

**Remarks by U.S. Trade Representative Rob Portman
and Indonesian Trade Minister Mari Pangestu
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Ambassador Portman: Well, thank you all for being here today. Minister Pangestu and I just had a very good discussion of ways we can expand the trade and economic ties between the United States and Indonesia. We also launched a promising negotiation on a landmark agreement to combat illegal logging.

As some of you may know, Mari Pangestu is a very well respected economist. She is also one of the ministers I deal with on a regular basis and has a lot of respect among our group. She understands the importance of trade in expanding growth and opportunity. I've enjoyed working with her in our multilateral work through the WTO Doha Round, but also in our regional work in APEC and ASEAN initiatives and then, of course, bilaterally as we deepen and strengthen our friendship and our trade and investment relationship with one of the world's dynamic economies.

And we are making progress. Two-way trade between our countries now totals over \$15 billion a year – up almost 12 percent last year from the year before. And we are working to keep trade moving in that direction.

We are working through a number of issues as part of our TIFA, our Trade and Investment Framework Agreement, and we have dramatically intensified those efforts over the past year.

An important development in our work together concerns illegal logging as I mentioned. Just last June, we proposed an historic, first-ever bilateral agreement – through a memorandum of understanding – to combat illegal logging. Today, we agreed to launch formal negotiations on an agreement to combat illegal logging and illegal trade in endangered species.

This is a place where good trade policy and good environmental policy intersect. Illegal logging depresses timber prices and damages the environment. Together we will seek to take concrete steps such as increasing law enforcement and promoting public-private partnerships to tackle a pressing environmental problem while facilitating trade. We will work together as wise stewards of the environment and global markets at the same time.

A commitment to trade must be accompanied by the mechanisms to allow trade to flow smoothly. That is why we are also announcing today a Customs and Mutual Assistance Agreement that will help facilitate mutual cooperation on customs procedures. This agreement allows for the exchange of information, intelligence and documents that will ultimately assist countries in the prevention and investigations of customs offenses. It involves training personnel and establishing ways to address complications before they become problems. Such a framework is vital because of the explosive growth in the volume and complexity of international trade. That's a good thing. With these great demands, customs administrations rely on mutual assistance as a powerful investigative tool.

Finally, we agreed to support improvements that will help strengthen the investment climate in Indonesia. Indonesia has undertaken major reforms to this end and we will provide technical assistance that will help support their goal of eliminating corruption.

We are also working closely with Indonesia to crack down on intellectual property rights violations. Both of our countries have a stake in strengthening and enforcing rules. In my view, Indonesia has made progress in this area and we look for that to continue.

It is our hope that through all of these bilateral, cooperative efforts, we will be putting in place building blocks that will allow us in the future to consider even deepening our ties with Indonesia further through a free trade agreement.

On the strategic and regional side, we have worked side by side to push the WTO Doha agenda. Indonesia is a Member of Cairns Group, a respected member of the G33 – which is a group of developing countries who are concerned with agricultural trade. The Minister and I talked today about the need for urgent action to advance the DDA so that we do not lose this opportunity we have before us to realize real reforms, including in agriculture.

As a founding member of ASEAN, Indonesia has played an important role as countries in this part of the world have become more integrated. As we build on our foundation with Indonesia, we look forward to making progress in President Bush's Enterprise for ASEAN Initiative, which is aimed at creating new commercial opportunities in this region of over 500 million people.

I want to thank Indonesia and I want to thank Mari Patgestu particularly, for the assistance they have provided the U.S. in our relationship with the ASEAN countries.

These efforts complement the free trade agreement talks we recently launched with Malaysia and the Republic of Korea, an agreement we already have with Singapore and, of course, ongoing negotiations with Thailand. Asian countries and the United States will continue to be strong partners as economic transformations sweep through this part of the world.

As the largest majority Muslim country in the world – and the world's third largest democracy - Indonesia's continued engagement with its neighbors in the Asia - as well as in the United States - can serve as model for political cooperation between countries with diverse populations and different traditions.

We look forward to building on our strong political and economic relationship with Indonesia and are working together to spur economic growth, raise living standards and help the people of both of our countries.

