

**Capacity Building of Indonesian Intermediaries Business  
Organisation on Sustainable Trade in the framework of the  
Establishment of STIC Hub-Indonesia.**

**Bali. Opening session. September 4<sup>th</sup>, 2005**

**Introductory remarks by Raymond Van Ermen**

**Co-Chairman of the Steering Committee Europe**

I'm pleased to welcome you as co-chairman of the steering committee of this workshop. We are extremely honored to have with us the Vice Governor of Bali representing His excellency Mr. Drs I Dewa Made Beratha, the Governor of Bali and Dr. Ida Bagus Putu Sarga, the Co-Chairman of the Steering Committee.

I'm grateful to Mr Juan Casla, member of the Delegation of the European Commission to Indonesia to be with us as well. Since 2000, the European Commission recognized the need to up-grade relations between Europe and Indonesia through promotion of trade and investment. We very much hope that this joint initiative will only be the beginning of a fruitful co-operation. I wish to thank EuropeAid and the European Commission Desk in Jakarta for supporting this initiative.

Let me thank Okta Nofri, Sony and his colleagues for having prepared this week we will spend together.

Excellency the Vice-Governor,

Your presence today is for all of us a precious source of encouragement. It demonstrates the interest of the Indonesian Authorities in identifying ways and means to equip the Indonesian small and medium enterprises with new tools to become more competitive internationally, develop their business potential on the global market as well as on the domestic market.

Men and Women of Bali are experiencing in their daily live - through the continuous changes related to the tourism industry in particular - the consequences of new developments related to a globalised world. and how customers are more and more concerned by a better management of natural resources and the protection of the cultural heritage . From this perspective, Bali is certainly one of the most famous example, at world level, in terms of cultural heritage and architectural protection.

For an island as Bali, several management tools which will be discussed during this week could be very relevant in particular for businesses related to tourism, as well as Bali export opportunities.

During this week we will explore how to increase Indonesian market share on specific Developed Countries market, as the European Union, to lower trade costs with Developed Countries, to develop coordinated capacity building initiatives at Indonesian level, capturing the add-on benefits that stem from cooperation and dialogue.

Your presence is also to be seen in relation with the fact that this workshop has been tailored for young Indonesian leaders . It is a very important signal of your confidence in the ability of the young generation to catch up with these international developments to serve their country and the Indonesian people.

Dear Participants,

We are living in a fast changing and always more interdependent world. The young generations you are representing will have to face extraordinary challenges and crisis, which – as always – will lead to dramatic situation as well as new opportunities, notably in terms of products, processes and technologies, services and trade.

Three main field of changes should be underlined because they have already and will have more tomorrow a major impact on your future :

- The *globalisation of the economy*, with major new opportunities as new types of outsourcing or N/S joint ventures, but new fears as well related to diseases (as the bird flue) or fear of a race to the bottom, in particular in terms of social standards, not only between Developed countries and Developing countries but between Developing countries as well.
- The *resource challenge* which will impact the Indonesian economy as well as the one of European countries : depletion of resources in the marine or the global energy consumption that is fast out stripping oil and gas reserves or climate change are only three examples with dramatic implications. It will have a major impact on products, production processes as well as on sustainable consumption and of course on trade in several ways. We will have the opportunity to adress this issue in particular in relation with forests and aquaculture.
- The *growing influence of the supermarket business logic*. We are observing two major phenomena, extremely important in terms of business developments, in particular for the agro-food chain and food retail. On one hand, the growth of supermarkets in low- and mid-income countries, on the other hand the impact of private supply chain guidelines imposed by the supermarket chains. The zone of profitability is moving away from production, towards processing and retailing. To keep primary producers, especially small-scale producers, in the ‘zone of profitability’ while these changes take place, will require deliberate actions by producers and retailers as well as national governments (as it is the case of Thailand with the Thai Agro Exchange in Bangkok creating integrated centres for agricultural goods that meet high product standards).

In order to face these global challenges in an interdependent world, the humanity as such, Governments, Businesses and Citizens alike are constantly adapting their strategies. It includes, amongst many other issues, 3 trends which we will map with you for business familiarisation and valorisation of market opportunities;

- *New standards reflecting an evolving demand*, dealing with safety, environnement and social issues, are emerging, reflecting collective cultural preferences and a new assessment of risks. Food safety is a well known exemple particularly relevant for the Indonesia sea-food industrie., There are many others affecting in particular ‘reputational risk’ which we will try to review together.
- *New players changing the demand*. Standards are not only defined by Governments but by businesses, multinationals very often, by big retailers and the financial industry

more and more, some time even by social movement as the fair trade movement. There is here room for new partnerships with these stakeholders.

