

***USINDO Economy, Trade, and Business
Open Forum Series***

The Outlook of U.S. Overseas Business in the Asia-Pacific in President Obama's Second Term



Mr. Steve Okun

Chairman of the Asia-Pacific Council of American Chambers of Commerce

Mr. Andrew White

Managing Director of AmCham in Indonesia

Mr. John Riady

*Chairman of the United States-Indonesia Bilateral Committee,
Indonesian Chamber of Commerce and Industry (KIKAS-KADIN),
Advisor of USINDO*

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On January 23, USINDO in cooperation with AmCham in Indonesia, KIKAS-KADIN, and the US-ASEAN Business Council hosted an Open Forum discussion on U.S. business prospects in Indonesia following President Obama's re-election.

This brief is USINDO's summary of their talk.

Mr. John Riady's slide presentation can be viewed [here](#), and Mr. Steve Okun's slide presentation can be viewed [here](#).

Summary of Mr. Steve Okun's Key Remarks:

To understand the outlook of U.S. business towards Indonesia, the 2012 U.S. elections must be examined, Mr. Okun said. The U.S. elections in 2012 and 2004 were remarkably similar. In both elections, incumbent presidents—Obama and Bush—faced numerous challenges. Most voters thought American power was on the decline, and the economy was struggling. But Mr. Okun added Presidents Obama and Bush had some advantages. They faced weak opponents, and they mobilized Latino voters.

After President Obama won re-election, the U.S. business community focused on three problems: revenue, spending, and entitlements. According to Mr. Okun, U.S. businessmen will not feel secure until these problems are addressed.

The debt ceiling debate also is worrying. Mr. Okun asserted that if the U.S. does not raise the debt ceiling the economic consequences will be grave—not only for the U.S. but also for the world.

The fiscal cliff is another problem. But Mr. Okun thinks that Democrats and Republicans can reach an agreement, increasing taxes, cutting spending, and limiting entitlements.

Despite all the issues facing the U.S. economy, there are reasons for optimism. In particular, Mr. Okun is optimistic about new energy sources in the U.S. U.S. government subsidies, Mr. Okun noted, will influence how fast some new energy sources are utilized.

Mr. Okun described how U.S. business in Southeast Asia can increase. First, he wants the U.S. to create a global tax system, so businessmen can work more easily overseas. Second, the Trans-Pacific Partnership trade agreement should be agreed to and implemented. Lastly, he said that APCAC is looking forward to working with AmCham Indonesia to develop business opportunities in Indonesia.

Today, domestic consumption in Southeast Asia is growing fast, Mr. Okun concluded. Southeast Asians do not only want to buy consumer goods. They also want healthcare, financial services, and better education. For U.S. businesses, that means new investment opportunities.

Summary of Mr. Andrew White's Key Remarks

President Obama's re-election helps U.S. business in Asia. Obama's administration orchestrated the "pivot" to Asia, and he has sought to strengthen U.S. diplomatic, economic, and political ties with many Asian nations, including Indonesia. Recent progress with the Asia Pacific Economic Cooperation is particularly exciting.

Many U.S. businessmen, Mr. White noted, want to invest in Indonesia. Because of the country's growing population, young demographics, and resources, there are many business opportunities in the country.

But many U.S. businesses are worried about Indonesia's regulatory environment. While they will continue to invest in Indonesia, they will not pour lots of capital into the country. If Indonesia's government limits what can be invested in, that will not help the situation.

Mr. White hopes that during the 2013 APEC meeting AmCham Indonesia, KIKAS-KADIN, and the APEC Committee can discuss how to improve Indonesia's business climate.

Summary of John Riady's Key Remarks

The U.S. economy is improving, Mr. Riady said. The top fifty U.S. companies hold US \$2 trillion—a 20% increase from last year. But many companies still do not want to invest in international markets. They do not trust foreign regulatory practices. Now, Mr. Riady said, the questions are: How will foreign governments allay investors' concerns? And how will President Obama restore U.S. businesses' confidence?

Key economic indicators show that the U.S. economy is recovering. The housing market is improving. Long-term unemployment has decreased from 41% to 39%. America's companies remain the most innovative in the world. And because of the shale gas revolution, the U.S. may become the world's largest producer and exporter of natural gas.

U.S. policymakers, Mr. Riady added, also are more willing to propose and implement policies that will stimulate economic growth.

