

THE BROOKINGS INSTITUTION

INDONESIA IN THE CHANGING WORLD:
A CONVERSATION WITH
PRESIDENT JOKO WIDODO OF INDONESIA

AN ALAN AND JANE BATKIN INTERNATIONAL LEADERS FORUM

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Introduction:

STROBE TALBOTT
President
The Brookings Institution

Opening Remarks:

THE HONORABLE BRAD SHERMAN (D-CA)
U.S. House of Representatives

Featured Speaker:

H.E. JOKO WIDODO
President of Indonesia

Moderator:

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P R O C E E D I N G S

MR. TALBOTT: Good morning, everybody. I'm Strobe Talbott and it is my honor to welcome all of you to another of our Jane and Alan Batkin Statesman Forums. We have a particularly important and distinguished guest and speaker here today. President Widodo of Indonesia. As I suspect, everybody in this room knows Indonesia, as the President was reminding us just a couple of minutes ago, is the world's third largest democracy. It is the world's fourth country in the size of its population. It's the large Muslim majority country in the world. It's celebrating its 70th anniversary of independence. I'm getting a nod from the President on each one of these. I feel as though I'm getting an exam here.

Also, of course, Indonesia was a founding member of ASIAN. It's a member of the G-20. As of yesterday, to the pleasure of the President of the United States, President Widodo made clear that Indonesia is going to support and be part of the TPP. He'll have a chance to talk with some members of Congress on that subject a little later today.

President Widodo was elected last October with a grassroots campaign that promised to stamp out government corruption, invest in education, and increase the use of modern technology in governance. A subject that came up in his conversation with President Obama yesterday. In his campaign he made an asset out of his status as an outsider from government, as well as his empathy for the less privileged of his fellow Indonesians.

I want to acknowledge two other people who are here. It's a very large and distinguished delegation, but I want to particularly thank Indonesia's representative here in the United States. We call him Ambassador Sunny. He is a friend of many of here in the Institution and a neighbor on Massachusetts Avenue, and Representative

Brad Sherman of California who is the ranking member of the House Sub-Committee on Asia and the Pacific who will provide some opening remarks before the President speaks. Over to you, Congressman.

MR. SHERMAN: Hello. I'm Brad Sherman from California's best named city, Sherman Oaks. I'm a senior member of the Foreign Affairs Committee. My text here says I should bring you greetings from the world's most prominent dysfunctional parliament, but this week it looks like we're going to reauthorize the Asian bank, perhaps pass a two year budget. Our status as dysfunctional is in some question, but I'm confident we can regain that status in the months to come.

I want to thank Strobe Talbott for bringing us together, recognize Vice President of Brookings, Martin Indyk, who just last night joined for dinner. He shared his insights into the Middle East. Of course, Richard Bush, the senior fellow and director of the Center on East Asia Policy Studies. It is a particular pleasure to be here with the President of the fourth largest nation in the world, a modern Muslim nation.

In 1998, with the resignation of then President Suharto, Indonesia began an experiment in democracy. It suffered during the Asian financial crisis. If you were to look back in 1998 it faced so many challenges, including conflicts involving East Timor, Aceh, Kalimantan, Sulawesi, and the Maluku Islands. Those have been resolved and a nation that began that still has 1,300 separate ethnic identities, which did not have a national language until its independence, is not moving forward. Indonesia's young democracy has already provided for a popular direct election of the President three times, including one where the incumbent Megawati lost, accepted the result, and turned over authority to a different party. Indonesia is proof that Islam and democracy can thrive together.

The United States and Indonesia not always had the warmest

relationship. At times it seemed to be that we were focused only on the Cold War. Although it began rather warmly in 1956 when President Eisenhower invited then President Sukarno to visit the United States and address a joint session of Congress, and I look forward to you returning to the United States and addressing us again. It is something that should happen at least once every 60 years.

Our relationship with Indonesia has ebbed and flowed. We fell out with Sukarno. We fell in with Suharto. But now we share not only interests, but democratic values, and I think the relationship is on a very solid footing. Our economic relationships are just beginning with a trade relationship of \$27 billion. We export only \$8 billion to your country. That is far less than we export to Belgium. As a matter of fact, one-third of what we export to Belgium. I look forward to that relationship growing, but it's important that it be balanced. Right now it's in a roughly 2:1 ratio, if you include services where we export \$1 for every \$2 of imports. But I'm sure as the relationship grows it will be balanced, and that is something very important to the American people.

