

OPENING REMARKS

By

**H.E. Dr. Susilo Bambang Yudhoyono
President of the Republic of Indonesia**

at the

**Opening of
the 14th Meeting of the Consultative Group on Indonesia**

Jakarta, 19 January 2005

Excellencies,

Dear friends of Indonesia,

I am pleased to welcome all of you to Jakarta to attend the 14th meeting of the Consultative Group on Indonesia (CGI).

You might have noticed that the weather this time of year is gloomy and the public mood after the tsunami is rather somber. But let me assure you that the spirit of our nation is high, our commitment to democracy strong, our will to reform unwavering, and our determination to progress steadfast.

I stand here before you as Indonesia's first-directly elected President, presiding over a country which had just accomplished the world's most complex and most ambitious free multi-party elections, with over 100 million voters participating. That fact alone speaks volumes

about how far Indonesia's political landscape has changed, and how much our democratic transition has progressed.

We take pride in our democratic development, but this is no time for complacency. The challenges facing my government and the entire people in Indonesia remain enormous. At the same time, we are also compelled to manage great expectations from our people. You know, our media is intensely focusing on the first 100 days of my Government. Well, I wish I could say to them : "It's not the first 100 days that are difficult. It is the whole 5 years".

You will notice immediately that this year's CGI is different from previous ones. For one, the President of Indonesia this year is different, and on that note, let me state for the record how much I appreciate all the good work of President Megawati Soekarnoputri and her Cabinet. I intend to build on my predecessor's accomplishment to bring greater prosperity for Indonesia.

But what makes this year's CGI particularly significant is that it is being held in the wake of the unspeakable loss of life and destruction from the earthquake and tsunami of December 26th 2004. We are meeting in the midst of the most difficult period in our nation's history--emotionally, socially, and economically.

The devastation in Aceh and North Sumatra is literally beyond our imagination. I still remember traveling by helicopter from Banda Aceh to Meulaboh, a distance of some 240 km, and seeing how the tsunami literally flattened everything to the ground. And it was obvious even from the air that before December 26th, the long coastlines in Western Aceh were once populated by a long stretch of vibrant communities.

As of now, we know that there are over 100,000 dead and 40,000 missing. There are about 500,000 homeless people in the

emergency camps, and thousands of tsunami orphans. Perhaps we will never know the exact scale of the human casualties.

The most urgent task now is that of providing emergency relief, and then to proceed with the phase of rehabilitation and reconstruction which will take between 3 to 5 years. We will need to give the stricken communities in Aceh and North Sumatra their livelihood back, but beyond that they also need to achieve emotional healing to recover from the collective grief.

In this forum, you will have the chance to get detailed assessments from my Ministers regarding the extent of the damage, and the preliminary plans for rehabilitation and reconstruction. We look forward to hearing your inputs and cooperation in our efforts to rebuild Aceh and North Sumatra after the tsunami.

I should remind you that at the Special ASEAN Leaders Meeting on the Aftermath of the Earthquake and Tsunami, held in Jakarta a few

weeks ago on January 6, Governments and international organizations expressed their commitment to global solidarity to help the victims of the tsunami, to support national programs for rehabilitation and reconstruction and to prevent future disasters by establishing a regional early warning system in the Indian Ocean. They also made commitment to pledge funds for the programs agreed at the Tsunami Summit in Jakarta. I hope that the CGI will take this into consideration.

But Aceh and North Sumatra will only be part of your discussions. At your meeting this year, you will have a full agenda of issues critical to Indonesia's well-being.

The theme of this CGI meeting is "Accelerating growth toward just and equitable society". This theme of course fits in perfectly with my Government's vision as we proceed with our economic development.

My Government is a firm believer in the notion that "growth" and "equity" must go together. And my Government is equally determined to see to it "prosperity" and "poverty" should not be allowed to go hand-in-hand.

I particularly welcome the fact that this is the first Indonesia-led CGI meeting. The Indonesian Government has set the agenda of this year's meeting and has formulated its own borrowing strategy. With this background, we expect that as partners we will work together to ensure that our decisions on the loan programs and projects match the economic and social needs of Indonesia.

My Government was elected into office with a strong mandate for change. I campaigned on the platform for a more democratic, peaceful, prosperous and just Indonesia. Of course, there is nothing exclusive about such a platform, as this is what all of us in this room want to see for Indonesia.

Since assuming office, I have started the wheels of government to achieve that vision. And we have been fortunate to be able to build on sound basics.

