

CONCLUSIONS
OF THE FIRST VISION GROUP MEETING
BETWEEN INDONESIA AND THE EUROPEAN UNION

Jakarta, 2 December 2010

1. Even though the EU is the second largest export partner for Indonesia and arguably the largest source of investments, the relative share of EU in terms of Indonesia's trade and investment is dropping from 18% to 14% and EU investments only represent 1.5% of EU investments to Asia.
2. When the leaders of Indonesia and the EU met last year they saw the above as an opportunity: our trade is complementary and EU investors can provide valuable support to Indonesian economy in terms of technology, value chain and jobs.
3. A group of eminent persons was formed, with reputable co-chairs 4.1(b) and members from different line ministries, academics and private sector, tasked to have a discussion and analysis of how trade and investments could be enhanced and look at various options, including a Comprehensive Economic Partnership Agreement.
4. Minister of Trade H.E. Dr. Mari Elka Pangestu welcomed and discussed with the Vision Group during a breakfast meeting prior to the Vision Group meeting, showing high ambition and expecting results by June 2011 arguing that:
 - a. EU and Indonesia trade is complementary and there are substantial opportunities by increasing our relationship through an agreement.
 - b. An agreement should be comprehensive and include trade liberalisation, trade facilitation and capacity building.
 - c. Indonesia's interest lies in helping SMEs trade and invest and deal with challenges in sectors such as fisheries, palm oil and green economy, but also benefits of increasing the share of services trade to Indonesia.
5. There are potential benefits of an Agreement (arguably 1.8% welfare gain for Indonesia, as well as structural gains of the economy). A recently completed study shows that Indonesia has great potential in sectors such as consumer electronics, processed agri-food (notably fruit juices), natural cosmetics (jamu) and furniture and could be supported under the EU's cooperation programmes.
6. The Co-Chair 4.1(b) commenced the meeting by introducing the scope of the Vision Group to come to a **joint vision beneficial to both parties**, and that the Vision Group members should be **neutral** in their views. The Vision Group should formulate **clear priorities with clear timelines in their report**.
7. The main purpose of the Vision Group is to **upscale the bilateral relationship** between Indonesia and the EU and its **conclusions should be widely communicated** to all stakeholders, including the Parliament, and used to facilitate a joint process. The

Vision Group therefore needs to come to a conclusion on how to deal with the different stakeholders on both sides? How to best communicate the benefits? While the Vision Group should be critical and put all problems on the table, it needs to find solutions to those problems. Recommendations of the Vision Group should be **constructive and applicable** in a political and institutional context.

8. The Indonesian Chamber of Commerce and Industry (KADIN) pointed out that the EU-Indonesia Business Dialogue held in Jakarta on 29-30 November 2010 formulated clear and concrete recommendations for the Governments of both sides. There needs to be a formal dialogue mechanism between business and governments and the Vision Group members were encouraged to study the EIBD recommendations. KADIN also stressed that there is a need to reflect upon what should come after the Vision Group.
9. Some members brought forward Indonesia's concerns with EU, mostly in terms of difficulties adhering to standards, but also highlighted good examples such as fisheries where EU supports Indonesia to fulfil those standards.
10. In terms of **comprehensiveness**, some members argued that services and investment should be included and trade facilitation considered more important than liberalisation, also in view of helping Indonesian produce increase value added. It was concluded that a clarification on the concept of comprehensiveness was needed as well as identification of further analytical work on impacts of trade policy on economic growth to underpin the report.
11. **Capacity building** is key for Indonesia to benefit from a closer trade and investment cooperation (e.g. in sectors such as infrastructure, customs, port services, standards and quality, laboratories). 4.1(a)
[REDACTED]
[REDACTED]
[REDACTED]
12. 4.1(a)
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
13. **Deliverables, tasked to members** in the form of **2-3 page reports** , were agreed as follows:
 - (1) 4.1(b) and 4.1(a)
[REDACTED]
[REDACTED]
 - (2) 4.1(b) [REDACTED] should seek to clarify what are the major hurdles regarding **sanitary and phyto-sanitary measures** (SPS) on both sides.
 - (3) 4.1(b) [REDACTED] to specify what could be included in the concept of a “comprehensive” CEPA and how to structure an effective dialogue mechanism between Government and KADIN. The Project Group proposes that also 4.1(b) [REDACTED] is involved in this report.
 - (4) 4.1(b) [REDACTED] were tasked to address infrastructure recommendations arising from the EIBD, in particular focusing on Public Private

Partnerships. A brief guideline should be produced depicting a model as to how infrastructure projects could be prepared to attract EU investors, including financing and implementation.

