participation in the WGAFC, which demonstrates the strong complementarities between our respective agrifood sectors, and the ongoing commitment of the private sector to the working group.

50. Indonesia's agriculture sector continues to offer major opportunities for investment and growth, and Ministers are encouraged by the level of private sector agribusiness cooperation, including:

- further cooperation on the cattle breeding program, beef and dairy cattle feeding and production development and Boer goats;
- research collaboration in seed material and handling of fresh bananas and mangos;
- development of agribusiness terminals kramat jati and the sukabumi;
- facilitating strategic alliances and investment by utilising Indonesian food sector facilities operating at less-than-full capacity; and
- consideration of joint venture projects to explore low cost solutions to improving Indonesian food transport and cool-chain distribution in conjunction with Indonesian government and industry.

51. Ministers noted that discussions on quarantine issues were held during the working group meeting, and are positive about the potential for further collaboration in this area, including:

- training Indonesian fumigation operators on AQIS fumigation procedures to develop the skills of CAQ personnel to conduct fumigation in accordance with Australia's requirements; and
- facilitating a greater understanding of Australia's quarantine and food safety standards and regulations which are contained in a newly created website in Bahasa Indonesia which will be of direct assistance to Indonesian food producers and exporters seeking to export to the Australian market.

Working Group on Legal Cooperation

52. Ministers noted that a wide range of bilateral legal cooperative activities continue to be progressed between the two countries in the field of law and legal services at the Government and non-Government level. Ministers particularly welcomed the signature of a Memorandum of Understanding on Legal Cooperation between the Indonesian Minister for Justice and Human Rights and the Australian Attorney-General in Canberra on 25 October 2000.

53. Ministers noted that since the creation of the Working Group on Legal Cooperation (WGLC) at the fourth Ministerial Forum, progress has been achieved on a number of fronts:

- the successful visit to Australia by H.E. Yusril Mahendra, Minister for Justice and Human Rights, in October 2000;
- in April 1999, a meeting of interested organisations and persons from the Australian legal services sector was held in Canberra in April 1999 to discuss the establishment of the WGLC. The meeting was well attended, underlining the considerable interest and support for the establishment of the Group;
- the movement of the Sub-Group on Intellectual Property from the Working Group on Trade, Industry and Investment to the Working Group on Legal Cooperation;
- the positive progress and on-going training and consultation in the field of intellectual property under the auspices of the Sub-Group on Intellectual Property; and
- the continued provision of training and consultation on Intellectual Property, both on-going and ad-hoc.

54. Ministers welcomed the decision to hold the inaugural meeting of the WGLC in Jakarta in May 2001.

Working Group on Health

55. Ministers noted that good working relations between the Indonesian and Australian health sectors had been maintained since the last Forum meeting.

56. Ministers noted that a joint 'management capacity building' program will begin in early 2001 and that other joint activities in the health sector were under consideration. The important assistance provided by AusAID to support joint activities under the Government Sector Linkages Program was recognised.

57. Ministers endorsed the signature of a three year Plan of Action under the MOU on Health Cooperation focusing on developing the capacity of senior management in decentralised environment.

58. Ministers agreed that there is potential for greater engagement of industry and tasked officials to continue to facilitate health industry linkages and information exchange.

Working Group on Environment

59. Ministers noted that Australia and Indonesia had maintained good environment protection and commercial relations through the Joint Working Group on Environment (JWGE) throughout the past year. Ministers welcomed the following positive outcomes by the JWGE:

- The visit to Australia by an Indonesian Environment Mission led by Prof. Dr Haryoto Kusnoputranto,

Deputy Head of BAPEDAL for Pollution Control and Deputy to the Minister for Environment Management. Whilst in Australia, the delegation attended the Enviro2000 Conference and Trade Exhibition in Sydney, and conducted seminars in Melbourne, Adelaide and Perth. During the visit, Australian and Indonesian officials agreed on a number of key issues which provide future direction for JWGE activity, including air, water, waste, marine, building heritage, and environmental education; and