Despite various obstacles to economic performance, and the threat to global conditions posed by high oil prices, the economy performed better than what was expected in 2004.

The inflation was low, interest rate fell, the stock prices surged to the highest level in the history, with economic growth in 2004 reached close to 5%, the highest since the crisis in 1998.

To further promote prosperity in Indonesia, my Government is implementing what I would call the Triple Track Strategy.

The first track is to achieve sustainable higher economic growth through a combination of strong exports and increased investments, both domestic and foreign.

The second track is to stimulate the performance of the real sectors to create employment.

And the third track is to promote the development of the rural economy and agriculture to alleviate poverty.

I know economic plans generally have pros and cons. For my part, I would like to think that my economic vision based on the Triple Track Strategy has 3 pro's : pro-growth, pro-employment, pro-poor.

The good news is that investment and export growth have started to pick up. However, the macroeconomic stability has not yet been translated into tangible job creation. We still see many shortcomings in the real sector. The economic recovery has not been accompanied by a sufficient increase in job opportunities. This is a key challenge for the next five years, namely how to accelerate sustainable economic growth by consolidating micro-reform while maintaining macro-economic stabilization.

I hope that CGI discussions this year will yield constructive measures that would help my Government in achieving this triple track strategy.

If we remain on track with the Triple Track Strategy, we will be able to meet the economic targets set by my Government immediately upon assuming office.

In the next five years, we aim to decrease open unemployment rate from 9.5 % in 2003 to 5,1 %.

We aim to reduce poverty incidence from 16.6 % in 2004 to 8.2 % in 2009.

And we aim to accelerate economic growth from 5.5 % in 2005 to 7.6 % in 2009 so that in the next five years, the economic growth will achieve an average of 6.6 % per year;

These targets can only be achieved if we maintain low inflation, fiscal sustainability and stick to the economic reform strategy. Economic growth can only be accelerated if we increase productivity in every sector of the economy. And such an increase in productivity will only take place if macro-economic reforms are continued and synchronised with various reforms at the micro level. You can be assured that my Government is actively pursuing various reforms to improve investment climate, to ensure flexibility of the labour market and to combat corruption in order to reduce high cost economy.

The Indonesian government is committed to continue the legal reform process, for example by issuing a decree on combating corruption, establishing the

Oversight Body on the Attorney General's Office (Komite Pengawas Kejaksaan), and fighting against smuggling. All these efforts are aimed at ensuring the security and certainty of investments in Indonesia.

The Government has also taken bold steps to improve infrastructure, by establishing a public-private participation forum, which opens up infrastructure for private participation. In this regard, I am pleased to inform you that in the past 2 days the Government held a successful Indonesia Infrastructure Summit here in Jakarta attended by about 700 businessmen from 22 countries.

In all this, the role of foreign financing will be valuable. We will cover some of the financing needs from new investments, domestic and foreign. There is also room for loans, but they must be effectively allocated to serve our socio-economic priorities. And presently, our priorities are concentrated on sectors which promise high productivity and high returns, such as exports and infrastructure. We need to ensure that resources are not wasted on unproductive sectors. I ask the CGI to consider this in your discussions on bridging the financing gap.

In the next few days, you will have rich discussions on issues affecting Indonesia's future: the general macro-economic situation, governance, decentralization, poverty, security, health and education, aid effectiveness, forestry and environment, justice, legal reform and anti-corruption agenda, investment climate and financial sector reform, as well as reconstruction needs for Aceh. It is an extensive and exhaustive list. I have instructed all of my Ministers concerned to take an active role in the discussions, and I hope you will make use of this opportunity to provide them with constructive policy ideas and suggestions. After all, for us, this is the real value of the CGI, as a forum

between the Indonesian Government and the stake-holders where we can exchange views, review developments, and do a temperature check on policy direction and the outcome of our development strategy.

Since it began its work, the CGI has played an important role in our national development, and I am confident that you will remain our

close and reliable partners in the future. My Government, and the governments before me, recognize and value our mutual co-operation and partnership over these past years.

Finally, I am convinced that, despite the tsunami crises, Indonesia has gained a momentum to once again become an economic success story. Indonesia can achieve this if we all work together with the right spirit of cooperation based on mutual respect and equitable partnership.

I wish you all the best in your deliberations, and I expect to hear a successful report on your work today and tomorrow.

Thank you.

Jakarta, 19 January 2005

PRESIDENT OF THE REPUBLIC OF INDONESIA,

Dr. H. SUSILO BAMBANG YUDHOYONO