



Report of the 7th round of negotiations for a Free Trade Agreement between the European Union and Indonesia

11 to 15 March 2019, Brussels

Officials from the EU and Indonesia met in Brussels from 11 to 15 March 2019 for the 7th round of negotiations for an EU-Indonesia Free Trade Agreement. The EU negotiating team was led by Ms Helena König, Deputy Director-General DG TRADE at the European Commission, while the Indonesian team was led by Pak Iman Pambagyo, Director General for International Trade Negotiations at the Indonesian Ministry of Trade.

The seventh round covered most sectors under negotiation. Negotiators continued to make progress, in general and across the chapters. Discussions were particularly constructive on Investment, Sanitary and Phyto-sanitary measures and Rules of Origin. The chapters on Trade Remedies and Customs and Trade Facilitation are now close to completion at technical level.

On the other hand, issues like government procurement as well as subsidies and state owned enterprises will require further in-depth discussions. There were no further exchanges of market access offers before or during this round.

Both sides agreed to specific follow-up actions before the next round, which will be held before summer in Indonesia.

Details per negotiating area

Trade in Goods

Both sides made progress on text consolidation, including as regards standstill. However, the provisions on export taxes, repaired and remanufactured goods, import licensing as well as import and export restrictions continue to be the object of intense discussions.

Rules of Origin

Good progress was made in a constructive atmosphere. Both sides achieved the objectives of proceeding with text-based discussions on Origin Procedures (Section B) and to start discussions on the Product Specific Rules.

There was good engagement from both sides, which led to agreement on important parts of the text on origin procedures. For all product specific rules, including agricultural and processed agricultural products, the Indonesian side agreed to work based on the EU proposal and had the first exchange of views on a sectoral basis. The discussions covered also the outstanding issues of the General Provisions (Section A) and Final provisions (Section C).

Customs and trade facilitation

Both sides exchanged useful clarifications on each other's positions, which allowed to make further progress. Only a few articles remain outstanding, before reaching a technical conclusion of the chapter.

Technical Barriers to Trade

Discussions via video-conference only allowed for moderate progress at this round. The Indonesian side informed further internal consultations is required on several articles, including on consultations procedures and making results of consultations public, the selection of types of conformity assessment procedures, and subcontracting provisions.

Sanitary and Phyto-Sanitary measures

Both sides examined thoroughly the SPS text with the aim to find a common position on the most challenging and outstanding issues. Significant progress was recorded, including on the articles on the general provisions, the procedure for listing establishments, and import conditions. Both sides also agreed on the provisions for pre-listing and fees.

Trade in Services

Detailed discussions took place on the sections on financial services, international maritime transport services, Mode 4, mutual recognition agreements including the new Indonesian proposal on the recognition of seafarers, as well as on digital trade. Detailed discussions were also held on the exchanged initial market access offers.

Overall, the negotiations were constructive and progress was achieved on some of the issues discussed and in-depth discussions were held on the level of ambition of each side's offers for all sectors. The EU side reiterated the need to eliminate foreign equity caps and broaden the scope of commitments. Regarding the digital trade chapter, further discussions will be required on the cross border flow of data and the moratorium on the application of customs duties on electronic commerce. to the issue of performance requirements applying to services, and the impact on Indonesia's market access offer remains a difficult issue.

The Indonesian side reiterated its strong interest in ensuring highly ambitious Mode 4 commitments for all occupations included in the list submitted to the EU.

Investment

Good progress was made in particular with regard to the investment-related definitions as well as the investment protection provisions. The provisions on transfers, compensation for losses and subrogation were finalized, while the article on fair and equitable treatment was closed. Following constructive discussions, positions have approached with regard to the compensation for expropriation and denial of benefits. The scope of application of the non-discriminatory provisions post-establishment was also agreed. The text was consolidated to a large extent with regard to the remaining provisions on objectives and relationship with other agreements.

Dispute settlement

Further progress was made in terms of text consolidation. Open hearings remains a difficult issue, however, and the Indonesian side still needs to reflect over the proposed pre-established roster of panelists.

Government Procurement

No major progress could be made, but discussions were useful in order to better understand each other's position and the internal consultations procedure. The Indonesian side informed that local content requirements are enshrined in Indonesian laws and any changes would require a long process. The EU side further explained the architecture of the future schedules on market access.

Competition, Subsidies and SOEs

During this round no discussion was held on competition, which had previously been brought close to technical conclusion, nor on subsidies. This round only allowed for a preliminary discussion on the text on state owned enterprises.

Intellectual Property Rights

Both sides discussed remaining open issues in the text, article by article. Progress was made in the general provisions, copyright, patents, undisclosed information under trade secrets and civil enforcement as well as certain aspects of border enforcement. Plant varieties and regulatory data protection were not discussed at this round.

Trade and Sustainable Development

Intensive discussions took place in a positive atmosphere, which brought some progress in text consolidation and further in-depth discussions on the main issues. While divergences persist on the architecture of the chapter and on some principled positions, steady progress was made on text consolidation, including on the provisions of trade and biodiversity, trade supporting climate action, including under the Paris Agreement, and trade and sustainable fisheries management. Other provisions were also discussed in detail, including the objectives and scope of the TSD chapter, principles of the right to regulate and upholding levels of protection, and ILO conventions and decent work.

Small and Medium Enterprises

Both sides made progress in the negotiations of the SME Chapter. They proposed several modifications in view of improving the text, which will be further discussed at the next round.

Institutional and final provisions

The EU side tabled its proposed negotiating texts. Both sides made good progress with regard to the provisions on exceptions and had good discussions on the institutional and final provisions. There was general agreement on the proposed institutional architecture.

Transparency and Good Regulatory Practices

Both sides held substantial discussions and agreed on several provisions, including general principles, definition of “regulatory measures” and “regulatory authorities” on the EU side, scope of the chapter, internal coordination and publication of draft major regulatory measures or consultation documents. The transparency chapter however was not discussed, due to limited time. The Indonesian side is considering the provisions on regulatory cooperation in the agreement and may make further relevant proposals.

Economic cooperation and capacity building

While both sides consolidated the progress made so far on certain provisions of the text proposed by Indonesia, only moderate developments were recorded with regard to the outstanding articles, including on the principle to link implementation of the agreement to the provision of economic cooperation.