



# PRESIDENT JOKO WIDODO'S VISIT TO THE UNITED STATES

OCTOBER 2015

## SUMMARY

- On October 26, President Joko Widodo "Jokowi" will make his first visit to the U.S. since assuming the presidency to meet with President Barack Obama, Congressional leaders, and members of the U.S. business community. There will be a major business event in his honor in Washington D.C. sponsored by the U.S. Chamber of Commerce.
- Jokowi's visit comes during a time of economic downturn in Indonesia and commercial concerns are foremost on his agenda. He will seek to promote Indonesia as a country that is open for business and hopes to secure greater U.S. foreign direct investment. Following his meetings in Washington D.C., Jokowi will travel to San Francisco to meet with technology leaders to enlist support for Indonesia's "creative economy" and discuss regulatory challenges that have hampered U.S. investment in Indonesia's technology sector.
- The White House will seek to highlight Indonesia, the world's largest Muslim majority country, as a vibrant, pluralistic model democracy and an important partner in Asia. Indonesia's historical role in supporting peaceful resolution of territorial disputes in the South China Sea is increasingly critical for U.S. policymakers as tensions rise between the U.S. and China over Beijing's recent island-building activities.
- The U.S. and Indonesian governments are working to complete agreements on climate change, energy, and strategic and maritime cooperation. Enhanced economic ties and counter-terrorism will also be a focal point.
- For U.S. companies, the President's visit provides an opportunity to engage the Indonesian government on economic and regulatory issues that have hindered new investment in Indonesia. Recently, the Indonesian government has announced several new measures aimed to remove regulatory and bureaucratic hurdles to foreign investment.

## ABOUT ASG

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## CONTEXT FOR THE VISIT

President Jokowi's visit, rescheduled from June of this year, is viewed by many supporters of stronger U.S.-Indonesia relations as long overdue. Indonesia is the largest country in the Association of Southeast Asian Nations (ASEAN), a region the Obama administration has identified as important for its efforts to "re-balance" resources and diplomacy to Asia, given the region's economic and strategic weight. As the world's third-largest democracy, located at the crossroads of the Indian and Pacific Oceans, Indonesia plays an important role in shaping global issues of concern for the United States, including the growth of democracy, open trading systems, regional stability, climate change, and curbing Islamic terrorism. Securing Indonesia's cooperation will elevate U.S.-Indonesia relations and provide the U.S. with a stronger presence and influence in the Asia-Pacific. Moreover, President Obama enjoys personal connections to Indonesia through his time there as a child and his half-sister whose father is Indonesian, meaning Jokowi can expect a warm reception at the White House.

Jokowi's visit comes on the fifth anniversary of the U.S.-Indonesia Comprehensive Partnership agreement, which has advanced bilateral relations in several areas through working groups, including democracy and civil society, education, security, environment and climate, energy, and trade and investment. Cooperation has flourished in many of these areas, namely security and defense ties, while the trade and economic dimension of the relationship has proved to be more challenging.

In the early days of the Jokowi administration economic policies such as new local content requirements, foreign ownership restrictions, stricter immigration laws, and a bevy of new import taxes triggered investor concerns that the country was becoming more protectionist and less friendly to foreign multi-nationals.

These policy measures, coupled with negative external dynamics, including slowing growth in China, low commodity prices, and the prospects of a U.S. rate increase, have hit the Indonesian economy hard. Adding to the economic challenges the country faces, Indonesia is battling fires throughout 1.7 million hectares of rainforest in Kalimantan and Sumatra that are blanketing those islands and neighboring countries in haze, forcing schools and businesses to close and sparking international criticism. Indonesia's growth slowed to its lowest in six years at 4.67 percent in the second quarter of 2015 and the rupiah is at a 17 year low.

Jokowi came into office pledging to generate jobs and higher standards of living by elevating the role of manufacturing and increasing connectivity in the archipelagic nation. His administration has set an infrastructure target to develop 24 seaports, 15 airports, an additional 35,000 megawatts of power capacity, and nine million hectares of agricultural land by 2019. Current economic circumstances make fulfilling these pledges difficult and, in turn, the President's approval rating has plunged.

On the political front, Jokowi has struggled to consolidate his power base, including through an August 12 cabinet reshuffle. In September, he recruited a new party to his coalition, giving him a parliamentary majority for the first time and triggering rumors of a second cabinet reshuffle in the near future. Jokowi's visit is an important opportunity to showcase his leadership and to publicize investment opportunities in

"I THINK THAT IN WATCHING PRESIDENT WIDODO'S ELECTION, IT IS ONCE AGAIN AN AFFIRMATION OF THE FULL TRANSITION THAT INDONESIA HAS MADE TO A THRIVING DEMOCRACY AND A MODEL FOR THE KIND OF TOLERANCE AND PLURALISM THAT WE WANT TO SEE ALL AROUND THE WORLD." - PRESIDENT BARACK OBAMA



Indonesia to meet his infrastructure goals and boost the economy. For these reasons, Jokowi has made engagement with the U.S. business community a focal point of the visit and is working to reverse negative impressions of Indonesia's investment climate. The President recently unveiled a series of packages to attract greater FDI, including tax cuts ranging between 10 percent and 100 percent for up to 15 years for investments in "pioneer industries," which include energy, telecommunications, maritime transport, and agricultural processing.

