

### **End Year 2008, Sector Group Chairman's Brief**

As 2008 closes, we are fast approaching the year-end and I would like to take this opportunity to thank you all for the tremendous support and enthusiasm you have given to our new sector group. I am particularly please that we now have a voice within the EU Food and Agriculture Market Access Committee. Our fellow EU member states also share many of our views and concerns and we are working with the New EU Ambassadors team headed by Andreas Julin to maintain effective dialog with the various Indonesian government departments and to encourage formal policy and regulatory reforms and to provide better legal certainty for the future development of trade and technical relations.

Recapping some of the issues relating to the current situation in the sector, Can I first comment on the conflicting nature of the Indonesian food and beverage market that we will inevitably have to face as a sector committee next year? Indonesia has a developed mass grocery retail market that simplifies distribution for producers, while an immense population ensures an enormous market audience for food and beverage products. On the other hand, however, food spending in Indonesia is low with average per capita levels pulled down by the country's poorer rural groups. Food safety issues whilst marginally improving have a long way to go to meet international food safety standards. Our specialist inputs into this area can play a vital role in supporting a much-improved level of food safety.

Recently the Indonesian government cut the importation of refined and raw sugar to address the issues of national rising inventory levels. We as BritCham have always supported the view of the Indonesian Governments aim to reduce the reliance of unnecessary imports of refined sugar; however where we have differed is in the method of implementation and the availability of local production to meet the demand of industry to international standards. We objected to the imposed ban on one of our member companies SGS to undertake third party pre-inspection of sugar pre shipping and we will continue to negotiate more effective mechanisms to be applied with the Indonesia Government.

Meat and meat products import restrictions too have caused concern. We agreed that we would support the ongoing discussions with Government via a combined EU approach. The newly tabled Halal Law has three facets two of which are technical and they require a scientific debate with the Ministry of Agriculture and it is planned to hold a two day meeting January 21/22 in Jakarta with the department and experts from the EU where the issues can be addressed at the appropriate professional level. The third facet is a religious one. BritCham have taken a position of supporting the rights of and the protection of Muslim consumers and recent meetings with senior representatives of the MUI have gone a long way to maintaining open and constructive dialog on this. Where we have raised concerns is related to the food safety standards that would appear to be also implemented by MUI. We will continue to maintain a supportive role within the EU's ongoing negotiations and discussions

Discussion concerning the future of bio-based products and the competition between food and fuel is worldwide amongst scientists, politicians, policy makers and the media. Our position I believe is clear, BritCham considers that new developments in the field of biofuels are both a threat in terms of sustainability and food security, and offer an exciting new option for agricultural development. Scientific insight into possibilities and opportunities, threats and limitations are needed in order to assess the future of Indonesian agriculture beyond food. It is imperative that agricultural, technical, social, economic, environmental and legal specialists cooperate in this discussion. We have establish a much improved communication channel with colleagues at the Embassy and have also formed a joint working relationship with BritCham's Energy sector committee that I believe will provide a more effective voice of the Chambers views and capacity. Briefly, concerning the Agro-Chemical and Fertiliser sector. We can now confirm what we have all thought to be the case that is the existence of fertiliser-related crime, It has been recently reported that in March subsidised fertiliser was found being smuggled into Malaysia. Regional police in West Java alone are dealing with 33 cases involving 894 tons of fertilizer and have to date named 54 suspects

Lawmaker Ganjar Pranowo of the Indonesian Democratic Party of Struggle (PDI-P) said the "phenomenon reflected weak supervision and the lack of coordination among government institutions". All this at a time when the growing need for sustainable food production in Indonesia is at a near all time high.

Finally, I have taken the view to widen our co-operation with other Chambers and Embassies so to appreciate and better understand their views and activities. Early next year I will be arranging a series of informal discussions for the committee with the various Chambers and their embassy colleagues.

Sincerely

David