

**CENTER FOR
STRATEGIC AND INTERNATIONAL STUDIES (CSIS)**

**STATESMEN'S FORUM:
EMERGING OPPORTUNITIES IN U.S-INDONESIAN TRADE**

**WELCOME:
JOHN HAMRE,
PRESIDENT AND CEO,
CSIS**

**MODERATOR:
CHARLES FREEMAN,
FREEMAN CHAIR IN CHINA STUDIES,
CSIS**

**SPEAKER:
GARY LOCKE,
U.S. SECRETARY OF COMMERCE**

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JOHN HAMRE: Good morning, everybody. Thank you for coming. We're delighted to have you here. I'm very pleased to be able to welcome Secretary Locke. My name is John Hamre. I'm the president at CSIS. And when we reached out to Secretary Locke, I played every sympathy card I could reach for. You know, I said, we've got an Asian American president, we have an – first Asian American who is secretary of commerce. Certainly, you need to come and give us an insight into the president's trip. And fortunately, Secretary Locke said yes.

Now, of course, he's a – he says yes to almost everybody, which is the hallmark of his tenure here in Washington. He's been an exceptionally effective and active secretary of commerce. It really follows a pattern that he set, of course, when he was governor in Washington.

He made national news as a governor and that's not typical. And it was because of the outreach that he took for the state of Washington on a global basis. And I think led over 10 delegations to expand the footprint for Washington business and, of course, then he's brought that energy now to the Obama administration and to the United States.

We're really lucky that he would give us the time to be here. I just heard on the way in that he's got a sick kid at home and so his whole calendar has been readjusted. I don't know if that meant you had a chance to prepare a speech or not, Governor, but we're – Secretary – but we're delighted that you're here.

Let's get on right with this program so that we can hear you and especially get some insight into what's going to be happening with the president's trip to Southeast Asia. Thank you very much for coming in, Governor. We're delighted to have you here. Please welcome the secretary of commerce. (Applause.)

SECRETARY GARY LOCKE: Well, thank you very much to John for the introduction. It's really a pleasure to be here. I'd like to make sure that we have time following my remarks to engage in a Q&A with all of you and Charles Freeman and myself. And so we'll try to just get under way. And again, thank you, John, for the introduction and all your great work on the Center for Strategic and International Studies and for your past service to our country.

It's really good to be here to talk about emerging trade opportunities with Indonesia, especially because trade with Asia has been a focus of mine long before I arrived at the Department of Commerce, as John alluded to.

Before moving to this Washington, I was governor for eight years in the other Washington – and back there, we say it's the better Washington – Washington state. It's the most trade-dependent state in America, where one out of every three to four jobs is tied directly or indirectly to trade – international trade. And so after I left office, I became a partner at a law firm that also focused on international business, primarily with Asian countries.

When President Obama asked me to be his secretary of Commerce, I was eager and honored to continue my trade promotion efforts on behalf of the companies and the workers of the United States of America.

One thing I can tell you about this president is that he has a deep appreciation for the power of trade to revitalize America's economy and improve the quality of life and strengthen diplomatic alliances around the world. It's why he recently announced a National Export Initiative, which calls for doubling our exports over the five years, supporting some 2 million jobs. And it's a big part of the reason why early next week he is going to be traveling to Indonesia as well as Australia. These are two vibrant democracies and key allies in a very important part of the world.

As the President said in Tokyo last year, there has been a sense that, for some years, the United States has been absent from the Asia-Pacific region. That has not been and will not be the case with this administration. So it was no coincidence that Secretary of State Clinton made her first official trip abroad to Indonesia. And we understand that Asia must be a force for global stability and prosperity in the 21st century.

In Cairo last summer, the president called for a new beginning with Muslims around the world. And Indonesia, the world's most populous Muslim-majority country, is a key part of this strategy. It's a country that holds personal significance for the President and important strategic and economic interests for the United States.

Indonesia also is a key partner in our counterterrorism efforts. And it is a trading partner that holds significant potential. Indonesia's GDP grew 4.5 percent last year, while much of the world was actually shrinking and contracting. Through 2008, American foreign direct investment in Indonesia totaled virtually \$18 billion. And since 2005, two-way merchandise trade with Indonesia has grown by more than 43 percent and last year was worth more than \$18 billion.