- The development of an Indonesia-Australia Marine Rehabilitation and Biotechnology Initiative, in which institutions in both countries will become equal partners in a scientific research and commercially based project, and
- A Western Australian Government Environment Mission led by Deputy Premier, the Hon. Hendy Cowan MLA, visited Jakarta in September 2000. The visit included a meeting between Dr A. Sonny Keraf, State Minister for the Environment and Minister Cowan, as well as a briefing session at the State Ministry for the Environment. The session, led by Mr Arie D.D. Djoekardi, Deputy Minister for Social, Economic and Trade Affairs at the State Ministry for the Environment, discussed areas of mutual interest, which can serve as a basis for future cooperation between Indonesia and Western Australia. Both parties found the meeting to be very informative and enjoyable and agreed to cooperate further to follow up on related initiatives.

60. Ministers acknowledged renewed commitment to the JWGE. This included agreement to review current arrangements to deliver practical outcomes, and to hold the next meeting in Indonesia in 2001.

Working Group on Education, Training and Manpower Development

61. Ministers welcomed the continued development of the Australia-Indonesia partnership in education and training. Ministers welcomed the cooperative activities currently taking place and possible future joint activities, noting in particular the joint project on education decentralisation.

62. Ministers noted that the next Joint Working Group on Cooperation in Education, Training and Manpower Development is planned for February 2001, and that a range of possible future joint activities will be considered at that meeting, including student exchange programs, enhancement of English language training in Indonesia, support for Indonesian students studying in Australia and strategic alliances between Indonesian and Australian education and training institutions.

Working Group on Housing and Public Works

63. Ministers agreed that many of the agreed actions had been satisfactorily completed, but noted that it had not been possible to achieve success on all initiatives. Ministers commended the successful convening of the Joint Seminar on Private Sector Participation in Public Infrastructure in Jakarta in June, which could lead to a number of new opportunities for both sides. It was noted that although at the time of the Working Group's establishment a focus on urban development, planning and housing had been appropriate, administrative changes in both countries meant a review of activities and new focus was required to take the most viable collaborative activities forward. Ministers noted that this new approach would be progressed by their respective agencies.

Working Group on Energy and Minerals

64. Australia and Indonesia recognise the strong relationship that has characterised minerals and energy cooperation and welcome continued efforts to promote trade and investment and technical cooperation in the sector. Ministers look forward to the Working Group on Energy and Minerals meeting again shortly and encourage their respective officials to arrange mutually agreeable dates.

Working Group on Transport

65. Ministers noted the good results achieved in many areas, particularly on human resources development. The Department of Transport and Regional Services, Australia and the Department of Communications, Indonesia have completed a very successful third, three-month transport policy officer exchange under the Government Sector Linkages Program. This brings to a total of 9 officer placements between the Departments

since 1996.

66. Substantial progress had been achieved in information sharing and the implementation of projects in maritime training, port state control, oil spill preparedness, search and rescue, and rail training. The project to develop a strategic plan for maritime training in Indonesia, which was mentioned in the AIDA Joint Ministerial Statement of 1999, was completed in mid October and a report will be finalised early 2001. A new project involving two intensive short courses on aviation law training will commence in April 2001.

67. Ministers also noted the close cooperation in the APEC Transportation Working Group projects on seafarer training, electronic commerce in the transport sector; efficiency in the facilitation of international sea borne trade; and liberalisation of international air services.

68. Ministers welcomed agreement on a new MOU on Cooperation in the Transport Sector between the two Governments. The new MOU was finalised at the bilateral meeting on 31 October 2000 and signed at the Forum by the Australian Minister for Transport and Regional Services, Mr John Anderson and the Indonesian Minister for Foreign Affairs, Dr Alwi Shihab. Dr Shihab is carrying the transport portfolio on behalf of the Indonesian Minister of Transportation and Telecommunications, Mr Agum Gumelar. Ministers noted agreement on a new Annex on Air Safety Accident and Incident Investigation under the MOU. Ministers also noted that officials from both sides would undertake further discussions about future cooperation in air, marine and rail safety, search and rescue, transport data and information management. Ministers welcomed new areas of cooperation including intermodal transportation, transport impact on the environment, and transport planning and regulation. Both governments will also pursue possible cooperation in the areas of intelligent transport systems and regional development and services.

