

<p>Presentation of the EU-Indonesia Vision Group Report Brussels (CEPS), 28 June 2011</p>
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Scene setter

1. The EU-Indonesia Vision Group was set up after a meeting between Indonesian President Yudhoyono and President Barroso in December 2009 with the task of looking for ways to increase trade and investment between Indonesia and the EU. The group met three times between December 2010 and May 2011. It presented its recommendations on the occasion of your visit to Indonesia on 4 May 2011.
2. Today the final joint report underlining the Group's recommendations will be officially presented during an event organised by CEPS. A public debate will then follow as part of the "socialisation" programme of the findings of the Group and the proposed CEPA (FTA) negotiations.
3. A similar public event has already taken place in Jakarta on June 15th during which the Indonesian Trade Minister Mari Pangestu highlighted the importance for Indonesia to start FTA negotiations with the EU as soon as the "socialisation" period is concluded with the aim to announce the launch of negotiations by the end of the year. Vision Group members urged to finalise negotiations before the end of President Yudhoyono's mandate in 2014. Local and international press covered the event and you will find attached some press clippings.
4. You are expected to be at CEPS at 12.30 for a private meeting with the Indonesian Ambassador, moderator and speakers. The public event will then start at 13 hours with the official handover of the report to you and the Indonesian Ambassador to the EU followed by a presentation from the EU Co-chair of the Group, Prof. Jacques Pelkmans. Subsequently you will provide your comments (see below) and participate to a panel debate with representatives of business, academia and government of both sides.
5. The Minister of Transport of Indonesia (in Brussels to sign the horizontal air transport agreement on 29 June, press release is annexed) could also join the event and intervene at the end of the debate. Moreover the Brussels based press has been invited and you may be asked to answer a few questions at the end of the event.

Objectives

Receive formally the Vision Group Report and participate to the debate on how to follow-up its recommendations.

Key messages/Speaking points

- Prof Pelkmans, thank you and the other Vision Group members, for the excellent job done. I know your task has not been easy, but this Report you have been able to finalise in such short period of time is really excellent.
- I have already had the occasion to listen to your recommendations in Jakarta last month and express my appreciation for the serious work undertaken by the Group. I have also discussed the follow-up with my counterpart, Minister Pangestu, and instructed my services to start the necessary preparatory work to give a concrete follow-up to the requests expressed by the experts.
- On a more political perspective, the Commission adopted a renewed trade policy late last year with particular focus on markets that matter most to the EU. Due to its growing importance for the world economy and trade and the impressive growth figures, East Asia is definitely one of the main targets of the EU trade policy.
- These are not only obvious declarations, but concrete commitments. First of all, in two days time, the most ambitious Free Trade Agreement ever negotiated by the EU will enter into force with South Korea. This agreement will create an estimated 75 billion euro in additional trade opportunities within the next 15 years and reinforce the credibility of the EU trade policy in Asia.
- We are also very much interested in developing closer relations with the countries of ASEAN that are also going toward a path of deeper economic integration with ambitious objectives to be completed by 2015. For this reason we already embarked on comprehensive negotiations with a number of countries in South East Asia that were ready to go, such as Singapore and Malaysia.

- As a leading country in the region with a large domestic market and blessed by abundant natural resources, Indonesia has been understandably cautiously observing this process. Together we decided to establish the Vision Group to ensure the necessary ownership of the process by all the stakeholders.
- This allowed us to make a well thought analysis of our bilateral trade and investment relations and prepare for the future on a solid and, most importantly, shared basis.
- Our respective technical services will already meet later today to discuss your report, how to move forward, and how to use your work to enhance our relations.
- From a first quick glance, I can already say that your Report covers almost all of the main areas that the EU is willing to include on an advanced trade agreement. I also notice an impressive level of ambition that is promising and necessary to address all the aspects of our bilateral relations in an effective manner.
- As highlighted in the Report, economic relations between the EU and Indonesia are already well developed and, due to the complementarities between our economies, have the potential for further harmonious increase. The economic analysis is clearly suggesting that trade and investment liberalisation will bring benefit for both sides especially when the dynamic aspects of capital accumulation are taken in account.
- The Report suggests that for Indonesia an FTA with the EU will result in an additional 1.3% of GDP growth in 15 years time. This corresponds to 6.8 billion euro based on 2010 estimates and will significantly contribute to the alleviation of the poverty in the country.