We've committed \$600 million through MCC, the Millennium Challenge account which is a strong statement for our dedication and sharing of Indonesia's development goals. I look forward to helping with that as it unfolds. I know that your visit will strengthen our efforts to counter violent extremism. I applaud your efforts to work with the United States and the world against terrorism and for the moderate Islam that comes from Indonesia that demonstrates that Islam is, indeed, a religion of peace.

Now, our guest is the seventh President of the Republic of Indonesia. He assumed office a year ago. His election was a mediocre rise. He was mayor of a town about the size of Milwaukee, Solo, in Central Java. Just less than a decade ago. He then rose to be governor of the state and now president of a country. There is only one other world leader who grew up, to some extent, in Indonesia. He rose quickly from

an Illinois State Senator to President of the United States in roughly the time it took you to move from Solo to the presidential palace in Jakarta.

Now, I know that the President planned to spend more time in the United States. Our thoughts and prayers are with the people of Indonesia and Southeast Asia as they deal with these peat fires. The United States has committed \$2,750,000 to fight those fires. I'm sure that we should do far more. Because you've had to truncate your trip you're going to miss, and I regret this very much, your visit to my home state of California. I want to commend you on your decision to cancel your meetings with the United States Senate.

Getting back to those fires and global warming. These fires have emitted, I believe it's 1.6 gigatons of carbon into our atmosphere so far. That could put Indonesia on the road this year to have more carbon emissions than India. I think when you look at what we've committed, \$2.75 million to help you fight these fires, and you see the amazing effect that could have on reducing climate change. \$2 million, that's barely legal fees for one side in a dispute about a single EPA regulation. When it comes to peat we have an especially strong interest because when there's a forest fire plants that are growing above the ground they burn, but then there can be reforestation of the area and that carbon can be recaptured. The peat that is burning in Indonesia is hundreds or thousands of years old, and its destruction is a permanent addition to carbon in our atmosphere.

The President has taken steps that are considered bold, by your local press. I want to urge you to do more. But we, in the developed world, also share some responsibility. That palm oil is coming to Europe and the United States as much as anywhere else. It is important that it not be the product of slash and burn agriculture, particularly involving peat.

I've only got 15 more minutes of speech, but rather than hear from me, you can turn on C-SPAN any late night when you suffer from insomnia and do that. We are here to hear from President Widodo, the President of Indonesia.

PRESIDENT WIDODO: Mr. Strobe Talbott, Brookings Institution, Mr. Brad Sherman, Congressmen, ladies and gentleman, good morning. It is an honor for me to be here today. On behalf of the government and people of Indonesia I would like to thank the Brookings Institution for organizing this event.

Ladies and gentleman, we meet here today during an ongoing concern in the emerging markets. How do I view the emerging markets downturn which has also hit Indonesia hard? I am sad to see my people suffer. I regret that we, as an economy, were not ready to anticipate the forming the chains around us. But anyway, I welcome this dungeon as an opportunity, opportunity to push through difficult, painful, and offer to reforms. We should remember that the seeds of our success are often blended during the downturns.

What are the reforms challenge that we in Indonesia need to tackle? There are many, but today I will name only two for illustration. Most of you who follow Indonesia know that our infrastructure lacks behind. I have spoken extensively already about our infrastructure ambitions. Therefore, I do not need to cover again the large number of ports, dams, and highways we are building.

I will report to you today that our infrastructure program is now progressing very, very well. With our infrastructure ruling we then turn our attention to the next reform. That is to free up our private sector, both domestic and foreign, from poorly conceived policies, excessive permitting and licensing, and misguided protectionism which have caused our companies and industries to suffer for too long.

About seven weeks ago I launched what we call deregulation packets

number one. The packets of policies comprise 100 (inaudible) and regulation which we will revise, rationalize, and preform or reform. This was followed around three weeks ago by deregulation packets number two. Since then we have also announced deregulation packets number three, deregulation packets number four and deregulation packets number five. And we are now working on deregulation packets number six.

Ladies and gentleman, the more we look at the system of permits, licenses, and regulations the more we found misguided inconsistency, and even absolute fallacies. (inaudible) of policies is something which we will effect with our full commitment. Like our infrastructure program, our deregulation program is a policy direction which shall continue for as long as it takes. Like our infrastructure program it will gain momentum and reach full speed in the coming months.

