**INDONESIA – EU: ECONOMIC & TRADE DEVELOPMENTS (December 2022)**

* Indonesia’s non-exports continue to perform well with a YoY growth of 28%. However, the YoY growth of only 6% from November 2021 to November 2022 indicates that there may problems on the horizon. These problems become even more visible when reviewing import data with the purchase of consumer goods, intermediate goods, and capital goods that score lower in the November YoY.
* Export-import trade between Indonesia and the European Union grew by only about 1% in the period January-November 2022.
* On 21 December 2022, President Joko Widodo announced that Indonesia would ban the export of bauxite ore by June 2023. In 2022, Indonesia was the world’s fifth-biggest producer of bauxite ore mostly exported to China.
* Indonesia officially appealed to the recent decision of the WTO panel ruling against the country’s ban on nickel ore exports. The Government of Indonesia is arguing that the export ban has been essential to enhancing the domestic production of high-value nickel-derived products.
* Indonesia and the Eurasian Economic Union (EEU) have started negotiations on a Free Trade Agreement. Members of the EEU include Russia, Armenia, Belarus, Kazakhstan and Kyrgyzstan. The agreement will cover trade in goods, trade facilitation and economic cooperation.
* The Ministry of Trade in Indonesia reports that substantive progress was made in the I-EU CEPA negotiations during the 12th Round of Negotiations in December 2022, especially with regard to financial services. The Ministry of Trade reports also that President Joko Widodo and the President of the European Union have agreed to accelerate the conclusion of the negotiations. Consequently, four negotiation rounds are scheduled for 2023.
* The Federation of European Sporting Goods (FESI) met the Indonesian Coordinating Minister for Economic Affairs to discuss how business associations can contribute to the completion of the Indonesia-EU CEPA negotiations. President Joko Widodo instructed the Coordinating Minister for Economic Affairs, Airlangga Hartarto, to complete the I-EU CEPA negotiations in 2023.
* The Ministry of Industry announced an incentive scheme for the purchase of electric cars and electric motorbikes. EV car buyers will receive an incentive of IDR 80 million (EUR 4800) while the purchasers of EV motorbikes will receive a subsidy of IDR 8 million (EUR 480). These incentives will only be provided to domestically produced cars and motorbikes.
* The Government of Indonesia has announced its priorities in promoting the use of domestic products in the national economy. Efforts will be stepped up to promote the use of domestic products and services in government procurement. Secondly, the importance of domestic products for economic growth will be conveyed on a massive scale through national wide educational campaigns. Thirdly, the Government will step up its monitoring efforts to ensure that national targets are met.

**NEWS FOR EU EXPORTERS**

**SMEs are eased to acquire a certificate of local content requirement in government procurement**

The Ministry of Industry reiterated its concern over the precarity of the national manufacturing industry against the penetrating foreign industries, amidst the sluggish demand from global main markets such as the US and the EU. **One of the measures adopted by the Ministry of Industry is through the Local Content Requirements (TKDN) certification facility to protect local industries, particularly SMEs representing 4.4 million entities or equivalent to 99.7% of total national manufacturing with 66% of employment absorption. This TKDN certificate is mandatory when a company wishes to display their products in the Government’s electronic catalogue of goods and services (LKPP E-catalogue).**

The Ministry of Industry through Regulation No. 46 of 2022 concerning Provisions and Procedures for Calculating Domestic Component Level Values for Small Industries has eased the TKDN certification process for local SMEs, by reducing the duration of the process to a maximum of five days and removing charges. This Regulation requires SMEs to conduct a self-assessment through a National Industrial Information System (SIINas). **Four TKDN components, namely direct materials with a TKDN value of 24%, direct labour (10%), indirect factory costs (4%), and costs for development (2%) would be verified with results notified through the SIINas. The result obtained should be at least 25% of which 40% of the result will eliminate the imported products with the same products from the LKPP E-catalogue.** The Ministry of Industry has targeted 2 million SMEs included in the LKPP E-catalogue by 2023 with a potential market of 40% for government procurement. According to the Ministry of Industry, SMEs are defined as having a maximum business capital of IDR 5 billion or nearly EUR 350,000, excluding land and buildings for business premises.