- There are necessarily some sectoral adjustment aspects to be taken in account. I understand the importance the Report gives to efficient and innovative bilateral cooperation and capacity building in Indonesia. In my view, economic cooperation is extremely important and key for the development of our relations.
- The EU is already providing such assistance bilaterally and through regional programme and will continue in a reinforced way in the framework of the Partnership and Cooperation Agreement signed in 2009. However, this should not be limited to the classical technical assistance but should also cover all aspects and modalities that are necessary to, as you say in your Report, "invigorate" the EU-Indonesia relationship.
- To give to the audience some examples of recent areas of cooperation between EU and Indonesia, I could mention the Voluntary Partnership Agreement that I signed last month in Jakarta with the Indonesian Forestry Minister. This Agreement will be crucial in ensuring that Indonesian exports to the EU in legally harvested wood and wood products will continue and expand.
- Moreover, I am aware of the signature tomorrow here in Brussels of the so-called horizontal aviation agreement that will bring several provisions in bilateral air services agreements between 19 EU Member States and Indonesia on a sounder legal footing.
- These are only two examples of the many areas where our relations can be deepened. The suggested Comprehensive Economic Partnership Agreement will definitely facilitate this process that will indeed lead to greater prosperity for Indonesia and for the EU and, again, "invigorate" our already strong commercial and investment relationship.

Background

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.

This project, inspired by the Indonesian Trade Minister Mari Pangestu, was in line with the positive political climate created by the partial resolution of the air ban and the consequent signing of the PCA, and had the objective of maintaining the momentum in the bilateral relations while buying some time to deal with the pressures of some sectors of the domestic industry, which is very much concerned about recent opening to other regional partners (especially China) mainly in the context of the ASEAN regional negotiations.

At several occasions during the discussions, Minister Pangestu gave her personal steer to the Vision Group by arguing that a free trade agreement with the EU should also cover trade facilitation and capacity building. Ibu Mari's view was supported by the members of the Vision Group and resulted in the main recommendation of a establishing a Comprehensive Economic Partnership Agreement (CEPA). The proposed agreement would be a comprehensive one constructed like a pyramid based on three main pillars: Market access, Facilitation of trade and investment and Capacity building. This is very much similar to the Indonesia-Japan EPA and to the structure of the proposed bilateral agreement with Australia.

There are several explanations for Indonesia to switch its stance towards a possible negotiation with EU. First of all, neighbour countries (Singapore and Malaysia) are already in an advanced negotiation phase potentially leading to market disadvantage, moreover the increasing dependency on China and Japan is calling for a diversification of export and import markets. Finally, although is not explicit in the internal debate, one should consider the impact of the forthcoming GSP reform that could end up in the graduation of certain Indonesian sectors.

The main content of the Report as reflected in the conclusion and recommendations (attached) is the following.

- The report analyses the current status of EU-Indonesia relations and argues that the status quo is not satisfactory. It also identifies four rationales for a more ambitious economic partnership
- EU and Indonesia economies are complementary and can thus gain from stronger trade and investment relationships.
- There is a potential for further expanding trade and investment flows. A bilateral trade agreement (linked to the already signed PCA) would be the best way forward.
- However, to be meaningful this agreement should be ambitious in multiple ways: it should go beyond simple market access liberalisation but include provisions in areas such as investments, procurement, services, public

procurements, etc. Moreover, it should include or be linked with elements of trade facilitation and capacity building.

- The proposed architecture is a triangular one with emphasis on market access, capacity building and trade and investment facilitation.
- The Report also goes into the details of the proposed Comprehensive Economic Partnership Agreement (CEPA). First of all, tariff liberalisation should cover 95% of tariff lines and trade in a maximum period of 9 years. This should be complemented by provisions addressing TBTs and SPS matters. It also argues for deep liberalisation in services and investments and for provisions liberalising public procurements and the infrastructure market (especially through Public Private Partnership). Moreover, there are Chapters dealing with IPRs (including GIs), competition and sustainability. The two final chapters deal with the governance of the agreement (arguing for a dialogue and cooperative based approach, although accompanied by an effective dispute settlement mechanism) and an innovative communication strategy and stakeholders dialogue.

