



*Comprehensive  
Economic  
Partnership  
Agreement  
(CEPA)*

# EFTA – Indonesia



## EUROPEAN FREE TRADE ASSOCIATION (EFTA)



The European Free Trade Association (EFTA) is an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its Member States (Iceland, Liechtenstein, Norway and Switzerland) and their partner countries.

### The Association is responsible for the management of:

- The EFTA Convention, which forms the legal basis of the organisation and governs free trade relations and economic integration between the EFTA States;
- EFTA's worldwide network of free trade and economic partnership agreements; and
- The Agreement on the European Economic Area (the EEA Agreement), which extends the Internal Market of the European Union (EU) to three of the four EFTA States (Iceland, Liechtenstein and Norway).

From its Headquarters in Geneva the EFTA Secretariat serves the EFTA Council and its substructure in implementing the EFTA Convention and free trade agreements worldwide. The Secretariat's duty stations in Brussels and Luxembourg are primarily engaged in the management of the EEA Agreement and EFTA's statistical cooperation with the EU.

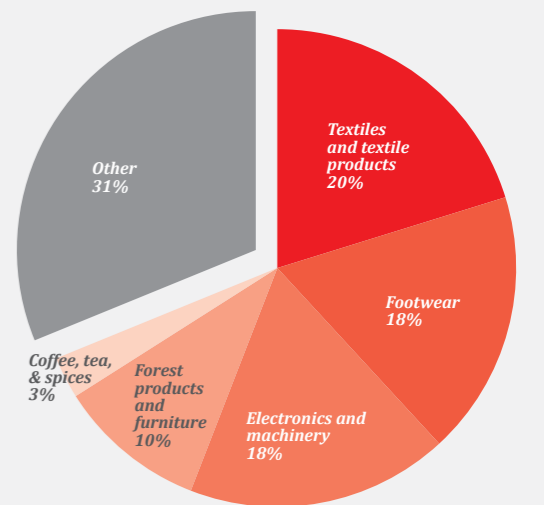
The negotiations towards a Comprehensive Economic Partnership Agreement with Indonesia (IE-CEPA) were formally launched in 2007. They form an important part of EFTA's strategy with regard to South-East Asia.

## STRENGTHENING INDONESIA – EFTA ECONOMIC PARTNERSHIP

The strengthening of economic relations between Indonesia and the EFTA States through a Comprehensive Economic Partnership Agreement (IE-CEPA) will enable us to intensify and diversify two-way trade and investment. Increased trade and investment will provide new opportunities for businesses, workers and consumers, resulting in improved welfare in Indonesia and in the EFTA States. Not only large but also small and medium-sized enterprises will gain broader and more privileged access to so far untapped markets. Lower tariffs and fewer administrative hurdles will boost trade. Predictable and favourable investment conditions will encourage innovation and strengthen competition. Open economies are conducive to job creation and push up living standards.

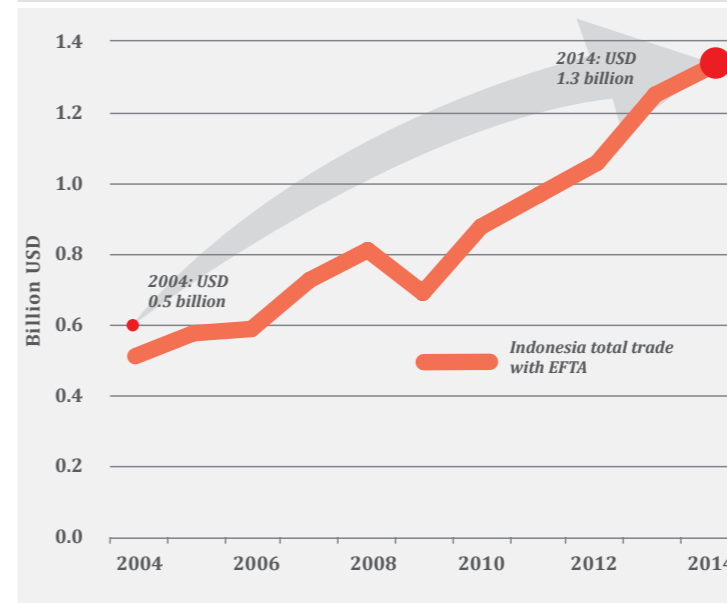
A Comprehensive Economic Partnership Agreement will provide a platform for bringing the parties' respective bilateral relationships to a higher level. This will pave the way for stronger economic relations and will make a significant contribution to continued economic growth and sustainable prosperity for the people of Indonesia and of the EFTA States.