On security policy, Jokowi launched a new initiative last year to increase Indonesia's maritime capabilities to safeguard freedom of navigation, enhance security, and protect the country's natural resources. Jokowi has posited Indonesia as a maritime "fulcrum" between the Indian and Pacific Oceans and the "world maritime axis." The President plans to increase military spending to around 1.5 percent of GDP, but given the resources needed to upgrade Indonesia's aging naval assets, he will look to attract U.S. assistance. This aligns with the regional objectives of the United States, which has become increasingly concerned with China's activities in the South China Sea in territorially disputed waters. The U.S. would welcome a stronger and more proactive Indonesia in the maritime domain.

## TENTATIVE SCHEDULE OF EVENTS

No formal agenda has been announced, but ASG understands that the following form a tentative program:

- **October 26.** President Jokowi will meet with President Obama in the Oval Office. He will join a roundtable with CEOs and a signing ceremony for business deals before speaking at a gala dinner hosted by the Presidents of the U.S. Chamber of Commerce, the U.S.-ASEAN Business Council and U.S.-Indonesia Society. Additionally, these three organizations and the Indonesian Investment Board, Indonesian Chamber of Commerce (KADIN), and Indonesian Employers Association (APINDO) will host the 3<sup>rd</sup> U.S.-Indonesia Investment Summit in the afternoon. Invited Ministers include Thomas Lembong, Minister of Trade; Franky Sibarani, Chairman of the Indonesia Investment Coordinating Board; Rudiantara, Minister of Information and Communication Technology; Bambang Brodjonegoro, Minister of Finance; Luhut Panjaitan, Coordinating Minister for Political, Legal, and Security Affairs; Sudirman Said, Minister of Energy and Mineral Resources; Ignasius Jonan, Minister of Transportation; and Darmin Nasution, Coordinating Minister for Economic Affairs.
- **October 27.** The Brookings Institute will host President Jokowi at 11 a.m. for remarks and dialogue on the role of Indonesia in a changing world. He will also hold meetings with leadership from the U.S. Senate and House of Representatives before departing for San Francisco.
- **October 28.** The focus of the trip will turn to the technology sector. President Jokowi will meet with CEOs from Facebook, Google, and Microsoft. He will host a private luncheon with 15 technology leaders and join Apple's CEO Tim Cook for dinner to discuss investments in Indonesia, including in the tin sector, and most likely local content requirements for mobile phones sold in the Indonesian market.
- **October 29.** President Jokowi will depart San Francisco for Jakarta.



## TOP ISSUES

*While the agenda will include a wide range of important topics, priority issues likely include:*

**Strategic and Maritime Cooperation:** President Obama and President Jokowi will look to strengthen the existing U.S.-Indonesia Comprehensive Partnership and elevate the defense relationship. President Obama will likely urge President Jokowi to assert a more proactive Indonesian role in negotiating the code of conduct in the South China Sea and to invest in upgrading its military capabilities, particularly in the maritime arena. The South China Sea has emerged as a serious point of contention between China and the U.S. in recent months, following China's land reclamation efforts in the contested areas through island-building. Images of airstrips under construction on these islands have heightened fears of increased militarization of the conflict. President Jokowi will likely request increased U.S. assistance for his efforts to upgrade Indonesia's maritime and defense capabilities. The two leaders may also discuss deepening counter-terrorism cooperation. Indonesian officials have expressed concerns that the country may have as many as 400 citizens fighting for the Islamic State in Iraq and Syria (ISIS) and more than 3,000 sympathizers.

**Democracy and Religious Tolerance:** As the world's third-largest democracy, with the world's largest Muslim population and considerable ethnic diversity, Indonesia has been a strong voice and model for tolerance, moderation, and inclusiveness in the region and the world. The U.S. will look to commend Indonesia's active role in promoting religious tolerance and pluralism in light of heightening conflicts in the Middle East and global efforts to fight against ISIS. President Obama may discuss with President Jokowi, who is known for directly engaging with civil society and promoting his country's tradition of religious pluralism, ways to work together to help spread the value of tolerance and diversity.

**Deepening Economic Ties:** The U.S. and Indonesia are committed to deepening economic ties. President Jokowi will be most intensely focused on attracting significant FDI from U.S. companies and President Obama may urge him to continue to make progress on governance, regulatory, and other measures that deter U.S. investors. The two leaders may also discuss ways to advance talks under the U.S.-Indonesia Trade and Investment Framework Agreement (TIFA) and, over the longer-term, the potential for Indonesia to join the recently concluded Trans-Pacific Partnership Agreement (TPP). Indonesian Trade Minister Thomas Lembong recently suggested that Indonesia could look to join TPP in 2-3 years.

**Energy and Climate Change:** As a large archipelagic country with growing industry and population, Indonesia plays a significant role in the Obama administration's global efforts to combat climate change. The U.S. has pledged more than \$450 million towards environmental and climate change cooperation with Indonesia as part of the U.S.-Indonesia Comprehensive Partnership. The two countries are also working on a wide range of activities that will advance low carbon growth. Obama and Jokowi will look to discuss further cooperation on environmental protection during Jokowi's visit to Washington as a lead up to a United Nations Conference on Climate Change in December. During the visit, the U.S. and Indonesia will also likely announce an MOU under negotiation in the energy arena, which includes cooperation on developing Indonesia's strategic petroleum reserves, building electricity generation capacity, and establishing a Center of Excellence for renewable energy in Bali.