From the EU perspective, an agreement with Indonesia would be of high interest to given its size and our declining market share in the country. However it will also be challenging in terms of substance. In this respect, the reaction of the Indonesian Government to the recommendations of the Vision Group which called for the launch of CEPA negotiations is encouraging.

The Indonesian Government is currently consulting the main stakeholders on these recommendations, but also on the more detailed contents of a possible agreement (socialisation campaign). This will pave the way in Indonesia to the formal decision (by the President) to open negotiations. Although the reaction from the local industry (KADIN) has been so far positive, highlighting in particular the complementarities between the two economies and the importance of closer bilateral ties, it is still early to predict whether or not the Government will get the necessary support. This consultation exercise appears all the more important due to the backlash of the alleged negative impact of the ASEAN FTA with China and the criticism of the Government for not having conducted a proper information campaign.

As was clearly expressed to the Indonesian Minister last month in Jakarta, from the EU perspective, negotiations can start only after an in-depth discussion on key aspects of the agreement in order to evaluate their readiness to take commitments on critical aspects of services, market access and procurement. This will be reflected in the so-called scoping paper to be presented to the Member States ahead the formal start of the negotiations. The first occasion to present the main elements of the scoping paper is already scheduled on 28-29 June in the context of the fourth meeting of the EU-Indonesia Working Group on Trade and Investments. The process will continue the summer (including further socialisation events in Indonesia) with the aim to prepare the necessary steps for the launch of formal scoping negotiations at the end of this year or early 2012.

ANNEX 1 – Conclusion and Recommendations of the EU-Indonesia Vision Group

1. Relations between Indonesia and the EU are generally good and economic relations healthy. Nevertheless, **the status quo is unsatisfactory**, leads to underperformance and ever more missed opportunities for both partners in the longer run. Partners can profitably build on the recent deepening in their relations expressed in the Partnership and Cooperation Agreement.
2. However, as a strategic response to the dynamism of world business and active bilateral and regional economic diplomacy, an incremental approach will simply not do. Serving the long-term goals of open economic development and **sustainable growth** for the two partners requires a decisive new initiative.
3. Our Vision is that the **Indonesia-EU partnership has to be invigorated**, in the pursuit of the objectives of economic growth, job creation and poverty reduction.
4. Going for deeper economic relations between the EU and Indonesia, and with a wider scope, is the logical sequel of the steady stream of Indonesia's political, institutional and economic reforms. It is also most desirable for Indonesia achieving a sustainable high-growth path via much greater participation in global value-chains, with localized benefits for suppliers and the economy at large. It is equally a logical follow-up to the EU's trade policy since 2006, seeking 'deep' and ambitious economic partnerships with countries or regions having significant potential. The EU is rediscovering the new Indonesia with its large potential in terms of size, current and expected growth rates, the ongoing shift towards manufacturing exports, emerging services, increasing openness (especially vis-à-vis Asian partners) and macro-economic stability. For Indonesia, it is a strategic priority to invigorate its economic relations with the EU as its second largest export destination and the largest investor in the country. For Indonesia, the EU is promising as the biggest economy in the world, in terms of GDP, trade in goods and services, as well as incoming and outgoing stocks of FDI.
5. It is critical – especially for Indonesian decision-makers and stakeholders - to appreciate fully that a deep and invigorated economic relationship with the EU is not costly in the short-run. Quite the contrary, it will generate major economic benefits, quickly increasing over time with the shift to higher-value added goods and incoming direct investments. Indonesia and the EU are strongly complementary economies, which means that direct competitive rivalry in markets, where Indonesian domestic firms are active, will be rare or absent. Although adjustments in term of lesser growth or restructuring might occur in the short run in a few product-markets, most adjustments will consist of upgrading and internationalising, with better quality or newer products, hence, with highly positive results. The EU exports very different products to Indonesia than Indonesia to Europe. Indeed, in some sectors, this complementarity will be directly helpful to expand Indonesian exports based on components from EU companies and this is likely to be bolstered by EU investments building on Indonesian comparative advantages in the region as well as vis-à-vis Europe. Under this new initiative, complementarity will often be accentuated by the combination of trade and EU direct investments.