69. Ministers were pleased to announce the new Working Group on Transport and Tourism following a proposal from Indonesia that the tourism element from the Working Group on Trade, Investment and Tourism be transferred to the Working Group on Transport. It was agreed at the last Ministerial Forum that the Working Group on Tourism would pursue closer collaboration with the Working Group on Transport. Ministers noted the potential synergies that exist between the two portfolios and called for a successful collaboration in future activities.

INSTITUTIONAL ISSUES

70. Ministers acknowledged the importance of maintaining flexibility in the development of the Ministerial Forum structures. They noted that in the past, new Working Groups had been developed and existing ones merged. This reflected the natural evolution of the bilateral cooperation agenda. At this Forum, Ministers agreed that:

- cooperation in Tourism be dealt with in the Working Group on Transport, and not in the Working Group on Trade, Industry, Investment and Tourism, reflecting the close linkage between and transport and tourism issues; and
- the Working Group on Housing and Public Works be renamed the Working Group on Public Works and Infrastructure, reflecting the fact that the Federal Government in Australia no longer had any direct role in relation to housing issues;
- Officials will continue their constructive collaboration on illegal people trafficking and report their progress to Ministers. Ministers acknowledge the value of discussion of immigration issues at the Ministerial Forum.
- The transfer of the Sub-Group on Intellectual Property from the Working Group on Trade, Industry and Investment to the Working Group on Legal Cooperation.

71. In addition, Ministers agreed to develop closer ties in marine cooperation, including marine environmental issues, aquaculture and tourism. To this end, Ministers established a regular meeting of Marine Ministers to discuss issues of common concern and mutual benefit.

72. Finally, Ministers endorsed the agreement of Trade Ministers and senior trade officials to meet annually. They noted that this reflected the commitment of both countries to enhance and deepen cooperation in these areas.

DATES AND VENUE FOR THE SIXTH MINISTERIAL FORUM AND FOURTH AIDA MINISTERIAL MEETING

73. Ministers concluded that the fifth meeting of the Australia-Indonesia Ministerial Forum had been of substantial value. They welcomed the opportunities it had provided for both countries to reaffirm their mutual commitment to building the bilateral relationship and to set out plans for its further development. They acknowledged the important contribution made by their respective business communities to the success of the forum.

74. Ministers agreed that the sixth Ministerial Forum and the fourth AIDA meeting should be held in Indonesia in the middle of the year 2002.

ALEXANDER DOWNER
Minister for Foreign Affairs
Canberra, Australia
8 December 2000

ALWI SHIHAB
Minister for Foreign Affairs

Department of Foreign Affairs and Trade



Joint Media Release

Australian Minister for Foreign Affairs, Alexander Downer

Canberra 7-8 December

Australia Indonesia Ministerial Forum and Australia-Indonesia Development Area Ministerial Meeting

The fifth meeting of the Australia-Indonesia Ministerial Forum and the third Ministerial meeting of the Australia-Indonesia Development Area (AIDA) was held in Canberra on 7-8 December 2000.

Sixteen Australian and Indonesian Ministers attended the Forum - eleven from Australia and five from Indonesia. The strong participation reflects the enduring commitment of both countries to maintaining good neighbourly relations based on mutual respect and to further developing a mutually beneficial bilateral relationship across the entire spectrum of cooperation.

The meeting took place against the backdrop of the historic democratic transformation underway in Indonesia. Ministers welcomed the achievements to date of Indonesia's political and economic reform process, and Australia underlined its commitment to support Indonesia as it addresses remaining social and economic challenges. Ministers discussed Indonesia's decentralisation program and noted the potential benefits this would bring for governance and the business environment. They agreed to share information on the legal and regulatory framework necessary for smooth implementation of decentralisation.

Australia reiterated strong support for Indonesia's territorial integrity, noting that Australia's national interests were closely linked to Indonesia's stability and prosperity.

Ministers agreed that President Wahid's proposal on the West Pacific Forum was a constructive idea, which would be taken forward further early next year.