### COMPLEMENTARITY: 2/3rds of exports to EFTA are in Indonesia's priority sectors for trade\*

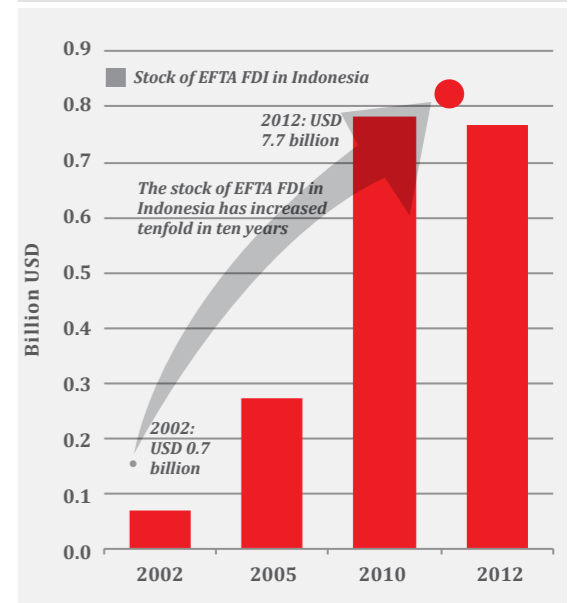


\*Trade Policy Review of Indonesia (WTO, 2013)

### DYNAMIC GROWTH: Indonesia's merchandise trade with EFTA has nearly tripled in ten years



### INVESTMENT: Indonesia attracts increasing amounts of foreign direct investment from EFTA



Data sources: EFTA national statistics (via Global Trade Atlas), WTO and UNCTAD.

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## Foreword by Mr Kristinn F. Arnason

*Secretary-General of EFTA*



Indonesia is a major player in Southeast Asia, a region that is a pillar in EFTA's free trade strategy. With ASEAN being one of the largest free trade areas in the world, the region is an important market for the EFTA States. In Asia, the EFTA States already have free trade agreements with Singapore, Korea and Hong Kong, China. These agreements have proved to be highly beneficial for all partners, enhancing trade flows and offering extended possibilities to their business communities. As part of their ongoing Asia strategy, the EFTA States have also entered into free trade negotiations with Malaysia, Vietnam and the Philippines.

Indonesia, with its dynamic and fast growing economy and the largest population of the region, represents a major market and a partner of great importance to EFTA. The complementarity of the economies represents a natural starting point from which to build a strong economic partnership for the long term.

The four EFTA States – Iceland, Liechtenstein, Norway and Switzerland – represent a sizeable market, comparable to the markets of Australia or South Korea, and are significant players on the international economic scene as both trading and investment partners. EFTA consumers are among those with the highest purchasing power in the world, making the market highly attractive. EFTA has one of the most extensive networks of free trade and economic partnership agreements worldwide. These agreements generate increased trade and investment by providing businesses with an open, predictable and legally secure framework. EFTA's network of agreements also allows governments and authorities to strengthen overall bilateral relations. The EFTA States have a solid record as pragmatic and solution-oriented free trade partners.

The EFTA States aim to conclude a balanced Comprehensive Economic Partnership Agreement (CEPA) with Indonesia, paving the way for stronger economic relations between the two sides and significantly contributing to continued economic growth and sustainable prosperity through the promotion of trade and investment.

## Foreword by Ms Shinta Widjaja Kamdani

*CEO Sintesa Group, Chairwoman of Apindo  
International Relation and Investment*



When we talk about the European market, we tend to focus our attention on the European Union and forget the fact that some of the most prosperous European countries such as Switzerland, Iceland, Norway and Liechtenstein, which are in EFTA, are not included in the European Union.

EFTA countries are not only rich, they are countries with the highest purchasing power and per capita income in the world. They have a good and vast network of free trade, economic cooperation and business coverage. They are also well known for their technology and business practice, which we can learn from to improve our economy and business competitiveness.

I am very pleased that this brochure will become one of the windows for Indonesian businesses to learn and explore the high potential of economic cooperation between the EFTA countries and Indonesia. By knowing these countries better, I hope that there will be wider and deeper economic cooperation, particularly in trade and investment, between businesses in our countries.