*Source: Kompas*

[*https://www.kompas.id/baca/ekonomi/2022/12/19/karpet-merah-tkdn-dapat-perkuat-daya-saing-industri-kecil?status=sukses\_login&status=sukses\_login&utm\_source=kompasid&utm\_medium=login\_paywall&utm\_campaign=login&utm\_content=https%3A%2F%2Fwww.kompas.id%2Fbaca%2Fekonomi%2F2022%2F12%2F19%2Fkarpet-merah-tkdn-dapat-perkuat-daya-saing-industri-kecil&status\_login=login*](https://www.kompas.id/baca/ekonomi/2022/12/19/karpet-merah-tkdn-dapat-perkuat-daya-saing-industri-kecil?status=sukses_login&status=sukses_login&utm_source=kompasid&utm_medium=login_paywall&utm_campaign=login&utm_content=https%3A%2F%2Fwww.kompas.id%2Fbaca%2Fekonomi%2F2022%2F12%2F19%2Fkarpet-merah-tkdn-dapat-perkuat-daya-saing-industri-kecil&status_login=login)

**The Ministry of Industry defined three priorities to reinforce domestic products against foreign products**

During the working meeting of the P3DN (Expansion of the Domestic Products) programme involving cross-sectoral line ministries, the Ministry of Industry, acting as Head of the P3DN team, has defined three main priorities to reinforce the penetration of local products.

**The first action is to give priority to domestic products in government procurement through business matching activities between local industries and relevant ministries and institutions. The MoI aims to exceed the target of IDR 400 trillion (nearly EUR 30 billion) or 40% of the total spending expenditure of government procurement as a result of these activities.** Furthermore, the MoI enacted two ministry regulations through the enactment of Ministry of Industry Regulation No 43 of 2022 concerning Procedures for Appointing an Independent Verification Body to scale up the number of verification bodies, and No 46 of 2022 concerning Provisions and Procedures for Calculating Domestic Component Level Values for Small Industries to ease considerably the entry of SMEs products into government procurement.

Secondly, the MOI has widely emphasised the importance of domestic products to the owners of the state budget and the general public including in the education program at the level of elementary and junior high school. Thirdly, the Government will undertake the monitoring of its procurement practices within the Central or Regional Governments and this will be conducted by the Audit Board of BPKP (Financial Supervisory and Development Board). The supervision of state-owned enterprises will be conducted by the Ministry of State-owned enterprises.

*Source: Kontan, Ministry of Industry*

[*https://pressrelease.kontan.co.id/news/maksimalkan-penggunaan-produk-dalam-negerikemenperin-permudah-aturan-verifikasi-tkdn*](https://pressrelease.kontan.co.id/news/maksimalkan-penggunaan-produk-dalam-negerikemenperin-permudah-aturan-verifikasi-tkdn)

[*https://www.kemenperin.go.id/artikel/23778/Raker-Pokja-Timnas-P3DN-Optimalkan-Pengadaan-Barang-dan-Jasa-Pemerintah*](https://www.kemenperin.go.id/artikel/23778/Raker-Pokja-Timnas-P3DN-Optimalkan-Pengadaan-Barang-dan-Jasa-Pemerintah)