But U.S. businesses still fret about the debt ceiling. If the debt ceiling is not increased, Mr. Riady pointed out, U.S. businesses will not expand, invest, or hire. But Mr. Riady said President Obama, who will be more confident and assertive during his second term, will deal with the debt-ceiling problem.

The U.S.-Indonesia business relationship already is strong. U.S. and Indonesian companies invest in each other and form partnerships. Although some U.S. businesses have doubts about Indonesia, they continue—and will continue—to invest in the country, Mr. Riady concluded.

Question and Answer Session

Q: Will the Regional Comprehensive Economic Partnership (RCEP) and the TPP conflict? And could the RCEP and the TPP cause difficulties for the Indonesian population, possibly resulting in more populist policies?

Mr. Riady: Working on multilateral trade agreements and associations are difficult, and no one expects the process—whether with the RCEP or with the TPP—to be easy.

Mr. Okun: The TPP is important for two reasons. First, business is not bilateral. It is global. Therefore, we need global connectivity. Bilateral agreements are better than nothing. But they are kept secret from other companies and nations, so there is a lot of uncertainty. For efficiency's sake, we need multilateral agreements.

Second, many behind-the-border obstacles continue to limit free trade. Today, most trade agreements focus on market access and on reducing protectionist measures. However, once a company gets access to a certain market, problems remain, involving national champions, transparency, intellectual property, and government procurement. The TPP may not address all these problems, but it is trying to.

Mr. White: Today, foreign companies want more regulatory certainty in Indonesia. AmCham Indonesia will help them. It will promote discussions on issues that concern U.S. businesses. Hopefully, the Indonesian government will implement policies to encourage foreign investment.

Q: What is the chance Indonesia will join the TPP negotiations? How would the TPP benefit Indonesia?

(Respondent not named): I do not think Indonesia should join the TPP negotiations. We are not developed enough. Our infrastructure, for example, is too poor. Also, if Indonesia joins, it will cause a rift within ASEAN. Already, other ASEAN members thinking about participating in the TPP negotiations are creating tensions.

Q: To Mr. Okun, the U.S. government debt exceeds 100% of GDP. How will the government deal with this issue?

Mr. Okun: The fiscal cliff is a dangerous problem. It will be difficult to resolve. U.S. policymakers will have to decide how much spending—whether discretionary or non-discretionary—to authorize each year. They also need to decide if they are going to raise taxes or not. And if they do, they need to decide who to raise taxes on.

One option is to increase the retirement age. If the government does that, it will increase its tax base, while entitlement programs are still solvent.

Q: Do you think President Obama will prioritize climate change during his second term? How is trade involved? And how will climate change affect the U.S.-Indonesia relationship?

Mr. Okun: I think President Obama will deal with the climate change issue during his second term. As president, he can make some unilateral decisions. However, I do not know what those decisions will be.

Mr. White: I am not a green expert. However, I do not believe that President Obama will focus on green energy. He has other priorities. Sure, during the 2008 election, green energy was a big issue, and after entering the White House, he passed several laws, related to climate change. But green policies, so far, have not been effective. Now Obama's focused on the economy and job creation. Therefore, concerns over climate change will not affect the U.S.-Indonesia relationship.

If green energy technologies eventually prove viable, they will be exported to Indonesia. But right now green technologies are a small part of the U.S.-Indonesia trade relationship.

Mr. Riady: Renewable energy, I believe, is a good short-term investment. But the U.S. government needs to make it a more attractive long-term investment.

I do not think the climate change issue will go away. Even with renewable energy, there are environmental impacts, so climate change will remain a contentious issue for some time.

U.S. companies are developing cutting-edge, power-generating technologies. With the companies' expertise, they can invest in new green energy sources. However, they will be careful in doing so. Green energy sources are long-term investments.

In Indonesia, a mine rarely lasts a decade. There often is not enough investment, even though Indonesia has huge deposits of minerals.

Q: Following the 2014 Indonesian Presidential elections, can we look forward to a better investment climate in Indonesia?

(No name for respondent): Today, the world's economic growth is slowing. Populations are declining, and inflationary and deflationary trends are appearing everywhere. However, these problems do not affect Indonesia. Indonesia has a young population. Its economy is growing at some 6% annually, and its macroeconomic outlook is healthy.

Yes, before the 2014 elections, there will be a lot of political maneuvering. But smart U.S. businessmen will look past the politics and find the opportunities. Indonesia's structural economy, I believe, is very sound and will remain so in the future.