6. As a **guiding principle, due consideration should be given to the different levels of development** of the two partners. A deeper and wider partnership should therefore allow for flexibility. Another horizontal and crucial issue consists of sustainability and environment. Sustainability can, indeed should, be turned from an often negative perceived imposition into a promising and profitable opportunity. This is true both for exports and direct investments. For example, exports of sustainably produced timber and palm oil present enormous opportunities for Indonesia. Moreover, the greater the efforts at sustainability, the greater the benefits for EU investors and Indonesia.
7. It is also critical to **involve stakeholders** in the discussions on the new partnership possibilities at an early stage.
8. The Vision Group recommends the conclusion of **an ambitious bilateral agreement** between Indonesia and the EU.
9. This **Comprehensive Economic Partnership Agreement (CEPA)** should be based on a free trade area as the foundation in WTO terms, and have a triangular architecture: **market access, capacity building and facilitation of trade and investment**. The ambition of the CEPA would be present in all three elements. It is the complementarity and interaction, also over time, of these three elements which will engender the desirable development impact for Indonesia via higher-value-added exports and, at the same time, turn Indonesia into a more attractive market for EU goods and services as well as a promising investment location.
10. In terms of market access, **it would consist of a deep FTA**. This would imply access liberalisation in goods, services and direct investment, complemented by 'behind-the-border' commitments covering a range of sanitary and technical regulations issues based on internationally accepted requirements or standards where feasible. It should also include commitments on intellectual property rights protection and competition policy, taking note that Indonesia, as one of only few ASEAN countries, already having initiated such a policy. This should be linked with capacity building as well.
11. **For the markets in goods**, the Vision Group recommends a move to zero tariff for **95% of tariff lines with at least 95% of trade value** covered in a period of maximum 9 years. The time path ought to reflect fully the different levels of development of the partners: the EU would have a higher initial commitment and a faster dismantling period. A best-endeavour clause on the remaining 5% permits further progress in future. Safeguards and/or provisions on sensitive sectors may be incorporated. At the same time, credibility and ambition would be negatively affected if such provisions and their application would not remain truly exceptional and subject to objective criteria.
12. Market access for goods also depends critically on **overcoming or avoiding sanitary (SPS) and technical standards (TBT) issues and sometimes other non tariff measures (NTM)** such as onerous administrative requirements and excessive licensing. These questions should first of all be addressed on the basis of the WTO SPS and TBT Agreements, adhered to by both Indonesia and the EU. Where existing provisions would still be WTO inconsistent, the CEPA could be a first recourse to overcome it. On SPS and TBT questions, the three elements of the CEPA should be regarded as complementary, in particular capacity building.

