

## Meeting with President Yudhoyono and President Van Rompuy.

### Scene setter

- You met President Susilo Bambang Yudhoyono on 14 December last year in Brussels on his way to the Copenhagen Climate Change Conference. Your discussions focused on the potential to expand bilateral trade and investment and on the importance to reach a climate agreement.
- Both of you instructed officials to identify ways to increase trade and investment. As a result, a joint “vision group” has been established and will submit recommendations by mid 2011. On climate change, however, follow up has been less explicit. Timely therefore to stress our common interest to shift to low carbon economies and share views and expectations for Cancun.
- President Yudhoyono began a second five-year term on 20 October 2009 following his victory in presidential elections. His Partai Demokrat (PD) coalition leads a fragile majority in Parliament. Competent economic management remains a key strength of his administration art 4.1(a)  
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- President Yudhoyono could not attend the ASEM Brussels Summit last month for domestic reasons. Subsequently, he cancelled a State visit to the Netherlands at the very last minute as a minor pro-independence Moluccan group initiated a law suit seeking his arrest in the Netherlands for violations of human rights. These cancellations have prompted accusations that he was neglecting important external relations obligations.
- Indonesia will take the ASEAN chair from Vietnam next year.
- Indonesia was affected by two major natural disasters on 25 and 26 October: a powerful earthquake in Mentawai Islands (Western Sumatra), generating a tsunami, and the eruption of Mount Merapi in Central Java. The events led President Yudhoyono to interrupt his visit to Vietnam. Mr Yudhoyono expressed his appreciation for your condolence letter through the EU Ambassador in Jakarta with the immediate release of 1.5 M€ humanitarian aid within 72 hours of the first disaster.

### **Objective(s)**

- Emphasize EU commitment to a strengthened partnership with Indonesia as an emerging global actor and moderate Islamic country. (cf. Partnership and Co-operation Agreement signed last year).
- Confirm the EU interest in developing bilateral trade and investment relations. The joint Vision Group tasked to submit recommendations by mid 2011 to increase trade and investment will meet beginning December. Push for the conclusion of the Doha Round in 2011.
- Stress our common interest to shift to low carbon economies and share views and expectations for Cancun and learn about the new initiatives announced by Indonesia on Reducing Emissions from Deforestation and Degradation (REDD +).
- Reiterate EU's solidarity with the disaster-affected populations of Indonesia and to indicate EU's readiness to provide further assistance (if needed).
- Add a word on the South China Sea and East Asia Summit.

### **Line to Take**

- Underline the importance we attach to relations with Indonesia as a regional partner and like minded voice on global issues (cf. G-20, climate change, counter terrorism)
- Underscore the relevance of EU-Indonesia ties and of capitalising on the Partnership and Co-operation Agreement to intensify political engagement and increase trade and investment.
- Welcome the establishment of the joint Vision Group on how to enhance trade and investment. This would potentially lead to future negotiations towards an FTA. The EU is prepared to engage in bilateral FTA negotiations with those ASEAN countries that are ready to negotiate a comprehensive FTA. This includes Indonesia once is ready. The Commission is willing to look at a 'broad' FTA, including investment and possible capacity building support.
- Propose that in the G20 Summit session on trade, the EU and Indonesia should send a strong message in favour of a political agreement to conclude the Doha Round in 2011.
- Stress common interest in moving towards low carbon economies. Appreciate Indonesia's efforts to respond to climate change and its role in the international negotiations in view of making significant progress in Cancun.
- Inquire about new Indonesian initiatives on Reducing Emissions from Deforestation. Thank the President for his commitment to combat illegal logging and bring the forest sector under control.