- (5) 4.1(b) [REDACTED] should look at measures to attract EU investors to come to Indonesia, with a focus on the five priority sectors in the study named "Indonesia's Trade Access to the European Union: Opportunities and Challenges" (fisheries, agri-foods, consumer electronics, furniture, natural cosmetics), also those in the study named "Trade and investment between EU and Indonesia: Opportunities and Obstacles". (power generation equipment, machinery, consumer goods, pharmaceuticals and telecom).
- (6) 4.1(b) [REDACTED] were tasked to look at the issues arising from the liberalisation of trade and services and especially with ways of **identifying and dealing with potential losers** (both goods and services). 4.1(b) [REDACTED] offered from DG Trade that he might assist in this area with some of the analytical work.
- (7) 4.1(b) [REDACTED] should look at communications strategies and communication with wider stakeholders with a view to identifying ways and means for dialogue to mobilise support for a potential CEPA between Indonesia and EU.
- (8) 4.1(b) [REDACTED] should deal with trade and investment regulatory reform and a possible pilot project for trade and investment regulatory reform, in cooperation with 4.1(b) [REDACTED].
- (9) 4.1(b) [REDACTED] to produce a one page summary of EU's support to Indonesia in the education sector, including ERASMUS-MUNDUS scholarships in higher education.

14. The next meeting is scheduled for **22-23 February 2011 in Brussels** and will include some of these technical issues; 4.1(a) [REDACTED]
[REDACTED]
[REDACTED]

15. It is to be expected – with the positive attitude and dynamics of this group – that the **deadline of June 2011** is feasible and that constructive recommendations will be delivered.

Background Vision Group

The Vision Group to enhance trade and investment between Indonesia and EU was initiated in December 2009 when President Yudhoyono met President Barroso in Brussels, Belgium. H.E. Minister of Trade Dr. Mari Elka Pangestu appointed 11 members for the Indonesian side coming from different line ministries, private sector (the Indonesian Chamber of Commerce and Industry, KADIN) and academicians. A first meeting on modalities specified the Terms of Reference, as well as the way this Vision Group would work – namely based on the intelligence and experience of the Vision Group members, aided by existing studies and other background material. It was agreed that this group should focus on opportunities more than obstacles and to advise the respective governments by June 2011. The first meeting on substance took place on 2 December 2010 in Jakarta, co-chaired by 4.1(b) (CEPS Brussels) and 4.1(b), (Prasetya Mulya Business School).

The initial discussions were based on a number of studies and presentations, including opportunities and challenges for EU in Indonesia and vice versa, potential benefits of an FTA, views from business, existing arrangements as well as the Partnership and Cooperation Agreement as well as ongoing and planned economic cooperation programmes (bilateral and regional). Indonesian members commented on issues such as the need for more assistance regarding EU standards and policies; possible options including defining ‘comprehensive’ and how to deal with potential losers of a trade deal. This reflects consideration of the Ministry of Trade that the Vision Group should address concerns that constituents might have, especially parliament and learning from the CAFTA experience.

A very positive sign of commitment was the welcome address by H.E. Minister Dr. Mari Elka Pangestu and discussion on goals and ambition: the Minister argued that the EU and Indonesia are compatible in terms of trade and industry and welcomed the idea – following among others the recommendations of the EU-Indonesia Business Dialogue, of a mechanism to dialogue with business and government in an integrated way, focusing on opportunities that go beyond liberalisation in trade and investment alone. Regarding a potential future CEPA (Comprehensive Economic Partnership Agreement), the Minister considers that this should include: **1. Liberalisation; 2. Facilitation and 3. Capacity building** to support implementation. A CEPA should be win/win, with for Indonesia benefits related to REACH, RED, fisheries, as well as climate change and sustainability issues. It should furthermore help SMEs to easier fulfil standards and overcome non-tariff barriers in the EU.

Previous meetings (EU-Indonesia Business Dialogue and the Working Group on Trade and Investment) were reported on and recommendations shared, KADIN arguing especially that the advice of the Vision Group should be followed up swiftly, considering the political developments towards the next general elections in Indonesia (mid 2014).

Follow up actions have been defined and the following meeting is scheduled for **22-23 February 2011 in Brussels**.

Annexes

- Terms of Reference of the Vision Group
- EIBD Recommendations
- Members of the Vision Group
- Agenda of the first meeting

ANNEX: TOR VISION OF ENHANCING EU-INDONESIA TRADE AND INVESTMENT RELATIONS

When the Indonesian President Susilo Bambang Yudhoyono met with the European Commission President José Manuel Barroso in December 2009 they discussed ways of enhancing our bilateral ties. The two Presidents agreed that trade and investment is an area where the bilateral relationship has great potential to develop, and on the need to explore ways to strengthen these ties. **The two leaders decided to set up a "Vision Group"** that will examine how to increase trade and investment between Indonesia and the EU. The expected output is a strategic paper (vision) with recommendations to Ministers (including on the potential for a comprehensive Free Trade/Economic Partnership Agreement). This Group should be constituted by eminent persons from both sides consisting of members of the respective Governments, business and academia.