And despite being off 10 percent from the 2008 levels, last year, Americans exported more than \$5 billion in goods to Indonesia. Which is why, when the president is there next week, he'll formally establish the U.S.-Indonesia Comprehensive Partnership – a blueprint for cooperation on a host of issues, from trade and investment to education as well as the environment.

Growing trade with Indonesia is a piece of the president's broader plan to create jobs here at home by growing market access abroad. This is the strategy he outlined in the National Export Initiative. And it's a plan to address a characteristic of the 21st century economy: Job creation in America is increasingly dependent on our foreign trade.

There have, of course, been previous endeavors by the U.S. government to elevate the importance of exports. But what sets the president's export initiative apart is that this is the first time the United States will have a government-wide export-promotion strategy with focused attention from the president and his cabinet. It has never been more important for American

companies to increase their sales to 95 percent of the world's consumers who live outside the borders of the United States. And here's how we plan on doing this:

Number one is through a more robust effort by the administration to expand its trade advocacy in all its forms. And that means educating U.S. companies about opportunities overseas; directly connecting them to new customers; and, number three, advocating more forcefully for their interests in government contracting processes.

As part of the National Export Initiative, the president's proposed 2011 budget includes a request to enhanced funding for both the Department of Commerce International Trade Administration and the United States Department of Agriculture by some \$132 million to educate farmers and businesses about the opportunities overseas and directly connect them to new customers.

As the president recently said, it's time for the United States, quote, "to go to bat for our businesses and our workers," end quote, especially when other countries are so vigorously advocating for their companies' interests abroad.

The second key element of the National Export Initiative is improving access to credit, especially for small- and medium-sized businesses that want to export. In particular, the president has called upon the Export-Import Bank – which enables critical financing when private banks are unwilling or unable – to increase its financing available for small- and medium-sized businesses by \$2 billion over the next year. The president wants Export-Import Bank to increase the funding available for our – on behalf of small- and medium-sized American companies from the current \$4 billion to \$6 billion.

The Small Business Administration will also play a very strong role in increasing financing available to small- and medium-sized businesses in ramping up and getting their production facilities – or just simply expanding to handle the volume of increased sales overseas.

And finally, the third key element of the National Export Initiative is making sure that American companies have free and fair access to foreign markets. The American people need to feel confident that when we sign an agreement that gives foreign countries the privilege of free and fair access to our domestic market, we are treated the same in their countries.

These steps will make it far easier for American companies to ramp up their investment in Indonesia. But these initiatives on their own won't be enough to realize the full potential of our partnership. Although trade with Indonesia has grown in recent years, Indonesia is still only our 28th largest export – or trading partner.

In fact, Indonesia does less trade with the United States than some of its smaller, less populous ASEAN neighbors, like Singapore, Malaysia and Thailand. In order to increase trade, it's incumbent upon Indonesia to make market-oriented reforms that will make it a more attractive market – not just for U.S. companies but really companies from all around the world.

These same reforms will help improve the quality of life for the people of Indonesia, who will then have access to goods and services that they don't have access to today. Economic nationalism, regulatory uncertainty, unresolved investment disputes, the lack of transparency give pause to American companies seeking to do business in Indonesia. And if Indonesia is looking for a partner to address these issues, the United States is eager to lend assistance because ensuring that increased trade actually happens requires a long-term partnership.

And that's something this administration is intent on seeing through. We are going to be playing a more active role in leading trade missions abroad and serving as an on-the-ground advocate for U.S. companies. It's a role that I am eager to play when, for instance, in May, I will be following up the president's trip by leading a trade mission of American renewable energy companies to Indonesia. This trip can be a model example of the mutual benefits of international trade.

On the one hand, Indonesia has a growing need for cleaner and affordable sources of energy. Indonesia has more than 230 million people and by 2050 the population is expected to reach some 280 million. What's more, Indonesia is the world's third-largest emitter of carbon. As its population swells, Indonesia's energy needs are going to skyrocket. And American companies can help Indonesia meet this energy demand and energy challenge.

