



MINISTER OF TRADE OF THE REPUBLIC OF INDONESIA

Our Ref. No. 289/M-DAG/3/2017

Jakarta, 27 March 2017

H.E. Mrs. Cecilia Malmström
The EU Commissioner for Trade
Brussels, Belgium

Dear Commissioner Malmström,

I would like to thank you for sharing your busy time to meet up with me recently in Manila, Philippines, to discuss progress on the Indonesia – EU CEPA negotiation and other issues of mutual interests to Indonesia and the European Union. I found the meeting was very valuable amidst briefly.

On the CEPA negotiation, I believe we are on the same page in hoping that our negotiators should advance their work intersessionally and not to backload their work until they meet at the next plenary meeting of the Trade Negotiating Committee, which is tentatively scheduled in September 2017 in Brussels.

As I conveyed to you in Manila, there is another issue which is of a great concern to Indonesia amidst our efforts to continuously build stakeholders' support to our CEPA negotiation. It is recent discussions at the Committee on Environment, Public Health and Food Security of the European Parliament (ENVI Committee) that worry us, especially as the Committee endorsed the draft Report 2016/2222 *"Palm Oil and Deforestation of Rainforests"* which concludes that palm oil causes deforestation, degradation of habitats, violation of human rights, issues of social standards, and child labor.

I fully understand your response in Manila when I registered our concern, that the issue is still under discussions in the Parliament, and therefore Indonesia's export of palm oil to the European markets will not be affected as yet. However, as the news continue to spread and resonate, the implications of on-going discussions on palm oil in such a manner will only jeopardize our joint efforts to expand and deepen Indonesia – European Union bilateral trade and investment relations. Our concern is basically twofold:

1. Palm oil from Indonesia—and for that matter, from all palm oil producing countries—is in direct competition with European-produced vegetable oils. Any attempt to target palm oil without treating European home-grown vegetable oils equally and on the same footing will simply be construed as discrimination in favor of European vegetable oils. It is Indonesia's view that when it comes to the issue of deforestation we have to look at it holistically without single-targeting or cherry-picking products or sectors. Hence, I would like to draw your attention to a report issued

by the European Commissions (DG Environment) in 2013 entitled *"The Impact of EU Consumption on Deforestation."* The report suggests that *"Globally, the main crops that contributed directly or indirectly to deforestation include soybeans (19%), maize (11%), oil palm (8%), rice (6%), and sugar cane (5%)."* It is deeply regretful that the ENVI Committee endorsed a report with a clear intention of discrediting palm oil without looking at other vegetable oils who contribute more to deforestation.

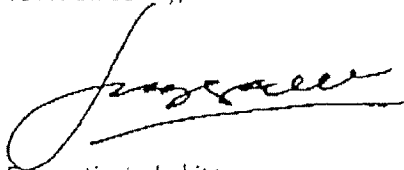
2. Campaigns against palm oil in the European Union continue to take place in many forms and by various actors. Recent development at the ENVI Committee regarding palm oil has only added to our anxiety on how all this debate will end up with. As you are aware, palm oil is a major economic sector in Indonesia, providing direct employment to 4.2 million and indirect employment to 12 million people. Unfair campaigns against palm oil in the European Union will only harm palm oil farmers in Indonesia whose incomes are far below of those enjoyed by farmers in the European Union who benefit from a huge agriculture subsidy.

Indonesia certainly appreciates the adoption of the Amsterdam Declaration in December 2015, continued work on the Regional Sustainable Palm Oil and other initiatives which offer a more constructive approach to the issues at hand. Indonesia has a very strong commitment to the sustainable palm oil by developing the Indonesian Sustainable Palm Oil certification. However, other discussions such as the one at the ENVI Committee as well as unilateral actions taken by industries with the effects of discrediting palm oil, all bodes ill for the smooth negotiations toward an Indonesia – EU CEPA we are now working on.

I therefore would like to register once again Indonesia's great concern that discussions on palm oil in the European Parliament begins to create uneasiness among Indonesian stakeholders who otherwise are more than willing to throw their strongest support to the advancement of our CEPA negotiations.

Place accept, Excellency, the assurances of my highest considerations.

Yours Sincerely,



Enggartiasto Lukita
Minister of Trade of Indonesia

Cc.

- Coordinating Minister of Economic Affairs of Indonesia;
- Minister of Foreign Affairs of Indonesia;
- Ambassador of Indonesia in Brussels, Belgium;
- Ambassador of the European Union in Jakarta, Indonesia.