

**KEYNOTE ADDRESS**  
**BY**  
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**PRESIDENT OF THE REPUBLIC OF INDONESIA**

**AT**  
**AN OPENING CEREMONY OF**  
**THE 5<sup>TH</sup> WORLD ISLAMIC ECONOMIC FORUM**

**JAKARTA, 2 MARCH 2009**

*Bismillahirrahmanirrahim,*  
*Assalamu'alaikum warrahmatullahi wabarakatuh,*

Your Excellency Dato Seri Abdullah Badawi, Prime Minister of Malaysia,  
Your Excellency Abbas El Fassi, Prime Minister of the Kingdom of Morocco,  
Your Excellency Abdullah bin Hamad Al-Attiyah, Deputy Prime Minister of the State of Qatar,  
Your Highness Sheikh Saud bin Saqr Al Qasimi, Crown Prince and Deputy Ruler of Ras Al Khaimah Emirate, the United Arab Emirate,  
Your Excellency Secretary General of the OIC Professor Ekmeleddin Ishanoglu,  
Your Excellency Tun Musa Hitam, Chair of the World Islamic Economic Forum,  
Highnesses, Excellencies,  
Ladies and Gentlemen,

I am delighted to welcome all the leaders and the distinguished guests to this fifth meeting of the World Islamic Economic Forum. Indonesia is honored to host this Forum this year, which aims to promote progress and prosperity for the *Ummah* in a globalized world.

I wish, however, that we were meeting in better times. For we meet against a backdrop of a global financial crisis.

Day after day, our consciousness is bombarded with statistics that are consistently dismal. Markets are shrinking. Exports are plummeting. Rates of

growth are on a downward spiral. Industrial production is diving. Wealth is declining. Capital is taking flight to parts unknown. Jobs are evaporating. The US, Europe and Japan are already in deep recession. There is possibility that things will get worse before they get better. We will all have to embrace ourselves for hard times ahead. The latest breaking news is that the contagion of this epidemic has stricken the real economy and now threatens the world with the collapse of manufacturing industries.

And these are happening everywhere, and affecting everyone, including the Ummah worldwide, many of whom are still lagging behind in the global economic landscape. Muslims account for one fifth of the world population, yet they account for less than seven percent of world production and less than ten percent of the world's merchandise export. Of the 50 least developed and most heavily indebted countries in the world, 22 are Muslim countries.

The good news is that banks in the Muslim world, however, are not as severely affected as their Western counterparts. But they are feeling the pinch, and may suffer more as trade and investment flows get strangled by contagion. After all, there is no decoupling in trade and investment: we are all parts of a worldwide supply chain.

If a Muslim country is oil exporting, then its income has shrunk because of poor demand. And if a Muslim country is exporting commodities it will automatically suffer from the weakening world commodity market. And the trouble is even greater for commodities exporter that does not have a sizeable domestic consumer market.

The global financial meltdown is only part of our worries. Among the list of urgent global challenges faced by world citizens, climate, energy and food security would all rank at the top.

The CLIMATE CRISIS is very much haunting us, manifesting itself in many ways : extreme weather patterns, forest fires, floods, melting icebergs, rising sea level, and prolonged drought. All of them with their attendant social, economic, political and security effects. Scientists tell us that we have a small window of opportunity to prevent global warming on a scale that would bring massive disaster and suffering to future generations, but we have to act now. Which is why it is absolutely critical to reach a new global consensus at the next climate change meeting in Copenhagen this year.

The ENERGY CRISIS feels less urgent today, with oil price down to as low as \$40 in recent days. But let us not deceive ourselves into believing that the energy security crisis is defined by the world price of oil. It is defined by the addiction of our economies to only one dominant energy source, and that is petroleum. So long as the addiction remains, our energy security is in crisis. Which is why the world economy must accelerate the transition to a low-carbon economy driven by non-fossil alternative energy sources.

The FOOD CRISIS also feels less pressing today, especially with the headlines gone. But the long term problem remains - food riots may still erupt some time, somewhere. Climate change, and changing weather patterns, will continue to affect agricultural output. We need to set in motion a second green revolution to boost worldwide food production to feed the growing needs of humanity. More specifically, we need to support, empower and incentivize the small farmers who are the largest food producers in developing countries.

All these crises are global and systemic. They are interlinked and intertwined. They feed on one another. Hence, they demand solutions are also global and systemic.