The Indonesian government has already developed an aggressive blueprint for action on renewable energy. In four years' time, the government expects a 56 percent increase in overall energy investment. And in 15 years, 15 percent of Indonesia's energy is mandated by law to come from renewable energy.

The implications of this are clear. Indonesia is going to be a vast, steady market for green technologies. Ensuring that American companies play a lead role in this energy transformation is a priority for President Obama and his entire administration. There are regional neighbors, for instance, like China and India that are racing with us to meet Indonesia and the world's demand for renewable energy – a demand that's expected to increase by 50 percent by the year 2030.

And it will be hard enough to meet that demand using any form of energy that we can find. But we're not looking for just any old type of energy. The new energy has to be clean to avoid catastrophic climate change. And it has to be cheap to keep our economies growing. And having traveled across America over the last year and visited companies at the vanguard of this clean energy challenge, I have no doubt that companies in the United States have both the technology and the expertise to meet the world's needs.

Government simply has to – our U.S. government simply has to help connect those companies with those customers around the world. And when I go to Indonesia, I'll be taking with me some 10 to 15 firms that represent a cross-section of the U.S. clean energy industry.

Indonesia is home to 40 percent of the world's known geothermal resources. But there is a great potential for biomass, photovoltaic renewable energies as well. In fact, to reach its 15 percent renewable energy threshold by 2025, Indonesia has called for 5 percent of that energy to

come from geothermal sources, 5 percent from biomass and 5 percent from other sources. So Indonesia is – has announced some very bold steps, one that can – and really must – be met with equally bold initiatives from U.S. companies.

America already has a strong foundation of cooperation to build on, as evidenced by our close trading relationship with ASEAN countries. Increasingly, this region is becoming one of the most vital U.S. trading partners. Last year, trade between the United States and ASEAN countries reached \$145 billion. If the ASEAN region were a single country, it would be our sixth-largest trading partner.

And the Office of the United States Trade Representative is, as we speak, negotiating to open markets with ASEAN nations through the Trans Pacific Partnership, an agreement that could set a new standard for trade agreements with strong labor, environmental and market-access standards.

Growing this relationship has been a particular focus of the president and his administration. In November, I joined President Obama and several cabinet members in Singapore to take part in the first ever US-ASEAN Summit. And since coming to Washington almost a year ago, I've met with ambassadors from every ASEAN nation as well as ministers from Indonesia, Vietnam, Thailand and Singapore.

And later this spring, Ambassador Kirk will be accompanying several ASEAN economic ministers on a tour of the United States to promote increased economic cooperation. So these are all significant steps that the Obama Administration is pursuing. If they lack the widespread attention that has characterized United States ventures into different parts of the world, it's because building strong, lasting ties takes time.

In Cairo last June, the president talked about re-engaging the Muslim and the developing world. And he called for trust to be built upon shared values and commonalities. The real work of relationship building happens in face-to-face interactions. And it often happens between businessmen and women who can only do business if they trust one another and indeed if they know of each other's culture, history and language.

There are certain forces in the world that would seek to drive a wedge between the United States and Indonesia, but the bonds of commerce and of people-to-people exchange can be even stronger. For everyone here who seeks to increase U.S.-Indonesia ties, I can assure you, you have a supporter and a friend in the Obama administration. Thank you very much. (Applause.)

CHARLES FREEMAN: Thanks very much to Secretary Locke for those remarks. I appreciate it. We're going to open it up to questions from the audience, but let me take the prerogative of asking the first. I think you rightly raised the impressive amount of FDI going into Indonesia and trade from the United States, but you also recognized some of the challenges that are out there that our companies face.

And if you look at challenges in ASEAN that our companies point to, Indonesia has – represents more than 50 percent of the challenges on the transparency side of the equation, on the

investment side of the equation and others. Given the renewed attention of the administration to the Indonesia relationship, what sort of mechanism are you thinking about to address some of those challenges and to, as you suggest, become a partner to Indonesia as they deal with those challenges?

SEC. LOCKE: Well, we're looking at trying to reach an investment framework agreement with Indonesia. And that would really address, I think, some of the key concerns that business groups have about doing business in Indonesia. Obviously, from the meetings that the president will have – and he'll be focusing a lot on the commercial relationship and commercial opportunities while he's in Indonesia.

