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Door-stop interview by BG (NS) George Yeo on 30 Jan 02 at 11.45 am after his call on Indonesian President Megawati Soekarnoputri

Minister Yeo: I have come here to Indonesia to give a speech tomorrow at the ASEAN free trade area seminar and I have paid a courtesy call on Ibu President. I have briefed her about an idea which I have been discussing with Ibu Rini and with the American Trade Representative Robert Zoellick about extending the free trade agreement which Singapore is negotiating with the U.S. to include parts of Indonesia for the IT sector. The Americans are keen to help Indonesia develop its manufacturing base and to attract foreign investments. So we are thinking of an arrangement where for IT products, Indonesia, through the Singapore free trade agreement with the U.S., can enjoy duty free access to the U.S. market and simplified rules of origin. This will be very helpful and it will help investors, not only American investors but all investors to view Indonesia as a manufacturing base for IT components. And at ten thousand rupiah to the U.S. dollar, Indonesia is very competitive.

I have been discussing with Ibu Rini about how to operationalise this idea and I have been briefing Ibu President about it. Ibu Rini is in Bitung now but I am meeting her this evening. And she is trying to create a small experiment on Bintan island, to create a simplified administration in cooperation with the local government, to facilitate investment in this estate, to make use of the FTA between Singapore and the U.S. to attract investments. Then the components can enter the U.S. freely. And if this idea succeeds, then it can be repeated, it can be replicated in different parts of Indonesia. The key is we must look after the needs of investors, we must have law and order, there must be a certain predictability in customs procedure and taxation arrangements and above all, there must be security.

So I have briefed Ibu President about some of these ideas that I have been discussing with the U.S. and with Indonesia. She gives it her support. She thinks that it is something worth pursuing and I have also told her that we are also discussing with Japan the possibility of a similar arrangement with Japan because Singapore has recently concluded a free trade agreement with Japan. And as you know, recently in Singapore, Japanese Prime Minister Koizumi talked about a comprehensive economic partnership between Japan and ASEAN. So this would be one way to implement this comprehensive partnership.

Q: Before you visited Jakarta, I heard that you also visited Semarang?

Minister Yeo: Oh, yes. I spent a day in Semarang. It was my first time there. Conditions there were better than expected. Yesterday morning, I visited Gedung Songo. The weather was very good. We were very lucky. And I met with the Deputy Governor because the Governor is here in Jakarta for a meeting. I met businessmen. I met the rectors of Diponegoro University and Sultan Agung University. And we talked about how between Central Java and Singapore, we can deeper and broaden our economic and other links. They will form a committee. And I encouraged them to send a delegation to Singapore to see how we can develop direct links

between Central Java, between Semarang and Singapore.

Q: How is it going to be different from other projects that you had with Indonesia, the idea that you spoke about?

Minister Yeo: Well, the extension of the free trade agreement between the U.S. and Singapore to include manufacturing areas in other parts of South East Asia is a new idea and it is a significant opportunity. And if we do it right, and if there is follow through in the implementation, I think it will be a very positive signal sent to international investors.

Q: But you are only referring to IT products as far as Batam and Bintan are concerned. Would you expand this to other products?

Minister Yeo: I think for a start we begin with IT products because IT products are politically not sensitive in the U.S. The agreement will not be confined to any particular locations in Indonesia or South East Asia. It is a general agreement but we need a prototype to operationalise it and Ibu Rini has proposed that we create this prototype on Bintan island.

Q: How realistic is it, this program that you talked about?

Minister Yeo: Which program?

Q: This free trade idea.

Minister Yeo: The U.S.-Singapore FTA is likely to be concluded by the middle of this year. So the arrangement is for real. As to the Bintan project, I have not met Ibu Rini yet. We will be having discussions this evening and we are planning to make a joint announcement this evening so it is something that is being cooked this very minute.

Q: How soon do you think you can get off the ground if the Indonesians agree? And Ibu Rini is on board, I assume? How soon do you think you can get it off the ground?

Minister Yeo: To create this special administration on Bintan? I have got to discuss this with her because it is really what she is able to put together in the coming months. Why don't you ask her this evening?

[Afternote: The meeting with Rini was subsequently postponed to the following morning.]

Joint door-stop interview by Rini Soewandi, Indonesian Minister of Industry and Trade, and BG (NS) George Yeo on 31 Jan 02 at 8.40 am after their breakfast meeting. Please also see the joint press statement released at the same time.

Minister Rini: ...(recording inaudible)... we hope that Indonesia as a whole can also participate and get a benefit from the (U.S.-Singapore free trade) agreement. The Government of Singapore through George has supported the idea and has also put forward this to the US and I think we hope that we could have an amicable arrangement where Indonesia can also benefit from this agreement.

