

Briefing note

Scene setter

Mr. Mahendra Siregar, a career diplomat who has previously been advisor to two Coordinating Ministers for Economy, has been appointed Indonesian Vice Minister of Trade on November 2009. He is also the Sherpa of President Yudhoyono for G20 meetings.

Mahendra already travelled to Brussels last April to lead a delegation of businessmen and exporter Associations in the palm oil, cocoa, and textile sectors. In that occasion he met Commissioner De Gucht's Head of Cabinet (report attached).

VM Siregar is travelling again to Europe, this time together with the Vice Minister for Agriculture Bayu Khrisnamurti and representatives of the Indonesian Palm Oil Association (Gapki), to attend a forum on palm oil financing organized by World Bank Group in Frankfurt on 31 August and 1st September.

Both Vice Ministers are looking for reassurance about the continuity of exports of crude palm oil (55% of EU imports of palm oil are supplied by Indonesia for a value of 1.5 billion euro in 2009 or 12.8% of total Indonesian export to the EU) and the non discriminatory aspect of the Renewable Energy Directive (RED).

A meeting with DG for Energy Philip Lowe has also been scheduled for 2nd September in the morning and will largely focus on the technical aspect of the implementation of the sustainability criteria of RED.

You can use this occasion to refer to the recent Ministerial meeting held in Da Nang that agreed to strengthen the dialogue on trade and investment issues (including the launch of the Vision Group later this year). Finally, if time allows, you can suggest an exchange of views on the perspectives of the Doha round in view of the next G20 meeting in Seoul.

Objective

out of scope

Stress DG Trade's resolve to improve trade and investment relations with Indonesia including through the offer for a bilateral agreement.

Speaking Points

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Bilateral trade

- There is a mutual interest in pursuing closer commercial ties, with two-way trade now exceeding 20 billion euro, and the EU constituting the largest market for Indonesian goods, excluding oil and gas. Significant further opportunities exist for Indonesian companies in the EU market.
- We understand Indonesia is not yet ready to embark in an FTA negotiation, but we welcome the initiative of Minister Pangestu (endorsed also by our Presidents) to launch a joint Vision Group to produce recommendation on how to further develop our trade and investment relations. I am happy to hear that our Ministers approved the content and set up a timeframe for the Vision Group last week in Da Nang.
- We are however still concerned that some recent trade policy measures taken in Indonesia reflect a protectionist sentiment and do not take in appropriate account the negative impact on the investment climate in the country. As G20 Sherpa you are very aware of the commitment to not erect more barriers and Indonesia could reinforce its position in the group by showing commitment in this area.

out of scope

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Defensive points:

out of scope

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4.1(b)

Background

General, FTA and Vision Group

Indonesia's economic growth is – despite global crisis – impressive (4.5% in 2009). Even though EU industry present is doing well, new ('fresh') EU investment and trade flows still remain behind the level of countries such as Thailand and Malaysia. EU industry is complaining of reduced market access and lack of regulatory transparency (predictability).

So far Indonesia has not shown a particular interest on entering bilateral negotiations as already benefits of a rather open access to the EU market due to the structure of its trade and the benefit of the GSP scheme. Moreover, the domestic industry is already struggling with the implementation of other agreements signed by ASEAN with regional partners. The Indonesian Trade Minister launched last December 2009 the idea of developing a “vision” on how to bring forward trade and investment relations between EU and Indonesia. This proposal was subsequently endorsed the meeting between Presidents Barroso and Yudhoyono on December 14th Commissioner De Gucht and Minister Pangestu agreed the composition and timeframe of the Vision Group last week in Da Nang. 4.1(a)

out of scope

out of scope

Meeting with Indonesian Vice Minister for Trade Mahendra Siregar
and Vice Minister for Agriculture Bayu Khrisnamurti
Brussels, 2 September 2010

out of scope

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INDONESIA DDA Profile

out of scope

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ANNEXES

- out of scope

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