

MINISTRY OF TRADE
THE REPUBLIC OF INDONESIA



SUBMISSION TO:

HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ECONOMICS

IN RESPONSE TO:

INQUIRY INTO THE FOOD STANDARDS AMENDMENT (TRUTH IN
LABELLING - PALM OIL) BILL 2011

AUGUST 2011

1. The Government of Indonesia (GOI) respects the process of Democracy and the vote undertaken in the Senate on 23 June to adopt the above-mentioned bill, though it is noted with regret that the Recommendation in the Report to the Senate by the Community Affairs Legislation Committee was not upheld.
2. The concerns expressed during the Senate debate on palm oil have been well documented and largely relate to health considerations, deforestation and the threat to natural habitats. The GOI is fully committed to an active and constructive engagement on these issues as representing the best means to achieve commonly shared objectives of safeguarding health and protecting the environment
3. The protection and promotion of Public Health is one of the central priorities of the GOI. As a consequence, we fully understand the concern of the Australian authorities to provide consumers with information on the fat content of food stuffs provided that such labelling is non discriminatory and justified on health grounds.
4. However, the GOI also wishes to raise the importance of not misleading the consumer. Even the claim that the fat content of palm oil is greater than other vegetable oils does not acknowledge the fact that palm oil does not contain trans fatty acids, has a high stability for oxidation; and contains MUFA/Omega 9 the benefits of which are widely acknowledged to reduce cholesterol and low density lipoprotein.
5. A significant number of our trading partners have already acknowledged the health benefits of palm oil based on well-established, independent scientific evidence. The USA and Canada already legislate that food products containing palm oil are labeled trans fat free based on, amongst others, the conclusions of research by Matson and Grundy (1985)
6. In a global economy facing food shortages and high price of staple foodstuffs, it is also important to consider that palm oil is essential to satisfying future demand for calorific intake. The oil palm yields approximately 6,000 liters of oil per hectare of harvested land. In comparison, rapeseed yields 1,190 liters, sunflower yields 952 and soybean yields 446. As global demand for edible oil continues to increase, including from Australia, palm oil may prove to be the most sustainable source, as it requires less cultivated land to produce equal amounts of oil.

7. In this respect, the GOI considers that increases in productivity, particularly at the level of small holders, will help alleviate pressure on forests and pristine environments from the global economy; and that labelling of palm oil in Australia, on tenuous health grounds, will likely defeat the very purpose of the proposed bill.
8. The GOI is fully committed to sustainable trade of palm oil balancing out environmental, social and economic objectives within the overall objective s CO 2 emission savings is underpinned by the commitment given by our President Susilo Bambang Yudhoyono to reduce CO2 emissions by up to 26 % percent by the year 2020. It is needless to mention this happens despite Indonesia, unlike Australia, is a developing country where it is not compulsory to commit to such endeavour as stated in the UNFCCC and Kyoto Protocol. This compares with the commitment of the Government of Australia to its emissions by between 5 and 15 per cent below 2000 levels by 2020.
9. It is also to be acknowledged that the GOI applies a moratorium on forest clearance combined with the application of the Indonesian sustainable palm oil certification scheme and full support for the Roundtable Sustainable Palm Oil (RSPO). The labelling of palm oil will only serve to undermine the efforts being made by the private sector to promote sustainable palm oil (RSPO) in addition to the Government certification program of the Indonesian sustainable palm oil (ISPO).
10. In summary, the GOI's commitment to the environment is unwavering and ambitious. It is not only the heritage of the global community but our children, and we maintain that overall progress requires a constructive dialogue and engagement between trading partners.
11. The GOI notes that a number of opponents to the proposed bill have referred to the potentially negative consequences on wider Australia-Indonesian relations in the case of its adoption. At the present time, there are indeed a number of issues that are placing strain on our relations, but the GOI believes that such problems inevitably arise over time; but our commitment to Australia remains strong. In the case of palm oil, it is likely that the adoption of this bill may lead to a reduction in exports to Australia with lost volume being absorbed elsewhere but also a reduction in two way trade.

12. The GOI respectfully questions whether this trade deflection would help meet the main purpose of the proposed bill. While reference is made to the protection of public health, it is considered that the major concern of the proponents of the bill is deforestation in Indonesia as a result of palm oil cultivation. Although it is argued that the labelling of palm oil, certified sustainable (CS) could contribute to the objectives set, even if this were the case, the GOI respectfully considers that the intention of the proposed bill is to identify palm oil products not for promotional purposes, but to allow the consumers to choose alternative products on health and environmental grounds.

13. Although Australia is a strong supporter of the WTO multi lateral ruled based system, the GOI considers that the proposed bill is likely to be inconsistent with a number of GATT and WTO provisions. Amongst other:

⇒ Article 2.1 of the WTO TBT Agreement in that it discriminates palm oil from imported and home produced vegetable oils.

⇒ Article 2.2 of the TBT Agreement in that the proposed bill is not necessary to achieve the objective set as most manufactured foods sold in Australia already require that the fat content, and the saturated fat content, be shown in nutritional information on food packaging.

⇒ GATT, Article III.4 on national treatment in that it would favour home produced vegetable oils such as rapeseed.

⇒ Possible exemption under GATT XX (b) is not justifiable on health grounds as it is more trade restrictive than necessary for the above-mentioned reason; and a possible reduction in the sales of palm oil in Australia and/or the corresponding deflection of trade would not be commensurate to the environmental objective of reducing deforestation.

In this respect, the GOI refers to the submission of the New Zealand High Commission that trusts that the Committee will take account of international obligations. The GOI respectfully wishes to add that this amendment should be submitted to the WTO TBT Committee and that Members should be given the right to comment, and those comments should be taken into account, before the House of Representatives votes on this amendment.

14. It is with regret that the GOI may have no choice in the future but to challenge Australia on the above issues. This will only deflect from the real challenge of working with our trading partners, international organizations, NGO'S and foreign and domestic stakeholders to achieve sustainable trade in palm oil that balances out social, environment and economic goals; - and we maintain that the best way to achieve this is through dialogue.

15. While the GOI therefore reaches out to all parties in the House of Representatives (House) to uphold the recommendation of the Senate Committee not to adopt this bill; we wish also to reassure the House that the commitment of the GOI to address environmental concerns on sustainability in general, and palm oil in particular remains strong and unwavering.

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