13. For the purpose of the CEPA, **capacity building is defined as comprising three interactive levels:** (i) permanent dialogues, both business to business and business to government; (ii) technical dialogues and commitments, illustrated by proven examples in timber, fisheries and civil aviation; and (iii) financial cooperation to support tangible outcomes following suggestions from technical committees of the Joint Agreement. Under a CEPA, capacity building should go beyond the already existing, substantial efforts in a range of sectors. It is critical for effectiveness that capacity building is not merely output oriented (that is for example, that agreed efforts actually being undertaken to meet specific objectives), but outcome oriented (for example, that the capacity to comply with EU health, safety and environmental requirements is sufficiently improved for exports to reach the EU market). Capacity building efforts should therefore be measurable, and carefully targeted sectorally, for example on SPS or TBT standards and subsequent results regularly monitored in the Indonesia – EU dialogues.
14. **Combining facilitation and capacity building**, it is worth studying or otherwise considering how a more systematic alignment between EU standards and conformity assessment systems and those of Indonesia can be achieved. In particular, the Vision Group recommends that the CEPA should identify priority sectors, every three years, where standards, testing, conformity assessment and accreditation can be aligned and propose solutions to facilitate improved access to both markets within a reasonable time-frame.
15. **For services, liberalisation would have to be Doha-plus in various ways.** The Vision Group recommends the binding of existing, actual liberalisation as a practical starting point. Beyond that, both partners should commit in a CEPA to certain levels of new openings in key services sectors so as to create new business opportunities. Liberalisation for services would naturally be linked with greater freedom to invest locally in services in Indonesia (whilst in the EU, given 'national treatment', Indonesian investment, which has now started, will find few obstacles).
16. The Vision Group recommends that the **CEPA should include concrete measures to promote green components in EU-Indonesia trade and investment**, while creating growth, value and jobs. This should result in the evolution of a competitive “green” business model which benefits both parties. This can be a platform for fighting climate change and protecting the environment. Capacity building and trade facilitation should be designed with sustainability objectives in mind.
17. Market access should include wide opportunities to **invest locally**. For Indonesia, EU business might invest in particular segments of the value chain, for re-export back to Europe. Perhaps an even greater win-win would result from improving market access for EU direct investment, using Indonesia as a production platform for sales to the wider ASEAN Economic Community. Given other emerging FTAs with the EU in the region, and given competitive conditions, greater market access would be a clear signal to EU investors to explore such win-win possibilities in Indonesia. Current EU FDI levels in Indonesia are relatively low. The CEPA should include measures and incentives to enhance the attractiveness of Indonesia for EU FDI and thus help increase EU FDI flows to Indonesia. Stimulated by the prospect of a CEPA, liberalization of restrictions on foreign ownership (equity caps), foreign business

access and local content requirements – including public procurement – is expected and should stimulate increased FDI. This would be seen as an improvement of direct investment incentives by European business which, nowadays, often refrains from investing given stringent equity caps. Market access for direct investment (called pre-establishment in the EU) can be usefully complemented with investment protection (post-establishment). Today, Indonesia has agreed Bilateral Investment Treaties (BITs) with 17 EU countries. Given the EU Lisbon Treaty with new investment powers, the EU and Indonesia should aim to conclude, in the medium run, one single BIT to promote legal certainty for EU and Indonesian investors.

18. Effective market access is also determined by the IPR regimes of the two partners. Although **IPRs** are often crucial for the distinct competitive advantages of EU companies, given the EU's level of development. This is already applicable to some Indonesian companies and will become more relevant in the future. With respect to Geographical Indications, Indonesia is interested in improving market access to the EU for a number of traditional quality food products by obtaining recognition of protected indications, thereby moving up the value added/quality level for its sales in Europe. Similarly the European GIs will seek a higher level of protection in Indonesia. More generally, IPR legislation in both EU and Indonesia is TRIPs consistent. The ambition of the CEPA would thus be to improve implementation and enforcement as well as to make the IPR-regime TRIPs-plus, where relevant. This should be addressed with the help of capacity building.
19. **Facilitation of trade and investment** should, in any event, build on current improvements in customs procedures and automation. Direct investment from EU companies can be profitably linked to infrastructure, public works in infrastructure and public/private partnerships (PPP). The European-Indonesian Business Dialogue has made joint proposals which we strongly support. We recommend their urgent follow-up to help lower costs of logistics in Indonesia. European business has the funds, expertise/know-how and willingness to invest, based on such proposals. Effective facilitation of and investments in infrastructure linked to globalisation is vital for profitable incorporation of Indonesian and EU local establishments into global value-chains. In this way increased investment will interact much better with market access and capacity building. It will equally improve the competitiveness of Indonesian exports to the EU– especially in manufacturing - , where internal and external competition is sharp on price and quality.
20. Furthermore, in order to increase the magnitude of the benefits of the proposed CEPA, on infrastructure development in Indonesia, the Vision Group recommends to future negotiators of the CEPA to discuss public procurement, notably in infrastructure. The parties should agree on setting up transparency rules and the negotiation of additional levels of mutual access to the respective public markets.
21. It is recommended to open up possibilities for EU investors in **public works, especially in infrastructure and combined with public private partnerships (PPP)**, which are attractive for such investors. Poor infrastructure is a deterrent for FDI and the Vision Group therefore recommends to ensure the existing PPP model becomes fully functioning as soon as possible; the exact type and level of Government support (asset buy back, minimum revenue, expected commercial returns, etc.) needs to be

identifiable in advance with clarity on risk/return parameters to attract foreign financial investors. We believe that the EIB can play an important role in this including possible support for the Indonesian Infrastructure Guarantee Fund (IIGF) where additional capital and capacity building are necessary. The Vision Group recommends that the one stop shop concept, as established in 2009, should be further improved - also in view of reducing the necessary licenses needed for investments - as a single point of contact for investors, both in Indonesia and EU Member States, as a desirable example of facilitation.