Highnesses, Excellencies, Ladies & Gentlemen

Yet, our worry need not yield to despair. We cannot lose hope and submit to self-defeatist attitude. As Allah SWT commands us in the Qur'an : "so verily, with hardship there is relief" (Al Insyirah, 94:5). This is what our great Prophet Muhammad SAW taught and showed the *Ummah* through his extraordinary struggle. Our Prophet showed us that we can overcome the greatest adversity, only if we are relentless in our efforts and if we keep our unshaken faith, our *iman* in the will of Allah SWT.

Thus, with the right policy measures, we CAN overcome the present crisis. With unyielding determination, we CAN turn crisis into opportunity.

There are many ways to respond to these multiple challenges. What is sure is the responses must combine both national as well as international efforts.

With regard to the global financial crisis, for example, we in Indonesia moved swiftly by bringing all stakeholders together—including the central bank and the business community—and formulated and carried out our response.

We enacted a number of counter-cyclical measures and maintained confidence, by among other: relaxing the banking regulation and capital market, injecting liquidity to the economy, increasing guarantees ceiling for saving deposit to sustain confidence in the banking system, and pursuing fiscal stimulus package which amounts to 1,4 % of our GDP. We made sure there is trade financing to protect our trade flows. And we provided a social safety net to cushion the impact of the crisis on the poorest of our poor.

Faced with volatile and uncertain international financial and bonds market, we secured our increased deficit financing by obtaining several stand-by loan arrangements with our partners, such as Japan, Australia, and multilateral institutions such as World Bank and ADB. We welcome and invite Islamic Development Bank to also join this financing. Regionally, Indonesia promoted and supported the finalization of the Chiang Mai Initiative among ASEAN Plus 3 so it will be effective in helping ASEAN+3 countries with balance of payment problem.

Here, we have reached the agreement to upsize the pool of fund from 80 to USD\$ 120 billion.

The current global financial crisis means, all developing and emerging economies are facing severe financing constraint to achieve their development goals. Thus, to prevent a setback in our global development goals, Indonesia as a member of the G-20 proposed, during the Summit in Washington DC, a “Global Expenditure Support Fund” to support budget financing, apart from or in addition to regular development assistance. We hope to advance this idea during the next G-20 summit in London in April.

In this connection, I believe it is worth considering whether an “Islamic World Expenditure Support Fund” can also be established so that the least developed Muslim countries could directly benefit from the availability of sizeable reserves in the hands of oil-exporting Muslim countries. By establishing that Muslim Fund, we make our call for a “Global Expenditure Support Fund” so much more reasonable and acceptable.

There are so many other things we can do to help address the financial and economic crisis, while at the same time also addressing the energy security crisis and the food security crisis.

In the first place, Islamic banking should now be able to take a leadership position in the banking world. Islamic banks have been much less affected by the financial meltdown than the conventional banks — for the obvious reason that Shariah banks do not indulge in investing in toxic assets and in leveraged funds. They are geared to supporting the real economy.

Islamic bankers should therefore do some missionary work in the Western world to promote the concept of Shariah banking, for which many in the West are more than ready now.

Indeed, last year Indonesia established and finalised a sound and strong legal framework for the issuance of syariah based bond (sukuk), and syariah banking system. Happily, since then the development of syariah bank has been very encouraging, and the issuance of our domestic retail sukuk has been well received. As the country with the world’s largest muslims, blessed with a dynamic economic potentials, we envision Indonesia to become a major syariah financial center in the near future. We invite all participants to come and invest in this prospective sector.

Consider also what Islamic banking can do for the food production in the Islamic world. The 57 countries of the Organization of the Islamic Conference are all agricultural economies producing a major portion of the world’s food supply. But they are also poor and hard hit by the food crisis, and the main reason for this, apart from lack of modern technology, is under-investment in the agricultural sector.

The Muslim countries with vast reserves but without a real agricultural sector can come to the rescue. By gearing their investment policies to support agriculture in the Muslim world, the countries of the Gulf Cooperation Council, can directly improve the welfare of the *Ummah* and also help solve the world's food security crisis. And since they are food importers, they will also be securing their own food supply needs.

In the energy sector, we all know that petroleum not last forever. It is estimated that by 2030, we will not be able to rely fully on the availability of oil supplies any more. The countries of the Gulf Cooperation Council can therefore, as a matter of foresight, shape a new niche for themselves by getting involved investing in energy diversification.

In this regard, all of us in the Muslim world should work together to boost our capability to innovate and to develop unconventional resources. Remarkably, when we go for innovation, we often develop ways of investing that generate more employment.

For example, we know that the production of bio-energy absorbs labor seven to 15 times more than the production of fossil fuels. To produce 2,500 barrels of fossil fuel per day, you need hire only 750 workers. But if you want to produce 21 million kilograms of biofuel, you set aside some 5.5 million hectares of currently unused land, and hire between three to five million individuals for a period of five years. The difference is enormous.