As the clearest indication for our seriousness to reform our economy we announced yesterday our intention to join the Trans-Pacific Partnership, TPP. To be honest, I think President Obama was a little surprised. Here, today, I would like to use this opportunity to speak about the environment.

This year we are suffering forest fires across large parts of Indonesia. This is a huge challenge, but we are committed to find a solution to the problem. We will be working with our partners in the region to this end. Let me assure you that we, Indonesia, care deeply about the environment. We are a maritime nation. We have 52,000 kilometers, around 33,000 miles of coastline which would be affected by rising ocean (inaudible).

Please understand our ocean is suffering and that is why this year we launched a major crack down on illegal fishing. By cracking down on illegal fishing we pay a heavy short term price for our economic. But I can tell you, if we had not cracked down on illegal fishing then within six to seven years there would be no more fish in our

oceans. There would be no more coral, no more marine ecosystem. You shall see a great focus on the environment from my government going forward. As a nation, we will reduce our emission. We look forward to working with all the parties at the next COP-21 meeting in Paris. We are committed to preserve our forests. We will also continue our zero tolerance policy against illegal fishing.

Ladies and gentleman, in confronting our many challenges, Indonesia has two important assets with stabilize and anchor our society. First, Islam. Second, democracy. Indonesia is the largest Muslim majority country in the world and ours is a strongly moderate and tolerant form of Islam. We are also the third largest democracy in the world. We are proud that Islam in Indonesia plays an important role in consolidating democracy. As a guardian of pluralism and tolerance speaks a powerful voice of moderation in our society. Words, again, practicalism and violent extremism.

Indonesia democracy is maturing. Our democracy grants us (inaudible), the freedom of speech. By the way, freedom of the speech is also guaranteed. Indeed, our media and social media have been instrumental in exposing corruption and demanding (inaudible) from our government officials. Our democracy's public participation is every aspect of our lives. Only in a democracy the people are free to choose their leaders. Without democracy there is no President Joko Widodo. You can do it.

I believe, as Europe and America are dealing with an influx of people of different religion and races, we in Indonesia have something very special to offer to the world. Indonesia offers a successful model that shows that Islam is compatible not only with democracy, but also with modernity. As a power between the Pacific and Indian Ocean, Indonesia's future depends on how we manage the sea for the benefit of our people. That is why we launched our Global Maritime (inaudible) as a strategic and

policy framework.

We believe that the sea should remain as a public good. We reject any attempt by any state to control and dominate the sea, and turning it into an area for strategy competition. The sea should be safe, secure, and free for sea-born trade. The sea is a source of livelihood for our people. It is a common (inaudible) that needs to be preserved and protected. We believe that the sea should unite, not divide us.

Development in the South China Sea also captures our attention. Tensions in the area must be diffused through peaceful means, especially based on (inaudible). Indonesia is not a party to the dispute, but we have legitimate interest in peace and stability there. That is why we call all parties to exercise restraint and refrain from taking action that could undermine trust and confidence, and put at risk the peace and stability of the region. We need to talk closely to ensure good order at sea, prevent incidents, and ensure freedom of navigation.

As I often said before, Indonesia stands ready to play an active role in finding solutions to the South China Sea problem. We believe it is time for ASIAN and China to start discussing the element of the code of conduct, COC, in the South China Sea. As a part of our attention to transform Indonesia into a maritime fulcrum, we recognize the growing importance of the Indian Ocean. We (inaudible) and we will produce a (inaudible).

Ladies and gentleman, as we look out across the East Asia region today we would like to state our following beliefs. Indonesia will stay true to its free and active foreign policy. ASIAN is of critical importance to us. We will preserve and strengthen ASIAN centrality. We will safeguard Asian strategy autonomy from (inaudible) competition. We need to strengthen multilateral institutions as the East Asia summit as a strategy platform for dialogue and cooperation. We welcome a sustained and

comprehensive U.S. (inaudible) in East Asia. The region will benefit from America's political and strategic, and most importantly, economic (inaudible).

We recognize that many, even most of today, challenges require a global solution. Our constitution says that Indonesia must play an active international role to contribute to the global public goods. Therefore, Indonesia is committed to fulfilling our international obligation. For example, we are aiming to increase our participation in peace keeping operations. We hope to contribute 4,000 troops by 2019.