Ministers welcomed the continued commitment of Australian and Indonesian business to strengthening the bilateral economic and commercial relationship. Ministers expressed their appreciation for the valuable contribution made by business to the success of the Forum. They urged business to look anew at investment opportunities in Indonesia, including in the context of the Australian roadshow of the Indonesian Bank Restructuring Agency and other investment promotion in Australia. Ministers also welcomed Australia's commitment to supporting a major World Bank/ADB project on SME (Small and Medium Enterprise) development.

Ministers noted the range of investment initiatives underway on bilateral investment. These included facilitating the Indonesia Bank Restructuring Agency's visit to Australia on 5-7 December, and the Australian Department of Foreign Affairs and Trade's East Asia Analytical Unit's report on investment opportunities in Indonesia, which will be launched by Foreign Minister Alexander Downer on 12 December. Other initiatives were Austrade's assistance towards Indonesia opening a trade office in Sydney, Australia's provision of trade law and trade policy training for Indonesian officials, and the development of an AIDA business directory.

In reviewing the course of economic developments since the Asian economic crisis, Ministers acknowledged the importance of sound macroeconomic policies and strong prudential regulation and supervision of financial institutions in reducing the risks of economic crisis. Australian Ministers reaffirmed their commitment to cooperating with Indonesia and providing assistance to help improve the quality of economic governance and to build capacity. Indonesian Ministers welcomed Australia's pledge of A\$120 million at the Consultative Group on Indonesian meeting in Tokyo.

Ministers emphasised the need for international financial reform to deliver enhanced stability to the global economy and financial markets, as well as the need to maintain the flow of capital that will provide further growth throughout much of East Asia. Ministers underlined the importance of international support for

Indonesia's reform and recovery agenda, noting the progress that has been made under the new IMF Extended Fund Facility. Ministers welcomed strong indications of a broadening Indonesian economic recovery, and the commitment of the Government of Indonesia to continuing economic reforms including through its ten-point plan.

Ministers noted the importance of maintaining a non-discriminatory and open global trading system and called for the launch of a new round of WTO negotiations at the earliest opportunity in 2001 based on a balanced agenda sufficiently broad-based to respond to interests of all members.

Ministers noted that illegal migration posed a threat to national security and prosperity and expressed their commitment to continue developing closer cooperation against illegal people trafficking and smuggling, including in international fora and with international organisations. In this context, Ministers agreed that officials should continue their constructive collaboration and should report the progress of their activities to Ministers. Ministers acknowledged the value of discussion of immigration issues at the Ministerial Forum.

Ministers undertook to renew efforts to meet counterparts and develop further personal and institutional linkages. Ministers agreed to develop closer ties in marine cooperation, including marine environment issues, aquaculture and tourism. To this end, Ministers established a regular meeting of Marine Ministers to discuss issues of common concern and mutual benefit.

Ministers acknowledged that excellent cooperation existed in a wide range of areas, such as economic development cooperation, education, law enforcement, immigration, cultural ties and people-to-people contact. Ministers endorsed the continued development of the Ministerial Forum and AIDA, including into new areas.

Ministers agreed that the sixth Ministerial Forum and the fourth AIDA meeting should be held in Indonesia in the middle of 2002.

AIMF OUTCOMES AND JOINT PLAN OF ACTION

Ministers agreed on the following Joint Plan of Action aimed at supporting and accelerating Indonesia's economic recovery and thereby helping deepen the bilateral economic and commercial relationship. The plan builds on and expands existing cooperation activities and also encompasses new initiatives.

AIMF OUTCOMES

Ministers committed to following up the three Agreements signed at the Forum, namely:

The Joint Communique on Agriculture

The Plan of Action on Health Cooperation

The MOU on Transport Cooperation

Australia facilitated the roadshow by the Indonesian Bank Restructuring Agency over 5-7 December.