## EFTA AS A TRADE AND INVESTMENT PARTNER

EFTA is an experienced trade and investment partner. It has one of the largest networks of free trade and economic partnership agreements in the world, which today spans over 60 countries and territories, including the European Union. EFTA's objective is to negotiate well-balanced free trade and economic partnership agreements that benefit all partners by creating an open, stable and predictable environment for businesses engaged in international trade and investment.

As a sizable market with high purchasing power, EFTA has a reputation as a reliable long-term trading and investment partner. The EFTA States together constitute the world's twelfth largest merchandise trader and seventh largest trader in commercial services. Over the past ten years, EFTA's merchandise trade has grown at a faster rate than world trade. This has been the case for both imports and exports. EFTA's network of trade agreements has made this possible by providing a solid basis for continued trade expansion for both the EFTA States and their partners.

*Over the past ten years, EFTA's merchandise trade has grown at a faster rate than world trade.*



The EFTA States are also significant investors abroad. Together they represent the world's third largest outward foreign direct investor behind the European Union and the United States. Foreign direct investment from the EFTA States is particularly strong in finance and banking (Liechtenstein and Switzerland); telecoms (Norway); pharmaceuticals, chemicals and plastics (Iceland and Switzerland); mining and oil and gas extraction (Norway); and manufacturing and logistics services. The EFTA States are hosts to a significant number of major multinational companies such as Nestlé, Roche, Novartis, Statoil, Telenor, Yara International, DNB, UBS, ABB, Lafarge-Holcim, Zurich Financial Service and Syngenta. But small and medium-sized enterprises also play a crucial role in the EFTA States' economies and are present in Indonesia (see business testimonials on pages 12 and 13).

## EFTA-INDONESIA: A BENEFICIAL AND COMPLEMENTARY PARTNERSHIP

The complementarities between the Indonesian and EFTA economies are significant and will be harnessed more effectively by concluding an Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA). The deepening of economic relations has the potential to create opportunities and further growth in sectors of mutual economic interest in line with the Indonesian Government's priorities – land and maritime infrastructure, electronics, energy, textiles and seafood, to name but a few. An IE-CEPA will open up for greater flows of foreign direct investment from the EFTA States, stimulating the economies of both EFTA and Indonesia by spurring the transfer of technologies and job creation as well as fostering Indonesia's competitiveness vis-à-vis the Association of Southeast Asian Nations (ASEAN) (see testimonials regarding cooperation on pages 8 – 11).

The preferential tariffs granted under an IE-CEPA will allow Indonesian exporters to maintain strong access to the European markets for their products, independently of the autonomous system of GSP (see box). With the EFTA States serving as a hub for many companies engaged in business operations throughout the European market, Indonesia will indeed benefit from opportunities resulting from EFTA's extensive trade flows with the European Union, as well as with the markets of EFTA's other free trade partners worldwide.

The rate of annual growth in trade between Indonesia and the EFTA States has on average been 9%, whereas Indonesian exporters have

### Generalised System of Preferences

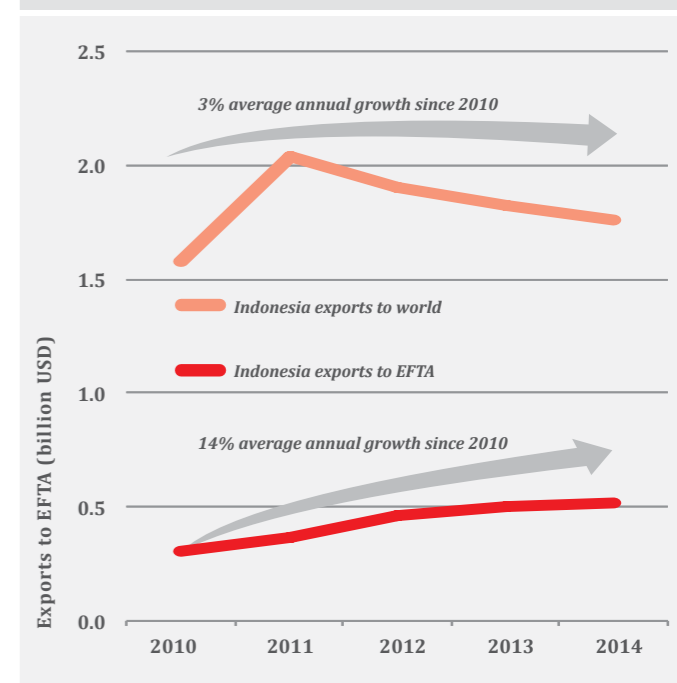
*The generalised system of preferences (GSP) offers lower tariffs or completely duty-free access for imports from specifically defined developing countries and territories into the markets of the granting nations.*