But those face-to-face meetings with high government leaders, expressing the issues most of concern to the United States, which is transparency, predictability, regulatory reform, rule of law – those are the issues that I think if we can make progress with the Indonesian government, then that really sets the stage for success by American companies.

And not just American companies, but international companies. And given the fact that Indonesia has such great needs and has great desires, especially with respect to energy, with trying to feed and improve the quality of life of a growing population, they're going to need help and they want help from companies all around the world.

MR. FREEMAN: Thank you. I should – I'd like to introduce myself. I'm Charles Freeman. I'm – run the China program at CSIS, but I'm here for Ernie Bower, who runs our Southeast Asia program. I don't want to give you the impression that CSIS thinks that ASEAN is – or Indonesia is part of China's backyard necessarily. Can I take questions from the audience? Sure. Can you wait for the microphone, identify yourself and –

Q: Hi, I'm Professor Bernard Gordon, University of New Hampshire. Good morning, Governor – I'm sorry – Secretary. (Chuckles.) I've been a long-time follower of ASEAN. I did books on Indonesia and ASEAN and so on. But in my other role, I work on trade matters. And I've been very much a follower of the Doha trade round.

And so my obvious question – I think it will be obvious to you is – where in the whole range of trade matters – we're looking now at the trans-Pacific partnership and all these things – is Doha really being relegated? I know you're not going to agree with that, but where in this whole pattern do you see the overall trade negotiation in connection with the trans-Pacific partnership and the Indonesian relationship?

SEC. LOCKE: Well, let me just say that the president and Ambassador Ron Kirk of the United States Trade Representative's Office is very keen on moving forward on trans-Pacific partnership. And as Ambassador Kirk phrases it, he thinks it's a transformational opportunity for a very groundbreaking trade agreement – the trans-Pacific partnership – that would then become a model for all future trade agreements with high standards on labor, environment and market access.

Having said that, he's also very committed – and the president is very committed – to trying to conclude a balanced and ambitious Doha round. The president and the administration very much feel that, obviously, we need to help the very, very developing countries, or the very poor developing countries be able to sell their goods all around the world as part of their economic recovery or as part of their economic progress, to raise the standard of living for the people of those very poor developing countries.

But there are different degrees of developing countries, and we need to make sure that countries like China, India and Brazil are truly open, and reciprocate with openness to the developed countries, like the United States.

MR. FREEMAN: Other questions?

Q: Yeah, Tom – (inaudible, off mike) – with Bloomberg News. Two weeks after the president's visit, the prime minister – (inaudible) – China, as well. He'll be making some of the same pitches. I'm wondering what you think in terms of the calendar. Is this a race against the clock or do you think American companies can survive on their own merits? Just talk in general about the Chinese visit on the heels of the president.

SEC. LOCKE: Well, I don't think it was – these visits, in any way, were set up to compete against each other. The president has long wanted – has long been invited by the Indonesian government to visit that country, and it has a very special significance for him, personally, having grown up there as a boy for several years.

And I know that when we were in Singapore with the president during the APEC summit, that he had a long meeting with the Indonesian government and their delegation, and they were very excited about the president's trip. In fact, they were a bit disappointed that he was not able to swing by Indonesia during that particular timeframe. So you know that all these trips are planned many, many, many months in advance. So I don't see –

Q: I guess, is there more added urgency to the president to make his pitch because the Chinese will soon – (inaudible, off mike)?

SEC. LOCKE: Well, you know, each country is always going to be sending various high-level government officials to these various countries. And if it's not the Chinese government, then it could be the French government or the German government, and others. So – but we simply know that China is growing in economic stature and is increasing its trade all around the world – Southeast Asia, as well as Latin America and Africa.

But U.S. companies, I believe, have products and services that are in great demand – highly valued all around the world, and especially in Indonesia. And we have incredible technology and expertise, especially in the clean energy/alternative energy/energy efficiency area, that the Indonesians are very much interested in. And there's a great opportunity to partner with this. But we can't simply just expect that American companies know how to do it.

That's the purpose of these trade missions, to actually lend some stature to these U.S. companies with visibility from our visit – high-ranking government officials, whether the Department of Energy, the president himself, to the Department of Commerce. But that's the whole point of the president's national export initiative.

