

USINDO SPECIAL CONFERENCE

The 2009 U.S.-Indonesia Comprehensive Partnership: Engaging the Non-Government Sector

Jakarta
October 6, 2009

On Tuesday, October 6, The United States – Indonesia Society (USINDO) hosted a conference in Jakarta entitled "The 2009 U.S.-Indonesia Comprehensive Partnership: Engaging the Non-Government Sector."

The conference provided an opportunity for the Indonesian public to provide input and to offer recommendations on the content of the forthcoming partnership between the two countries. It brought some of Indonesia's foremost thinkers and citizens together to discuss how government, private sector, and civil society can cooperate on substantive issues and programs for the partnership and of global significance.

The one-day event followed from a USINDO conference held in Washington, DC in April, which introduced initial recommendations for partnership priorities. The April conference was followed by public forums and an education delegation over the summer, all of which fed into the October 6 conference [click here to access the April conference report](#).

The conference featured panels on four topics:

- Business Cooperation and Priorities for Partnership in Trade and Investment;

- Cooperation on Forest and Peat Land Management to Address Climate Change;
- Joint Strategies to Promote Renewable Energy and Energy Efficiency; and
- Prospects for Partnership Abroad in Democracy Assistance.

Opening remarks were made by Arifin Siregar, former Indonesian Ambassador to the United States, and co-chair of USINDO. Ambassador Siregar noted that expectations are very high that the bilateral relationship will be deepened with a comprehensive partnership, and that both publics must work together with the governments to ensure it is a success. USINDO President David Merrill also noted that "a bilateral partnership, particularly between two of the world's largest democracies, is not the task of governments alone -- it should also involve the public and civil society in both countries."

Special guest speaker Dr. Dino Patti Djalal, Spokesperson to President Susilo Bambang Yudhoyono, spoke on the topic: "The Comprehensive Partnership: Making it Work." In his discussion Dr. Djalal focused on challenges of the policy-making process, and highlighted key opportunities in an historical

partnership between the United States and Indonesia: "You write today what you want, not for today, but for tomorrow... We must ask ourselves: how can [the partnership] be relevant globally? Can we harness this opportunity with a new mindset?"

Each of the four panels aimed to provide concrete recommendations on what Indonesian and American civil society, private sector, and governments can do together to deepen relations at all levels and work on issues of global significance. Highlights of the panels are discussed below.

A full conference report, incorporating public comments from both the April conference in Washington and this October conference, will follow. It will be published on the USINDO website, and given to both the US and Indonesian governments, as input and recommendations from the conferences for the two governments to take into account in their decisions on the Comprehensive Partnership.

Panel Highlights

In cooperation with the US-ASEAN Business Council, the panel on Business Cooperation and Priorities for Partnership in Trade and Investment featured discussion by Sofyan Wanandi, Chairman, Employer's Association of Indonesia, Gemala Group; Tigor Siahaan, Managing Director and Country Business Manager, Institutional Clients Group, Citi Indonesia; Diono Nurjadin, President & CEO, PT Cardig International,; Margie Bross, Country Manager, Eralda Industries Ltd.; Sandiaga Uno, Vice President for Micro,

Small & Medium Enterprises and Cooperatives of the Indonesian Chamber of Commerce and Industry (KADIN); and Steve Parker, Senior Economics and Trade Advisor, DAI. The panel was moderated by Shinta Widjaja Kamdani, Chair of Foreign Investment, KADIN, and Managing Director, Sintesa Group.

This panel focused on what the two countries should concentrate on in fostering closer economic ties through trade and investment, and how they can build long-lasting cooperation in business. In order to do so, panelists noted longer term Indonesian challenges to deepening this trade, business, and investment relationship such as: weak innovation, weak infrastructure, the need for regulatory reform and job creation, and overall frustration with the pace of reform and coordination among ministries and government levels.

Despite such challenges, panelists also noted the opportunities for public/private activities. For example, advancing Special Economic Zones, beyond Batam, would help to encourage U.S. foreign direct investment into Indonesia. Ideas on win-win situations for both Indonesian and American businesses were raised, such as by developing a "forward fiber duty exemption," in which Indonesian textiles and apparel which use imported inputs (such as cotton) from the U.S. in the processing of a final product produced in Indonesia would have duty free entry into the United States; textile and apparel are important industries for job creation. Also, government supported expansion of cooperation in the energy sector, particularly renewable energy, would promote technical skills transfers. Education cooperation was highlighted

as a key need, with a focus on encouraging businesses to invest in education and research, particularly in significant fields for Indonesian job growth.

Speakers in the Cooperation on Forest and Peat Land Management to Address Climate Change panel included Emmy Hafid, Chief of Cluster, Economic and Environment Cluster, Kemitraan; Rezal Kusumaatmadja, Partner at Starling Resources, Katili Niode PhD.; Special Assistant to the Minister of Environment, National Council on Climate Change; and Yus Rusila Noor, Senior Program Officer at Wetlands International. The panel was moderated by Adam Schwarz of McKinsey & Company, Singapore.