JOINT PLAN OF ACTION

Investment and Trade Promotion

- Both countries will encourage more frequent trade and investment missions. An Australian mission, to be led by the Minister for Trade, Mr Vaile, will visit Indonesia in early 2001. Australia indicated its willingness to help facilitate an Indonesian Trade and Investment mission to Australia in 2001.
- Australia and Indonesia will strengthen dialogue on trade and investment. Trade ministers and senior officials will meet annually. The Australian Minister for Foreign Affairs will launch an investment study in December 2000 entitled "Indonesia : Facing the Challenge".

- Australia will assist Indonesia strengthen its trade promotion efforts, including by training and capacity building programs for the Indonesian National Agency for Export Development. Australia will assist Indonesia to develop further its trade policy and trade law capabilities, including through scholarships in Australia and through targeted training.
- Both countries will work to improve understanding of importers and exporters on food standards and labelling requirements and to help reduce the incidence of holding orders. Australia undertook to change further its imported food inspection regime, with a view to allowing greater flexibility regarding minor labelling infringements, pre-inspection correction of labelling flaws and eventually to shifting the responsibility for labelling from producers and exporters to importers. These changes should lead to further substantial falls in the number of holding orders, currently at 81, down from 119.
- Australia and Indonesia will facilitate trade in food and encourage closer integration of the Australian and Indonesian livestock and cattle fattening industries.

Development Assistance and Technical Cooperation

- Australia will provide an increased number of scholarships for students and some teachers of English, support for curriculum development and increase funding for Australian studies in Indonesia through the Australia-Indonesia Institute. Australia's \$120 million in total flows to Indonesia will continue to assist Indonesia implement its economic reform agenda.
- Australia and Indonesia will continue their focus on strengthening Indonesia's economic governance. High priority will be given to support for improved economic and financial management.

Small and Medium Enterprises

- Australia will work with Indonesia on SMEs, building on Australia's \$260,000 initiative to fund feasibility and design work for a major SME program in Eastern Indonesia. Australia will provide \$2 million to assist Indonesian SMEs through Specialised Business Development Training for SME owners.

AIDA and Regional Linkages

- Ministers committed to energising the AIDA initiative. Australia will fund an investor services project, aimed at stimulating investment in eastern Indonesia. An AIDA Business Directory will be prepared to facilitate business contact between Australian and Indonesian enterprises.
- Ministers expressed interest and will disseminate information about the Bitung Free Trade Zone in North Sulawesi Province to potential investors.

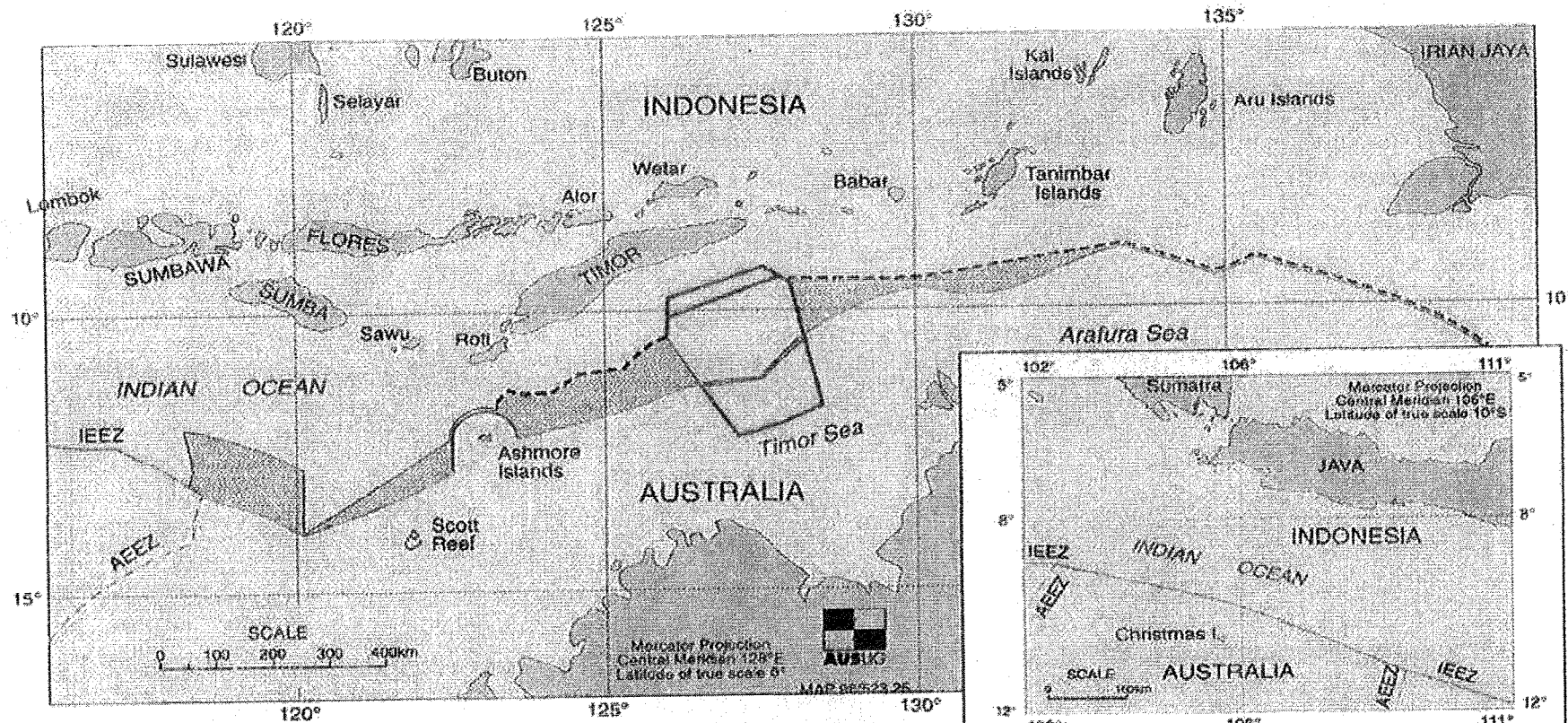
Law Enforcement and Illegal People Trafficking