Ladies and gentleman, this is where it becomes critical for both the United States and Indonesia to work together to achieve three things. During this visit President Obama and I have launched a new platform, a partnership that covers economy, security, environment, technology, and counterterrorism. Under this platform both countries can convey strategy interests and strategy concerns in clear and strategic manner. This platform will elevate our (inaudible) relationship into the next level, strategic level.

Ladies and gentleman, there is one bright spot. When I look at today's young generation I become highly optimistic. They are getting it right. They are on social media, Facebook, Twitter, Instagram. We also have our own champion in Indonesia, companies like Kaskus, Kucheck, Tokopedia. That is why I was planning to go (inaudible) American future, Silicon Valley.

Ladies and gentleman, in conclusion, please take another look at Indonesia. Things are changing very fast. We are not going away. We are not becoming inward looking. Our interest in regional and international region remains as strong as ever, and will be stronger in the years to come. Our foreign policy will continue to reflect both our national interests and our international obligation. We will bring prosperity to the Indonesian people. We will work with our partners to bring peace to the

Asia Pacific. We will fulfill our obligation to create a better world. This is our strategic responsibility to the Indonesia people, to the region, and to the world. Thank you.

MR. BUSH: President Widodo, thank you very much for that comprehensive and very clear speech. I think that your recognition of the imperative of reform in your country is highly important. Your vision of an Indonesia that is more active and constructive in world affairs is very significant. I think I can speak for all of us that we hope you succeed.

MR. WIDODO: Thank you.

MR. BUSH: The people of Indonesia, I think, want you to succeed. Do you have time for a couple of questions?

MR. WIDODO: Maybe one or two.

MR. BUSH: We'll try.

MR. WIDODO: Or three.

MR. BUSH: I'd like to ask you about China. China's the largest country in East Asia in a number of ways. China presents all of its neighbors with opportunities, but it often creates frictions with its neighbors, sometimes even dangers. So that creates a challenge for any leader like yourself. How are you going to try to balance the opportunities against the frictions and dangers going forward?

MR. WIDODO: We see China as an important partner for Indonesia. We need to be strong cooperation with China because we send many commodities to China. We export many of our commodities to China. We also see other countries, such as the United States, Russia, Japan, Middle East, Europe, as an also important partner for Indonesia. And about the South China Sea, I talked already in my speech that Indonesia is not part of the conflict. We need peace and stability in the region. We want Asian countries and China to start discussing about the content of the COC, Code of

Conduct, to start discussing alignment by alignment of the Code of Conduct. Indonesia wants to play an active role in this issue.

MR. BUSH: Okay. Thank you very much. For the next question I would like to call on Mr. James Castle. He is the founder and head of Castle Asia, a firm that's based on Jakarta and provides analysis of the business environment in Indonesia for a lot of firms. Jim?

MR. CASTLE: Thank you very much, Richard. We're very happy you're with us. Thank you very much. My question relates to infrastructure and public/private partnerships. In your talk you mentioned the progress that you've been making over the past year, and one of the obstacles to that progress is lack of adequate financing. One of the solutions is public/private partnerships. These have been slow in forming. The previous government talked about them, but not many were forthcoming. Do you have any advice as to how the private sector, both domestic in Indonesia, and internationally, particularly America, can play a more constructive role in Indonesia's infrastructure program? What are some of the reasons that it's been slow? Do you still believe in public/private partnerships? Thank you very much.

MR. WIDODO: Thank you. I want to test my minister. Please answer the question. But don't speak longer than my speech.

SPEAKER: Thank you, Mr. President, Mr. Talbott, Congressman Sherman, ladies and gentleman. So, Jim, I think the answer is very much that we absolutely believe in public/private partnership. I think as the President pointed out, it's only been one year, and as many of you know it's been a very busy year, very eventful, admittedly, sometimes a bit bumpy. But absolutely I, myself, as a trade minister, and I should explain a little bit. In our country, my trade ministry is kind of like a combination of what in the U.S. would be Commerce Department and USTR, so I should cover a lot of

domestic commerce. As such, I travel around the country quite a lot to kind of visit regional markets, village markets, and so on, looking at the domestic commerce.

