

Meeting with the President of Indonesia, Dr Susilo Bambang Yudhoyono

Scene setter

- You last met President Yudhoyono in December 2009 in Brussels on his way to the Copenhagen Climate Change Conference. Your discussions focused on the potential for increased bilateral trade and investment and on the importance to reach a climate agreement.
- Both of you tasked a joint vision group of eminent persons to identify ways to expand trade and investment. The vision group has recommended starting negotiating a Free Trade Agreement that will be called Comprehensive Economic Partnership Agreement. (CEPA), encompassing trade, investment and capacity building. 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 Durban.
- President Yudhoyono began his second and last five-year term in October 2009 following a convincing victory in presidential elections. However, in Parliament, his Partai Demokrat (PD) coalition leads a fragile majority coalition. With his popularity declining, he reshuffled his government in October, asserting a greater degree of control over key portfolios. Competent macro-economic management by his Administration deserves credit. But his tendency to seek political consensus by making concessions has hampered his capability to address corruption and push for more reforms in the face of obstruction by interest groups.
- President Yudhoyono did not attend the ASEM Brussels Summit in October 2010 for domestic reasons. You were scheduled to meet him at the G20 in Seoul last year but he had to stay in Indonesia due to a major earthquake and volcanic eruption. On that occasion, ECHO released immediate humanitarian aid of 1.5 M€.
- As chair of ASEAN this year, Indonesia has tackled with aplomb important foreign policy challenges like the Cambodia/Thai border spat, the transition in Myanmar and the tensions in the South China Sea, where Indonesia persuaded China to agree a framework for discussions with the ASEAN countries.

Objective(s)

- Emphasize EU commitment to a strengthened partnership with Indonesia as an emerging global actor, moderate Muslim country and possible strategic partner. (cf. Partnership and Co-operation Agreement signed in 2009)

- Seek President Yudhoyono's endorsement of the Vision Group's recommendations for a Comprehensive Economic Partnership and Cooperation Agreement for his administration to proceed with the next step of scoping and negotiations.
- Call on Indonesia to agree to a "roadmap" in Durban towards a truly global agreement also covering emerging economies and the US – as simply continuing Kyoto will not be enough.
- Seek Indonesia's support on the conclusions agreed at the European summit on the resolution of the euro area debt crisis and on the proposal for a financial transaction tax.
- Welcome future collaboration in counter terrorism through EU funded cooperation and a regular dialogue on counter terrorism planned to begin next year
- Congratulate Indonesia on a successful year as Chair of ASEAN. Seek his views on South China Sea developments. art 4(1)(a)

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 promote cooperation in a wide range of sectors.
- Reaffirm the EU interest to increase bilateral trade and investment and reiterate the EU willingness to start negotiations of a Comprehensive Economic Partnership Agreement, including free trade, investment and capacity building support.
- Propose that President Yudhoyono gives his political go-ahead to the launching of negotiations in order to start with the technical work as soon as possible.
- Stress common interest in moving towards low carbon economies. Appreciate Indonesia's efforts to reducing emissions and its role in the international negotiations in view of making significant progress in Durban. .
- Welcome Indonesia's engagement in the G 20 process and congratulate on the country's economic progress. Ask for support on Europe's proposal on the financial transaction tax and on the need of the IMF to be adequately equipped to effectively play its role in crisis prevention and resolution.

Speaking Points (max 2 pages per subject in font arial size 24)

Bilateral Relations

- . I welcome the very good state of our bilateral relations. The Partnership and Cooperation Agreement (PCA) signed in November 2009 gives us a good boost to build on that. We expect the PCA to be ratified in early 2012.