- Australia will support Indonesia on law enforcement and legal issues. Australia will consider ways to improve Indonesia's capabilities in this respect, including through organising an exploratory mission of Indonesian officials to consider the possibility of Indonesia obtaining appropriate police vessels from state governments.

Attachment: List of Ministerial Attendees

The Australian delegation was led by the Hon Alexander Downer MP, the Minister for Foreign Affairs, and included the Hon John Anderson MP, Deputy Prime Minister and Minister for Transport and Regional Services; the Hon Peter Costello MP, Treasurer; Senator the Hon Robert Hill, Minister for the Environment and Heritage; the Hon Dr David Kemp MP, Minister for Education, Training and Youth Affairs; Senator the Hon Nick Minchin, Minister for Industry, Science and Resources; the Hon Daryl Williams AM QC MP, Attorney-General; the Hon Philip Ruddock MP, Minister for Immigration and Multicultural Affairs; the Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry; the Hon Dr Michael Wooldridge MP, Minister for Health and Aged Care; and Senator the Hon Rod Kemp, Assistant Treasurer.

The Indonesian delegation was led by HE Dr Alwi Shihab, Minister for Foreign Affairs and included HE Mr Luhut Panjaitan, Minister for Industry and Trade; HE Dr Bungaran Saragih, Minister for Agriculture and Forestry; HE Dr Yahya Muhaimin, Minister for Education; and HE Mr Sarwono Kusumaatmadja, Minister for Marine Affairs and Fisheries.



Agreed extension of the seabed boundary in the area between continental Australia and the Indonesian archipelago (Article 1)

Agreed exclusive economic zone (water column) boundary in the area between continental Australia and the Indonesian archipelago (Article 2)

Area subject to 1974 MOU regarding the operations of Indonesian traditional fishermen within the Australian fishing zone

Zone of Co-operation

Previously agreed seabed boundaries (1971 and 1972)

Agreed seabed and water column boundary between Christmas Island and Java (Article 3)

Area of overlap between Australian seabed jurisdiction and Indonesian exclusive economic zone (water column) jurisdiction

Indonesian exclusive economic zone boundary

Australian exclusive economic zone boundary

Australia-Indonesia maritime boundaries pursuant to the 1997 Perth Treaty

4