A lot of times I'm surprised. I run into a reservoir that's under construction. Or I run into a power plant, even a micro one, and the point I'm getting to is basically that I was personally quite surprised, pleasantly surprised, by the progress being made on the infrastructure program. It's probably something that we're not conveying much or sufficiently, but really I was quite surprised. I think the reservoirs, in particular, there's 16 under construction right now, 65 in total in (inaudible)'s program. Just one got switched on a couple of weeks ago in Jakarta. It's going to irrigate 90,000 acres of rice patty.

As many of you might be aware, without irrigation rice patties can only be harvested once a year. With irrigation it can be harvested twice a year. Another one in West Java also, like the Jakarta, was under construction from Korean contractors and I saw on the billboard, it's actually PPP, it seems like, between the government with amnesia and the Korean Asian Bank. So if Congressman Sherman has some positive news about the reactivation of the U.S. Asian Bank to me that's very exciting news.

MR. WIDODO: Also, explain about the other plan in Bandung. This is PPP.

SPEAKER: That's right. So, indeed, tough without running over my time limit. But Bandung power station is a PPP. It's designed to be the largest coal fired par station in South East Asia once it's completed. Some of the principles are actually here with us, so, perhaps, after the even you can discuss with them. Again, it was a project that was stuck for many, many years and once again, President Widodo's specialty, things which people say are impossible. Like he just gets in there, hands on, into the field, and low and behold, it can be done.

That's a huge PPP actually. I think it's more than \$3 or \$4 billion. But, as the President always says, these things take time. They take a process. But personally, many of you know I come from a finance background, so I'm very much a numbers guy. The way I look at the program is it goes from two to four, four to eight, eight to 16, 16 to 32, 32 to 64, so these things tend to be slow to gain momentum, but once they do the snowballing, the magic of compounding can be quite stunning. It's certainly something that the economy, I believe, can look forward to. Thank you, Mr. President.

MR. BUSH: Thank you very much, Minister. Mr. President, I was impressed with this exchange at how good a chief executive you are. You know how to delegate responsibility without giving up power. For the next question I would like to call on Ambassador David Merrill. He previously served the United States in the Republic of Indonesia. David, it's very nice to have you with us.

MR. MERRILL: Mr. President, your administration has emphasized the importance of people to people relations, including close relationships between you and your own people, as well as of people to people dimension as part of your global diplomacy. As you seek ways to strengthen the U.S./Indonesian, or I should say Indonesia/U.S. strategic partnership over the next five years what role do you see for the greater participation by civil society groups in both countries? Thank you.

MR. WIDODO: I want to test again my minister, foreign minister. Please answer.

SPEAKER: Thank you very much, Mr. President. Hopefully I will be able to pass this standard of the President to explain to you about the question about the track. Mr. President, (inaudible) is already working together for years in developing the participation of the track too strengthening in our effort to strengthen the bilateral relation

with the U.S.

As modern and democratic countries I think it is almost impossible to set aside the track in our undertaking. That is, of course, including in our effort in strengthening cooperation with the United States. If you look at the Indonesia/United States relation we recall that in 2010 we developed the strategic partnership in which the track to, including especially on education, contributed a lot in our effort to strengthen the bilateral relation.

Now, as the President mentioned, and yesterday in the conversation with President Obama, two presidents agreed to bring the bilateral relation into a higher level by having the strategic partnership. Again, it is not impossible that the track to will be in again, playing a good role in developing the partnership, the cooperation between Indonesia and the U.S. The strategy partnership will not change anything that has been developed in the comprehensive partnership, but rather it will strengthen the effort that's already done by the comprehensive partnership. Is that enough, Mr. President? Thank you very much.

MR. BUSH: I should have mentioned that Ambassador Merrill is also the president of the U.S./Indonesia Society, and making a major contribution in Washington D.C. to an understanding of our country. I understand, Mr. President, that my main responsibility as moderator is to make sure that you leave for your next function on time and I will fulfill that obligation. But I did want to say just one thing in conclusion.

I was very struck with what you said about Islam being compatible with democracy, Islam being compatible with modernization. I think these are very important insights, and they are important not just in Indonesia, but around the world. The future of democracy will be much better served and have much greater promise if Indonesia succeeds. We wish you all the best in your effort to ensure that Indonesia is a strong and

successful Muslim democracy. Please join me in thanking the President.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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