

**Media Briefing for Commissioner De Gucht**  
**ASEAN-EU Business Summit, Jakarta, Indonesia**  
**3-6 May 2011**

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[Out of the scope of the request]

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[Out of the scope of the request]

## **Overview on the programme of Commissioner De Gucht**

- Courtesy call on the Indonesian President Yudhoyono;
- Meetings with key economic stakeholders of Indonesia, including Minister of Economy Hatta, Trade Minister Pangestu, Industry Minister Hidayat, Chair of DPR Commission 6 (Trade) Hartarto, Chairs of KADIN and APINDO, members of the National Economic Council (KEN);
- Receive, together with Minister Pangestu, the recommendations of the EU-Indonesia Vision Group to enhance bilateral trade and investment relations;
- Initial the EU-Indonesia 'Voluntary Partnership Agreement'
- Sign the Trade Cooperation Facility programme;
- Actively participate in the 1<sup>st</sup> ASEAN EU Business Summit;
- Receive, jointly with the 10 ASEAN Economic Ministers, the recommendations prepared by business representatives;
- Welcome the EU business initiative to set-up an EU ASEAN Business Council and meet its representatives for an exchange of views and formal picture;
- Meet for consultations with the ASEAN Economic Ministers; and
- Hold bilateral meetings with some Trade Ministers of ASEAN Member States.

***Three main reasons for first time visit to Indonesia:***

1. Holding consultations with ASEAN Economic Ministries (AEM-EU Consultations) to discuss further regional trade and economic cooperation;
2. Participating at the first ever EU-ASEAN Business Summit to meet ASEAN and EU business to discuss opportunities and challenges of doing business between EU and ASEAN countries; and
3. Meeting with Indonesian counterparts and exploring ways to improve EU-Indonesia trade and investment relations.

***With three main objectives:***

- Reassure ASEAN counterparts that the EU wants to continue build a strong trade and economic ties with the ASEAN region.
- Strengthen bilateral commercial relations between Indonesia and the EU. To this purpose the Commission listens to the recommendations of the EU-Indonesia 'Vision Group', established by Presidents Yudhoyono and Barroso.
- Support the economic and trade development agenda of Indonesia by agreeing on:
  1. a 'Voluntary Partnership Agreement' (VPA) that will facilitate Indonesian exports to the EU of legally produced wood and paper products to continue and grow;
  2. the financing of a Trade Cooperation Facility programme, supporting Indonesia's trade and investment agenda;
  3. the modalities for further strengthening of the EU-Indonesia bilateral relations

## INDONESIA: KEY MEDIA MESSAGES

### ***EU-Indonesia Relations***

- The European Union and Indonesia are complimentary economies with much to gain from even closer cooperation
- The European Union and Indonesia signed a Partnership Cooperation Agreement (PCA) in 2009 (currently under ratification), as a first step towards establishing closer economic and political ties. The PCA with Indonesia was the first of its kind signed by EU in the region.
- The European Union is Indonesia's second largest trading partner
- EU-Indonesia bilateral merchandise trade amounts at more that € 20 billion annually. Indonesia exports almost € 14 billion to the EU, resulting in a sizeable € 7 billion trade surplus reflecting strong demand for Indonesia's products in the EU and contributing positively to the Indonesian current account balance.
- There are, however, vast untapped opportunities for Indonesia and the EU to further strengthen trade and investments – in terms of jobs, economic development and trade opportunities.
- The European Union is Indonesia's second largest investor
- European Union companies help to build Indonesia's manufacturing and services industry. 700 companies have invested over €50 billion euro providing directly more than 500,000 jobs in value-adding industries such as pharmaceuticals, banking and manufacturing.

- The European Union supports Indonesia's industry and trade
- Through its current cooperation activities, with a budget of approximately € 40 million, the EU supports the upgrading of the quality of Indonesian exports, the identification of market opportunities in the EU market, and the improvement of conditions to facilitate investment in Indonesia.