Mari?

Minister Pangestu: Thank you, Rob. Good afternoon everyone. I am very happy to be here in Washington, D.C. on a beautiful spring day with cherry blossoms to welcome me. I am very happy here also to meet my good friend Rob Portman, who, I have only known for one year but I think through our intensive meetings, during the discussions in the WTO as well as in ASEAN and APEC meetings, I've grown to appreciate and respect Rob very much. I believe that we both remain committed to ensuring that the Doha development agenda will be successfully negotiated this year and we will be seeing a lot of each other this year to ensure that outcome.

I am also very happy to be here. This is my first official meeting here as a minister of the new cabinet which has been in place for 18 months. It is the first Trade and Investment Council meeting under the TIFA at the ministerial level since 2003. We believe that this is a sign of a stronger relationship between our two governments since the visit of our president in

Washington last May and it also follows very closely the visit of Secretary Rice to Jakarta just a month ago.

Prior to our meeting today, our senior officials from various agencies have had intensive meetings yesterday as part of the acceleration of the TIFA. This is the fourth such series of meetings. We are very happy to see the progress in various areas. We were able to share with the US side great progress on economic reforms, especially on the investment side as well as on the intellectual property rights. We have just created a national team, very much backed by the President to improve the enforcement of property rights which will coordinate policy enforcement and enforcement of property rights as well as socialization of IPR in Indonesia.

We discussed various issues including how we can strengthen and broaden trade and investment. We discussed yesterday amongst our officials as well as today, concrete measures to cooperate in preventing improper transshipment of Indonesian commodities to the US like shrimp and textiles. Possible solutions of some agriculture issues like automatic detention of Indonesian coca imports and US beef exports to Indonesia. We also further explored how Indonesia can access the Millennium Challenge Account to provide capacity building which will support and endorse greater trade and investment relations.

We also welcome, as already pointed out by Rob, the significant progress in the negotiations of illegal logging and the Customs mutual assistance agreement, as well as possible discussions on the bilateral investment treaty and a MOU on textile transshipment.

We are obviously happy to see that these are potential building blocks towards achieving a free trade agreement between our two countries of which the possibility will be further discussed in future meetings.

Finally, apart from seeing Rob on this visit, I've also gone over to the State Department and the Secretary of Commerce as part of a broader economic strategic dialogue that the two sides wish to develop, building on the various visits at the top leadership as well as building on Secretary Rice's visit from Jakarta.

We obviously look forward to continuing our broader and strategic engagement with the U.S., not just bilaterally but also in the ASEAN context, in the APEC context, as well as in the WTO.

Thank you.

Ambassador Portman: Thank you, Mari. We're busy, aren't we?

Minister Pangestu: Yes. [laughter]

Ambassador Portman: Questions?

Question: I wondered if both you could talk a little bit more about the transshipment issue. Are these Chinese goods that are coming through Indonesia? What exactly did you agree to today?

Ambassador Portman: We did not agree that there were any particular goods coming at this point, but we did agree that this is a potential problem that we need to address. I believe in the Minister's comments she mentioned textiles, so appropriately that is one of the issues we're concerned about, and particular transshipments from other Asia countries including China. So

this will enable us in the area of textiles in particular, but also in the area of other products, to ensure that we have the capacity building, as the Minister has said, and have the cooperation in terms of information sharing to avoid problems going forward with regard to transshipment.

Would you like to add to that?

Minister Pangestu: Just that the cooperation will involve both sides working on various issues. On the Indonesian side we will be doing a lot of improvement of the issuing of certificates of origin as well as capacity building of our Customs and other authorities that are involved in signing off on shipment of goods, and on the US side we are looking at the exchange of information between our Customs officials so that there can be, if you like, early warning signals for any potential transshipment.

Question: Mr. Ambassador, what do you think on the reform of the Indonesian government to stop the piracy of copyrights? Do you have [inaudible]?

Ambassador Portman: Can you repeat the middle part of the question, sir?

Question: Yes, sir. What do you think of the reform of Indonesian government to stop the piracy of copyrights?