22. **Capacity building** is already included in current EU-Indonesian cooperation and the recently signed PCA. We recommend a close coordination of programmes on the bottlenecks and capacity problems identified in this report, including specific SPS components such as laboratories, recognition, technical and administrative support to SMEs (for export purposes to the EU) including improvements to technical infrastructure for standardisation, testing, conformity assessment. The Vision Group recommends a broad range of mechanisms to set forth a process of capacity building that may eventually lead to mutual recognition. Rapid and careful follow-up will clearly require one or more joint and technical committees under the CEPA. It will also be useful to involve EU business associations, linked with Indonesian business associations, since they are informed about EU requirements and customers' and consumer needs. Our report suggests building on existing efforts to improve Export Quality Infrastructure e.g. for fisheries and recommendations on energy and the 'green economy'.
23. The CEPA should have solid '**governance**' based on trust, friendship and rules. The specific follow-up of the CEPA treaty in its various areas of policy and capacity building requires permanent cooperation and consultation. Both partners should 'invest' in the proper working of the Agreement in this respect. Nevertheless, no matter how 'deep' economic relations are or will become, differences of opinion will emerge under any agreement anywhere in the world. The Indonesia-EU CEPA will be no different. Differences of opinion should not be allowed to simmer, let alone to turn into trade conflicts. Recent experience in timber shows that dialogue and concrete willingness to address issues, backed by technical cooperation, can work. The present dialogue on palm oil – the top Indonesian export product to the EU - and the EU RED directive should be pursued constructively. Dialogues and cooperation represent the spirit of working together which the Vision Group recommends. The CEPA should explicitly incorporate this idea. Firm dispute settlement, based on recognized international practice of today, should be included. Without that option the CEPA would lose credibility. However, given a credible dispute settlement, partners should nevertheless employ other mechanisms, including intense dialogue and technical cooperation, before resorting to dispute settlement.
24. The Vision Group recommends **early consultation with stakeholders** which is very important to generate strong and widely shared interest in a future CEPA and to craft political support for it among business people, government officials, politicians and civil society.
25. The Vision Group urges that prompt follow-up be given to its recommendations, notably that **socialisation/consultation will start immediately, as well as scoping**

(pre-negotiation consultations) in accordance with prevailing procedures in respective parties. Indonesia and the EU should strive for the (announcement of) negotiations to commence soonest.

26. Once negotiations are launched, the Vision Group underlines that the ambition and credibility of **this new and innovative initiative requires political determination to finish the negotiations rapidly, preferably within two years.**

ANNEX 2 – Press clippings of the Vision Group Report presentation in Jakarta on 15 June 2011.

L'UE et l'Indonésie prêtes à négocier un accord de libre-échange (AFP– France)

JAKARTA, 15 juin 2011 (AFP) - L'Indonésie et l'Union européenne ont affirmé mercredi leur volonté de lancer prochainement les négociations pour conclure un accord de libre échange alors que les investisseurs européens cherchent à profiter du boom de la première économie d'Asie du Sud-Est.

"Les négociations devraient débuter dès que le processus de consultations sera achevé", a déclaré la ministre indonésienne du Commerce, Mari Pangestu, au cours d'une rencontre avec le représentant de l'UE à Jakarta, Julian Wilson.

L'ambition affichée par les deux parties est de tenter de conclure un accord dans les deux à trois prochaines années, avant la fin du second mandat du président indonésien Susilo Bambang Yudhoyono en 2014.

Un tel accord "faciliterait de nouveaux investissements en Indonésie (...) et offrirait de nouveaux débouchés à l'Indonésie pour pénétrer le marché européen", a indiqué Mme Pangestu.

