Fact sheet: Comprehensive Economic Partnership Agreement (CEPA) between the EFTA States and Indonesia

Overview

- The EFTA States (Switzerland, Iceland, Liechtenstein and Norway) and Indonesia signed a Comprehensive Economic Partnership Agreement, CEPA in Jakarta on 16 December 2018.
- The agreement with Indonesia has a wide scope of application. In particular, it improves market access and legal certainty for trade in goods (industrial and agricultural products) and services. It also contains provisions on investment, the protection of intellectual property, the reduction of non-tariff barriers to trade, including sanitary and phytosanitary measures, on competition, trade facilitation, public procurement, trade and sustainable development, and economic cooperation.
- Switzerland being an export-dependent country with globally diversified sales markets, the conclusion of free-trade agreements is one of the three main pillars of its policy of market liberalisation and improving the framework conditions for foreign trade, alongside membership of the World Trade Organization (WTO) and its contractual relations with the European Union.

Trade in goods

Concessions made by Indonesia

- 98% of Switzerland's current exports to Indonesia will enter duty-free after the deadline for dismantling tariffs.[1]
- After the deadline for dismantling tariffs, Swiss companies will be able to save CHF 25 million a year based on current trade.
- The removal of tariffs is expected to lead to new trade which is currently discouraged owing to the high tariffs imposed by Indonesia on industrial goods (8% on average[2]).

Deadline for dismantling tariffs/category	Percentage of current exports to Indonesia[3]	Cumulative
Tariff-free	77.49%	77.49%
Gradual dismantling over 5 years	13.50%	90.99%
Gradual dismantling over 9 years	5.41%	96.39%
Gradual dismantling over 12 years	1.86%	98.26%
Tariff reduction (gradually over max. 12-14 years, 25–50% tariff reduction)	0.04%	-

[1] Assuming that all exports take place under the FTA.
[2] http://stat.wto.org/TariffProfile/WSDBTariffPFView.aspx?Language=E&Country=ID
[3] Based on Indonesian import statistics, 2012–15.

No concessions	1.70%	-

- Switzerland will receive considerable concessions for its agricultural export interests:
  - Indonesia will dismantle tariffs on **cheese and dairy products** when the agreement comes into effect, or over five years. For yoghurt the period for dismantling tariffs is nine years.
  - Tariffs on **coffee, chocolate and biscuits** will be dismantled over a period of twelve years.
  - Tariffs on **baby food** will be removed as soon as the agreement comes into effect.
  - Tariffs on **energy drinks** will be dismantled over a period of nine years.

- These are the main concessions for industrial goods:
  - Tariffs will be removed on almost all **chemical and pharmaceutical products** as soon as the agreement comes into effect or over transition periods of up to nine years.
  - No agreement could be reached on dismantling tariffs for all textile goods, a particularly sensitive sector for Indonesia. However, it was agreed that tariffs will be dismantled on Switzerland's main exports in this area over a period of five to twelve years.
  - Tariffs on **machines** will be dismantled almost entirely, either when the agreement comes into effect or after periods of five to twelve years.
  - All tariffs on **watches** will be removed when the agreement comes into effect or after periods of five to nine years.

Concessions made by Switzerland

General

- Switzerland grants Indonesia tariff-free market access for industrial products as soon as the agreement comes into effect.
- The concessions made by Switzerland in agriculture are similar to those granted in other FTAs. The concessions are compatible with Switzerland's agricultural policy and do not pose a risk to any sensitive sectors.

Concessions regarding palm oil

In the negotiations, Switzerland granted the following concessions regarding palm oil from Indonesia:

Bilateral quotas

- Five quotas with a total volume of 10,000 tonnes, rising to 12,500 tonnes over five years:

  - Quota A: 1,000 tonnes for raw palm oil, 30% tariff reduction, annual growth of 50 t over five years to 1,250 tonnes.
  - Quota B1: 5,000 tonnes for palm stearin, 40% tariff reduction, annual growth of 250 t over five years to 6,250 tonnes.
  - Quota B2: 1,000 tonnes for palm stearin, 20% tariff reduction annual growth of 50 t over five years to 1,250 tonnes.
  - Quota C1: 2,000 tonnes for palm nut oil, 40% tariff reduction, annual growth of 100 t over five years to 2,500 tonnes.

    - Quota C2: 1,000 tonnes for palm nut oil, 20% tariff reduction, annual growth of 50 t over five years to 1,250 tonnes.

- Preferential imports which form part of these quotas must respect the provisions of the article in the FTA on the sustainable management of the vegetable oils sector.
- Furthermore, preferential imports which form part of these quotas must be delivered in 22-tonne tanks to ensure the traceability of the palm oil.

Further concessions

- Tariff-free quotas of 100 tonnes for Red Virgin palm oil in bottles of maximum two litres for direct consumption.
- Existing practices with Indonesia are now contractually formalised:
    - Tariff-free market access for palm oil which is to be processed and re-exported (existing procedure in temporary importation for inward processing, which will continue).
    - Tariff-free market access for palm oil intended for technical purposes or to produce soups and sauces.
- If Switzerland grants better market access concessions to other major palm oil producers (in particular Malaysia) at a later date, it must extend these concessions to Indonesia at the country's request.