Ambassador Portman: As I said in my opening remarks, I am personally impressed with the work that's been done in the last year and particularly in the last few months with regard to enforcement. This has to do with copyrights but also intellectual property generally. It has to do with being sure that the right laws are in place but also that the enforcement follows that and the implementation of the law is properly done. We discussed that today and I had already had the opportunity to discuss this with the Minister last fall in terms of the plans that Indonesia had in place, and we were pleased to hear today that there has been additional progress.

Question: You both mentioned the possibility of a Free Trade Agreement. How close or far away are you to that?

Ambassador Portman: I thought you might notice that. [Laughter]. I will let Mari answer this perhaps more extensively.

But as you know, we have just launched some major new free trade discussions and we did so after a considerable amount of discussion with those countries. Malaysia would be an example and so would Korea. That's what we are doing now. We're beginning these discussions in earnest. We are working on issues like Customs issues, like intellectual property issues, like investment, all of which as you know are issues that are involved in our Free Trade Agreements. We tend to have quite comprehensive, far-reaching free trade agreements and my own view is that the way to maximize success ultimately is to be sure that we are well prepared when we launch discussions. So we are not prepared to launch yet, but we are starting down this track which is mutually beneficial, I believe, so that both parties can see what the potential benefits are and what potential challenges there might be in such a Free Trade Agreement.

So it was a very good discussion today, and I look forward to making further progress in these specific areas that were mentioned.

Minister Pangestu: Just very briefly that we are very encouraged that we have been able to accelerate the TIFA which is obviously one of the first steps before you even talk about an FTA, and we've made good progress. The three different areas that Rob already mentioned – investment, Customs, and IPR – are definitely areas that we will continue to work on because they will be important stepping stones towards an FTA.

We are also going to launch a study with the Institute of International Economics to study the costs and benefits of a US-Indonesia FTA.

Question: Madame Minister, I'd like to know from you, relations to foreign investments into Indonesia. The reason why many Indonesians are against foreign investments, and most especially from the United States?

Ambassador Portman, for you, you mentioned earlier that Indonesia is a [inaudible] trading partner. How and what is it exactly that the US can benefit from this partnership? Can you please elaborate your terminology on eliminating corruption?

Minister Pangestu: I don't think Indonesians are against foreign investment from the US. I think if you look at the numbers actually at the moment there is about \$10 million worth of US investment. A lot of that is in oil and gas.

I think what you are seeing is perhaps reactions much as you see in the US against the takeover of UNOCAL by CNOOC and the Dubai Ports Authority controversy. I think it's what you call nationalist reactions which are actually part of a society that looks at some of these issues in that particular way, but it doesn't mean that the society is against the investment. It is more about are these investments giving the benefits to Indonesia as they should be? And in some of these cases, environment, for instance has come up as an issue and the government is dealing on those issues with those companies in question.

Ambassador Portman: With regard to trade with Indonesia, our philosophy is that more trade is better going both ways. Why? Because we believe that by increasing exports to Indonesia we will be creating jobs here and they tend to be good paying jobs. Our export jobs tend to pay between 13 and 18 percent more on average, tend to have better benefits. We believe Indonesia is a good market for US products. The \$15 billion figure that I cited is impressive because it's an increase from 2004. On the other hand I think it's relatively low. I think there's potential to have much more trade. Our trade with China, as you know, is now over \$300 billion a year. Not that that's a direct comparison, but the point is there's an opportunity to have more and better trade where both parties benefit.

The wonderful thing about trade is it can be win/win. In other words we can be taking products from Indonesia, Indonesia has a surplus with us, there are products where our consumers can get lower cost products and more choices. Today I had an export delivered to me which was some coffee from Indonesia from Mari, and I'm not a big coffee drinker but my wife is, as are many of my USTR colleagues who depend on caffeine to get through my speeches. [Laughter].

So there are lots of opportunities to enhance that trade to the benefit of both of our countries where you can improve the economy, get more and better jobs by allowing each of us to export from the other what is lower cost or better quality. So we're very encouraged by that.

