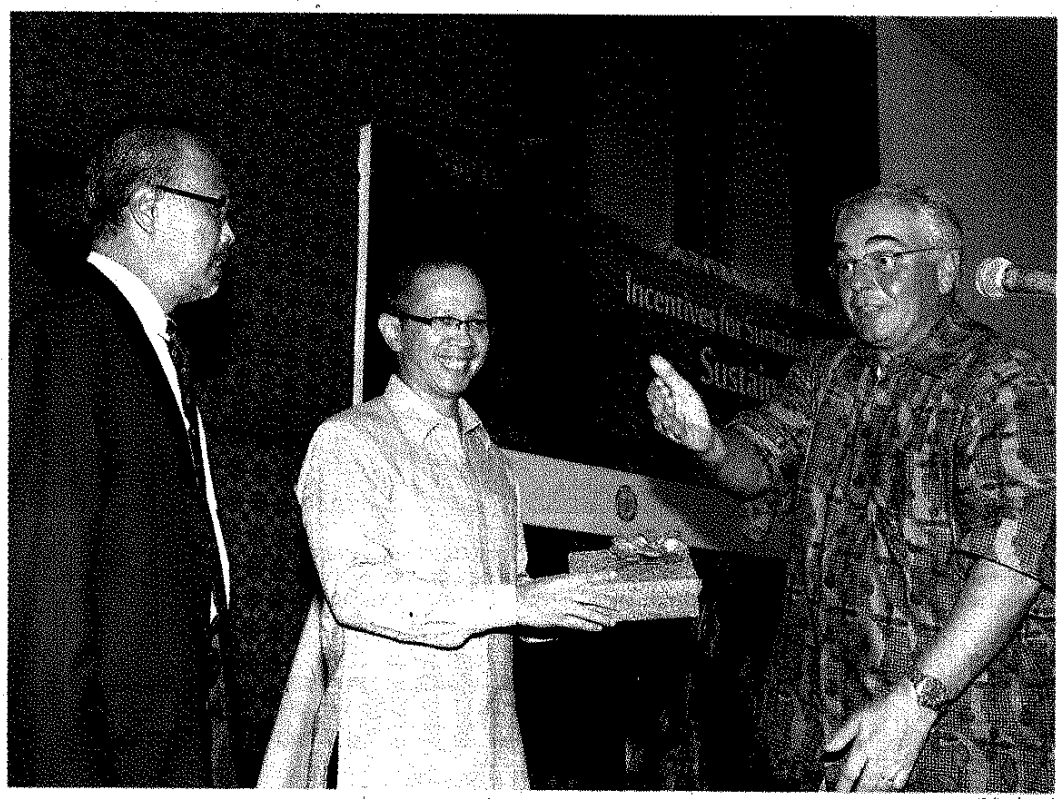
EU 'boycott' of Indonesian palm oil is a lie, envoy says

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Gift bearer: European Union (EU) Ambassador to Indonesia and Brunei Julian Wilson *(right)* talks with Deputy Finance Minister Mahendra Siregar *(center)* and Agriculture Ministry director general for processing and marketing of agricultural products Zaenal Bachruddin during a conference on sustainable palm oil on Wednesday in Jakarta. The conference aims to formulate incentives to boost the development of Indonesia's palm oil production.

Debunking media reports and statements made by spin doctors, European Union (EU) Ambassador to Indonesia and Brunei Julian Wilson says Indonesian palm oil enjoys unrestricted access to the European markets and is growing at an annual rate of over 20 percent.

"If there is a ban, how can the market be expanding at over 20 percent ... If we do have a ban, it would be the most inefficient ban in history," Julian said at a seminar on palm oil hosted by the Indonesian Agriculture Ministry, the EU and the World Wildlife Fund (WWF) in Jakarta on Wednesday.

Julian said a boycott of palm oil imports from Indonesia would be impossible, not only because of high consumer demand for palm oil in food and cosmetics but also because the trade of palm oil is protected by the free trade practices implemented by the EU and the WTO.

Previously, the Indonesian and Malaysian governments were irked by reports claiming that new EU rules would apply trade restrictions on palm oil starting this year in line with escalating protectionism in the EU market. The reports also said that the new rules were aimed at discouraging companies from felling forests to grow biodiesel or bioethanol crops. In response to the news, the government had set up a team to investigate the matter that has yet to publicly announce its findings.

Julian said policy-makers should not waste time on dealing with what he termed as "lies" and not be diverted from the real issues: Persuading consumers that a great product and industry could be in harmony with the environment.

"Now let's address the reality. You have a great product [in terms of] quality, revenue, development of the hinterland and high consumer demand. But, it has an environmental impact — primarily, forest clearing and methane emissions. Consumers have picked this up," he said.

Julian said the Indonesian government had made great strides in ensuring responsible palm oil development through introducing a regulation last year, which required all palm oil producers to obtain Indonesian Sustainable Palm Oil (ISPO) certification.

"ISPO is logical [by being] legally binding and having national coverage. But, it now lacks the credibility of RSPO. Without that credibility, it will not persuade consumers," Julian said, referring to the international standard for palm oil certification issued by the Roundtable on Sustainable Palm Oil.

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The certification process for ISPO begins this year, with a few companies already applying for audits. No certificates have been issued so far.

Shinta Widjaja Kamdani, the vice chairwoman for the environment and climate change at the Indonesian Chamber of Commerce and Industry (Kadin), acknowledged that it would take considerable time and effort to achieve international recognition of the ISPO.

"Basically, the government must have a clear certification scheme, then should provide incentives in the form of reductions of export tariffs because this will really work," she told reporters on the sidelines of a conference on sustainable palm oil in Jakarta.

Shinta said that one of the most basic incentives to support the development of palm oil production would be the reduction of export taxes for ISPO certified companies.

WWF Indonesia conservation director Nazir Foead said incentives for certified companies could also come from the private sector, namely banks. He highlighted a practice by state-owned Bank BNI, which had lowered lending rates as reward for certified companies that promoted sustainable practices.

"From the business side, that will make sense as the plantations applying best practices will not have problems with environmental nongovernmental organizations, farmers or workers whose rights are violated, and thus face a lower risk of default," he explained.

BNI assistant to the vice president Retno Murwani said that the bank channeled around Rp 3.2 trillion (US$355.2 million) to RSPO-certified firms, or 20 percent of the bank's total loan exposure in the plantation sector.

"In our rating system, environmentally friendly firms can get a 0.5 percent to 1 percent loan rate discount from our base lending rate. They can get around a rate of 9 percent to 9.5 percent," she said.