The panelists noted that, while the United States and Indonesia are two of the world's largest emitters of greenhouse gases, their emissions profiles are strikingly different. The United States emits most from energy and transportation, but the vast majority of Indonesia's carbon emissions come from land-use changes, notably deforestation and peat land degradation. This divergent emissions profiles allow for unique opportunities for collaboration on reducing emissions from deforestation and peat land conversion in Indonesia, as investors in both the United States and Indonesia can take advantage of the emerging market for carbon offsets and generate revenue from the avoided emissions in preserved or restored ecosystems.

Panelists discussed the importance of strengthening U.S. – Indonesian cooperation on forest and peat land issues at both the central and provincial

level. In order to do this, the uncertainty in carbon accounting, particularly for forested and unforested peat lands, must be addressed through better emissions measurements and the development of a more accurate methodology. The root causes of degradation, including illegal logging, unsustainable development, and perverse incentives, such as subsidies for biofuels, must also be addressed. Additionally, panelists stressed the importance of promoting a dialogue not only between governments, but also between the private sector and non-government communities in both countries. Currently, foreign investors are not allowed to invest in ecosystem restoration projects. This limits the capital available for forest financing. It was suggested that this law be re-evaluated so that experienced ecosystem investors can promote best practices among the Indonesian projects. Additionally, Indonesia and the United States should work to “prime the pump” for future investment in carbon offsets by creating the mechanisms needed to buy and sell carbon credits once they become available. Panelists also debated the merits of a single, global carbon market versus the regional and emissions-specific markets currently being developed.

The panel entitled Recommendations for Joint Strategies to Promote Renewable Energy and Energy Efficiency featured discussion from Dr. Retno Gumilang, Head of Division Tech. & Environment, Bandung University Center for Research on Energy; Ami Indriyanto, Indonesian Institute for Energy Economics; Herliyani Suharta, Indonesia Renewable Energy Society (IRES), Head of Working Program for International Network; and Ramanan Suryanarayan,

Marketing Leader for Asia Pacific, GE Energy discussed. The panel was moderated by Adam Schwarz of McKinsey & Company, Singapore.

The panelists discussed how the United States and Indonesia can cooperate on promoting energy efficiency and renewable energy development, as well as the potential for capacity building within the renewable energy and energy efficiency fields at Indonesian and American universities.

Panelists discussed Indonesia's renewable energy potential, looking at the potential for both traditional sources, such as geothermal, hydroelectric, wind, and photovoltaic solar power, as well as emerging technologies such as nano solar and second generation biofuels such as algae farming. Panelists also noted that in order to develop Indonesia's clean and renewable power sector, cooperation will be needed on infrastructure development and project financing, in addition to better shared knowledge and more joint research in the materials and technologies necessary to develop the country's renewable energy potential.

The panel also considered the role of energy efficiency in promoting a low-carbon development strategy. Potential areas for cooperation include a focus on end-use energy technology in the industrial sectors, where Indonesia can learn from the experience of these sectors in the United States. Additionally, the panel noted that support for clean coal generation and the adoption of no-cost and low-cost energy efficient practices could also be part of a low-carbon strategy.

The panel on Prospects for Partnership Abroad in Democracy Assistance featured panelists Rizal Sukma, Executive Director, Center for Strategic and International Studies (CSIS-Jakarta); Don Emmerson, Director of the Southeast Asia Forum (SEAF) at Shorenstein APARC, Stanford University; and Sandra Hamid, Senior Director for Programs, The Asia Foundation. The panel was moderated by Ima Abdulrahim of the Habibie Center.

This panel focused on how Indonesia and the United States should approach collaboration on democracy assistance, the opportunities that exist for joint U.S.-Indonesian leadership and concrete ideas of how programming could unfold and where.

The discussion built on two USINDO panels held in Washington DC, one in April and one in September, which highlighted future topics of collaboration for Indonesia's democratic consolidation as well as introduced the potential for collaboration in democracy assistance abroad. This panel developed both concepts. While panelists in all events did not altogether agree, some important comments were discussed.

Panelists pointed out how Indonesia has begun to emerge as a democracy "promoter" on its own initiative, and that the United States would benefit from having a regional partner in its democracy agenda. It was suggested that Indonesia should set its own pace in the democracy assistance relationship, particularly in Asia. The Bali Democracy Forum (BDF) was discussed as an ideal way to begin collaboration, particularly since the United States is

moving to a new model of democracy assistance more in line with precepts behind the BDF; but it was noted that the BDF needs support – from a secretariat to access to technical trainers – to deepen its work.

Panelists also noted that although Indonesia should set the pace, it might be beneficial to have mutual understanding of what each country would be doing in democracy assistance. It was underscored that for Indonesia and the United States to have any such relationship on democracy assistance under the partnership, it must be as equals, and that to do so, Indonesia must continue to consolidate democracy at home.

The concluding session featured presentations of main findings and recommendations from each of the panels.

The closing sessions also included an update on successful work to expand educational exchanges on the part of the two governments, civil society, and institutions of higher learning in Indonesia and the United States, beginning with an education delegation of 31 U.S. institutions of higher education to Indonesia organized by USINDO, the Institute of International Education (IIE), the East-West Center, and the Association of Public and Land Grant Universities, in July. The U.S. Education Leaders Delegation to Indonesia focused on expanding exchanges between American and Indonesian students and researchers, increasing partnerships between institutions of higher learning, encouraging faculty exchanges, and

deepening studies of Indonesia in the United States.