

# Indonesia eyes new trade agreements

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Indonesia is poised to reveal a series of new trade agreements in the coming months, as Jakarta struggles to draw a line under a period of protectionist policies and inward-looking rhetoric.

Thomas Lembong, trade minister, said Indonesia was feeling the heat following the agreement of the outline Trans-Pacific Partnership (TPP) earlier this month, a flagship treaty that involves 12 Asia-Pacific nations but excludes Southeast Asia's largest economy.

"We admit we have fallen very far behind — we are way behind the curve," he said. "It's worrisome that some of our neighbouring countries that are direct competitors are so ahead of us."

A trade agreement with the EU is top of the agenda, according to Mr Lembong, who is eager to correct Indonesia's reputation for harsh protectionism and regulatory uncertainty during President Joko Widodo's state visit to the US later this week.

In the past year, Jakarta has increased import duties on a range of consumer goods and flip-flopped on language requirements for expatriate workers, while officials travelled overseas promoting Indonesia as an investment destination and lobbied for lower tariffs.

"Interaction among countries is not in a way that different to interaction with people," Mr Lembong said. "You have to treat people the way you want them to treat you, so trying to be closed while you ask others to be open just violates common sense."

In particular, analysts are watching for new trade and investment deals during Mr Widodo's trip to Washington, amid signs that Indonesia is putting China front and centre of its plans to revive growth.

Earlier this month, Japanese investors were left despondent when Indonesia awarded a \$5bn contract to build the country's first high-speed rail link to China.

Mr Lembong noted that the US is on track to overtake China as Indonesia's largest export destination this year.

The US was the leading destination for Indonesia's non-oil and gas exports in September with trade of \$1.28bn, while China took some \$1.05bn.

"It's natural that a lot of emerging markets might look to China for infrastructure but I think an emerging country's needs are manifold and I don't think there is any way a country or a region could fulfil all of the requirements," he said.

Mr Lembong, a Harvard-educated former private equity executive, was appointed to the cabinet in August as growth ebbed and the president overhauled his team in preparation for a major reform push.

Economic growth has slowed to below 5 per cent in the first two quarters, while Mr Widodo pledged to boost growth to an average 7 per cent during his five-year term. His government's popularity ratings have fallen rapidly as consumer confidence has waned.

"I think we can easily admit that President [Widodo's] first year has been a bit bumpy and hopefully the reshuffle helps a lot there," Mr Lembong said. "We have only belatedly come round to changing course."