***What are the prospects of the "open dialogue" between the EU and Indonesia?***

- The EU and Indonesia have a solid business dialogue, both at government and at business level. We are true partners looking for mutual benefits.
- In 2010, we jointly launched the EU-Indonesia 'Vision Group' composed by business, government and academics.
- This "Vision Group" discusses the opportunities and benefits of further deepening EU and Indonesia trade relations. Concrete recommendations will soon be presented to the wider public.
- These recommendations should help us to identify how the EU can contribute to Indonesia's vision of becoming an affluent country with a developed manufacturing industry and services sector providing quality jobs and security of income. European companies are well equipped in terms of technology and capacity to deliver that.
- For some key areas such as timber trade, our dialogue has already led to concrete results such as the Voluntary Partnership Agreement, which will promote the access of Indonesian wood products to the EU market and support efforts to combat illegal production.

## ***Possible questions on EU-Indonesia***

### **Why are you visiting Indonesia? What do you hope to achieve?**

- First, I want to strengthen our already good bilateral commercial relations. To this purpose, I will have meetings with relevant decision makers and will also receive the recommendations proposed by the EU-Indonesia 'Vision Group', established last year by Presidents Yudhoyono and Barroso to make more out of our relationship.
- Second, I want to support in practice the economic development agenda of Indonesia by agreeing on a 'Voluntary Partnership Agreement' that will facilitate (legal) Indonesia wood and paper exports to the EU to continue and grow
- Thirdly, I think it's important to continue a regular high level dialogue so we can openly discuss issues of mutual interest, such as palm oil exports (Indonesia's biggest export product to the EU) and investment climate.

### **How important is Indonesia for EU trade?**

- As a G20 member and one of ASEAN leading forces, Indonesia is a key partner for EU in South East Asia. Moreover, EU is Indonesia's second largest trading partner after Japan. With 500 million customers, EU is a huge market for Indonesian exports, which haven't reached its full potential. EU-Indonesia trade is currently over 20 billion euro, with almost 14 billion in exports from Indonesia to EU and 7 billion of EU exports to Indonesia. As economically complementary

economies both EU and Indonesia have much to gain from building even stronger and closer relationships.

**What kind of technical support do you provide Indonesian exporters so they gain access to the EU market?**

- EU is working closely with the Indonesian Ministry of Trade and the Indonesian Chamber of Commerce (KADIN) to help Indonesian exporters gain access to the EU market and supply a growing demand for Indonesian products. Several technical assistance programmes of a global value of €40 million are currently being implemented in order to support the development of export quality infrastructure and provide technical assistance and capacity building to Indonesian exporters.

**What are the key sectors for trade between Indonesia and EU?  
What sectors still have the capacity to grow?**

- EU expects to see growth across the board. With 500 million customers, EU is a huge market for Indonesian exports, which haven't reached its full potential. A recent study showed some key sectors where Indonesia could expand exports substantially, including furniture, cosmetics and processed foods.

**How would you describe the state of the commercial relationship with the EU and the importance of the trading relationship? What measures are being taken to boost that commercial relationship?**

- EU and Indonesia are complementary economies where a thriving economic partnership is paving the way for closer political

collaboration to the benefit of future generations of Indonesians. EU companies operating in Indonesia already provide more than 500,000 jobs, but this number will increase as Indonesia's economy continues on its rapid growth path. EU is Indonesia's second largest trading partner after Japan, and EU-Indonesia trade stands over EUR 20 billion, with almost 14 billion euro worth in exports from Indonesia.

- To expand on this already strong relationship EU and Indonesia signed a Partnership Co-operation Agreement (PCA) in 2009 as a first step towards establishing closer economic and political ties. In 2010, the joint EU-Indonesia "Vision Group" was established as a forum for discussion on how to improve the bilateral trade and investment relationship. Its recommendations are expected soon.

**What new areas of co-operation are being developed following the signature of the EU-Indonesia Partnership and Co-operation Agreement?**

- The 2009 EU and Indonesia Partnership Co-operation Agreement will be a significant step, once ratified, to build on the existing very good relationship and move it forward towards closer economic and political ties.
- Indonesia is an increasingly important partner both in the region and on global issues such as climate change and counterterrorism, inter faith dialogue, etc.
- We are working of course on existing initiatives in the field of cooperation helping you achieve the Millennium Development Goals, on trade and investment, on climate change, on human rights, democracy and good governance, on support to Aceh, etc.



