



## **The Next Step for Indonesia-EFTA: Recognition for ISPO**

The Economic Partnership Agreement between Indonesia and the European Free Trade Association (EFTA) – known as the IE- CEPA deal - finally entered into force on November 1, 2021.

The enforcement comes following Swiss voters approving the trade deal in a referendum earlier this year, in March, which was the scene of major anti-palm oil campaigning in an (unsuccessful) effort to block the CEPA deal.

The outcome of the referendum was a success for the Indonesian Government, and palm oil community, which had launched a campaign to rebut the false allegations. The allegations were led by a “Stop Palm Oil” coalition of farmers unions – representing mostly rapeseed and sunflower farmers – and NGOs. A fairly typical mixture of protectionist interests, and green ideologues, that is common in many European markets.

In the end, the Swiss voters sided with open trade, sustainable development, and the welfare of millions of smallholders over trade protectionism, negative campaigns, and misinformation about palm oil. This is a win-win for all concerned.

For EFTA states, the Agreement will open market access for exports and foreign direct investment into Indonesia, the largest economy in Southeast Asia, with provisions to allow EFTA-based companies and investors to expand their market.

Similarly, Indonesia will benefit from duty-free market access for industrial and agricultural products. The Agreement offers small and medium scale businesses the opportunities to expand their export market, enhance investment opportunities, and boost participation in the global value chain. This includes potentially millions of smallholders in the palm oil sector.

There are some provisions that are specific to Indonesia’s palm oil community. The CEPA Agreement enforces a maximum quota of palm oil that Indonesia would be able to export, up to 12,500 tons per year, agreed ahead of the Swiss referendum in March.

The Agreement specifies sustainability clauses that will uphold high standards, and environmental and human rights protection specifically for palm oil. This is not a problem for Indonesia, where these standards already exist and are recognized by many countries around the world.

As an example of this – the U.S.’ top Climate Envoy, John Kerry, praised Indonesia recently highlighting its “tremendous progress in halting deforestation and climate leadership” under President Jokowi.

The Indonesia-EFTA CEPA also requires a binding sustainability certification. Based on a study assessment commissioned by the Swiss State Secretary for Economic Affairs, there are currently four certification schemes that qualify for palm oil imports under the CEPA. They are: RSPO Identity Protected, RSPO Segregated, ISCC Plus Segregated and POIG combined with RSPO Identity Protected or Segregated.

This presents a major opportunity – and a strategic goal – for Indonesia in the coming years. If the Swiss/EFTA process is to be serious and comprehensive, they should accept Indonesia Sustainable Palm Oil (ISPO) as a certification scheme under the CEPA.

The IE-CEPA agreement confirms the commitment to support sustainable palm oil, environmental and human rights protection, all of which are embodied by the Indonesia Sustainable Palm Oil (ISPO) principles and criteria.

The ISPO includes requirements on forest protection, legality of plantation management, social responsibility, health, safety, and employment conditions. It also requires special compliance for smallholders.

There is also international precedent for EFTA to follow: the UK’s recent Due Diligence regulation explicitly noted a path to recognition for ISPO as part of the post-legislation work – in other words, the implementation and enforcement. This is the stage that the EFTA deal is now at, and what is accepted by the U.K. should be accepted by EFTA as well.

For this trade deal to be a true long-term win-win there needs to be a level playing field for certification. This means accepting ISPO as the legality and sustainability guarantee for Indonesian palm oil.