We can also make a breakthrough in demand side management: we can reduce energy demand without sacrificing productivity and comfort. Sadly, most technology advances in this field did not take place in Muslim countries, even though the love of mother earth has always been part of Islamic teaching.

But the Muslim world is not standing still either. Awareness of the need for diversification into environment-friendly sources of energy is spreading in the Middle East. This is evidenced by new initiatives like that of the ADFEC, which would build a \$350 million for 100 megawatt solar plant. Indeed, the Middle East with its vast deserts is also potentially the world's main source of solar energy.

And with current efforts to conserve wildlife and water resources, Middle East countries can also be leaders in environmental conservation, thereby contributing significantly to climate stability.

One reality that is worth looking into is the existence of scattered energy resources in villages all over the Muslim world—resources that can generate small amounts of solar energy, wind energy, and small geothermal and hydropower. These may not be viable on a commercial basis but they can provide as much as 60 percent of the energy requirements of the village.

We have tried the idea of a Self-sufficient Village Program in Indonesia with very encouraging results. We harness all the existing energy resources of the

target village, and to these we add facilities for biofuel production. We provide the technology, extension work and funding so they can produce biofuel from such crops as jathropa, cassava and sugar—all of which are grown on otherwise unused land.

Out of this program, launched in 2007, we expect to have 2000 villages self-sufficient in energy by the end of this year. Since this program is working in Indonesia, I believe it can also work in other parts of the Muslim world, taking into account, of course, variations in local conditions.

There are so many initiatives that we can possibly launch as joint undertakings in the field of energy security. We can go into technical cooperation or financing arrangements in oil exploration and in the building of energy infrastructures. Our oil and gas resources are managed in the framework of contracts of cooperation. We have a long experience in energy industry development—we have a capacity for giving training and services in research and development. We would make an ideal partner for any Muslim country that is starting to develop its own energy industry.

As to trade and investment, especially in this time of crisis, we must summon our sense of solidarity and put it to work for the welfare of the *Ummah*. The worse thing that any one of us can do is to become protectionist and thus invite protectionist retaliation in a trade war in which every one will emerge a pitiful loser. We should remain practitioners of free trade and persevere in working for a development-oriented trade regime in the WTO round of negotiations.

And we should faithfully implement the “Trade Preferential System among the Member States of the Islamic Conference.” We should also fulfill our commitment to the “Ten Year Programme of Action” of the OIC to achieve an intra-Muslim trade volume of 20 percent of our total trade during that period. We must do all we can to encourage our private business sectors to work for the realization of these commitments.

It is in this spirit that we are signing today a set of Memorandums of Agreement—between the Government of Ras al Khaimah and Kalimantan Province; between PT Garuda Indonesia and Dubai Aerospace Enterprise; among PT Pertamina, ETA Star Group Dubai and Itochu Corporation of Japan; and between Bank Muamalat Indonesia and the National Commercial Bank Saudi Arabia, PT Pos Indonesia and Islamic Payment Sdn Berhad.

Highnesses, Excellencies, Ladies and Gentlemen

There are those who say that this turmoil that has engulfed humankind and the multiple crises confronting us will pass away—just as crises in the past have descended upon us and we survived them. I, too, am of the view that they will pass—but not as a matter of course.

They will not go away by themselves. We must come to grips with them, overcome them and make sure their history is nevermore repeated. And the only way to do that is for all of us in the human race—Muslims and non-Muslims—to work closely together as we have never done before.

And the exercise of Islamic values on our part as Muslims must be a large part of that solution—just as it was the exercise of Islamic values that enabled the world of Islam to become the world’s most advanced civilization during the 13<sup>th</sup> century. These values include a spirit of solidarity with all humankind, and a sense that we are all children of the same Divine Providence.

We must not merely preach these values. We must practice them. If we preach unity between the developed and developing world, we in the Islamic world must be united. If we preach a global partnership for development, a global partnership for climate change—then we must practice a partnership for the same purposes within the Islamic world.

The turmoil that has engulfed humankind today and the crises that attend it give us yet one more tremendous chance to show the world what Islam really is. And what 21<sup>st</sup> century Muslims really should be : versatile, compassionate, innovative, resilient, always looking for the future.

So let us seize that chance !

Finally, by saying, *Bismillahirrahmanirrahim*, I have the great pleasure to declare the Fifth World Islamic Economic Forum open !

*Wassalamu’alaikum warahmatullahi wabarakatuh*