

**OPENING STATEMENT DELIVERED TO THE JOINT
STANDING COMMITTEE ON TREATIES' INQUIRY INTO
THE
INDONESIA-AUSTRALIA COMPREHENSIVE ECONOMIC
PARTNERSHIP AGREEMENT
BY H.E. GARY QUINLAN AO, AMBASSADOR OF AUSTRALIA
TO INDONESIA
9 SEPTEMBER 2019**

Thank you for the opportunity to make an opening statement. I will try and be as brief as I can and just make some headline points for the Committee because I'm conscious of the time.

Australia and Indonesia are more than neighbours, of course, who just happen to share the longest maritime boundary of any two countries in the world. We're neighbours who inhabit a single strategic ecosystem, and this is an ecosystem which is experiencing a turning point geo-strategically, geo-economically and geo-politically as well as from unprecedented technological and ecological change. The resilience of both countries is being challenged, and each of us has made a very deliberate choice to embrace the other more intensely in this new era.

Politically, our relations are not fragile; in fact, they're very resilient. Like any countries, especially close neighbours, we can always be hostage to events, but both countries have a fundamental interest in strong good relations and both are seriously committed to that. Functionally, we have some of the closest cooperation among any countries in the region; we have the closest on counter-terrorism and very strong on law enforcement, defence, transport, aviation, maritime, border management, education – all the things that close neighbours need to do and are doing with each other.

Over the last year, both countries have concluded two transformative agreements with each other – a Comprehensive Strategic Partnership, the CSP, and this agreement, IA-CEPA.

The first, the Comprehensive Strategic Partnership, sets out an ambitious program of action between us in five areas, four of them bilateral: economic, security, defence, maritime and people-to-people. But significantly, a fifth program unique for an arrangement between Indonesia and any country – a program of joint cooperation to shape the Indo-Pacific region in ways in which we both agree we want it shaped. Australia only has three such comprehensive agreements: China a few years ago, Singapore and Indonesia. Indonesia has only three: China a few years ago, and, in the last year, two more – India then Australia. This Partnership is not just fancy diplomatic speak. It is, in fact, a very deliberate messaging from

each of the countries about the importance of each to the other as well as messaging from both of us to everyone else about our partnership and the fact that that partnership is important.

The second agreement, IA-CEPA, which we're here to talk about today, is an indispensable element of the Comprehensive Strategic Partnership. It's more than a trade agreement. It's designed to expand partnerships between businesses, institutions and individuals in both countries, and to shape our bilateral relationship for decades to come by creating a serious framework for the first time for a new chapter of economic engagement right across our economies – businesses, primary producers, service providers and investors.

We all know that despite our proximity, our economic relationship has been seriously underdone. Indonesia is our 14th-largest trading partner. In a few areas like grains and live cattle, it's a vital market for us. But the actual dollar figures in aggregate – \$17.6 billion last year in trade and \$5.6 billion only in Australian investment in Indonesia – speak for themselves. Relative to our other trade and investment relationships, those figures are very small.

As the two largest economies in South East Asia, next to each other, both in the G20 world economies and now strategic partners, we really do need to do much better. Both of us, of course, need and want to diversify our economic relationships. IA-CEPA ratified and in force can be a catalyst for this – a catalyst, not a magic bullet – and an objective which will require a lot of advocacy by government and business, and a change in mindset among Australian business to start thinking about the opportunities that IA-CEPA will present in Indonesia, in many instances for the first time. Of course, it's going to need demonstrated success stories by business in order to encourage other businesses to follow suit. But the openings are now there.

Indonesia's economy, the world's fourth-largest by population, has grown by at least five per cent a year over the past two decades. Continuing that trend will see its GDP double at least every 15 years. It's on track to become a top 10 economy – by some estimates even the fifth – by 2030, and may be the fourth-largest by 2050. It has a growing middle class and a steadily declining poverty rate. The ease of doing business has significantly improved, although a lot more needs to be done. President Widodo has publicly signalled an ambitious program of economic and institutional reform for his second term.

Of course, as you know, reform anywhere is a tough sell, politically, in any country, and Indonesia is a robust elective democracy and has been for 20 years. It's a pity that only 34 per cent of Australians in Lowy polling recognise that fact. It was 27 per cent last year. The year before that it was 29 per cent. The year before that it was 32 per cent. It's now 34 per cent again, so we're making some progress. It is

an elective democracy, but further reform does seem certain in the next administration, and it does seem certain that this will favour the prospects for growth and business operations.

IA-CEPA is the most advanced such agreement Indonesia has negotiated. Australia's capability in services, including education and training, healthcare, mining, engineering, tourism infrastructure, new data and digital capabilities, are recognised in Indonesia, and they want them. Australian service suppliers and investors will have greater certainty for entry into and operation in the market, helping to facilitate more Australian investment, and we will have preferential access.

Our reputation as a partner of choice is supported by long engagement, including through a sophisticated and successful development cooperation program focused on building technical and intellectual capacity, and resilient economic and institutional governance. Uniquely, under the CEPA, we will partner with Indonesia on a program of economic cooperation activities between the governments and involving business and other institutions, which will be designed to maximise the benefits through innovation in key areas like agribusiness, TVET, health and standards and, hopefully, over time, of course, in the new cutting-edge technologies of finance, agriculture, medicine and other R&D.

I'll stop now, but I should highlight the very strong support that IA-CEPA has from business communities in both countries, and it has the strong direct commitment of Indonesia's political leadership. It's a credible, comprehensive package, and our team, obviously, would welcome your questions.