"L'Indonésie bénéficie déjà d'un excédent commercial de 7 milliards d'euros avec l'UE, et ce chiffre devrait augmenter sensiblement après l'accord", a-t-elle ajouté.

Le volume des échanges bilatéraux dépasse les 20 milliards d'euros par an, selon Eurostat.

L'UE exporte essentiellement des produits finis, comme des machines-outils, et importe d'Indonésie des matières premières, comme l'huile de palme, et des textiles.

Plus de 700 sociétés européennes ont investi plus de 50 milliards d'euros en Indonésie, mais elles doivent faire face à la concurrence de plus en plus vive de leurs concurrents asiatiques, notamment chinois, sud-coréens, singapouriens ou indiens, attirés par les richesses en matières premières et le potentiel de croissance du quatrième pays le plus peuplé au monde.

Faute d'avoir mené à bien des négociations pour un accord de libre-échange avec l'Association des nations d'Asie du Sud-Est (Asean) dans son ensemble, l'UE a lancé ces dernières années des pourparlers bilatéraux avec plusieurs pays du bloc, comme Singapour ou le Vietnam.

EU PLANS FTA WITH INDONESIA (Europolitics)

16 June

Indonesia and the EU plan to promptly start talks in order to reach a free trade agreement in the next two or three years. "Negotiations should begin as soon as the consultation process is over," said the Indonesian Trade Minister, Mari Pangestu, on 15 July, during a meeting with the EU Representative in Jakarta, Julian Wilson. "Indonesia already enjoys a trade surplus of €7 billion with the EU and this figure should increase considerably after the agreement," said Pangestu. The volume of bilateral trade is in excess of €20 billion each year, according to Eurostat. The EU mainly exports manufactured products, such as machine tools, and imports raw materials from Indonesia, such as palm oil and textiles. To make up for the absence of a free trade agreement with the Association of Southeast Asian Nations (ASEAN) as a whole, the EU launched bilateral talks in recent years with several countries from the bloc, such as Singapore or Vietnam.

RI, EU eyeing 'ambitious' free trade agreement (The Jakarta Post - Indonesia)

Erwida Maulia
06/16/2011 8:00

Indonesia and the European Union (EU) have agreed to commence talks on an “ambitious” free trade agreement (FTA), as both parties seek to boost two-way trade and EU investments in Indonesia.

The FTA is part of a Comprehensive Economic Partnership Agreement (CEPA), which the Indonesia-EU Vision Group has recommended for the Indonesian and EU governments to soon start negotiations on.

The group was established in late 2009 by Indonesian President Susilo Bambang Yudhoyono and European Commission President Jose Manuel Baroso, and has been tasked with “invigorating the Indonesia-EU partnership” in the trade and investment sectors.

“We recommend liberalization in the trade of goods and services, and in direct investments,” Vision Group co-chair Djisman Simanjuntak said during an event to hand over its recommendations to the Indonesian government here on Wednesday.

“We want an ambitious FTA. We call it ambitious because our recommendation to the government is that the FTA [will cover] 95 percent of tariff lines and 95 percent of trade values, covered over a period of nine years,” he added. Indonesian Trade Minister Mari Elka Pangestu dubbed Wednesday’s event “the first of a series of consultations” expected to further enrich preparations ahead of the CEPA.

“We’ll be doing intensive consultations in the next few months; between business-to-business, government-to-government and business-to-government,” she said.

Djisman said he expected the negotiations to be completed within two years. The EU has been exporting mainly machinery to Indonesia, while Indonesia has been providing processed resources such as palm oil and textiles to the EU, he said.

“Besides, we enjoy a trade surplus of US\$7 billion with the EU, and hope that this new initiative will further increase the surplus.”

EU Ambassador to Indonesia Julian Wilson said the EU hoped negotiations on the CEPA would help create better a climate for EU companies to invest in the archipelago.

Wilson said there were “massive potentials” for further EU investments in Indonesia, and that so far only 1.4 percent of the EU’s foreign direct investments in Asia were going to Indonesia.

The chairman of the European Business Chamber of Commerce in Indonesia and a Vision Group member, Jakob Sorensen, especially expressed his interest in the newly-launched Indonesian government’s Master Plan for the Acceleration and Expansion of Indonesian Economic Growth (MP3EI) for 2011 to 2025.