The Specific Objectives of the Vision Group are:

- To provide a strategic view of EU-Indonesia trade and investment relations and identify on what basis EU-Indonesia trade and investment relationship can best be enhanced in an innovative way.
- To identify opportunities for fostering trade and investment between EU and Indonesia, bearing in mind the market characteristics and potential, evolution of bilateral flows and the challenges for realisation of this potential
- To provide recommendations to relevant parties (GoI, EU, business community, academia) for the full realisation of this trade and investment potential
- In this context, to explore the feasibility of a Free Trade/Economic Partnership Agreement between EU and Indonesia.

Annex: Recommendations EU Indonesia Business Dialogue, as presented by the Indonesian Chamber of Commerce and Industry, KADIN)

1. EU and Indonesia to focus more on opportunities
 - a. develop a vision to ensure our trade and investment relations reach the next level of growth
2. EU and Indonesia should pave the way towards a comprehensive partnership agreement
3. EU and Indonesia to put in place a mechanism to improve transparency and consultation on regulation
4. EU and Indonesia to improve regulatory cooperation through improved communication and technical dialogues
 - a. business should be integrated in this dialogue
5. EU to support Indonesia through cooperation and technical assistance:
 - a. To make regular impact assessments on draft regulations
 - b. Capacity building for implementing regulations
 - c. To implement international standards in key sectors such as UNECE standards for automotive
 - d. To develop better understanding on EU laws and regulations including SPS measures, REACH, FLEGT and RED
 - e. Capacity building to help meet EU requirements
 - f. To develop capacity building programs for new market opportunities in cosmetics and herbal products
6. Indonesia to cut red tape in areas such as mandatory certification and registration system for industrial and food products
 - a. Give specific attention to easing requirements on SNI
 - b. Facilitate registration and labelling in Bahasa Indonesia of agro food products
7. Indonesia to improve the investment climate in key areas including infrastructure, medical and pharmaceuticals and ensure better protection of IPR
 - a. Review the negative list on pharmaceutical sector
 - b. Enforcing stronger PPP agenda and its regulatory framework
 - c. Implementation of land acquisition and government guarantee funds policies should be done dealt soon sand effectively.
8. **Mechanism and processes for business and government cooperation in Indonesia.** To strengthen the communication on trade and investment challenges and opportunities between the GoI and the business sector, represented by KADIN and the European chambers in Indonesia, it is recommended that:
 - a. Specific focal points be nominated in the MoT, BKPM and other relevant agencies and in the business sector to prepare and handle issues
 - b. A regular and structured mechanism for consultation to be established between business and government, facilitated by the focal points, that will provide a clear and constructive interface for consultation.

EU-Indonesia Vision Group
First Meeting – Jakarta, 2 December 2010
Hotel Borobudur
AGENDA

1.	9.00 – 9.30	Opening and presentation of the objectives of the group, expected timeframe and working method. <i>(Co-Chairs of the Vision Group)</i>
2.	9.30 – 12.00	State of play of EU-Indonesia trade and investment relations:
	9.30 – 10.15	Presentation of three studies <i>(Project Group)</i>
2.1		Trade and investment between EU and Indonesia: Opportunities and Obstacles
2.2		Indonesia market access to the European Union: Opportunities and challenges
2.3		Trade Sustainability Impact Assessment of the FTA between the EU and ASEAN with summary of the main issues related to Indonesia
3.	10.15 – 12.00	Tour de table/brainstorming (Co-Chairs moderate the discussions also on the basis on the material received from the Project Group)
4.	12.00 – 13.00	The view of the business sector: <i>presentations by KADIN and EuroCham</i> on the basis of the outcome of the second meeting of the EIBD
	13.00 – 14.00	<i>Lunch</i>
5.	14.00 – 14.45	Presentation on different models of bilateral agreements and the approaches to measure the economic benefits <i>(Lucian Cernat)</i> .
6.	14.45 – 15.15	What we have already in place: Short overview of the Agreements of Indonesia and the EU with third parties <i>(Project Group)</i>
7.	15.15 – 16.00	Discussion
8.	16.00 – 16.20	The Partnership and Cooperation Agreement between EU and Indonesia: main content and timeframe for implementation including comparison with the Indonesia-Japan EPA <i>(European Commission)</i>
9.	16.20 – 16.40	Overview by EU on bilateral and regional economic cooperation activities and by Indonesia on currently foreseen needs <i>(EU Delegation & Ministry of Trade)</i>
10.	16.40 – 17.30	Second tour de table/brainstorming
11.	17.30 – 18.00	Discussion on further analytical work to be completed
12.	18.00 – 18.30	Conclusions and agreement on date and agenda of next meeting
	19.00 - 21.00	<i>Dinner</i>

Contact List of Vision Group & Project Group

Pages 8 to 10 are entirely covered by art. 4.1(b) and were thus removed from the document.