- . We are working effectively in a wide range of issues: trade and investment, climate change, counter terrorism, human rights, interfaith dialogue. I am impressed by the fact that we initialled last May an agreement to prevent illegal exports of timber and improve forest governance. We also signed a horizontal aviation agreement last June that removes nationality restrictions in the bilateral air agreements between EU Member States and Indonesia. We continue carrying out our development cooperation mainly, in the education, good governance and trade support sectors (€ 450 million for the period 2007-2013)

- . We are increasingly faced with global challenges, the global economic situation, the debt and financial pressures in the EU, climate change, religious intolerance, terrorism, etc. We have therefore to work more and more together on the multilateral stage, not least in the G-20.

Trade and Investment

- We have a mutual interest in pursuing closer commercial ties. Our two-way trade will reach 23 billion euro in 2011. Our trade is complementary and both the EU and Indonesian markets offer a big potential to each other.
- I am very pleased that the Vision Group we tasked two years ago to present recommendations to enhance our trade and investment relations has recommended that we quickly start working on a Comprehensive Economic Partnership Agreement

(CEPA), (a broad version of a free trade agreement).

- We are ready to start the preparatory work necessary before the launch of formal negotiations (so called "scoping exercise").
- What is your view on this process? Are you ready to embark on this process or do you need more time for internal consultations? Should we instruct our trade Ministers and officials to move forward with the aim at launching negotiations early next year?

Messages on WTO (in case this meeting takes place before the summit)

- Continued stalemate on Doha creates a vacuum in the WTO. This is a major risk for the global economy and the multilateral trading system.
- We need to support an active WTO negotiating agenda. We should deliver results on Trade Facilitation, non-tariff barriers, dispute settlement

review and other issues that can move despite the industrial tariff impasse.

- We should also be open to consider what the WTO can do to address energy, food security, investment and other emerging global challenges.

ASEAN, East Asia Summit, South China Sea

- . Let me congratulate you on your successful chairmanship of Asean. You have been faced with difficult challenges: the Thai/Cambodia border conflict, the tensions with China and some Asean Members in the South China Sea. You persuaded China to agree a framework for discussions with Asean. How do you see this issue evolving? We hear that some Members want to raise this issue at the East Asia Summit
- . The EU has a long standing partnership with ASEAN and we want to develop it further. We are

advancing in negotiations for Partnership and Cooperation Agreements as well as for Free Trade Agreements. We want Asean to succeed in its integration efforts. What is your assessment of the Asean progress towards economic integration by 2015?

- We welcome the open character of the East Asian Regional Architecture, with Russia and the US taking part for the first time in the East Asia Summit. The EU has much to offer to East Asian regionalism. We want to deepen our engagement with regional fora. What are your expectations from the East Asia Summit on 19 November?

Counter-Terrorism,

I welcome that our Administrations have been carrying out preparatory work towards the establishment of a regular EU-Indonesia political dialogue on counter terrorism. This is in line with

our Partnership and Cooperation Agreement which includes counterterrorism as one of the key cooperation sectors and with the ASEAN-EU Joint Declaration on Cooperation to Combat Terrorism in 2003.

I look forward to the initiation of this crucial dialogue at the right level in 2012.

I am also very glad that we are about to begin a 2 million euros cooperation program with south East Asian countries in this field. Through this regional program, the EU will work with the Indonesian National Counter terrorism Agency to assist in enhancing its coordination capacity and in addressing the issue of radicalization especially of the young.

Defensive Points

Question? Following Mrs Giorgieva's visit in September, Indonesia would

like to see closer bilateral and Asean cooperation on Disaster management.

We are looking to enhance our cooperation with Asean on disaster response as discussed recently by Commissioner Georgieva with Asean.

We are looking at concrete activities in the Asean framework, such as experts' visits, comparative studies between EU and ASEAN civil protection mechanisms as well as the role Asean may play in the various meetings next year celebrating the 20th birthday of the EU Humanitarian Aid Agency (ECHO).

We count for all this with the help of Indonesia and its extensive experience on disaster management.

Question? Why Europe doesn't engage to a second Kyoto commitment period?