*These preferential concessions are granted unilaterally, i.e. without asking for concessions from the beneficiary countries. Once certain criteria are met, the beneficiary countries "graduate" and lose their eligibility for the GSP scheme.*

benefited the most, with Indonesia's exports to EFTA growing annually by 11%, making EFTA an ever-expanding market with great possibilities for Indonesia.

An IE-CEPA will also provide a framework for cooperation and exchange of know-how in various fields, from which all partners can benefit. For Indonesia, technical cooperation in areas where the EFTA States have developed expertise, such as manufacturing, maritime transport and power generation (e.g. geothermal), can enhance business competitiveness.

**RELIABLE PARTNERSHIP: Exports to EFTA have grown faster than exports to the rest of the world**



Data sources: EFTA national statistics (via Global Trade Atlas), WTO and UNCTAD.



## SWISS – INDONESIA COOPERATION ON SUSTAINABLE COCOA PRODUCTION

## TRAINING FARMERS AND INCREASING CAPACITY



*Mr Anwar Adnan Saleh,  
Governor of the West  
Sulawesi Province.*



The Swiss-supported Sustainable Cocoa Production Programme (SCPP) is well designed with the interests of smallholder cocoa farmers in mind.

Since the programme started in West Sulawesi Province, the SCPP has provided farmer-field-school training to some 2 000 farmers in the Mamuju and Majene districts. The training has contributed to improving farmers' cocoa production

*One of the key strengths of the programme is its comprehensive approach in improving the cocoa value chain by working with all key stakeholders in the industry including the farmers, buyers and processors.*

and overall welfare because the SCPP focuses not only on good agriculture practices, but also on improving the nutrition of farmer households and farmers' knowledge of financial management and access to finance.

One of the key strengths of the programme is its comprehensive approach in improving the cocoa value chain by working with all key stakeholders in the industry including the farmers, buyers and processors. A good example of multi-stakeholder cooperation under the SCPP is the recent sale of fermented cocoa beans by cocoa farmers in West Sulawesi to Nestlé Indonesia through its local supply chain partner.

I am confident of West Sulawesi's potential to contribute to helping Indonesia achieve its goal of being the largest cocoa producer in the world by 2020. Our province currently contributes 24% to Indonesia's overall cocoa production. Our cooperation with the SCPP, coupled with our national government's commitment to support cocoa production, are key to accomplishing this goal.

We look forward to continuing our fruitful collaboration with the programme.

As a leading Indonesian commodity, cocoa has a strategic role in the economy of Indonesia, as a contributor to the national income from the plantation sector. Hence, I highly appreciate the Sustainable Cocoa Production Programme (SCPP), which is supported by the Government of Switzerland.

The SCPP is intended to give priority to small-scale cocoa farmers' interests in Indonesia, which is still dominated by small-scale cocoa farmers. The programme started in 2013. The SCPP has provided training to more than 54 000 farmers in 29 districts spread across six provinces, specifically on improving cocoa farming techniques, fermentation and post-harvest handling, better nutrition and household financial management. Our farmers are now able to produce higher quantity and quality cocoa beans.

Besides that, I am also impressed with the programme's method of increasing the capacity of agricultural extension in local governments. So far, the SCPP has trained more than 500 agricultural extension officers on sustainable farming best practices and improved family nutrition. It is such a distinct investment for the sustainability of the Indonesian cocoa sector. The SCPP's partnership with the Directorate General of Regional Development, Ministry of Home Affairs, has also encouraged the synchronisation between the activities of the local government's priority programmes and the SCPP's aim of improving the welfare of cocoa farmers.