- *Rush to regionalism* which will affect trade and investments .

Several of these changes will affect the way we live, we cooperate and we trade. As the President of STIC, former Minister of Science and Technology of South Africa, Mr. Ben Ngubane noted, *'the implementation of the global sustainable development agenda must ensure a better quality of life for all the world, especially the poorer countries. As we are aware, the standards have largely emanated from a growing awareness of sustainable development, being expressed through purchasing preferences in especially developed countries. Indeed, access to certain markets increasingly depends on producers ability to demonstrate to government, corporate and individual consumers that products have been produced according to what we could term the principles of sustainable development'*.

To Ben Ngubane mind there are five areas of concern which must be addressed. It is important for Indonesia and the Asean Countries to check to what extent they are addressed :

- *Firstly, the lack of Southern participation in the development of standards, since it is imperative that standards reflect global values and priorities;*
- *Secondly, the lack of knowledge and technical resources in developing countries, such as for example recognised certification bodies, necessary to comply with these requirements;*
- *Thirdly, developing country producers' lack of financial resources which for example excludes them from expensive certification mechanisms;*
- *Fourthly, the questionable scientific basis underlying some standards, informed by subjective value rather than firm scientific criteria; and*
- *Fifthly, the impact of unilateralism, which by allowing the operation of different standards in different countries, is not only proving costly to exporters but act as a barrier to some markets.*

*In order to appropriately address these concerns, it is imperative that developing countries be equipped with institutions, which, quite simply, could help them identify which standards are required for which markets. These institutions should possess the required scientific and technical capacity to assess foreign standards and to evaluate their relevance within domestic contexts. The nations of the South furthermore need national standards bodies that are well resourced and able to participate in setting international standards. They also need competitive certification service industries as well as competent accreditation bodies.*

*It is, thus, clear, that if social and environmental standards are to be effective in promoting equitable, sustainable trade, then developing countries must be provided with the capacity to effectively integrate them with their export strategies. Such an effort will require significant levels of technical assistance. It is a policy and resource challenge of the utmost importance, which must be met by developed and developing countries alike.*

This workshop should lead on one hand to the launching of a Sustainable trade-Indonesia Hub in partnership with STIC headquarter in Geneva, for creation of information links and exchange of matchmaking opportunities. And on the other hand to assist in the promotion of sustainable trade flows between the EU and Indonesia as “vendor” and “buyers” by enhancing the

networking between European and Indonesian Business intermediaries Finally, we hope to Identify Indonesian Champions (SMEs) and Leaders to participate in this endeavour.

In the past, Indonesia was the leading regional power and actively contributed to stable relations in the region. Today your country is hosting the ASEAN Secretariat. ASEAN in treaties such as the Yangon Declaration on Sustainable Development, the Kuala Lumpur Accord on Development and Environment or ASEAN Vision 2020, includes language affirming that economic growth should be carried out in a manner consistent with sustainable development through an open and non-discriminatory trading system. ASEAN+3 (China, Japan and Korea) free trade agreement as well as the China-ASEAN negotiations are key building blocks of a brilliant future in which sustainable trade has a key role to play. The ASEAN Regional Center on Biodiversity is in its fifth year of operation and the Secretariat is conducting a feasibility study to establish a center for environmentally sound technologies. The ASEAN has already agreed to align national standards for 20 widely-traded product groups with international standards as ISO. Now it is the time to innovate in relation with sustainable trade.

As a study of the International Institute for Sustainable Development underlined, as well as the World Bank, regional bodies as the ASEAN could play a major role to lower trade costs : costs of transport, costs of customs barriers and – one of the focus of our workshop - costs of meeting foreign standards. A Regional grouping of Countries as the ASEAN and/or a Regional grouping of Businesses with similar export interests as the G-15, is or could be cooperating on a regional body for conformity assessment, on information dissemination on existing and pending standards, on technical cooperation, capacity building and development assistance.

We are looking for a close co-operation beyond this one week workshop. We want to design new initiatives together (one of the objectives of our week session), develop a joint permanent coaching scheme on sustainable trade, get inputs and recommendation from you on the overall structure of the STIC Indonesia (logical organization, requirement of expertise and human resources, detailed plan of action), promote a tight cooperation with the relevant institutions in order to keep updated regarding the positioning of Indonesia in sustainable trade movement.

So, an ambitious agenda for only few days. I'm pleased to introduce my European colleagues Heinz-Werner Engel (EPE Vice-President), Daniel Lambart and Lawrence Watson and wish you all a fruitful workshop.