

Solid foundations for growth

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LORD POWELL was educated at King's School, Canterbury and New College, Oxford. Following a distinguished career in the Diplomatic Service, he was appointed as Private Secretary and Foreign Affairs Advisor to two successive Prime Ministers Margaret Thatcher and John Major, he established a career in international business. He sits on the boards and international advisory boards of a number of major international companies. He is Chairman of the Trustees of the Said Business School at Oxford University, of Atlantic Partnership and of the Asia Task Force, and was for many years President of the China-Britain Business Council.

Countries like to boast about their antiquity. It's hard to beat Indonesia on that score with 'Java man' having first been there 1.5 million years ago. But President Susilo Bambang Yudhoyono's State Visit should remind us that Indonesia is not only a nation with a long and distinguished past, but one that has unrivalled potential for the future. The message I hope the President will take back from his visit is how much Britain has to contribute to the full realisation of that potential.

Indonesia's transformation over the past twenty-five years has been remarkable. I remember going there in 1985 for Prime Minister Margaret Thatcher's visit in the time of President Suharto. The country was stable and the economy prospering. It was a lively and energetic visit as Margaret Thatcher's foreign visits characteristically were, made more so by Indonesia's technology minister at the time, and later President, Jusuf Habibie. He bubbled with enthusiasm for Indonesia's prospects, taking her on a tour of the aircraft manufacturing facility in Bandung to illustrate the country's technological capacity.

The visit was also memorable in another way. Margaret Thatcher's officials were asked to send their

measurements in advance of the trip so that they could be fitted on arrival with Indonesia's traditional national dress of batik shirts. The unfortunate Denis Thatcher got his measurements wrong and in photographs of the time can be seen with the sleeves of his shirt trailing around his knees.

But although Indonesia was even then impressive in its scale and ambition, the stability and the prosperity of that time were fragile. The authoritarian style of government lacked internal consent and the prosperity was severely damaged by the Asia financial crisis of 1997 which did more damage to Indonesia than any other Asian country.

Since then Indonesia has been through a trial by fire from earthquakes, volcanoes and tsunamis, from terrorists, from political disorder, from separatism, from financial collapse. Yet it has emerged stronger than ever from these challenges to be a leading player in what is predicted to be Asia's century.

That did not just happen. The key has been wise governance for which President Yudhoyono himself deserves enormous credit. He has shepherded Indonesia through its transition to democracy and preserved Indonesia's unity and integrity in the face of



Prime Minister
David Cameron and
President Susilo
Bambang Yudhoyono at
the Presidential Palace in
Jakarta on April 11, 2012

separatist challenges, not by using force but by patient negotiation. In doing so he has built a solid foundation for the country's future economic growth.

As I was able to see first-hand on one of my regular visits a few weeks ago, Indonesia's economy is turning in a very solid performance in the midst of a global economic hurricane of unprecedented proportions. Growth is an enviable six per cent or more, the currency is stable, trade and investment are increasing and living standards are rising. Moreover Indonesia still has to reap the full benefits of its demographic dividend. Unlike other countries in Asia, in particular Japan and China, its work force will continue to grow for several decades ahead, enabling it to finance improved education, finance and social services, as well as support for the elderly.

All this goes to make Indonesia a critical focus country for Britain, and especially for our companies. In the Exporting to Asia conferences and seminars which the Asia Task Force organises throughout the UK, the level of interest in Indonesia's prospects has risen rapidly: and if that interest is followed up on the ground we should see a significant increase in our exports.

Already a wide range of British companies are doing business there, from great manufacturing champions such as Rolls-Royce and BAE Systems, the natural resource giants like BP and many smaller and medium-sized companies with unique products and services to offer.

I work with Jardine Matheson which has made very substantial investments in Indonesia in businesses as diverse as manufacturing, mining, plantations, retail and real estate. Our faith in Indonesia has been rewarded. We have benefitted from excellent Indonesian management and a lively entrepreneurial spirit as well as a well-run economy. I hope others will see us as an example to follow.

Companies embarking on business in Indonesia will find great support available from our Ministers, with both Prime Minister David Cameron and Vince Cable having visited Indonesia to boost our export prospects, together with the expertise available to them from our Embassy in Jakarta, UK Trade & Investment in London and the new UK/SE Asia Business Council.

It has not always been easy in the past to attract British and other foreign investors to Indonesia. They have had worries about the court system, about the transparency of regulations, about the complexity of foreign investment procedures, about immigration permits not to speak of uncertainty about instability in the different provinces and regions of Indonesia.

Not all these barriers have been overcome. But the progress made towards reducing them has been impressive. President Yudhoyono famously undertook to transform Indonesia and he has been as good as his

word. He has recognised, too, the contribution which foreign investment can make to that transformation, memorably declaring that being pro-business goes hand in hand with being pro-growth, pro-jobs and pro-poor.

With that guidance from the President, Indonesia's government and trade officials have shown determination to tackle the barriers, realising that attracting foreign investment is itself a highly competitive business. Investors have many options and will go where they find the simplest regulations and the maximum fairness. It should be Indonesia's target to offer that and to avoid the temptation to close off parts of the market in pharmaceuticals and retail for instance, as reserved for Indonesians only.

There is no place for half-measures when abolishing barriers. As Margaret Thatcher used to say with half-measures you just get all the pain and only half the gain. Take the tough decisions now and the pay-back will be rapid, whatever the grumbles of entrenched interests.

There will for certain be many take-aways from President Yudhoyono's visit. The scope for Britain and Indonesia to forge a strong partnership in the G20 as the central institution for the world's future economic governance. The example of Indonesia's practice of religious tolerance as the true spirit of Islam.

But high among these lofty goals should be a dual challenge. A challenge to Indonesia to continue along the path of opening its market and providing a level playing field for foreign investors. A challenge to British companies to show the energy and entrepreneurial spirit to win in Indonesia and share in its future success.

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On 9th April 1985, then Prime Minister and Conservative Party leader Margaret Thatcher arrived at Jakarta, Indonesia on an official visit