

**Courtesy meeting with Indonesian
Ambassador to the EU
Mr Arif Havas OEGROSENO
28 February 2011**

Scene setter

This meeting is a courtesy call from the newly appointed Indonesian Ambassador to the EU (appointed as well to Belgium and Luxembourg) who presented his credential to Presidents Barroso in November 2010 and Van Rompuy in January this year.

Ambassador Oegroseno is a career diplomat with a background as professional lawyer, experienced in negotiating international treaties (has been involved in the 20th Conference of the UN Convention on Law of the Seas) and previously posted in Europe (Geneva and Lisbon). He belongs to a group of young diplomats, in their 40s, seen as the rising stars in the MFA, promoted into key functions and part of the same classes of the diplomatic training school as the current Foreign Minister.

His appointment coincides with a period of substantial improvement of the bilateral relations with Indonesia culminating with three successful events held in Jakarta last December: second EU-Indonesia business dialogue, third Working Group on Trade and Investment and finally the first meeting of the EU-Indonesia Vision Group.

This courtesy meeting will focus on the importance of a renewed dialogue between EU and Indonesia (the largest economy in ASEAN) and his Chairmanship of ASEAN this year. The progress of the joint Vision Group that will produce recommendations on how to improve bilateral trade and investments flows will likely be touched upon. The second meeting of this joint group took place on 22 and 23 February 2011 continued to discuss ways to enhance bilateral trade and investment relations.

The preliminary conclusion from the meeting is that the best policy option to recommend would be to engage on the negotiation of a 'comprehensive economic partnership agreement' (CEPA). The group argued that such an agreement should be ambitious and dynamic in nature and take in account the reality of other agreements that are in place or currently negotiated. art 4.1(a)

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Finally, the Indonesian Ambassador will likely enquiry about your expectations for the forthcoming trip to Jakarta in May to attend the EU-ASEAN Economic Ministers consultations and the ASEAN-EU Business Summit. Defensives on other issues that may be raised are also provided.

Objective

Confirm the commitment of the Commission to a reinforced substantive dialogue on trade and investment matters including developing a vision for long term trade and investment partnership with the EU.

Get info on Indonesia's plans for the ASEAN Chairmanship and the expectations for the ASEAN-EU Economic Ministers consultations in Jakarta next May.

Speaking Points

- There is a mutual interest in pursuing closer commercial ties, with two-way trade around 20 billion euro, and the EU constituting the largest market for Indonesian goods, excluding oil and gas. Significant further opportunities exist for Indonesian companies in the EU market.
- On a strategic perspective, the Commission is offering to engage in exploratory talks with those ASEAN countries which are ready to negotiate a comprehensive Free Trade Agreement. We already launched negotiations with Singapore and Malaysia.
- We understand Indonesia is not yet ready to embark in an FTA negotiation but I was informed about the positive developments of our joint Vision Group, the initiative of Minister Pangestu and endorsed by our Presidents. I looking forward to receiving their recommendations possibly during my visit to Jakarta next May.
- What is your view on this exercise and how do you see us moving from there? Would there eventually be enough political support in Indonesia to start FTA negotiations later this year?
- As any agreement could take some time before becoming effective, what do you consider we can do in the meantime to scale up our relationship, take advantage of the opportunities of our complementary economies?
- I will be travelling to Jakarta next May to attend the EU-ASEAN Economic Ministers consultations and the first ASEAN-EU Business Summit. What are your expectations? How we can help you to mobilize the ASEAN side to obtain a successful result?
- I am planning also a substantive bilateral programme while in Jakarta. What are your suggestions on relevant interlocutors?

Regional and ASEAN

- Now that you hold the ASEAN Chair, how you evaluate the progresses in establishing the ASEAN Economic Community?
- Later this year Indonesia will be hosting the East Asia Summit where the USA and Russia will participate for the first time. What are your views on a possible participation also of the EU to this event?

