

To: EU-Indonesia Business Dialogue
From: PA Europe
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EU-INDONESIA BUSINESS DIALOGUE
1-2 OCTOBER 2009, BRUSSELS
FINAL REPORT

Overview/Recommendations

1. 1st and 2nd October 2009 mark the beginning of a new era of international co-operation as the first EU-Indonesia Business Dialogue (EIBD) was held in Brussels. ***Unanimous consensus was reached among all participating parties that the dialogue should be continued and even formalised through a more permanent platform, given that both – the European Union (EU) and Indonesia – have identified opportunities for deepening and broadening economic and regulatory co-operation.*** This notion is of crucial importance as there is a clear willingness among both industry and Government partners to discuss and resolve issues such as market access, Non-Tariff Barriers (NTBs), an early warning system to timely come to joint approaches through transboundary sectoral platforms, lower certification and importation costs, and – with the assistance of Governments – a better understanding of mutual environmental, Corporate Social Responsibility and other requirements.
2. The EIBD discussions also indicated that the current dialogue to a certain extent is characterised by asymmetries between the EU and Indonesian partners in terms of size, budgets, global reach and regulatory regimes and their implementation and enforcement. As a consequence there are differences in interests, needs, constraints, perceptions, etc.
3. Another asymmetry is institutional and includes the wide variety of industrial actors at the EU side and mainly the Indonesian Chamber of Commerce KADIN at the other side. At the EU side Business Europe, Eurochambres, sectoral organisations (such as CIAA – food and beverages; and CEFIC – chemical industry), bilateral Chambers of Commerce and Industry in Jakarta (including SME's) and EuroCham (clearly not focussed on SME's) are at the beginning of a form of coordination on issues including for instance Indonesia. At the Indonesian side, KADIN is a direct partner of the Indonesian Government in formulating industrial and investment policies. A case in point is the appointment of KADIN Chairman Pak Hidayat as Minister of Industry in the new Government of President Dr Susilo Bambang Yudhoyono.

4. KADIN was present as an observer in this preparatory phase of the EIBD. Several major European industries represented in Indonesia could not make it. Those who were present, such as the Indonesian fisheries and forestry sectors including Indonesian regulators, clearly benefited of direct contact with European Commission regulators. Immediately following the EIBD the weathered Indonesian fisheries team opened up the case of too high EU import duties on Indonesian fish compared to similar exports from ACP countries. Thanks to the EIBD the adagium 'Trade, not Aid' may apply, particularly as the EU requires ever more fish imports following measures of for instance France to further curtail fishing to prevent depletion. Such a first factual success of the EIBD would certainly encourage a further *intensifying, broadening and institutionalising* of this dialogue.
5. Such institutionalising obviously requires optimal coordination among the European industrial stakeholders. As a consequence, prior to further steps in this direction, a multidimensional and multilayered form of agreement between these stakeholders seems required. It is understood that EuroCham volunteers to iron out such an internal agreement at the EU side. This may make more symmetrical and thus facilitate a true 'business driven' EU-Indonesian Business Dialogue.
6. In the absence of such forms of coordination at the European side and prior to the formation of a new Indonesian Government, ***the EIBD informally agreed to establish a Task Force including individuals rather than institutions, which will draft a document identifying goals, tasks and ways and means of the future EIBD. The text of this draft can be circulated among all stakeholders in the EIBD including those participating in this preparatory meeting on 1 and 2 October 2009.***
7. Eventually this can lead to a light form of institutionalization of the Dialogue. A third party could facilitate this multilayered process. Following a request by DG Relex, PA Europe Brussels and PA Asia Jakarta are prepared to act as intermediary and facilitating secretariat (attachment A).
8. ***Following circulation and commenting on the Draft Text a Document may be crafted that is perceived as both credible and legitimate for all participating larger and smaller businesses and representing a wide spectrum of industrial actors*** . As a consequence, the Document reflects *from scratch* the legitimate interests and concerns of *both Indonesian and European Union industries*. ***If this Document becomes the basis for institutionalising through, for instance, an EU-Indonesian Roundtable of Industries, it is neither mainly an initiative from one side (European or Indonesian), nor an instrument in the hands of Government, nor a theatre to exchange mutual recriminations. Instead, it will be a Platform that allows all stakeholders to address opportunities and concerns with a focus at resolution and promotion, rather than recrimination and rejection, dealing tactfully with the current asymmetries and resulting sensitivities while assisting a way forward.***

9. Following the most helpful remarks of a senior representative of the Indonesian Embassy, this approach must adequately deal with the different roles and responsibilities of Governments and industries. If the Drafters of the Document manage to create a platform that allows stakeholders to address any relevant issues at a Roundtable Meeting, so that such issues can be adequately dealt through a working group including direct and relevant stakeholders *following* a Roundtable Meeting, the purpose of this first EIBD seems fully served.

