

CECILIA MALMSTRÖM
MEMBER OF THE EUROPEAN COMMISSION

Brussels, **12 AVR. 2017**

Dear Minister Lukita,

Thank you very much for your letter of 27 March 2017. It was a pleasure meeting you in Manila last month and I value this opportunity to continue our exchanges.

I welcome your confirmed commitment to advance work on our bilateral FTA/CEPA negotiations, as well as your positive assessment of the position of Indonesian stakeholders on this process. The EU, and I personally, also attach a great importance to these negotiations. I understand our Chief Negotiators are in contact to confirm dates for the third round and step up preparatory inter-sessional work.

With regard to the recent European Parliament's own-initiative Resolution on palm oil and deforestation of rainforests, adopted at the beginning of this month, I am keen to share the following considerations with you.

First, I would like to highlight that this Resolution represents a useful contribution to a broader debate on deforestation issues, which I believe should also fully involve producer countries. While I acknowledge Indonesia's concerns, I note that this Resolution reflects the views and concerns on deforestation and on palm oil production put forward by various parts of the EU public opinion as part of our democratic process. The interventions by many Members of the European Parliament during the debate that took place before the adoption of the Resolution has shown a broad range of positions and considerations on the matter, confirming its multi-faceted nature.

Allow me to clarify, however, that this resolution is not in itself part of a legislative initiative. It remains non-binding on the other institutions of the European Union. As for all resolutions adopted by the European Parliament, the Commission in the coming months will issue a formal reaction with its views on the calls put forward in the Resolution. In that respect, we have taken note of your contribution and detailed comments. With specific regard to the concerns you raise on the risk of discriminatory approaches, let me stress that the EU is a firm and long-standing supporter of free and fair trade and is committed to respect the rules of the World Trade Organisation – of which non-discrimination is a key principle.

The Commission is aware that the question of palm oil requires a balanced approach, as it presents both opportunities and challenges. I believe that it is essential to cooperate and support the efforts of producer countries to minimise deforestation and other negative impacts that palm oil cultivation can have, in order to achieve its sustainable production. This was already highlighted by my fellow Commissioner Karmenu Vella, responsible for environmental matters, in his interventions in the plenary meeting of the European Parliament preceding the vote on this Resolution.

Mr Enggartiaso Lukita
Minister of Trade of Indonesia

More specifically, let me reassure you that I appreciate the importance of the palm oil sector in Indonesia, including for smallholders, and I am well aware of the key role this product plays in Indonesia's trade relations. In this regard, I also wish to express my interest in the work undertaken by Indonesia towards enhancing the sustainability of palm oil with the objective of achieving 100% sustainable palm oil value chains by 2020. I welcome this engagement and look forward to the attainment of this crucial goal. I believe it would be very important to ensure stakeholders have a good understanding of the work undertaken by Indonesia in this regard.

The forthcoming visit of the Delegation of the International Trade Committee of the European Parliament to Indonesia at the end of May could be an occasion to provide the visiting Members with a dedicated briefing on the Indonesia Sustainable Palm Oil system (ISPO). I understand the Indonesian Embassy in Brussels is already in touch with the European Parliament to coordinate the visit, and our Delegation in Jakarta also stands ready to work together with Indonesia to facilitate this dialogue.

Against this background of both ongoing efforts in Indonesia to ensure the sustainability of palm oil production and a lively debate in the EU on the issue, it will be key to ensure a solid approach to palm oil and sustainability issues in our CEPA talks, including an ambitious chapter on trade and sustainable development providing for robust horizontal disciplines on labour and environment matters of relevance in a trade and investment context.

Finally, allow me to highlight that palm oil will not be the only issue we need to address in our bilateral discussions. As I mentioned during our meeting in Manila, EU businesses are particularly concerned with persisting trade restrictive measures on the Indonesian market. In addition to the recent import restrictions applied on tyres and the draft measures on import restrictions of dairy products, I regret to inform you that I have been alerted by the European industry about local manufacturing requirements introduced in the new Patent Law, on which my officials will follow up via a separate letter to the Ministry of Law and Human Rights.

The establishment of an open, predictable and non-discriminatory set of rules across the board, going hand in hand with the protection of the environment and of workers' rights, will be a key element to secure support for the deal among our respective constituencies.

I look forward to our continued cooperation.

Yours sincerely,


Cecilia Malmström