# Annex 1 – Trade Overview

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Value of Indonesia's Exports** by Destination Country (USD million) January-October 2022 | | | | | | | |
| Destination Country | | FOB Value | | | | Market Share  Jan-Oct 2022 | Ranking Export |
| October 2022 | YoY% | Jan-Oct 2022 | YoY% |
| **EU (27 countries)** | | **1826** | **16%** | **18864** | **23%** | **8%** | **6** |
| Netherlands | | 443 | **19%** | **4739** | **22%** | **2%** |
| Italy | | 254 | **-3%** | **2675** | **16%** | **1%** |
| Germany | | 247 | **-2%** | **2671** | **12%** | **1%** |
| France | | 77 | **-24%** | **917** | **11%** | **<1%** |
| Belgium | | 198 | **23%** | **1855** | **31%** | **1%** |
| Denmark | | 15 | **-14%** | **676** | **76%** | **<1%** |
| Sweden | | 16 | **-33%** | **217** | **11%** | **<1%** |
| Finland | | 2 | **-187%** | **68** | **-5%** | **<1%** |
| Spain | | 259 | **27%** | **1912** | **-2%** | **1%** |
| Greece | | 22 | **19%** | **275** | **30%** | **<1%** |
| Poland | | 125 | **59%** | **918** | **40%** | **<1%** |
| Austria | | 4 | **33%** | **46** | **33%** | **<1%** |
| Bulgaria | | 2 | **-57%** | **196** | **83%** | **<1%** |
| Croatia | | 38 | **90%** | **89** | **57%** | **<1%** |
| Rep of Cyprus | | 0.9 | **18%** | **10** | **26%** | **<1%** |
| Czech | | 6 | **22%** | **70** | **-11%** | **<1%** |
| Estonia | | 46 | **-21%** | **259** | **8%** | **<1%** |
| Hungary | | 7 | **-35%** | **75** | **-14%** | **<1%** |
| Ireland | | 8 | **-2%** | **82** | **-1%** | **<1%** |
| Latvia | | 12 | **74%** | **54** | **-5%** | **<1%** |
| Lithuania | | 2 | **41%** | **164** | **93%** | **<1%** |
| Luxembourg | | 1 | **-162%** | **44** | **29%** | **<1%** |
| Malta | | 5 | **93%** | **471** | **98%** | **<1%** |
| Portugal | | 9 | **33%** | **110** | **3%** | **<1%** |
| Romania | | 10 | **24%** | **105** | **18%** | **<1%** |
| Slovakia | | 4 | **38%** | **34** | **17%** | **<1%** |
| Slovenia | | 14 | **49%** | **129** | **14%** | **<1%** |
|  |  | | | | | | | |
| **ASEAN** | | **4759** | **17%** | **51540** | **24%** | **21%** | 2 |
| Brunei Darussalam | | 22 | **-23%** | **195** | **11%** | **<1%** |
| Cambodia | | 55 | **50%** | **585** | **30%** | **<1%** |
| Lao PDR | | 0.4 | **-35%** | **25** | **74%** | **<1%** |
| Malaysia | | 1006 | **7%** | **13142** | **25%** | **5%** |
| Myanmar | | 115 | **21%** | **803** | **-10%** | **<1%** |
| Philippines | | 1164 | **30%** | **10733** | **35%** | **4%** |
| Singapore | | 1015 | **1%** | **12222** | **23%** | **5%** |
| Thailand | | 634 | **17%** | **6988** | **18%** | **3%** |
| Vietnam | | 749 | **28%** | **6914** | **20%** | **3%** |
|  |  | | | | | | |
| China | | 6427 | **25%** | **53316** | **19%** | **22%** | 1 |
| Japan | | 2150 | **28%** | **20562** | **29%** | **8%** | 4 |
| United States | | 2069 | **-13%** | **24038** | **11%** | **10%** | 3 |
| India | | 2160 | **41%** | **20096** | **45%** | **8%** | 5 |
| Australia | | 308 | **-5%** | **2912** | **5%** | **1%** | 9 |
| South Korea | | 923 | **17%** | **10645** | **30%** | **4%** | 7 |
| Taiwan | | 690 | **-14%** | **7445** | **20%** | **3%** | 8 |
| United Kingdom | | 121 | **-11%** | **1378** | **8%** | **1%** | - |
| Rest of World | | 3375 | **10%** | **32857** | **29%** | **13%** | - |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Value of Indonesia's Imports by Destination Country (USD million) January-October 2022** | | | | | | | | | | | | | |
