



PRESS RELEASE



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INITIAL RESPONSE ON THE STUDY ON THE IMPACT OF AN EU-INDONESIA CEPA BY CSIS

"The EU Delegation very much **welcomes this important study** by the CSIS. The EU was the largest export destination for Indonesia last year (non-oil and gas) and the second largest investor. But there is much more potential to increase trade, services and investment. The CSIS study shows clearly the EU and Indonesia are **complementary economies** and that a **comprehensive CEPA** between the EU and Indonesia would create a "**win-win**" solution."

Harvey Rouse, Head of Trade, EU Delegation to Indonesia, Brunei Darussalam and ASEAN

"I agree with this CSIS analysis that a comprehensive CEPA would **substantially increase Indonesia's exports to the EU** including "increasing **services-content** of exports", "help maintain **Indonesia's competitiveness among the ASEAN countries**", would provide a transparent and predictable investment environment leading to **even more EU FDI and job creation** and assure very importantly that "Indonesia is **attractive to manufacturers** wanting to set up a **production base** that plugs into **Global Value Chains**". The study's conclusion is crystal clear: the "**need for a CEPA is imperative to Indonesia**" to improve export performance and inward investment.

Jakob Sorensen, EuroCham Chairman

Key Findings

The study points to the importance of the EU market for Indonesia. Indeed, the EU consists of a market of over 500 million consumers. It is the largest economy and the largest provider of foreign direct investment in the world. In 2014, the **EU overtook China to become Indonesia's largest export market** (non-oil and gas) and it is the **largest trading partner with which Indonesia enjoys a trade surplus**.

The CSIS study clearly shows that only a **comprehensive CEPA** will contribute with real benefits to both sides. The figures of this study are **certainly compelling**. A successful comprehensive CEPA would lead to an **increase of Indonesia's exports** by up to **US\$1.1 billion**, a continued **trade surplus** with the EU and **more investment** from the EU. On the other hand, **without a comprehensive CEPA**, Indonesia's exports to the EU could **drop by 20% or US\$4 billion**.

The CSIS study stresses the importance of Indonesia plugging into global supply chains and that "greater market access for EU products would also **increase Indonesian industrial competitiveness**". Worldwide, the **import content of exports** is **today 40%** and is growing enormously. CSIS finds that a comprehensive CEPA will lead to the development of a diversified and **higher value added economy**, as well as help develop Indonesia into the **manufacturing hub of ASEAN**.

CSIS also highlights that "investment provisions inside a CEPA must aim at **reducing discriminatory practices towards foreign investors** and at **increasing the predictability and transparency** of the existing investment regime". The EU was the **second largest provider of FDI last year** into Indonesia overtaking Japan. But there is huge potential to increase FDI. The Study also importantly stresses that **only a comprehensive CEPA** which

includes **Services, IPR and Public Procurement** provisions and which addresses **non-tariff measures** will really deliver the most benefits to both sides.

The EU has launched **CEPA/FTA negotiations** with the US, Japan, Vietnam, Thailand, Malaysia and others. Indeed 10 negotiations have been concluded since 2009, including with South Korea and more recently with Singapore and Canada. The EU has also launched specific investment negotiations with China and with Myanmar.

Background

Trade & Investment 2014

- EU/Indonesia Trade = **€24 billion** Indonesia trade surplus with EU: **€4.9 b**
- EU overtook China as the largest export market (non-oil and gas) for Indonesia
- EU was the largest exporting market with which Indonesia enjoys a **trade surplus**
- EU invested a record **\$3.7 billion** (non-oil and gas) overtaking Japan to become the second largest provider of FDI after Singapore