Defensives, if raised

RED: EU's Renewable Energy Directive is unfair and it will prevent Indonesian Crude palm oil (CPO) exports into the EU. It will be impossible for Indonesian producers to meet the sustainability criteria set by the EU.

The sustainability scheme is not an import ban. It is an expression of an imperative for the EU public that taxpayers' money used to promote biofuels should not lead to the destruction of sensitive biodiverse areas or to a net increase in greenhouse gases. It is designed in a non-discriminatory way with limited administrative burden and will equally apply to both EU domestic production and imports. The sustainability scheme is essential to the further promotion and the increase in use of biofuels in the EU between now and 2020.

Moreover, these sustainability criteria only apply 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 are producing palm oil for bio fuel in a sustainable way.

We are aware that HR Baroness Ashton floated the idea last September of including Indonesia in a future Strategic Partnership. How can we take this forward?

Indeed, Indonesia and other countries were mentioned by HRVP as possible strategic partners. This reflects your continued emergence as an important political and economic power. The concept, scope and implications of strategic partnerships is still being re-examined by the EEAS, the Commission and Member States. At this stage, what I would underline is that a Strategic Partnership would be complementary to the PCA – the fundamentals of our relationship must also be cultivated through meaningful engagement in the areas envisaged by the PCA.

What is the status of the Anti-dumping case concerning certain fatty alcohol ('FOH') ?

There are currently no trade defence measures on this product originating in Indonesia and this is the only ongoing trade defence investigation against Indonesia.

The two Indonesian cooperating exporting producers were visited on the spot in November. The Commission is currently still analysing their data. The internal decision making process has not been finalised yet.

In conducting the investigation we will fully apply the relevant provisions of the WTO Antidumping Agreement. This includes the right of all interested parties to be heard and receive disclosures provided they will make themselves known.

Background

Indonesia's economic growth is – despite global crisis – impressive (6.1% in 2010). Even though EU industry present is doing well, new ('fresh') EU investment and trade flows still remain behind the level of countries such as Thailand and Malaysia. EU industry is complaining of market access issues and lack of regulatory transparency (predictability).

On the ASEAN front, while the regional talks have been suspended, the EU launched negotiations on a Free Trade Agreement (FTA) with Singapore in March and Malaysia in December 2010. At the same time Vietnam committed to negotiations at the high political level and preparatory work is now ongoing.

Indonesia has started to show an interest in this respect as evidenced from Trade Minister Pangestu's welcoming of the recently established Vision Group (as initiated during the meeting between Presidents Barroso and Yudhoyono on December 14th 2009) – looking at enhancing trade and investment between the EU and Indonesia, hinting towards the preferred option of a 'Comprehensive Economic Partnership Agreement'.

Still, Indonesia already benefits of a rather open access to the EU market (around 12 billion exports per year) thanks to the structure of its trade and the benefit of the GSP scheme. Meanwhile, the domestic industry is struggling with the implementation of other agreements signed by ASEAN with regional partners (especially China) and is asking the Government for further delays and increased protection.

The Vision Group has opened the bilateral dialogue and is preparing the ground for future increased cooperation (first among the ASEAN group, Indonesia already signed a PCA with the EU in November 2009). From the EU perspective, this joint group will be instrumental in keeping engaged the Indonesian Government in a period during which the risk of increasingly inward looking policies is very high and will contribute bringing the trade dialogue (often focusing on trade irritants) to a more constructive level. Finally, if correctly steered, this exercise will contribute to the objective of bringing the Indonesian Government to a meaningful FTA negotiation.

Moreover, Indonesia is expanding his network of regional and bilateral trade agreements (China, Japan, Korea, India, Australia and talks with EFTA and Turkey) and this process is already showing an impact on the export shares in the countries where the EU is losing ground (from 14% to 8%) to the advantage of China and Japan (and other ASEAN countries).

The East Asia Summit (EAS) is a forum held annually by leaders of, initially, 16 countries in the East Asian region, with a stated intention to increase this to 18 countries (USA and Russia) at the Sixth EAS in 2011 chaired by Indonesia.

art 4(1)(b)

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