

## **Main Conclusions of the Second VG – flash note for internal use only**

On 22 and 23 February 2011, the EU-Indonesia Vision Group met for the second time and continued the 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 of negotiated by the two parties. art 4(1)(a) and 4(3)

Vision Group members (private sector, technical ministries and academics) met with Head of De Gucht's Cabinet who provided some political support and views to the exercise. Following this a number of bilateral issues of importance were discussed, such as investment, infrastructure, palm oil and market access enhancement.

They looked at a number of examples of FTAs negotiated by Indonesia and the EU, seeking best practice and arguing that for the bilateral relationship a 'flagship' agreement should be the target, following an assessment of the various options, such as: do nothing/PCA, a naked FTA, a comprehensive agreement (CEPA).

art 4(1)(a) and 4(3)

VG also concluded that a good communication of the benefits of such an agreement is crucial for the future adoption and committed to advocate in a joint manner. For this communication, the causal link between trade agreements and poverty reduction should be stressed as well as possible benefits of an agreement for Indonesia in terms of job creation, investments and quality and price of services and goods.

As a next step, a consensus paper will be drafted based on joint contributions of the different VG-members in their areas of expertise. This will be discussed during the next meeting in Jakarta on 1-2 May. It is foreseen that the final joint recommendations will be presented to Minister Pangestu and Commissioner De Gucht during their meeting on 4 May 2011.

Following this positive meeting, the most optimistic scenario could include the start of scoping exercise already in June and announce the negotiations launch when Presidents Barroso and Yudhoyono meet in November 2011 for the G20.

art 4(1)(a) and 4(3)

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In terms of follow-up, DG TRADE C3 will inform CAB ahead of the Commissioner's visit to Indonesia of latest development following also EU Delegations latest communication with the Minister of Trade. It is also of relevance that any side announcements regarding cooperation and facilitation (such as Voluntary Partnership Agreement on FLEGT) would be prepared for the Commissioner's visit and that further analysis is made to show the benefits of a potential agreement.

Brussels, 25 February 2011 (art 4(1)(b))

Annex:

- main conclusions and follow-up tasks second Vision Group meeting