Momentum

10. A successful continuation of the business dialogue is of clear importance: with a value of €18,1 billion in 2007, the EU is Indonesia's third largest trading partner. Furthermore, the EU is Indonesia's first export destination for its non-oil and gas products. In total, 10.4 % of Indonesia's overall external trade value is with the EU, with EU exports accounting for 12.4% and EU imports providing 7.8% of the total. Statistics and investment figures show that there is an unexploited potential to expand trade and investment and deepen the economic cooperation between Indonesia and the EU. The business dialogue between Indonesia and the EU is not the first and only forum that the EU *envisages* to promote partnership. Currently the EU has seven business dialogues that in one form or another are championed by the DG Enterprise and Industry: The Canada-Europe Round Table (CERT); The EU-India Business Dialogue; The European-Israeli Business Dialogue; The EU-Japan Business Round Table; The EU-Russia Industrialists' Round Table; The Trans-Atlantic Business Dialogue (TABD); and the MERCOSUR-Europe Business Forum (MEBF). Two are of particular interest as they could serve as a comparable benchmark for the EIBD.
11. First of all, ***the CERT can be seen as leading the way towards an institutionalized longer-term sustainable trade relationship.*** It was initiated in 1999 in response to the need for an effective Canada-Europe business dialogue. Over the years, it has been a strong advocate of comprehensive bilateral free trade and investment liberalization, contributing to recommendations to shape public policy and increase bilateral trade and investments.
12. Secondly, ***the EU-India Business Dialogue is a useful example, given that the (initial) asymmetries between the trading partners were rather strong.*** Nevertheless, continuous Political and Business Summits have helped EU-India relations grow exponentially. These business dialogues have proven that, despite the different frameworks, distinct starting points and diverse perceptions, they serve the same purpose, namely to create new business opportunities and facilitate enhanced cooperation.

Issues to be Addressed by the Drafting Group

13. The first-ever EU-Indonesia Business Dialogue brought together 140 participants from Indonesia and the EU for a constructive two-day discussion. During the two days, a number of key issues were identified that need to be addressed in order to move towards a sustainable, mature and successful dialogue between both business communities in the future.
14. ***I. Objectives***
First of all, the objectives of the dialogue have to be defined and brought to the most reasonable common denominator. The latter is based on the observation during the two-day event that the perceptions of Indonesia differ from those of their European counterparts in terms of outcome. For instance, while the EU perceives this dialogue as a means to build synergies for economic relations, Indonesia, on the other hand, seeks to increase its understanding of and grip on the complex decision-making process of the EU while improving market access.
15. ***II. Participants***
Furthermore, the question which stakeholders have to be included in the dialogue needs to be answered. It was argued that as many of the issues that businesses want to discuss are of a regulatory nature, it is relevant to include Governments at a certain stage. Also a certain participation of civic society was mentioned to effectively resolve mutual problems, concerns, projects and investments. EU representatives typically reflect their own consumers' and civic society's concerns over environmental and health issues but these are sometimes perceived as trade barriers. Indonesian measures taken to promote domestic industrial development and employment are sometimes experienced as protectionist.
16. Hence, as the Indonesian side remarked, preliminary questions need to be addressed: is it going to be a purely business-driven forum or will other actors, such as governments and civic society be involved? What will this imply for the Dialogue's agenda? Should there be a sectoral or overall approach or an overall basis for discussion? As the name "business dialogue" already implies, it is crucial that the process indeed be driven by businesses. Therefore, business federations on both sides, i. e. KADIN and bilateral chambers in Jakarta and EuroCham/ BusinessEurope/ Eurochambres/bilateral chambers on the European side, should fulfil a key role in this business dialogue. Input by CEOs of interested companies may steer EIBD to the right direction. Next, regulators can contribute to the dialogue. Together with the business federations, key interests of the stakeholders can be addressed and embedded into existing regulatory frameworks – which, at the insistence of the EIBD and with the support of the regulators – may be adapted. The desired relationship between regulatory bodies and business development needs to be addressed by the "Drafting Group". This also applies to the role given to the EU, the Indonesian Government and the EU Member States.

III. Obstacles to Economic Co-operation: International Standards

17. During the EIBD on both sides concerns were expressed on required levels of food safety, sustainability, tax, and other (perceived or real) barriers. All or most participants agreed that – with due respect for the different levels of economic development – obstacles to economic cooperation need to be identified and removed – particularly if they would appear to be rather more ‘political’ than ‘technical’. Each side presented cases of obstacles and constraints that hamper the expansion of trade and investment. References were made to hurdles such as the lack of trade facilitation, a less adequate customs administration, tariffs and non-tariff barriers, technical regulations and standards as well as serious infrastructure constraints.
18. Following serious food (melamine) contamination cases in China international food safety standards are seen as adequate means to both protect the consumer and while protecting industries against protectionism. Such standards are based on scientifically-derived minimum requirements for human health and environment. This will contribute to improved global market access. Consequently, both competition and co-operation would be boosted.
- Next Steps**
19. The European Commission has generously funded this important prologue to the new European Union-Indonesian Business Dialogue. Representatives from KADIN observed this first meeting and concluded a next meeting should be held in Jakarta. The above report may serve as a means to assist further steps towards the realisation and institutionalisation of this dialogue.
20. The European Commission/DG Relex invited the PA Group offices in Brussels and in Jakarta to provide further assistance to this development. Former Belgian Prime Minister Mark Eyskens and former Indonesian Environment Minister Sarwono Kusumaatmadja – resp. chairman of PA Europe/Brussels and chairman of PA CSR Jakarta – are at the availability of all institutions involved to help make this effort a success.

PA Europe/Brussels and PA Asia Jakarta/PA CSR Jakarta
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Attachment: EC RELEX letter to PA Europe, 11/11/09