Safeguard mechanism

- The agreement contains a safeguard mechanism which allows Switzerland to take appropriate action regarding imports of Indonesian palm oil should these imports put pressure on the Swiss oil seed market.

TBT and SPS measures

- The clauses on technical barriers to trade (TBT) and sanitary and phytosanitary measures (SPS) each include the provisions from the relevant WTO agreements. There is a review clause for these two areas, under which, if the EU and Indonesia subsequently conclude an agreement, Switzerland will obtain from Indonesia conditions equivalent to those obtained by the EU.
- For SPS measures, the parties will apply a system of checks to assess entities which export food products. In addition, the number of SPS certificates will be limited and based on international standards. Import controls are based on risk assessment and the principle of non-discrimination. When no risk is perceived, products will not be held at the border pending results.

Services

- The agreement contains provisions that go beyond the General Agreement on Trade in Services (GATS) with regard to financial services, telecommunication services, tourist services, recognition of qualifications, movement of natural persons and the recognition of skills and certificates of competency and training of maritime crew members. The financial services provisions are particularly ambitious and are in line with Swiss standards.
- With regard to market access (positive list method), Indonesia's commitments to the EFTA States are slightly higher than its commitments under GATS.

Investment

- Swiss investors can found or acquire a company in the non-services sector under the same conditions as Indonesian investors. This principle of national treatment applies to the founding or acquisition of companies with legal personality and of subsidiaries or representative offices.
- Indonesia has agreed a broad range of commitments. The manufacturing sector, which is particularly important for Switzerland, is now largely open to Swiss investors, although there are minimum capital requirements and in some cases partnership requirements. In general, the revised list of Indonesian obligations reflects national legislation and corresponds in large part to concessions made by Indonesia in other free trade agreements (e.g. with Japan).

Intellectual property

- The CEPA provisions improve legal certainty for the innovative Swiss economy in the Indonesian market. They afford protection on copyright and related protective rights, trademarks, geographical indications, indications of origin, designs, patents, plant varieties, topographies of microprocessors and confidential information.
- The level of protection is based on the WTO's TRIPS agreement (Agreement on Trade-Related Aspects of Intellectual Property Rights) and exceeds this in some points.
- In an additional agreement (Record of Understanding) forming an integral part of the CEPA, Indonesia recognises that the fact that a product is imported may not in itself constitute grounds for granting a compulsory licence. This ensures that the patent can also be exercised for imported goods.
- However, existing rights under the TRIPS agreement on issuing compulsory licences are explicitly protected.
- The agreement requires the parties to protect test data for plant protection products for a period of ten years, and medicinal product test data for a period to be determined by each party in national law.

Public procurement

- The agreement essentially contains a negotiation clause which guarantees the EFTA States, upon request, the possibility to negotiate access to public procurement markets in the event that Indonesia should conclude an agreement with a third country with commitments in this field.

Trade and sustainable development

- The section on trade and sustainable development covers the environmental and labour aspects of trade and is in line with the EFTA States' and Indonesia's obligations with regard to the United Nations' Sustainable Development Goals (SDGs).
- The EFTA States and Indonesia reaffirm their commitment to respect and effectively implement the multilateral environmental agreements they have ratified and the conventions of the International Labour Organization (ILO). They also reaffirm their commitments under international human rights agreements.
- This section also contains provisions on the sustainable management of forest resources and fish stocks, on preserving the level of protection and on promoting sustainability certification systems.
- Under a specific provision on the sustainable management of the vegetable oils sector, the contracting parties are required to implement laws and measures to protect primary forest, peat soils and related ecosystems, and to prevent slash-and-burn

practices and other deforestation, with the aim of reducing air and water pollution and to respect the rights of local communities, indigenous peoples and workers. The Parties undertake that vegetable oils traded under CEPA will be produced in accordance with these objectives.

Economic cooperation

- The EFTA States and Indonesia intend to increase economic cooperation with a view to improving the mutual benefits of this agreement in accordance with national strategies and policy objectives and taking into account the different levels of social and economic development.
- The objectives formulated in the chapter on economic cooperation are set out in greater detail in a separate declaration of intent (Memorandum of Understanding). Possible areas of cooperation include customs and origin issues, technical regulations and conformity assessments, intellectual property, labour issues, tourism and sustainable development of agricultural industries (e.g. palm oil).
- The EFTA States may cooperate individually or via the EFTA Secretariat. Switzerland does not require any additional financial resources for cooperation in the economic field. This is covered by the Dispatch on Switzerland's Economic Cooperation 2017–2020 and forms part of the economic development cooperation country strategy for Indonesia for 2017–2020.[4]

[4] See www.seco-cooperation.admin.ch/secocoop/de/home/dokumentation/publikationen/strategien/indonesien-2017-2020.html