*Dr Yusharto H, M.Pd., Head  
of Centre for Management  
of Overseas Cooperation,  
Ministry of Home Affairs,  
Republic of Indonesia.*



The SCPP works on targets all along the cocoa value chain and strives to create access to markets in order to increase farmers' income and welfare. I can see this through the collaboration of the SCPP with selected global cocoa companies. They have strong and aligned commitment with the Indonesian Government to enhance cocoa productivity and quality to help Indonesia achieve its goal of being one of the largest cocoa producers in the world by 2020.

*State Secretary Marie-Gabrielle Ineichen-Fleisch in Indonesia where she visited a Indonesia - Swiss cooperation project in cocoa production.*

Therefore, we hope that this good cooperation can be sustained in the future.





## HARNESSING THE POWER OF GEOTHERMAL ENERGY: A WIN-WIN SCENARIO FOR INDONESIA AND ICELAND

As volcanic island states, both Indonesia and Iceland are blessed with an abundance of clean, renewable geothermal energy. Cooperation in this important sector has grown in recent years and reached a milestone with the signing of a Memorandum of Understanding in 2007. The growing partnership includes technology research, investment, project development and training.

Numerous geothermal experts from Indonesia have already completed the United Nations University Geothermal Programme (UNU GTP) in Iceland, which allows them to bring that experience back home to further develop the sector. Prospects for further cooperation are significant and could be critical for Indonesia to develop its geothermal sector further, as the need for experts will increase exponentially with more geothermal power plants coming into operation.

Indonesia has one of the world's largest resources of geothermal energy and its potential capacity is estimated to be around 29 000 MW. Recognising that only around 5% of that capacity is used for power generation, the Indonesian Government is keen to increase production nearly eightfold by 2025.

Iceland offers a number of interesting cooperation opportunities to the Indonesian business sector, as well as between institutions from both countries. In Iceland the Geothermal Cluster, a broad body of cooperating entities, has been established, seeking partnerships in key geothermal countries. A handful of small firms offering comprehensive services for geothermal energy projects through all phases of development, based on decades of experience in harnessing renewable energy in Iceland, also stand ready to partner up with Indonesian firms.

Further cooperation, fostered in a potential free trade agreement, would certainly be a win-win scenario for both countries, bringing prosperity to areas where an abundance of clean geothermal energy resources is waiting to be harnessed.

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## NORWEGIAN-INDONESIAN FISHERIES COOPERATION

Indonesia and Norway both have a long tradition as fisheries nations, and this is naturally a key area of cooperation. Starting with a letter of intent between the Norwegian Ministry of Foreign Affairs and the Indonesian Ministry of Marine Affairs and Fisheries (MMAF) in 2006, the two countries have had an active bilateral fisheries programme in place since 2010, focusing on both the management of wild fish stocks and marine aquaculture.

Indonesia has the world's largest unexploited sea area resources suitable for marine aquaculture. Based on its experience in salmon production especially, Norway is sharing knowledge on how to select sites for environmentally sustainable fish farming, on fish health and disease diagnostics, and on best practice in the management and operation of marine fish farms. Some of the assistance goes towards helping to develop good aquaculture practices at MMAF's demonstration fish farm in Batam Marine Development Centre, which in turn provides know-how and technical assistance to local fish farmers in Batam.

*Norway is sharing knowledge on how to select sites for environmentally sustainable fish farming, on fish health and disease diagnostics, and on best practice in the management and operation of marine fish farms.*



Two-thirds of Indonesia's area are marine waters inhabited by fish stocks that can be harvested sustainably at 6.5 million tons per year. However, the majority of these fish stocks are over-exploited, which threatens biodiversity and sustainability. Good fisheries governance and resource management are an essential basis for Indonesia to be able to maintain a sustainable fisheries sector and prevent illegal, unreported and unregulated (IUU) fishing. Through the fisheries programme, Norway contributes with capacity building on how to carry out stock assessments and how to use the data collected to develop sound fisheries policies.



## TECHNOLOGICAL INNOVATION FROM LIECHTENSTEIN AT WORK IN INDONESIA

## TOP QUALITY PRODUCED IN INDONESIA



*Henry Chia, President  
Director of PT Hilti  
Nusantara.*

In Indonesia, Hilti AG is fully represented by PT Hilti Nusantara, established in 1996 and employing around 120 Indonesians. Hilti operates in major cities in Indonesia, supplying high quality and innovative products and services primarily to the construction market and energy sector. Two-thirds of Hilti's employees work directly with our customers, providing advanced solutions to meet their needs. We also support our customers with value adding services, such as specification design and training. In major cities of Indonesia, residential and commercial buildings, as well as civil infrastructure, are in high demand. These are some of the highest growth sectors in Indonesia. With its high construction output, Indonesia provides significant growth opportunities for Hilti.

