

A spirit of solidarity

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Today, Indonesia is the third largest democracy in the world – after India and the United States. We are Southeast Asia's largest and arguably strongest democracy. And not just a democracy by name – we are a vibrant democracy, with a free press, a multi-party system and regular elections. We are a functioning democracy that has maintained our brand of moderation and tolerance.

And we have been able to achieve that rare thing among countries undergoing transition: that is, to marry democracy with stability. When my current term ends in October this year, insya allah, my Government will be the first since reformasi began to complete a full 5-year term. Perhaps this is why The Economist stated that "Indonesia sets an example" in our democratic development.

Indeed, Indonesia in recent years has undergone a 'quiet revolution': by the end of this year, every Governor, regent, mayor, local Parliament throughout Indonesia will have been directly elected by the people. This has not only dramatically changed the political landscape, it has also turned the political pyramid upside down. And all this is happening in an orderly manner, without chaos and bloodshed.

Indeed, Indonesia is now widely regarded as a living proof that democracy, Islam and modernity can go hand-in-hand harmoniously. And because throughout our history, the cultures of three Oriental, Islamic and Western civilisations have found a home in Indonesia, we have been given a new role. We have come to be regarded as the natural bridge between the Western world on one hand and the Islamic and Oriental worlds on the other. And 'bridges' – strategic bridges, generational bridges, technological bridges, cultural bridges, economic bridges, religious bridges – are what the 21st century world order will need plenty of.

International engagement is the key to our success, to our security, and to our prosperity. Our economy cannot survive while the global economy collapses. We cannot have a destiny that is separate from that of our immediate neighbourhood, Southeast Asia, and our region, East Asia. Once divided by Cold War politics, Southeast Asia has become the ASEAN region. With the ASEAN Free Trade Agreement already in force, we have become the ASEAN Economic Community. The ten economies of ASEAN have become a single market for goods and services and a single production base.

And today, many external powers have signed on to the ASEAN Treaty of Amity and Cooperation – contributing to our region's strategic stability: Australia, China, Japan, India, Russia, South Korea and so on. With this Treaty, signatories and acceding states renounce the use of force and bind themselves to the peaceful settlement of disputes. We hope that the United States will accede to the Treaty soon, and there are signs that it just might happen.

In 1997, ASEAN Plus Three (APT) was established to address the Asian financial crisis. The ASEAN Plus Three Process gained such momentum that in 2004, ASEAN launched the idea of an East Asia Summit. To some, the East Asia Summit should comprise the ASEAN Plus Three countries. But Indonesia pushed for a more inclusive idea of East Asia, one that embraced India, Australia and New Zealand.

Thus, ASEAN redefined the notion of East Asia so that it is no longer just a geographical, racial or cultural entity – but an entity formed over many years of habitual and intensive consultation and cooperation between ASEAN and its dialogue partners. Like Indonesia itself with its immense diversity of ethnic cultures, East Asia is made of countries that are widely varied, but are bound together and made one by a commonality of purpose and values.

However, that it is not enough to have a regional vision. We must also have a global vision, most especially at a time when the whole world, without exception, is reeling from the impact of a global economic and financial crisis. That is why Indonesia is deeply involved in the work of the G20, which is humankind's best hope for the solution – or the beginning of a solution – to the crisis that has engulfed us all.

The G20 was created in 1999 after the 1998 Asian Financial Crisis as a forum of finance ministers and central bank governors. Given the severity of the global financial crisis that broke out in the second half of last year, the G20 has been elevated to the Leaders level with the first summit in Washington last November. We are having our second meeting in London and we hope there will be a meeting later in the year in Asia.

The G20 Summit has become de facto the world economy steering committee. In facing this very serious challenge of overcoming the worst global recession in 60 years, the G20 Summit is crucial to the building of global confidence and global togetherness to get us

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out of this complex financial collapse, which has had a devastating impact on the world economy.

Much has been done and achieved since the last meeting. We have all undertaken counter-cyclical measures and the Ministers of Finance, Central Bank Governors and their officials have worked on an agenda of reform of the financial architecture and international financial institutions. However, more needs to be done. First, we are urging the US and other developed countries to give priority to the cleaning up of the toxic assets in the financial system. Otherwise it would be difficult to get financial flows going.

Second, since the Washington G20 Summit, Indonesia has sent a very strong message that in resolving this crisis we must not forget the developing and emerging countries that have limited resources to prevent the drying up of liquidity, investment and capital on their economies.

These developing and emerging countries, have worked hard at building up their economies, institutions and governance structures. They have undertaken difficult reforms – and achieved remarkable progress toward development goals such as poverty reduction. They must not be punished. They must not be left to suffer unmanageable increases in poverty.

There must be a global expenditure fund to serve as buffer and to provide these countries with needed financing so that their budgets can sustain development goals. There has been progress on this idea and we hope that there will be an announcement regarding the availability of this fund at this meeting.

Third, there must be financial architecture reforms and disciplines that will prevent another financial bubble from creating such unprecedented havoc, not only in the countries where the bubble originated, but also in the rest of the world.

Fourth, the multilateral agencies – the IMF, the World Bank and others – must rise to the challenge of this unprecedented world economic crisis. This means greater resources, flexibility in utilising these resources and the reform and improvement of the governance of these institutions. This will entail a better system of representation at these institutions to reflect the changing geo-economics of the world.

Finally, I also believe that the world economy will not recover without the recovery of the real economy. Therefore, we must ensure that there will be no increased restrictions that will hamper the flows of trade, investment, capital and even people. The surest way to prevent protectionism is to ensure that the major economies, (especially the US and India) return to the WTO Doha Round negotiations as soon as possible.

The process of recovery, the rebuilding of the financial architecture and the reform of multilateral

institutions will take time. Over time it is likely that the G20 Summit will evolve into a regular summit and will be very focused on steering the world economy toward changes that will get us back to global stability.

Indonesia will therefore continue to be deeply involved in the processes of the G20 to ensure that the interests of developing nations, especially Asian countries, are taken into account. At the same time I can also assure all that in the face of this crisis, for Indonesia protectionism is not our choice. That is a firm political commitment.

One other message that I will try to put across is this: Man does not live by bread alone. He must also have his freedom and his ethics. By the same token, nations do not survive by the operation of the market alone. They must also get their governance and their politics right.

That is the lesson that the United States learned in the months leading to its latest presidential elections. That is the bitter lesson that Indonesia learned in the midst of the Asian Crisis eleven years ago. That is the insight behind the ASEAN Charter. And that is the insight that will save us all from this global financial and economic crisis, if we accept it and act accordingly.

To conclude, no less than the future of humankind is at stake in the work that we in the G20 are about to do here in London. Indonesia will do its part in this great undertaking aimed at overcoming the crisis. I hope that our partners in the G20, the developed economies as well as the emerging economies, will also do theirs. **F**

