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Economic issues focus of PM's Indon visit

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ECONOMIC issues, including ways to strengthen economic recovery and reconstruction, will take centre stage during Prime Minister Datuk Seri Dr Mahathir Mohamad's two-day visit to Indonesia beginning today.

Indonesia was severely affected by the Asian crisis and had to resort to seeking help from the International Monetary Fund (IMF). It is keen to learn from Malaysia which had devised its own scheme of things to overcome similar challenges.

Observers noted that Indonesian President Abdurrahman Wahid admires Dr Mahathir's pursuit of financial independence for Malaysia and his standing up to the IMF.

As a result, Malaysia has been spared the severe and punishing conditions imposed by the IMF on aid recipients Indonesia, Thailand and South Korea, which many now recognise made matters worse rather than better.

The role of the domestic private sector and the business community in economic recovery is also expected to be discussed during the visit. Dr Mahathir will be accompanied by a high-powered ministerial and 150-strong business delegation.

Dr Mahathir is the second Asean head of government to visit Indonesia since Abdurrahman took office. Singapore's Prime Minister Goh Chok Tong was in Jakarta in January.

The ministers accompanying the Prime Minister are Finance Minister Tun Daim Zainuddin, Foreign Minister Datuk Seri Syed Hamid Albar, Minister of International Trade and Industry Datuk Seri Rafidah Aziz and Minister of Primary Industries Datuk Seri Dr Lim Keng Yaik. They will hold parallel meetings with their counterparts in Jakarta.

The business delegation is headed by Malaysia Airlines chairman, Tan Sri Tajudin Ramli, and includes several prominent Malaysian entrepreneurs.

Indonesian political and business leaders are expected to be briefed on the details of Malaysia's "recovery policy" and its implementation.

Malaysia's Ambassador to Jakarta, Datuk Rastam Mohd Isa, said a number of bilateral agreements and memorandums of understanding (MOUs) were being finalised and these are expected to be signed and the ceremonies witnessed by Dr Mahathir and Abdurrahman.

The central banks of the two countries, Bank Negara Malaysia and Bank Indonesia, are also expected to sign a Bilateral Payments Arrangement (BPA). Malaysia has signed BPAs with several other countries which have helped to increase bilateral trade. The Group of 77 (G-77) developing countries has initiated a study to incorporate elements of Malaysia's BPA scheme into its multilateral payment arrangement.

In an unprecedented move, the President will at hand to receive Dr Mahathir at the airport. Abdurrahman had extended his invitation to Dr Mahathir when he visited Kuala Lumpur and then again in Bangkok. The official invitation was delivered by the Foreign Minister Alwi Shihab at Wisma Putra recently.

In another departure from the norm, the business forum on "Rebuilding Business Opportunities in Indonesia" organised by Kadin (Kamar Dagangan dan Industri) and the Asian Strategic and Leadership Institute (Asli) will be held at Istana Negara.

Dr Mahathir will deliver a keynote address at the forum.

Indonesia, according to Rastam, is keen to discuss areas of economic

cooperation including foreign direct investments. Malaysia is currently the 11th largest foreign investor in Indonesia, and the second largest among Asean countries, with a cumulative total capital injection of US\$7.6 billion (RM28.8 billion). These are made mainly in the plantation sector, especially oil palm in Sumatra and Kalimantan.

Rastam said the Indonesian authorities have identified several state-owned companies for privatization. These include those in the telecommunications, energy and plantation sectors.

In addition, the Indonesian Bank Restructuring Agency (IBRA) has assets and a number of companies that it has taken over that it would want to dispose of. IBRA officials are expected to brief members of the Malaysian delegation of its operations, and the assets it has acquired as part of efforts to "clean up and strengthen" the economy.

Rastam said the situation in Indonesia has stabilised significantly, adding that since the new government was formed the security and political situation has seen "tremendous improvement". The demonstrations, for example, have stopped and the focus is now on reconstruction and development.

Abdurrahman and his Cabinet are seeking assistance to rebuild the economy which suffered severe strains and destruction during the crisis.

The Indonesians are interested in cooperating in the promotion of tourism. Tourist arrivals in Indonesia, especially the popular destination of Bali, have fallen following disturbances in Lombok. In addition, they are also keen to engage Malaysian assistance in administrative reforms.

Dr Mahathir is also scheduled to meet Vice President Megawati Soekarnoputri, and hold a dialogue with Malaysian students and members of the Malaysian community in Jakarta.

Various bilateral and regional issues will also be raised during the visit. There is a large number of Indonesian workers in Malaysia.

Rastam said he has discerned a "high level of understanding" over the issue of alleged abuse of Indonesian maids in Malaysia. The Indonesian authorities appear to have recognised that these incidents involve individuals.

Bilateral trade has traditionally been in Indonesia's favour. In 1998, Indonesia sold goods worth US\$1.358 billion to Malaysia and bought US\$626.6 million's worth in return. During the first nine months of 1999, Indonesian exports to Malaysia were valued at US\$990.9 million and imports US\$437.7 million.

On a regional basis, Asean remains the lynchpin of Indonesia's foreign policy. Jakarta is keen to see increased participation from members of the regional grouping in Indonesia's economic recovery and development. However, it is also aware that Malaysia and Singapore are in a better position to provide immediate technical and advisory assistance.

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