We, as a nation, compared to many of the other advanced countries, export much less. And yet, there are growing markets and opportunities and demand all around the world for products and services and crops produced in America. And so these are win-win opportunities where we can help sell American products, services and crops, raise the standard of living, improve the quality of life for people around the world and create jobs here in America. That's what the national export initiative is all about.

And part of – and to accomplish the president's goal of doubling exports over the next five years, we have to simply be stronger in advocacy, helping connect U.S. companies to potential customers and buyers around the world, and promoting and giving visibility to American companies, products, services and crops by trade missions – using trade missions. Yeah?

MR. FREEMAN: Wait for the microphone.

Q: Hi. My name's Daniel Wrenches (sp). I report from Washington for Channel News Asia Television. A lot of people in Asia see or hear what's going on in U.S. Congress, and it concerns them – about the messages that are being sent out from Washington about trade. Do those mixed messages, sort of, make your job more difficult? And also, the possibility of being able to breach these big trade agreements in the future, given the sort of heady mix in Congress?

SEC. LOCKE: Well, I don't think that they send contradictory messages. I think that these messages and the concerns of the members of Congress and the American people underscore the desire that the American government places with respect to fair and open access to foreign markets, and that countries have to abide by international rules and regimes.

That's all part of the WTO – that when countries become members of the WTO, that there are international agreements and standards that all countries, including the United States, must abide by. And if the United States or another country, whether France, Germany or Mexico, or China or Canada, violate those rules, then there are certain consequences that follow.

Q: There's a perception that Congress is not that happy about signing onto the trade agreements.

SEC. LOCKE: Well, you know, the Congress has passed trade agreements. And of course, the three pending agreements do have some issues that even the president has raised, whether it's the issue of violence against labor leaders in a country, or even some very specific issues on tax and transparency. I mean, there are some issues that have to be resolved that the U.S. Trade Representative's Office is working on. But the president is committed to these trade agreements and wants to have them perfected before taking them to the Hill.

MR. FREEMAN: Yeah, just here.

Q: Hi. I'm Sophie Richardson from Human Rights Watch. And I actually wanted to ask a question –

SEC. LOCKE: Oh, just put it up closer.

Q: Thank you. A question that's rather about imports from, rather than exports to, Indonesia, and whether you would support broadening the applicability of the Lacey Act, which, as you know, pertains to prohibitions on importing illegally harvested timber. And the problem with respect to Indonesia is that the act really only applies – because it's very narrowly defined – it really only applies to about 20 percent of the wood products that come from Indonesia.

And I ask partly because broader applicability, in our view, would help push a number of issues that, as far as I can tell, are of interest to the administration, particularly with respect to trade issues inside Indonesia, about the rule of law, about fighting against corruption, things like that. Thanks.

SEC. LOCKE: Well, those are all issues that will be discussed in the meetings during our trade mission. And it's an issue that's constantly being raised by State Department and all the other agencies of the United States government.

Q: Would you support broadening the applicability of the act?

SEC. LOCKE: Well, I need to – I don't know that I can give you a definitive answer at this point. I mean, we are concerned about the issue of over-harvesting of timber, and not just in Indonesia, but around the world, and what it does in terms of sustainability, environmental degradation, as well as the ability of the planet to absorb carbon. And so those are all much broader issues, and we have different ways in which we try to address those issues.

MR. FREEMAN: Just up front here. Sorry, can you raise your hand again? Sorry.

Q: I'm Sarah Hayden. I write – (inaudible, off mike) – report for Market News International. ARIAS (ph), Alliance for Jobs and other clean energy companies and alliances in the U.S. have said that in order to succeed in exporting our clean energy, and in agreements with other countries, that we, ourselves, need an energy policy here in the U.S. And what would you say to that? Is this something urgent, that we're going to need an energy policy to be successfully be able to export energy to Indonesia?

SEC. LOCKE: Well, I clearly think that we need an energy policy in the United States. We have – from all of my discussions with industry leaders, investors – they are clamoring for an energy policy. Because too many companies – too many investors are now sitting on the sidelines, not knowing if they should devote their resources, energy, investments into, for instance, technology A, sector A, or sector B.