- Inform that as the twin disasters hit Indonesia, the EU made immediately available 1.5M€ in humanitarian aid and that the EU through the Humanitarian Office stands ready to provide based on the results of ongoing field needs assessments. The EU is also ready to coordinate the provision of EU civil protection assistance should a request be made by the Government of Indonesia

### **Speaking Points**

#### **EU Humanitarian assistance after tsunami**

- I would like to reiterate our solidarity to the victims of the tsunami in Mentawai Islands and the volcanic eruption in Central Java.
- Despite the magnitude of the disasters, the capacity of your government to react, and your commitment to provide rapid assistance to the victims have been impressive.
- The EU remains ready to consider further support if needed through the relief agencies who are currently operating in your country and in full coordination with your disaster management authorities. We are also willing to make available technical expertise or civil protection assets from EU Member States if requested.

#### **Bilateral Relations**

- I welcome the very good state of our bilateral relations. I wish to build on that after the signature of the Partnership and Cooperation Agreement (PCA) last November in Jakarta. Pending ratification by both sides (Three MS have ratified so far), we are exploring with the Indonesian authorities the possibility to implement already some of the cooperation provisions in the PCA in areas such as research, transport, competition, etc.
- We are already working effectively in various areas: on human rights, climate change, forestry issues, development cooperation (€ 450 million for the period 2007-2013) mainly, in the education field.

- We also face global concerns – global economic governance, climate change, religious intolerance, terrorist threats, etc. We hope therefore to work increasingly with Indonesia on multilateral stage not least in the G-20. We are interested in participating in the East Asia Summit. And on the South China Sea, we are also willing, to share EU experience in joint management of common marine resources if Indonesia were to invite.

## **Trade and Investment**

- We have a clear mutual interest in pursuing closer commercial ties. Our two-way trade in goods and services reached almost 20 billion euro. The EU is the second largest market for your exports. (excluding oil and gas). And there are significant opportunities for Indonesian companies in the EU market.
- On a strategic and longer term perspective, the Commission is currently offering to engage in exploratory talks for a bilateral agreement with those ASEAN countries which are ready to negotiate a comprehensive Free Trade Agreement. This should include Indonesia.
- I am pleased therefore to see that the initiative we agreed at our last meeting in December 2009 of a joint Vision group to give recommendations by mid 2011 on how to further develop our trade and investment relations is now underway, with a meeting in Jakarta on 2 December.
- The EU and Indonesia have a common interest to see the Doha Round concluded. We should use the G20 trade discussion to push forcefully for a political agreement in 2011. Next year is possibly the last window to do this, and failing to deliver would be a serious blow for the global trading system.

## **Climate Change**

- We have a common interest to shift to low carbon economies. What are your expectations for Cancun? We appreciate your efforts to fight climate change and your role in the negotiations. Our ultimate objective remains a strong international legal framework to address climate change.
- We welcome your new initiatives in relation to reducing emissions from Deforestation and Degradation (REDD +) and your agreement with Norway last May on a 1 billion US \$ package. What will be the scope and impact of the two year moratorium on deforestation that you agreed with Norway?
- I am aware of your efforts to bring the forest sector under control and I hope that you can encourage that a Forest Law Enforcement Governance and Trade Action Plan Voluntary Partnership Agreement is signed in 2011. (FLEGT VPA). This would make Indonesia the first Asian country to conclude a FLEGT agreement with the EU.

Defensive Points

## **Question?**

***Crude palm oil exports: The EU's Renewable Energy Directive is unfair and will prevent Indonesian crude palm oil exports to the EU. The EU sustainability criteria are impossible for Indonesian producers to achieve.***

- These sustainability criteria apply only to palm oil produced for bio-fuels. All of Indonesia's crude palm oil exports will continue to enjoy full and unimpeded access to the EU market, regardless of how the palm oil is produced, and regardless of whether they have a sustainability certification or not. The EU plan is to offer additional incentives to those Indonesian exporters who produce palm oil for bio-fuel in a sustainable manner.
- Indonesian stakeholders (government, associations, NGOs) have participated in dialogues with the EU to design the system.

