

Scene Setter

Last October a mid-term Cabinet reshuffle confirmed President Yudhoyono's intentions to consolidate his grip on key portfolios in the Cabinet. With some surprise the President replaced the very competent and internationally well respected Trade Minister Mari Pangestu who has been domestically criticized for her too liberal approach, in particular related to the impact of the ASEAN-China FTA.

The new Minister Gita Wirjawan, an Harvard educated investment banker does not belong to any political group and is considered very close to the President.

As former (and still acting) Chair of the Indonesian Investment Board (BKPM) Gita has a clear agenda on improving the investment climate to attract more foreign investment to secure higher economic growth. [Art. 4.1(a)]

Another consequence of this change on the EU-Indonesia bilateral relations was the slowing down of the preparatory discussions for a potential free trade agreement as was recommended by the EU-Indonesia Vision Group (and very much supported by former Minister Pangestu). The new Minister asked for a "reflection pause" on the new FTA negotiations and the Ministry of Trade has decided to postpone the regular discussions of our bilateral Working Group on Trade Investment scheduled in December and announced that will not be ready to respond to the scoping paper proposal presented last June before spring 2012.

On the positive side, during a high level bilateral meeting with Presidents Barroso and Van Rompuy held last month in Cannes, the Indonesian President Yudhoyono, welcomed the recommendations of the Vision Group and agreed on the need for trade Ministers and officials to continue with their work with the aim at launching negotiations in 2012 (press statement in annex).

This meeting in the margins of the WTO Ministerial will be therefore an important occasion to seek confirmation from the new Minister on its position on the bilateral negotiations and the path to follow for that.

Briefing

- **Subject: Indonesian Trade Minister Gita Wirjawan**
- **Meeting**
- **Date: 15/12/2001**
- **Place: Geneva**

Objectives

- Confirm the commitment of the Commission to a reinforced substantive dialogue on trade and investment matters including the negotiation of an ambitious trade agreement.
- Verify the willingness and the timing to proceed with the preliminary technical work (scoping exercise) necessary before the launch of the negotiations.

Key Messages

- Our joint Vision Group report has highlighted the challenges we are facing and clearly suggests that status quo is not an option. It proposes to start quickly the process for the negotiation on comprehensive free trade agreement.
- As you know, the Commission is prepared to engage in bilateral talks with countries in South East Asia which are ready to and capable of negotiating a comprehensive trade agreement.
- Our Presidents discussed the Vision Group results during the last meeting in Cannes last November and supported the recommendations to start working on a Comprehensive Economic Partnership Agreement (CEPA) that is an elaborate version of a bilateral trade agreement. This work has been extensively socialized by now.
- In the EU system, the launch of any trade agreement is preceded by a phase during which we assess the level of ambition of each partner and

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we identify the areas that should be included in the negotiation. We call it scoping exercise.

- How would you like to take it from here? What are the next steps you envisage? Can we agree on a date to resume the scoping/pre-negotiations consultations ? What about February next year ?
- On the basis of this understanding we can go to our Member States and with their green light we can officially launch the negotiations. What do you need to do internally to prepare the launch of the negotiations ? Which ambitions in terms of timeline do you have for this ?
- I have been informed about the current debate on trade policy in Indonesia. How is the domestic situation evolving?
- I note recent press reporting that Indonesia plans to use standards and other means to limit imports. Such media reports add to the perception that Indonesia is not open for business, and we know that this deters European businesses from investing in Indonesia. What reassurance can I offer to European businesses about the trade and investment climate in Indonesia?

Contact person:

art 4.1 (b)
DG TRADE C3

05/12/2011

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art 4.1 (b)

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Jakarta, 8 November 2011

Indonesia and the EU hail progress in commercial and political ties at G20 Summit bilateral

1. H.E. Dr Susilo Bambang Yudhoyono, President of the Republic of Indonesia, held a warm and fruitful meeting with H.E. Herman Van Rompuy, President of the European Council, and H.E. José Manuel Barroso, President of the European Commission, on 4 November 2011 on the sidelines of the G20 Summit in Cannes, France.

2. The Leaders applaud the rapid advance in Indonesia - the European Union (EU) bilateral commercial and political relations, with two-way trade now exceeding €20 billion and the EU as the 2nd largest investment and export partner of Indonesia. Leaders also welcomed the recommendations of the EU-Indonesia Vision Group, which was set up following their meeting in 2009, calling for the early launch of talks for an ambitious Comprehensive Economic Partnership Agreement. **Leaders agreed that Ministers and officials should continue their work to improve the bilateral trade relationship, including the launch of talks in 2012 building on the work of the Vision Group.**

3. Following the briefing by President Van Rompuy and President Barroso to President Yudhoyono on the decisive steps taken by the EU and its Member States to address the present challenges confronting the members of the euro area, the Leaders underlined the strong mutual interest in ensuring global financial and economic stability.

4. The Leaders commended the strengthening and deepening of the bilateral partnership following the signing of the Partnership and Co-operation Agreement, which include, among others, initiatives on trade and investment, human rights, interfaith dialogue and disaster preparedness. And as the world is yet faced with the threats of terrorism and extremism, Indonesia and the EU are committed to enhance and advance the cooperation on counter-terrorism, including the launching of a cooperation on counter-terrorism, in particular support for capacity-building to the Indonesian National CT Agency (BNPT) as a key feature.

5. Turning to global issues, the two sides emphasised the importance of the forthcoming Conference of the Parties (COP 17) in Durban in delivering progress towards a fair, comprehensive and balanced multilateral rules-based framework involving all Parties based on the principle of common but differentiated responsibilities and respective capabilities with a view to achieving target of limiting the global temperature increase to below 2 degrees above pre-industrial levels.

6. Recalling the EU pledges on economy-wide emission reduction target and Indonesia's voluntary commitment on nationally appropriate mitigation actions, they called on all other developed and developing countries to follow their example. They expressed the hope that Durban would result in agreement on the governance, modalities and procedure for the full operational of the Green Climate Fund and significant progress on long-term sources of finance. They also expressed the hope that mechanism for monitoring, reporting and verification of emission reduction would be agreed in Durban, together with further development of a framework for ensuring compliance with the rules for developed country Parties' emission reduction target.