And they don't want to do anything until there's a clear indication for the Congress, because, why invest and pursue technology A if, ultimately, U.S. policy favors technology B? And so, so many people are simply sitting on the sidelines, waiting. In the meantime, countries like China, Germany and so many countries in Europe are racing ahead. In fact, China is spending almost – some \$9.5 billion per month supporting the development of their own clean energy sector.

And they're doing this not just to meet the energy needs of China or to reduce their emission of greenhouse gases, but they're doing this to really become the world's supplier of green energy to the rest of the world. And the longer we wait, the farther ahead China or Germany will have – the bigger the head start they will have.

And you know, if we don't watch out, in three or four years, we're going to wake up and say, how is it that Berlin or Shenzhen or Shanghai have become the next Silicon Valley of clean energy, with all the millions of jobs in clean energy in their country, and we have very little? So that's why it's imperative that we develop and pass an energy policy. We can all debate what that is, but we need an energy policy so that people have clear signals in which areas and technologies to invest in, and to pursue and develop.

MR. FREEMAN: Here – the young lady.

Q: Good morning, Mr. Secretary. Thank you. Pinsuta Alexander (sp) from the U.S. Trade and Development Agency. And I was wondering if you were aware – and speaking about opening up Indonesia's energy markets – if you're aware of any efforts to facilitate the development of power purchase agreements between –

SEC. LOCKE: I'm sorry. You're speaking a little bit too quickly. I can't pick up your words from the microphone.

Q: Sure. I'm Pinsuta Alexander from the U.S. Trade and Development Agency. And with regards to speaking about Indonesia's energy markets and opening it up to potential investors and exporters, are you aware of any efforts to cooperate to be able to facilitate the development power purchase agreements between independent power producers and the state-owned power utility, PLN?

SEC. LOCKE: Am I aware of what?

MR. FREEMAN: Power purchasing agreements.

Q: Any efforts to facilitate the development of power purchase agreements between independent power producers and the state-owned utility.

SEC. LOCKE: I'm not personally aware of that, and that's really something that our U.S. Department of Energy is most expert in and focuses on. I can just tell you that we have, for instance, just received the expressions of interest and applications of various energy – clean energy, energy efficiency and energy development companies to participate in our trade mission.

We've had hundreds and hundreds of requests to participate, and we're narrowing that down and consulting, for instance, with the U.S. Department of Energy to review those applications and to see what would be most beneficial and most of a win-win between the United States and Indonesia, including the sector that you just referred to.

MR. FREEMAN: Yeah, we've got time for two more questions, so – just here. Over here.

Q: Thanks. I'm Sean Tannen. I'm a reporter with AFP. Similar to a question earlier, you mentioned that there's going to be a comprehensive partnership agreement in Indonesia. I was wondering if you could expand a little bit on what that would mean, and whether you expect any specific deals, commercially, to be signed during the president's visit.

SEC. LOCKE: That is for the White House to announce as part of their visit, but again, the partnership, hopefully, will be a blueprint for cooperation on a whole host of issues, from trade to the environment to investment to education. So we leave that to the White House to give you more details, so stay tuned.

MR. FREEMAN: Okay, final question. Yeah.

Q: Hi. Doug Palmer with Reuters. And I apologize because you probably touched on this in your opening remarks, but two-way trade between the U.S. and Indonesia right now is something like \$18 billion. And then, when you look at two-way trade with China, that's something like \$360 billion. Just what are the biggest impediments that are holding back trade between the U.S. and Indonesia right now, and how do you hope this trip will turn it around? I apologize, because you probably addressed that already, but if you could just –

SEC. LOCKE: Well, I think it's the issues of regulatory reform, transparency, issues of predictability, things like protection of intellectual property rights. But really, it's issues concerning the development of the rule of law, and especially transparency in the decisions of purchasing and contracts by the governments, whether the federal government, the national government, or the local governments.

When U.S. companies make an investment there – and we do have sizeable direct foreign investment in Indonesia – those companies want to know that the agreements, the ground rules upon which they relied when they made those investment decisions will, in fact, be long-term, and that there is predictability, and basically, that things operate under a rule of law.

MR. FREEMAN: Folks, please join me in thanking Secretary Locke for his remarks and for answering questions. (Applause.)

(END)