## ***Question?***

### **Air Safety / Air Operating Ban**

## ***When will the remaining Indonesian airlines be taken off the air operating blacklist?***

- Both sides want this as soon as possible. Indonesia has already made great progress. Six companies (the biggest, including Garuda) have already been removed. We hope this can be sustained and air safety further improved.
- For any new carriers presented for lifting from the EU air restriction, full and correct documentation should be submitted well ahead of the Air Safety Committee.



### **Press Points**

We had a productive meeting with useful exchange of views on the strengthening of our relations and on issues of common interest like climate change and also Burma/Myanmar, where the views and the role of Indonesia are important.

Indonesia is a key country in the region, member of the G-20 and an emerging global power. It is the 3<sup>rd</sup> largest democracy in the world with the largest Muslim population. It is the first country in South East Asia with which the EU has signed a PCA. I told President Yudhoyono that the EU is committed to a strengthened relationship with Indonesia.

We spoke about the need to address climate change and to make significant progress in Cancun in December and also about our common interest to see the Doha round concluded.

## **Background**

Although a secular country, with 237.5 million people, Indonesia has the world's largest Muslim population. After India and the USA, the third largest democracy. A middle-income country (US \$ 1700 GDP per head). G-20 member and influential within the Organization of the Islamic Conference (OIC). Major CO2 emitter because of rapid and extensive deforestation.

Indonesia has gone through a democratic transition in little more than a decade (since Suharto's overthrow in 1998). In 2009, peaceful parliamentary and presidential elections entrusted President Yudhoyono with a second (and last) five year mandate. This sets an example for the region and for Burma in particular.

Indonesia seeks balanced relations with the US, China and Japan. Russia remains important as a provider of arms and civil nuclear technology. The EU has a lower priority.

Indonesia is the biggest country within ASEAN and its driving force. Next year, it will chair ASEAN. It has been the loudest voice within ASEAN calling for free and fair elections in Burma/Myanmar. It has played a significant role in encouraging the US to increase its engagement in South East Asia.

**EU role/policy:** The EU is a major **trade and investment partner** and there is huge potential to develop that further. (EUR 20 billion in annual two way trade and EUR 50 billion accumulated investment). Also a **major donor** (reconstruction following the 2004 Tsunami and other natural disasters and development assistance). 200 million euro have been earmarked for 2011-2013, to continue support on education, environment and climate change, trade and investment capacity building and good governance. Moreover, the EU played a crucial role in securing a peace settlement in **Aceh** in 2005 and continues to support programs aimed at peace consolidation through the Instrument for Stability. (The latest contribution being a 3.5 million EUR to support the efforts of ex-President Ahtisaari's Crisis Management Initiative (CMI), addressing remaining weaknesses linked to the peace deal and reinforcing the key relationship between the Provincial Government and the Districts). **Airline operating ban.** Having now removed six airlines, including the state owned Garuda, from the EU blacklist, efforts continue to make progress in removing the smaller airlines. Garuda resumed flights to Amsterdam last July.

**Policy:** The EU wants closer relations with Indonesia. A Partnership and Cooperation Agreement was signed in November 2009 in Jakarta, the first in S.E. Asia. Pending ratification (about two years), both sides will try to advance work in some of the fields of cooperation foreseen in the PCA such as research, transport, competition, etc. Political dialogue is already well developed. The last Ministerial Troika took place in Jakarta in November 2009. Last June, the EU held a first official dialogue on human rights which was assessed very positively. Senior Officials and Political Dialogue meetings take place annually. The next ones are planned for December in Brussels.

**Relations with the US:** In July the US resumed co-operation with Indonesia's army special forces (Kopassus), highlighting their improved record on human rights in recent years, and underlining the wish of the US to strengthen its alliances in South-east Asia. President Obama has postponed a visit to Indonesia twice. He is scheduled to visit Indonesia on his way to the G-20 in Seoul.