In terms of corruption, I don't know if I mentioned corruption in my initial comments or not, but I will tell you everything we're doing in terms of working with Indonesia would encourage more transparency, would encourage the very kinds of reforms that the administration in Indonesia is putting in place even without this enhanced relationship with the United States, and specifically with regard to our investment policies with regard to IPR. Ultimately IPR violations are consumer fraud. So what we're trying to do is to help Indonesia do what Indonesia would like to do anyway which is rid the country of consumer fraud and rid the country of issues that would make it less likely for foreign investment.

By the way, your question on investment – 5.3 million Americans work for foreign companies. The United States is welcoming of foreign investment. We think it's healthy to have foreign investment going both ways.

Question: I just wondered what you thought of Chairman Thomas' advice that you focus more on bilaterals? Is this evidence that you're following his advice? [Laughter]. And put less resources into the WTO. He argues that would make a better environment for approving TPA.

Then also, you're probably aware that you're being mentioned as a possible Treasury Secretary if Secretary Snow were to leave. [Laughter]. Don't you think that would send --

Ambassador Portman: I'll answer your first question.

Question: [Laughter]. -- a bad signal to the Doha Round if you were to leave before it's finished? [Laughter].

Ambassador Portman: That's your question? They'd probably be happy to have me go. [Laughter].

No, and that was off the record, please. [Laughter].

With regard to Chairman Thomas' comments, this discussion today and the deepening of our bilateral relationship with Indonesia is not solely in response to Chairman Thomas' comments yesterday. This was already scheduled. However, it is consistent with what we've been doing since I got here, which is we have been moving very aggressively on the bilateral front. I think it's critical to do both. To both enhance our multilateral relationships through the WTO, specifically the Doha Round.

But think about it, we resolved a TRIPS disagreement that had been out there for several years late last year. We continue to work in the WTO as you saw with our recent report on US trade policy in a very positive way. And we are taking the lead on Doha across the board. We're ambitious in agriculture, we're ambitious in so-called non-agriculture market access. We're ambitious in services, and we'll continue to push hard. I wouldn't have traveled to Brazil over the weekend if I didn't believe that the U.S. needs to be at the forefront.

I take from Chairman Thomas' speech one line I liked. He said, "We need to soldier on" in Doha. So even though he was not as optimistic as some on the prospects of a Doha Round, he did say we need to soldier on because it's important. It's the only way to get the universal reductions in barriers and tariffs. But at the same time as you've seen, Doug, we are very aggressive in moving forward on the bilateral front. We recently completed an agreement with Peru and Colombia, and we are moving forward with a hearing on Oman this week, hoping to

get the Oman bill to the floor as soon as possible. We are making a lot of progress with regard to Free Trade Agreement talks with Panama and Ecuador. As I noted earlier, we have ongoing discussions with three large economies already in Asia, so we are trying to be sure that we are staying very active in what is a rapid changing and increasingly integrated global marketplace while at the same time promoting the Doha Round. I don't think they're inconsistent, I think they complement one another.

Question: How close are the United States and Indonesia to signing a bilateral investment treaty?

Minister Pangestu: We are just at the stage where we have been given the model US, I think it's Data 2004 BIT, and we are just in the review stage. That's where we're at. So I can't say when or how close we are.

Question: Mr. Portman, will you agree to a request from some [inaudible] Democrats to launch an investigation into whether Australia's wheat exporters have broken a US trade laws [inaudible]?

Ambassador Portman: I think you were here when Minister Vaile was here recently and we had a discussion at this very podium. I said at the time, as did he, that this is a very serious issue, and the United States has an interest in it as do others. Australia is very focused on it.

When I met with Minister Vaile he told me that he would keep me updated on the investigation which he talked about here at this podium. I happen to have a call with Minister Vaile this week, in fact I think it's tomorrow or the next day.

Our objective in the Doha Round is very clear and it is consistent with the agreement in 2004 that we would have new disciplines imposed on state traders, specifically the elimination of the monopoly privileges enjoyed by state trading enterprises. We feel strongly on this. Our wheat growers understand we feel strongly on this. So we will continue as we have during the last year while I've been in this job to be sure that state trading enterprises is part of the overall export competition pillar in the Doha Round.