- And with regard to the new areas under the PCA, although it is still in the process of ratification by both sides and therefore is not in force yet, we are exploring greater cooperation on counter-terrorism issues, in the maritime and aviation transport fields, in the migration sector and we are of course trying to intensify our political dialogue through more regular meetings at ministerial and presidential level.

## ***Indonesia – Defensive Points***

### **Airline Ban**

- Four Indonesian airlines were withdrawn from the EU list of banned airlines in July 2009. Following this decision, Garuda started to fly to Europe as of June 2010. Another two Indonesian airlines were lifted from the ban in June 2010. This was made possible thanks to the fruitful cooperation on aviation issues between the EU and Indonesia.
- This cooperation is growing stronger and at the same time the persistent and systemic work by the DGCA Indonesia (civil aviation authority) to improve aviation safety in Indonesia in the past three years has successfully built up the confidence with the EU.
- This has paved the way for examining further lifting of additional Indonesian carriers by the EU. The EU thus agreed to review another four cargo airlines presented by the DGCA during the Air EU-Indonesian Safety Committee of 4-8 April 2011. Additional air carriers would be considered, subject to the demonstration that (i) the DGCA continue to provide assurance that it discharges its responsibility regarding the surveillance of the six previous airlines and (ii) that the new air carriers are duly recertified in conformity with the new Indonesian civil aviation legislation, including full compliance with new equipment requirements according to ICAO Annex 6 and iii) Progress in strengthening surveillance of all air carriers, including e.g. developments in the resourcing of DGCA and actions taken by DGCA in response to the incidents and accidents during 2009 and 2010.

- These conditions are well accepted by Indonesia, including by the Minister of Transportation.

## **Palm Oil**

- The EU buys 20% of Indonesia's national palm oil production. There is no existing or planned EU restriction on oil palm exports from Indonesia. This would not be acceptable under WTO rules.
- The EU Renewable Energy Directive is part of the EU efforts to meet its greenhouse gas emission reduction commitments. It foresees incentives to increase the consumption of sustainably produced biofuels. Indonesian palm oil producers can benefit from RED if they comply with sustainability criteria. The sustainability criteria are based on the best scientific information available and are regularly revised.

## **Illegal Logging/ Timber Trade**

- More than 20% of Indonesia's timber product exports are exported to the EU (approximately €600 million per year). The EU is one of the first markets for Indonesia's timber product exports, and the most important one for specific products such as furniture.
- The Voluntary Partnership Agreement (VPA) being initialled between the EU and Indonesia is expected to facilitate the access of Indonesia's timber products to the EU because it will provide the legal certainty and assurance that EU operators will need, starting 2013, to place products on the EU market.
- The VPA will provide guarantees about the legality of the products traded through the implementation of a Timber Legality Assurance

System that includes 1) A definition of legally-produced timber that sets out applicable Indonesian laws and regulation, 2) A secure chain of custody that tracks timber, 3) A verification system to provide assurance that the requirements have been met, 4) The issuance of licences, 5) Independent monitoring

***Why Schengen countries do not extend a more favourable conditions for visas requested by Indonesians ?***

- The EU, its Member States and Indonesia are in dialogue on this important issue, which involves a number of technical considerations.
- We all wish to see people-to-people links facilitated - including in the commercial sphere - and it is important to engage on ways in which to facilitate this.

**Fact and Figures EU-INDONESIA**

**Trade in goods and services**

EU-Indonesia trade in goods (exports+imports): €20 bil. (2010)

EU-Indonesia trade in goods (exports+imports): €17 bil. (2009)

EU-Indonesia trade in commercial services (exports+imports): €3.5 bil. (2009)

EU-Indonesia trade in goods & commercial services (exports+imports): €20.5 bil. (2009)

**FDI to INDONESIA**

EU FDI outflows to Indonesia: €1.5 bil. (2009)

EU FDI stocks in Indonesia: €17.5 bil (2009)