

Main Conclusions of the Second VG

Follow up actions

- EU to share infosheets and new drafts with Indonesian MoT to comment and invite them how these could become joint papers as annex to the VG report.
- **31 March:** all contributions to be sent to co-chairs and project group
- Next Video Conference co-chairs, project group and VG members: **1st week of April**
- **20 April:** draft report finalized for discussion, including draft summary (25 pages) + summary of 3 pages
- **1 and 2 May,** VG 3 meeting, Min of Trade together with Jakarta Delegation to prepare
- **3 May:** Joint recommendations finalized (co-chairs + project group)
- **4 May: presentation to KDG and Minister Pangestu**

Documents to be finalized

Colleagues prepare written materials to send to co-chairs and project group and include: **Send one additional note on respective areas of responsibility and brief conclusion:**

- Current status in which we deal with respective issues
 - How are we going to deal with it in general
 - What are the points that you think important for drafting of report
1. Overview of FTAs in single table looking at specific criteria (project group)
 2. art 4(1)(b) to prepare a memo on the possible frameworks and preferred option. Role of CEPA... what is in there? Connection between development and infrastructure also through trade and investment, not inseparable.
 3. Infrastructure: art 4(1)(b)
 4. Investment: art 4(1)(b)
 5. Regulatory reform: art 4(1)(b)
 6. Estimation of impact of liberalisation: art 4(1)(b) (including poverty)
 7. Communication: art 4(1)(b)
 8. FTAS: chart with basic features (art 4(1)(b))
 9. Capacity Building: art 4(1)(b)+ capacity building EU side, art 4(1)(b), beyond financial (dialogue, etc.)
 10. SPS: art 4(1)(b)
 11. Architecture of CEPA: art 4(1)(b)
 12. FTA options: art 4(1)(b)
 13. CPO: art 4(1)(b)
 14. Section on where we are now? Starting conditions art 4(1)(b)
 15. BKPM to analyse BKPM to weigh pros/cons of having one treaty with EU instead of bilateral treaties DE, UK, etc. art 4(1)(b) 'interesting idea'.
 16. Proposal for June meeting: art 4(1)(b)/project group: Longer publication (100 pages) can include info sheets, etc. besides the report itself (work of reference, including key addresses etc.), auxiliary.

Summary of discussions

1. VG emphasized the **strong existing relationship between EU and Indonesia** and the current activities implemented since the signature of the Partnership and Cooperation Agreement that is expected to be ratified in the coming year. As Indonesia's second largest export partner and investor, the EU is of importance while at the same time EU companies have a strong interest to scale up activities with Indonesia. Regarding trade, high complementarities (unique in the world) was stressed, contrary to for instance China-Indonesia where 85% of trade is in similar areas.
2. On **infrastructure**, the many opportunities were highlighted and the relevance of potential EU investors. It is important that the Public part of the PPP is there and that the government is willing to invest, commit and guarantee investments. In this respect, a dialogue with the Guarantee Fund should be set up as a crucial part for new investors. Similarly, some of the FDI caps and restrictions should be loosened to attract this type of investors. Arguably, financing would be available provided correct structures were put in place. BKPM offered to meet to see if EU companies can benefit for the 'economic corridors plan.
3. On **investments**, very closely linked with the above, **art 4(1)(b)** provided an overview of the various limitations currently in place. Even though IND is successfully attracting investments (and more and more), the overall share of EU investments to IND still very small and thus opportunity.
4. **Regarding potential pilot projects to look into regulatory reform and future investments**, the good example of EU-Indonesia cooperation in the area of fisheries were highlighted where initial challenges such as IUU and food quality were turned into opportunities with the help of projects with the Ministry of Fisheries. Example highlights relevance of 'aid for trade' and need to focus EU cooperation on priorities such as capacity building and trade facilitation. Simplification of verification of standards would benefit trade as well as potential MRA and further support to comply with EU standards.
5. **art 4(1)(a) and 4(3)**
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8. Regarding the **'Comprehensiveness' of an FTA and structure of dialogue**, private sector argued in favor of an ambitious CEPA with trade facilitation (SMEs notably); industry revitalization,

services and investments as and sustainable growth. In effect, a dialogue mechanism has been set up following recent G-to-G and B-to-B and B-to-G meetings (including EIBD, WGTI, etc.) and a first official meeting with Vice Minister Mahendra. Future EIBD and AEBS will further capitalize on this. Regular Regulatory discussion and cooperation should be envisaged.

9. This issue closely linked with **communication** regarding free trade and the concerns In IND on liberalization. Private sector and other stakeholders can help communicate the opportunities and cross-sectoral promotion, notably also with Parliament and civil society.
10. **SPS-issues where a very good dialogue exists between EU and Indonesia** but where also still issues arise. Trust is needed and for that you need transparency to ensure food safety can be established; furthermore international WTO/SPS agreement mentions that measures should be proportionately to risk. Minimize trade effects and proportionately to the risk. Ministry of Fisheries recalled the problems existing in 2005 which have been to a large extent resolved thanks to EU projects including capacity building and laboratory equipment. Regarding IUU certificates, this is now implemented in a very good manner
11. art 4(1)(a) and 4(3)
[REDACTED]
12. The second day was used to start working on the **main recommendations**: A paper should include level of ambition, objectives (including growth, productivity, jobs and contribution to development / poverty reduction), and scope; principles should be defined; Market access to be defined more clearly as all can be considered market access; goods liberalization should cover at least 95% of tariff lines or trade flows, possibly differentiated over time; rules of Origin; NTBs: question if a generic chapter to be included; Services (beyond WTO commitments); Investment (including protection); Standards and regulatory objectives, possible MRA; Behind the border measures; Capacity building and economic cooperation and sectoral agreements, government procurement, IPRs,
13. art 4(1)(a) and 4(3)
[REDACTED]
14. [REDACTED]
15. A good **communication plan** needs to be decided based on paper of art 4(1)(b) linking with role of trade in poverty reduction.
16. For this, it was decided that the **final report should be short and accessible**, to be presented in June during a seminar (main conclusions in May).