Hilti is well known for its cutting-edge technology which can help increase the productivity of construction projects. With the Comprehensive Economic Partnership Agreement between EFTA and Indonesia, PT Hilti Nusantara will leverage more capacity to bring in and introduce this cutting-edge technology to the Indonesian market in a more timely manner and cost-effective fashion.



*Erwin Spichtig,  
CEO of Sandmaster.*

Sandmaster is typically representative of an industrial SME in Switzerland. We are highly specialised in a niche market and produce top quality machines. With an export share of over 70% we have to penetrate markets around the globe. As with most other Swiss SMEs, Sandmaster's success is highly dependent on international competitiveness.

To accommodate competitiveness and to penetrate international markets further, Sandmaster decided five years ago to establish a production plant in Indonesia. The main goal of this set-up was to produce our new manual sandblasting machine range at a lower cost and also to establish an Asian hub to penetrate the Asian market. In the meantime we were able to produce these machine types at the required high quality to export back to Switzerland and the European market. In fact, the design, quality and pricing of these new machine types have been so well received that we will have to further expand our production capacity. On the side we are also expanding our local engineering department to support the Swiss team in design and development.

*To accommodate competitiveness and to penetrate international markets further, Sandmaster decided five years ago to establish a production plant in Indonesia.*

Although it took serious efforts at the beginning to overcome some of the cultural and 'way of doing business' hurdles, Sandmaster is succeeding with this new manufacturing plant in Indonesia and therefore also strengthening our headquarters back in Switzerland, a real win-win.

Our project has proven that Swiss SMEs are able to establish successful production companies here and not simply bring investment but also high quality jobs, education and a wide range of international competitive knowledge to Indonesia.

We are convinced that a trade agreement between Indonesia and EFTA will establish further trust and ease the way for many other companies like us to establish their Asian production and business hub in Indonesia.

The Hilti Group supplies the worldwide construction industry with leading technological products, systems and services, providing construction professionals with innovative solutions and superior added value. The Group employs some 22 000 people in over 120 countries who passionately create enthusiastic customers and build a better future. Hilti generated annual sales of CHF 4.5 billion in 2014. Hilti's corporate culture is based on integrity, teamwork, commitment and the courage to embrace change. The headquarters of the Hilti Group are located in Schaan, Liechtenstein.

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*The employees of PT Hilti Nusantara.*





## INDONESIA-EFTA WORK ON AN IE-CEPA UNDERTAKEN SO FAR

Formal preparation for negotiations between the EFTA States and Indonesia, aimed at concluding a Comprehensive EFTA-Indonesia Economic Partnership Agreement (IE-CEPA), started in 2005 with meetings between high ranking officials. Based on the results of those meetings a "Joint Indonesia-EFTA Study Group" was established to appraise the feasibility of a future trade agreement between the EFTA States and Indonesia.

The report of the Joint Study Group in 2007 concluded that an IE-CEPA would bring forth mutual benefits and create a win-win situation for all parties, based on the complementarities of the economies of both sides. The Study Group further recommended that the agreement be based on the principles of comprehensiveness, substantial liberalisation, enhancement of mutual benefits and consistency with the principles of the World Trade Organization, as well as on cooperation. The EFTA States underlined their readiness to examine ways and means to assist and cooperate with Indonesia in building up capacity to implement and make effective use of the agreement.

The launch of negotiations was announced by Presidents Susilo Bambang Yudhoyono of Indonesia and Doris Leuthard of Switzerland, on behalf of the EFTA States, on 7 July 2010 in Jakarta. On this occasion, both Presidents stressed that the negotiations should be comprehensive, covering all sectors relevant to trade and investment flows in an integrated manner, including capacity building and cooperation. They also stated that the negotiations should be guided by the principles of sovereign equality, mutual respect and a constructive spirit.