### **Short and up-to-date description of the current economic and political situation in Indonesia**

Under President Yudhoyono Indonesia has enjoyed unprecedented political stability and a growing economy. The governing coalition remains fragile. The political outlook is not without uncertainties, with a rumoured Cabinet reshuffle and Mr Bakrie's ambitions for the Presidency in 2014. Reform efforts are overshadowed by the corruption challenge facing Indonesia, President SBY has repeatedly identified the fight against corruption as a major political priority. art 4.1(a) [REDACTED] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

[REDACTED] Decentralisation has been a major trend in Indonesia, accompanied by special autonomy measures for the provinces of Aceh, Papua and West Papua. The government largely regards the peace process in Aceh as a settled issue and is keen to present the province as "normalised". The EU remains a visible presence in Aceh, with Europe House serving as a focal point for the management of EU-funded programmes. Papua and West Papua offer a more volatile example of the complexities of special autonomy. It remains to be seen whether progress can be made on the dialogue between Papua and Jakarta, with efforts underway to

identify Papuan representatives for talks. Many Papuans have called for international involvement but, unlike Aceh, that is a matter of extreme sensitivity for Jakarta. Human rights concerns persist with respect to Papua. In general, however, there has been a substantial improvement in respect for human rights. Tension between religious communities appears to have grown worse in recent months, with attacks by hard line Islamist groups such as the Islamic Defenders Front (FPI) on Christians and Ahmadiyahs. art 4.1(a)

**Continued terrorist threat.** There is still an underlying terrorist threat despite progress in reducing Jemaat Islamia capabilities. In July the government established a new National Anti-terror Agency. Police was successful in uncovering an extensive new terrorist networks were in Aceh and across Java in the last few months. (EU financially supports the Jakarta Law Enforcement Centre).

**Need to grow economy.** 15% of Indonesian live below the poverty line and over 40% on less than two dollars a day. Indonesia was protected from the full effects of the global downturn by the relatively closed nature of its economy (it took new trade protection measures and used budget stimulus). Real GDP is likely to expand by 6.2% this year. However, employment growth is lagging population growth, with an estimate 2 million people entering the labor force each year.

### **Relevant facts and figures**

## **Indonesia**

**Population:** 231 million. Largest Muslim country in the world

**GDP per capita :** US\$ 4000 (at PPP 2009).

**GDP growth:** 6.3 % (Forecast for 2010)

**Public Debt:** 27.4 6% (estimated in 2009)

**Inflation:** 10.4%

**Population below poverty line:** 16.7%

**Unemployment:** 8%

**Trade:** Two way trade in goods and services amount to 20 billion euro. EU is the second largest importer, after Singapore, of Indonesian manufactured goods. Indonesia enjoys a 5 billion trade surplus.

**Investment:** EU FDI stocks, 13 billion Euro (2008). The EU is the first largest FDI investor.

**Executive:** The Presidency is the highest executive office, with direct legislative powers and authority to appoint the cabinet. The President, Susilo Bambang Yudhoyono who won a second mandate in the July 2009 elections, is the Head of State

**National legislature:** The People's Consultative Assembly (MPR) consists of a 550-member House of People's Representatives (DPR) and a 128-member Regional Representatives' Council (DPD)

**National elections** April 2009 (DPR). July 2009 (presidential). Next elections: 2014

**National government:** In the April 2009 election to the DPR, the Democratic Party (PD) of President Yudhoyono emerged as the largest party, with 26.8% of the seats in the DPR. Golkar came second, with 19.1% of the seats, followed by the Indonesian Democratic Party-Struggle (PDI-P), with 17%. Six other parties achieved the 2.5% share of the vote needed to enable them to take up seats in the DPR. President Yudhoyono's government contains representatives of the Democratic Party and a coalition of Golkar, PAN, PKS, PKB and the PPP.

**Main political organizations:** There are three nationalist secular parties, the PD, Golkar and the PDI-P. The other main parties have an Islamic orientation; they are the United Development Party (PPP), the National Awakening Party (PKB), the National Mandate Party (PAN) and the Prosperous Justice Party (PKS)

**Contact(s):** art 4.1(b) (RELEX)