“The Indonesian government has said they’ll probably be able to come up with about US\$60 billion; so \$100 billion is still needed for that program. I’ll be very happy if Europe would come up with 20 or 25 percent of that or more,” Sorensen said.

International trade observer from the University of Indonesia, Mahmud Syaltout, however, said there were a number of recommendations relating to the FTA that should be criticized.

“They all tend to be WTO-plus, which means they’re more liberal than the rules at the WTO,” he said.

Indonesia, EU Agree to Start Free Trade Talks (VIVAnews – Indonesia)

Indonesia already enjoys a US\$ 7.2 billion trade surplus with the EU

Rabu, 15 Juni 2011, 16:12 WIB

Renne R.A Kawilarang

VIVAnews - Indonesia's Minister of Trade Mari Elka Pangestu today officially received the recommendations of the Indonesia-European Union (EU) Vision Group, recommending to start negotiations for a Comprehensive Economic Partnership Agreement (CEPA).

"A CEPA would facilitate new investments to Indonesia in support of Indonesia's master development plan as well as creating jobs and technology transfer and provide Indonesia with additional means to enter the EU market even more successfully," said Pangestu in a joint statement with Head of EU Delegation, Ambassador Julian Wilson.

"Indonesia already enjoys a US\$ 7.2 billion trade surplus with the EU, a figure to grow substantially following such an agreement. Negotiations should therefore start as soon as the socialisation process is completed," Pangestu continued.

Wilson remarked that this is a very good step forward in an already strong relationship. EU Commissioner for Trade Mr Karel De Gucht already commented that this report constitutes an ambitious, yet realistic, way forward to the benefit of Indonesia and EU trade relations.

"I can only add that a CEPA would indeed create employment and economic growth for both economies," said Wilson.

Both officials agreed that such an agreement should be triangular, including market access (trade and investment liberalisation); capacity building and trade facilitation. It should be ambitious, innovative and comprehensive including key areas such as services and investments, but also be communicated well with key stakeholders in Indonesia and the EU.

According to Eurostat 2010, EU-Indonesia bilateral merchandise trade amounts to more than € 20 billion annually, with Indonesia's exports constituting almost € 14 billion to the EU and resulting in a sizeable € 7 billion trade surplus.

More than 700 European companies have invested over € 50 billion in Indonesia, providing more than 500,000 jobs in value-adding industries such as pharmaceuticals, banking and manufacturing.

ANNEX 3 – Press release for the signing of the horizontal air services agreement

Brussels, 29 June 2011

EU and Indonesia sign off on a deal that will boost air transport

The EU and the Republic of Indonesia signed on 29 June 2011 in Brussels an aviation agreement, which will restore a sound legal basis for developing future aviation relations between Indonesia and EU Member States.

The "horizontal agreement" will bring several provisions in bilateral air services agreements between 19 EU Member States and Indonesia on a sound legal footing by ensuring compliance with EU legislation

Most importantly, it will remove nationality restrictions in bilateral air services agreements between EU Member States and Indonesia. It will thereby allow any EU airline to operate flights between Indonesia and any EU Member State in which it is established, where a bilateral agreement between the EU Member State concerned and Indonesia already exists and traffic rights are available¹.

The agreement represents an important step towards strengthening aviation relations and enhancing the overall cooperation with Indonesia, while encouraging traffic between the EU and Indonesia. Air transport is crucial for relations between the EU and Indonesia, linking people, cultures and businesses.

Currently, there are 46 such horizontal agreements with partner countries worldwide. More than 900 bilateral air services agreements have already been modified by the joint efforts of the European Commission and EU Member States to replace nationality rules with the principle of EU airline designation.

Further information on the EU and international aviation:

http://ec.europa.eu/transport/air/international_aviation/international_aviation_en.htm

¹ This means that all EU carriers will be able to be designated by any of the 19 Member States with which Indonesia has bilateral agreements - but they will only be able to fly if there are unused traffic rights in these agreements. It therefore means that EU carriers will not be able to fly from those Member States with which Indonesia does not have bilateral agreements.