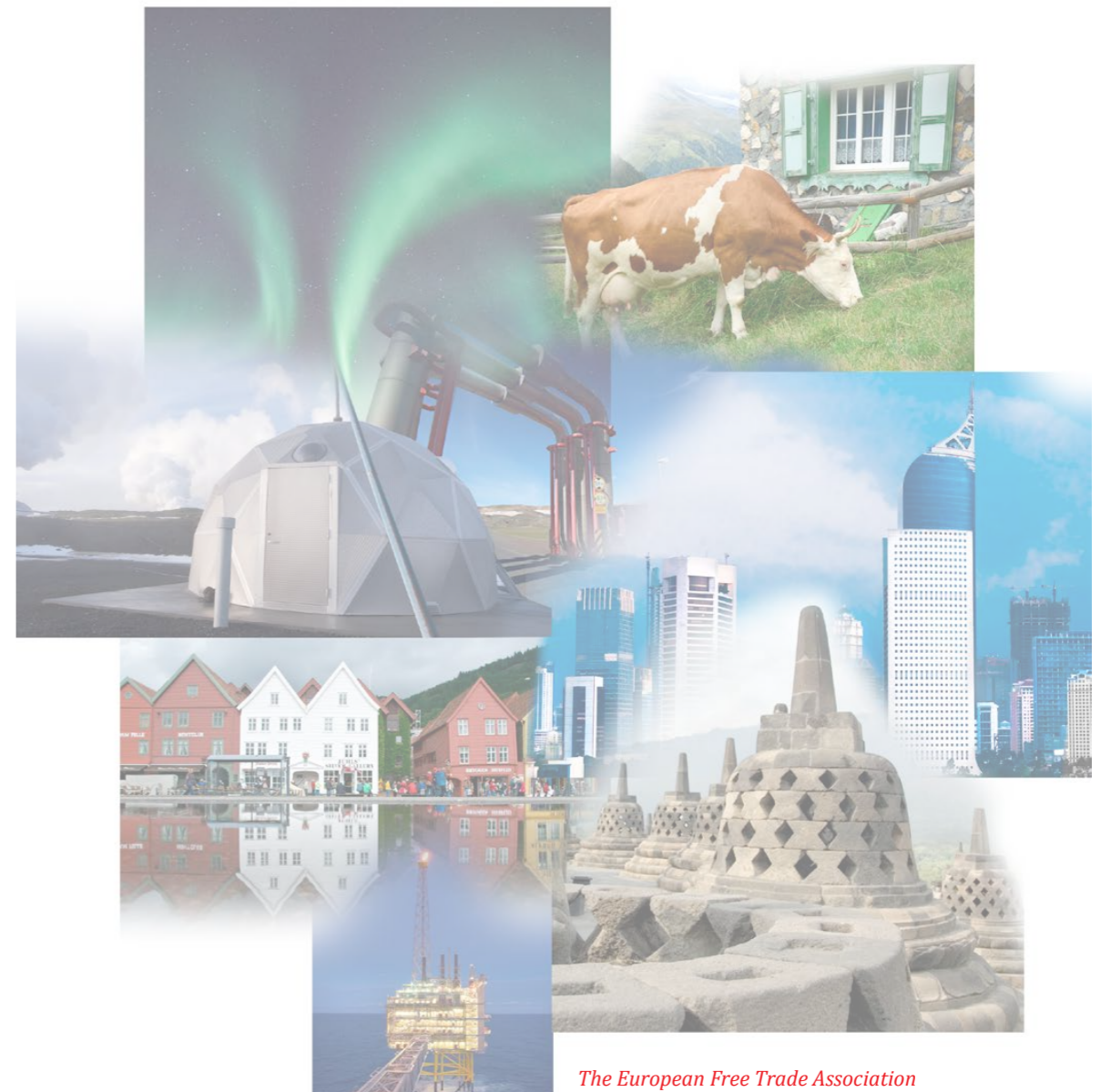
To date, nine full negotiating rounds and a number of Heads of Delegation and expert meetings have been held in the framework of the IE-CEPA negotiations, allowing for significant progress in all areas. The results of these rounds were laid down in a Joint Consolidated Record in May 2014.



*The EFTA negotiating team was headed by Ambassador Didier Chambovey from Switzerland, while H.E. Soemadi D.M. Brotodiningrat led the Indonesian delegation.*



*Parliamentarians from the EFTA States visited Indonesia in 2012 and met with Parliamentarians in Indonesia as well as the Minister for Industry in order to discuss cooperation between Indonesia and EFTA.*



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