- On the legal form of the future climate regime, the EU is attached to a rules-based approach, and is open to a second commitment period under some clear, strict, conditions. Conditions were clarified in the recent Environment Council Conclusions. The EU cannot commit legally to a second Kyoto commitment period alone – this would not solve the environmental problem, as the EU represents only around 11% of global emissions.
- The EU openness to a second commitment period is conditional to the following:

- The UN Climate Change Convention should adopt a roadmap for a multilateral legally binding rule based framework to be completed by a clear timeline taking into account the review process of the Convention (i.e. 2015). Under this framework, all major economies shall take mitigation commitments.
- Existing Kyoto rules should be improved, to address its weaknesses and ensure environmental integrity

- In order to agree to such a roadmap for a multilateral legally binding rule based framework in Durban, we need Indonesia's leadership.
- We welcome the fact that Indonesia presented its pledges for emission reductions in the context of the Cancún Agreements. We encourage Indonesia to continue to engage in a transparent dialogue on its pledges in the UNFCCC context.

Question? We would like to see a liberalisation of the Schengen visa policy to Indonesian passport holders.

- I am in favour of easing the circulation of bona fide persons between the European Union and Indonesia.
- I understand that your concern is mainly about the current requirement of prior consultation among Member States which sometimes delays

issuing Schengen visas and the treatment of diplomatic passports.

- These two issues are the competence of Member States. Nevertheless, the Commission services in charge of migration issues are trying to make progress on this particular case. I understand that they will convene a technical meeting with Indonesian counterparts in the near future to look at the possibilities for practical improvements on visas for holders of Indonesian ordinary and diplomatic passports.

Background

Although a secular country, with 238 million people, Indonesia has the world's largest Muslim population. After India and the USA, is the third largest democracy. A middle-income country. G-20 member and influential within the Organization of the Islamic Conference. 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 Myanmar in particular.

Indonesia has become more prominent in international organisations in recent years. It was elected this year to the UN Human Rights Council and takes pride in its work in the G20. It is the biggest country within ASEAN and its driving force. It holds the Asean chairmanship this year and has been performing quite efficiently so far. It has played a significant role in encouraging the US to increase its engagement in South East Asia. Indonesia seeks balanced relations with the US, China and Japan. Russia remains an important provider of arms and civil nuclear technology. The EU has a lower priority.

Trade. The EU is a major trade and investment partner and there is huge potential to develop that further. The bilateral trade is complementary, not in competition and it exceeds EUR 20 billion per year, with Indonesia enjoying a EUR 7 billion surplus; the accumulated investment is over EUR 50 billion

Cooperation and humanitarian assistance, The EU is a major donor and has reacted promptly in cases of natural disasters with substantial assistance following the tsunami in 2004 and the 2006 and 2010 earthquakes. The EU has also been funding for the last 12 years community-based disaster preparedness activities in Indonesia, through its Disaster Preparedness Programme. An amount of 200 million euro was allocated for 2011-2013 to continue support on education, environment and climate change, trade and investment capacity building and good governance.

Aceh. The EU played a crucial role in securing a peace settlement 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).

EU Policy: The EU wants closer relations with Indonesia, which is considered as a possible strategic partner. A Partnership and Cooperation Agreement (PCA) was signed in November 2009 in Jakarta, the first in S.E. Asia. The ratification by MS is expected to be completed in early 2012. Meanwhile, both

sides are already working in some of the fields of cooperation foreseen in the PCA like counter terrorism, migration and visa issues, trade, forestry. Political dialogue is already well developed. The HR/VP has met bilaterally with Minister Natalegawa in various occasions in the margins of regional or international meetings. An annual human rights dialogue held already twice is already taking root in the framework of bilateral relations. Senior Officials (SOM) and Political Dialogue meetings take place annually. The next SOM will take place in November in Indonesia.