Minister Yeo: Under the FTA negotiations with the U.S., extending some of the market access benefits to locations in Indonesia will be a general provision. In other words it doesn't specify particular locations. Ibu Rini has indicated that it would be good to have a prototype on Bintan island to start off with because there are certain conditions to be met when you are part of this arrangement. The key is to ensure an environment of law and order and security, administrative efficiency which makes it easy for investors to put in money, build factories, and get their output out. And Ibu Rini has decided that Pulau Bintan would be the best place to have the prototype and I assured her that Singapore would give her full support in developing this prototype.

Q: Ibu Rini, why is Indonesia interested and how exactly will Indonesia benefit from this arrangement?

Minister Rini: I think Indonesia definitely is interested as you know because we need to attract as many investors as possible, we need to push forward our economic development, and we need to provide jobs for many many people. With this arrangement, we hope that some manufacturing facilities that will support the free trade arrangement with Singapore will be able to put their factories in Indonesia.

Q: How soon do you hope to get it off the ground?

Minister Rini: That's why we decided we would need to have a prototype. As George was mentioning, there're certain conditions that need to be met so we felt that we need to have one place which we ensure that all the conditions are met so that we can get it off the ground as soon as possible as soon as Singapore and the U.S. sign the agreement. Right, George?

Minister Yeo: Which we hope to conclude by the middle of the year.

Q: How difficult is this to implement?

Minister Rini: Oh, any new thing has all its challenges, but both of us are confident and we are committed to it, and I think the US is giving full support to this and we can make it work.

Q: Have you already brought the regional government, the Riau government on board?

Minister Rini: Yes, we have actually briefed the governor on this, and next week I'll also be going there to start to work on some of the issues.

Q: Any plans for Batam?

Minister Rini: That is also [in] the works so after Bintan then we look at other places. It might be Batam, it might also be Bitung. I was just mentioning to George actually, I was just coming back from Bitung which is on the Northern part of Sulawesi which we want to develop that area because that particular port is quite close to the Western part of the US. So that might also be a place that we will also try and prepare it for supporting this agreement.

Q: I understand there is an industrial estate on Bintan now. Would you be expanding that industrial estate or creating new infrastructure for investors?

Minister Rini: We are still working on that. At the moment, I think we will probably be expanding on that existing industrial estate. But we will look later on how it develops.

Q: Are you going to rely on labour intensive industries or are you going to build more high-tech?

Minister Rini: That is still in the works, it depends also on the discussion we will have later on when we discuss with potential investors.

Minister Yeo: We should make use of the fact that many multinationals would like to see Southeast Asia develop as an alternative manufacturing base to China and if they can put some of their eggs in Southeast Asia, mainly in Indonesia, they would like that. It creates better diversification and in the event of upheavals from time to time, they are more widely spread out. So this represents an opportunity for Indonesia and the U.S. has been very positive about it. That's a good start. Separately, Ibu Rini and I have also been talking to the Japanese about the possibility of future arrangements. As you know, Prime Minister Koizumi when he was in Singapore talked about a comprehensive economic engagement with Southeast Asia. These are practical ideas we should look at. Even the Europeans, the European Trade Commissioner Pascal Lamy will be coming down to Singapore and Indonesia on February 15th and I'm sure both of us will be talking to him about whether its possible in the future to have Europe also come in the same way. And if we can alter this perception of the investment climate in Southeast Asia, specifically Indonesia, I think this can help improve the image, convince investors who are not so sure whether or not to remain in Indonesia to remain, encourage those who are thinking of expanding to expand, and encourage new investors to come in. There's a certain momentum now which we hope to build upon.

Q: Would you say that this is a practical idea that is doable?

Minister Rini: Yes, it is, definitely.

Q: How far is it a practical idea that can be implemented?

Minister Rini: I'm very comfortable that it will definitely be able to be implemented. That's why I think we have decided, that Indonesia has decided to use Bintan as a prototype, because we felt that would be the most practical in terms of the timing that we have to meet. And so we're very confident that it's going to be doable.

Minister Yeo: I was very heartened yesterday. Ibu Rini was in Bitung, so we didn't meet till this morning. But yesterday I called on various people including the President, the Vice-President, the DPR chairman, various businessmen and parliamentarians. And I was very cheered by their support of this project. For example, President Megawati gave it her full blessing. Vice-President Hamzah Haz says it's a good idea. In fact many years ago he and I did an area recce of Bareleng. When I briefed chairman Akbar Tandjung, he said yes, he would support it fully. DPR's help is required – he will weigh-in politically. I had breakfast with Bapak Bambang Yudhoyono and he assured me that for this project in Bintan he would ensure full security. So I was very cheered even before I met Ibu Rini that so many quarters in Jakarta are in full support of this project.

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