| Destination Country | | CIF Value | | | | | | | | Market Share Jan-Oct 2022 | | Ranking Import | |
| October 2022 | | YoY% | | Jan-Oct 2022 | | YoY% | |
| **EU (27 countries)** | | **1041** | | **9%** | | **9433** | | **7%** | | **5%** | | **6** | |
| Netherlands | | 89 | | **22%** | | **685** | | **4%** | | **<1%** | |
| Italy | | 125 | | **24%** | | **1215** | | **-19%** | | **1%** | |
| Germany | | 350 | | **17%** | | **3050** | | **15%** | | **2%** | |
| France | | 110 | | **-3%** | | **1106** | | **5%** | | **1%** | |
| Belgium | | 81 | | **-9%** | | **536** | | **-3%** | | **<1%** | |
| Denmark | | 17 | | **29%** | | **205** | | **17%** | | **<1%** | |
| Sweden | | 45 | | **12%** | | **487** | | **12%** | | **<1%** | |
| Finland | | 45 | | **3%** | | **363** | | **13%** | | **<1%** | |
| Spain | | 41 | | **-6%** | | **503** | | **14%** | | **<1%** | |
| Greece | | 3 | | **-193%** | | **83** | | **33%** | | **<1%** | |
| Poland | | 22 | | **11%** | | **206** | | **21%** | | **<1%** | |
| Austria | | 22 | | **26%** | | **317** | | **17%** | | **<1%** | |
| Bulgaria | | 21 | | **20%** | | **126** | | **34%** | | **<1%** | |
| Croatia | | 0.98 | | **26%** | | **9** | | **43%** | | **<1%** | |
| Rep of Cyprus | | 0.7 | | **87%** | | **8** | | **-137%** | | **<1%** | |
| Czech | | 23 | | **55%** | | **145** | | **24%** | | **<1%** | |
| Estonia | | 1 | | **-68%** | | **10** | | **-17%** | | **<1%** | |
| Hungary | | 14 | | **59%** | | **140** | | **38%** | | **<1%** | |
| Ireland | | 15 | | **18%** | | **139** | | **30%** | | **<1%** | |
| Latvia | | 2 | | **41%** | | **15** | | **-15%** | | **<1%** | |
| Lithuania | | 0.7 | | **-593%** | | **16** | | **-18%** | | **<1%** | |
| Luxembourg | | 1 | | **-78%** | | **12** | | **-46%** | | **<1%** | |
| Malta | | 0.05 | | **-73297%** | | **37** | | **-41%** | | **<1%** | |
| Portugal | | 2 | | **-25%** | | **29** | | **5%** | | **<1%** | |
| Romania | | 4 | | **22%** | | **31** | | **-8%** | | **<1%** | |
| Slovakia | | 2 | | **20%** | | **22** | | **37%** | | **<1%** | |
| Slovenia | | 3 | | **34%** | | **28** | | **36%** | | **<1%** | |
|  |  | | | | | | | | | | | | |
| ASEAN | | **3826** | | 11% | | **42524** | | **19%** | | 21% | | 2 | |
| Brunei Darussalam | | 105 | | 87% | | **589** | | **29%** | | <1% | |
| Cambodia | | 6 | | 54% | | **50** | | **28%** | | <1% | |
| Lao PDR | | 14 | | 82% | | **152** | | **48%** | | <1% | |
| Malaysia | | 878 | | -4% | | **10456** | | **23%** | | 5% | |
| Myanmar | | 4 | | -80% | | **104** | | **-15%** | | <1% | |
| Philippines | | 119 | | 18% | | **1224** | | **16%** | | 1% | |
| Singapore | | 1588 | | 20% | | **16559** | | **20%** | | 8% | |
| Thailand | | 740 | | -5% | | **9379** | | **12%** | | 5% | |
| Vietnam | | 371 | | 13% | | **4011** | | **17%** | | 2% | |
|  |  |  |  | |  | |  | |  | |  | |  | |
| China | | 5231 | | 12% | | **55900** | | **18%** | | 28% | | 1 | |
| Japan | | 1488 | | 7% | | **14226** | | **14%** | | 7% | | 3 | |
| United States | | 917 | | -5% | | **9694** | | **10%** | | 5% | | 5 | |
| India | | 546 | | -14% | | **8076** | | **10%** | | 4% | | 7 | |
| Australia | | 792 | | -13% | | **8135** | | **16%** | | 4% | | 8 | |
| South Korea | | 1144 | | 42% | | **9932** | | **19%** | | 5% | | 4 | |
| Taiwan | | 344 | | -6% | | **3848** | | **11%** | | 2% | | 9 | |
| United Kingdom | | 109 | | 34% | | **860** | | **10%** | | 0% | | - | |
| Rest of World | | 3698 | | 36% | | **36025** | | **24%** | | 18% | | - | |