Climate change and environment. Indonesia is among the 10 top greenhouse gas emitters in the world mainly due to deforestation, land use change, peatlands degradation and forest fires. Key contributors also are the oil palm and the pulp and paper industries. The Indonesian Government is increasingly aware of the global challenge of climate change and the country's own vulnerability. If no action is taken Indonesia's emissions are expected to increase by about 156% by 2030. The country's target is to achieve a 26% reduction of GHG emissions by 2020 against Business As Usual (and a reduction up to 41% if international support is provided).

Indonesia has moved forward in the direction of establishing a low carbon development strategy, in drafting a legal framework for REDD+ and forest carbon projects. However, horizontal and vertical government coordination on these issues is very weak.

The EU and Indonesia initialed last May a voluntary partnership agreement (VPA) to tackle the problem of illegal logging and to improve market opportunities for Indonesian timber in response to new market regulations in the EU, the US and other consumer markets. The VPA sets the laws applied to the Indonesian forests sector and provides for control and verification procedures ensuring that timber and timber products exported from Indonesia to the EU are legal.

EU Airline operating ban. After the removal of several airlines from the EU black list, Garuda resumed flights to Amsterdam last year. Efforts continue to make progress in removing the smaller airlines. An EU aviation agreement was signed last removing nationality restrictions.

Relations with the US: The US has noticeably increased his engagement with Indonesia and the Asean region. Last year 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 visited Indonesia last year and is scheduled to attend the East Asia Summit on 19 November in Bali.

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

Political. President Yudhoyono (SBY) has succeeded so far in holding together a disparate and fragile six party coalition. art 4.1 (a)

He is perceived as unable to address corruption and proceed with

reforms over the vested interests of various groups. His popularity has declined significantly – to 38 %. He reshuffled his Cabinet in October aiming at consolidating control of key portfolios and at improving relations with the main coalition party.

The economy is booming powered mainly by the commodities boom and a burgeoning middle class, with an estimated GDP growth of 6.4 % in 2011; exports increased by 33% in the first half of 2011, inflation is low and foreign investment has substantially increased.

Aceh and Papua. Decentralisation has been a major trend in Indonesia, accompanied by special autonomy for the provinces of Aceh and Papua. However, the political situation in both provinces remains turbulent. In Aceh, tension is growing over the preparations for the local elections for Governor and mayors set for 24th December. Partai Aceh, the main political force is threatening to boycott the polls if independent candidates are permitted to stand. This aims at preventing their incumbent rival Governor Irwandi to run for a second term.. The EU is still funding various projects to support the consolidation of the peace process including the work by President Ahtisaari to promote dialogue among stakeholders and solve contentious issues stemming from the implementation of the Helsinki peace agreement that ended the conflict. Papua is a volatile example of the complexities of special autonomy. There was positive movement on Papua earlier in the year, with the government's decision to form a new *Unit for the Acceleration of Development in Papua and West Papua* and reasonable prospects for discussions between the central government and Papuan representatives. However, the violent break-up by law enforcement authorities in late October of the Third Papuan Congress – which had provocatively attempted to declare independence – has set back prospects for a settlement.

Continued terrorist threat. Indonesia has made progress in tackling terrorism. Jemaah Islamiyah has been significantly dismembered In addition to killing several key ringleaders, over 600 suspects have been arrested and more than 450 prosecuted since 2002. Nonetheless, the recent suicide bombing of a church in Solo illustrates that the terrorist threat remains pronounced. [REDACTED]

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ASEAN. Indonesia has won plaudits for its skilful Chairmanship of ASEAN, so far. (role in Cambodia/Thai border spat and on tensions in the South China Sea

Relevant facts and figures



Indonesia

Population: 238 million. Largest Muslim country in the world

15th largest world economy 0

GDP per capita : US\$ 3000

GDP growth: 6.4 % (Forecast for 2011)

Public Debt: 28 % of GDP.

Inflation: 4.6%

Population below poverty line: 12.5 % (30 million)

Unemployment: 7.4% (informal employment accounts for 69 % of jobs)

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: FDI over 16 billion dollars euro (2010). 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) (EEAS)

