Indonesia, EU Sign Long-awaited Trade Deal

AFP :: Indonesia and the European Union finalised negotiations on a trade agreement Tuesday after nearly a decade of talks, a senior minister said.

The Indonesia-European Union Comprehensive Economic Partnership Agreement (CEPA) is the third deal Brussels has signed with Southeast Asian countries, after Singapore and Vietnam.

The pact was signed by EU Trade Commissioner Maros Sefcovic and Indonesian Minister of Economic Affairs Airlangga Hartarto in Bali and will open investment in strategic sectors such as electric vehicles, electronics, and pharmaceuticals.

“By finalising this agreement, the EU and Indonesia are sending a powerful message to the world that we stand united in our commitment to open rules-based and mutually beneficial international trade,” Sefcovic said after the signing.

“In all, EU exporters will save some 600 million euros ($708 million) a year in duties paid on their goods entering the Indonesian market, and European products will be more affordable and available to Indonesian consumers,” EU President Ursula von der Leyen said in a statement.

Indonesia has been in talks with the EU since 2016, but negotiations for a trade deal initially saw little progress.

Issues such as palm oil and deforestation posed stumbling blocks, but US President Donald Trump’s sweeping tariff policy “created the urgency” to expedite an agreement, said Deni Friawan, researcher at the Centre for Strategic and International Studies.

The trade deal also included a protocol on palm oil, the EU said in a statement, without providing details.

“This is a ten-year journey that has resulted in a milestone that reflects our commitment and the commitment of stakeholders to an open, fair, and sustainable economic assistance,” Airlangga told a news conference.

The agreement is expected to be implemented by 2027, Airlangga added.

Around 80 percent of Indonesian exports to the EU will be tariff-free after the deal comes into force, Airlangga said in June.

It is expected to benefit the country’s top shipments to the bloc including palm oil, footwear, textiles and fisheries, he added.

The EU is Indonesia’s fifth-largest trading partner with bilateral trade reaching $30.1 billion last year.

The agreement would further open up EU access to the Indonesian market of around 280 million people, Deni said.

Ties had been frayed by issues including a proposed import ban by Brussels on products linked to deforestation that has angered Indonesia, a major palm oil exporter.

Under the EU deforestation regulation, exports of a vast range of goods – including soy, timber, palm oil, cattle, printing paper and rubber – are prohibited if produced on land deforested after December 2020.

The EU on Tuesday proposed postponing the regulation’s implementation by another year after a backlash.

However, activists are concerned the trade agreement will lead to more deforestation driven by increased demand for Indonesian palm oil.

ntinue”The remaining natural forests in palm oil concessions will potentially be cleared in the near future (and) converted into plantations,” said Syahrul Fitra of Greenpeace Indonesia.

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