# TRADE OVERVIEW WITH THE EUROPEAN UNION AND OTHER KEY COUNTRIES

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Non-Oil and Gas Exports** | | | | | | |
| **Value of Indonesia's Non-Oil and Gas Exports** by Destination Country (USD million) January-November 2022 | | | | | | |
| Destination Country | FOB Value | | | | Market Share Jan-Nov 2022 | Ranking Export |
| November 2022 | YoY% | Jan-Nov 2022 | YoY% |
| **EU (27 countries)** | **1546.2** | **1%** | **19639.1** | **21%** | **8%** | **6** |
| Netherlands | 305.9 | **-4%** | 4923.7 | 21% | 2% |
| Italy | 247.6 | **-18%** | 2922.4 | 14% | 1% |
| Germany | 303.1 | **-10%** | 2974.0 | 13% | 1% |
| Other EU Countries | 689.6 | **13%** | 8819.0 | 27% | 3% |
|  | | | | | | |
| ASEAN Countries | 4254.1 | 2% | 48982.3 | 29% | 19% | 2 |
| China | 6282.1 | 14% | 57761.0 | 26% | 23% | 1 |
| Japan | 1899.1 | 17% | 21117.6 | 39% | 8% | 5 |
| United States | 2101.3 | -22% | 26141.0 | 13% | 10% | 3 |
| India | 1618.6 | 54% | 21638.2 | 81% | 9% | 4 |
| Australia | 255.4 | -4% | 2998.7 | 9% | 1% | 9 |
| South Korea | 960.7 | -12% | 9864.,5 | 37% | 4% | 7 |
| Taiwan | 624.2 | 13% | 7383.7 | 28% | 3% | 8 |
| Others | 6082.2 | 10% | 68063.8 | 25% | 27% | - |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Non-Oil and Gas Imports** | | | | | | |
| **Value of Indonesia's Non-Oil and Gas Imports** by Destination Country (USD million)   January-November 2022 | | | | | | |
| Destination Country | CIF Value | | | | Market Share Jan-Nov 2022 | Ranking Import |
| November 2022 | YoY% | Jan-Nov 2022 | YoY% |
| **EU (27 countries)** | **979.1** | **0.9%** | **10415.6** | **8%** | **6%** | **4** |
| Germany | 318.2 | 8% | 3358.0 | 17% | 2% |
| Italy | 122.9 | -8% | 1337.6 | -16% | <1% |
| Netherlands | 82.5 | -16% | 764.1 | 1% | <1% |
| Other EU Countries | 455.5 | 2% | 4955.9 | 12% | 3% |
|  |  |  |  |  |  |  |
| ASEAN Countries | 2553.9 | -4% | 30375.2 | 15% | 17% | 2 |
| China | 5901.5 | 2% | 61388.3 | 24% | 34% | 1 |
| Japan | 1439.7 | -2% | 15576.2 | 17% | 9% | 3 |
| United States | 785.8 | 7% | 8541.5 | 10% | 5% | 6 |
| India | 447.2 | 21% | 6590.7 | 7% | 4% | 8 |
| Australia | 774.5 | 26% | 8363.4 | 11% | 5% | 7 |
| South Korea | 790.0 | -14% | 9187.5 | 14% | 5% | 5 |
| Taiwan | 294.8 | -25% | 4082.6 | 6% | 2% | 9 |
| Others | 3181.2 | 0.5% | 36932.0 | 22% | 20% | - |