Question: So [inaudible] you'll pursue it through Doha rather than agreeing to what they're saying which is getting up a separate investigation?

Ambassador Portman: I honestly just received that letter I think last night or this morning, and I've looked at it briefly. But at this point I'm looking for an update from Minister Vaile on the ongoing investigation that is being done that he talked about here.

Question: Do you agree that those Senators say that AWB had shown a willingness to international trade law [inaudible]?

Ambassador Portman: I just don't know enough about it to be able to answer that, sorry.

Question: How soon do you hope to meet with Minister Vaile?

Ambassador Portman: I'll be speaking to him in the next couple of days.

Question: A follow-up on Doug's question. I'm not sure Chairman Thomas' point was so much that we're not doing enough on the bilateral side as it was we need to send a strong signal to the Europeans that we have other options if we can't get moving on the Doha Round. And that engagement is working. So that rather than sort of spinning our wheels in Doha we should show folks that we're turning our attention to other options.

In your opinion, is it going to take a drastic measure like that, or do you just plant people on pursuing the course that you're pursuing in terms of Doha.

Ambassador Portman: I don't think the Europeans or the Indonesians or others are not fully aware of the proactive US trade policy agenda. We don't try to hide it. We're transparent about it. We will continue to do what we think is in the interest of the United States and of the global trading system, in fact. By reducing barriers to trade through our bilateral agreements we are getting even deeper reductions and we're getting more and more countries around the world who are quite comfortable with the notion of more open trade and the benefits of it.

If you look at the reaction from our free trade partners to the Doha Round is one example. I don't know that I can speak for all of them, but those who are involved as Minister Pangestu has seen in the WTO talks, are very ambitious and very aggressive at looking to further reduce barriers. So I think it's complementary, as I said earlier, to the multilateral system. But I don't think there's anything the United States can do through our policy with a country to necessarily move the Doha Round forward. It takes political will on the part of other countries, and specifically it takes political will in the area of market access. Countries have to be willing to reduce their own barriers to trade and agree to a global formula that takes, for instance, in agriculture, the highest tariffs are found in agriculture, 52 percent average globally, and be willing to reduce those tariffs.

The United States is willing to do that. We have relatively high tariffs there too, 12 percent compared to our other tariffs. We need to be sure that trade distorting support is also reduced consistent with the Doha mandate. The United States has shown a willingness to take on that responsibility here and we need to see in the area of non-agricultural, or industrial tariffs, where the bulk of global trade occurs, a willingness to reduce those barriers.

By the way, Indonesia has been a leader in the WTO, as I said. They're also a leader in the G33 countries which is developing countries that have a particular interest in agriculture and particularly in subsistence farming. These are not easy decisions. This involves, as I said, political will and tough political decisions. That's what's required. It's not what the United States does or doesn't do in terms of our other trade policy, in my view.

Question: Following your trip to Brazil, where do things stand in your assessment with respect to meeting [inaudible]?

Ambassador Portman: I'm not encouraged. We did not make adequate progress. We made incremental, but not adequate progress.

One more question. Yes.

Question: I actually had a question for the Minister.

Ambassador Portman: Excellent. [Laughter].

Question: The EU has proposed elimination of export taxes as part of the NAMA talks. Obviously Indonesia is a large user of export taxes, particularly on wood and forestry products which are a couple of the products that are being targeted by this proposal. Any sense on, any worries or fears or any sense how much weight this proposal will carry?

Minister Pangestu: We'll certainly review the proposal, but Indonesia is not in excessive use of export taxes, so I think in a sense we have export taxes for specific reasons including to increase processing of these raw materials. There are other ways you can do that if we had to move on such a proposal. But right now we are still reviewing the proposal.

Question: Do you support getting rid of the export taxes at all or is that --

Minister Pangestu: We're still reviewing it.

Question: So you're open to it?

Minister Pangestu: I'd say I'm reviewing it. [Laughter].

Ambassador Portman: They sometimes put words in your mouth. [Laughter]. Sometimes they're better words than we have, so it's okay.

Thank you all very much.

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