

Key demands for the negotiations for an EU-Indonesia Comprehensive Economic Partnership Agreement

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Introduction

Indonesia is the largest economy within the Association of Southeast Asian Nations (ASEAN). This country represents about one third of the GDP of the region, is one of the fastest growing economies and has the largest population in the region. Consequently, Indonesia is an important export market for the machinery and plant engineering sector in Southeast Asia.

While many Asian competitors already have their foot firmly in Indonesia, the archipelago with its 278 million inhabitants is still uncharted territory for many European mechanical engineering companies. Only very few large companies are represented with a production facility. In 2022, the exports of the European machinery and appliances to this country were EUR 2,925 million. European mechanical engineering is also underrepresented in terms of sales and services. A Comprehensive Economic Partnership Agreement (CEPA) between the EU and Indonesia could change this. Hence, VDMA is supportive of this agreement.

Below you will be able to find VDMA's key demands for the negotiations between the EU and Indonesia on a CEPA.

Key demands for the negotiations between the EU and Indonesia on a CEPA

- **The full elimination of tariffs**

The present standard tariff for the machinery and plant engineering sector is usually 5 % in Indonesia. VDMA supports the complete dismantling of tariffs for mechanical engineering products, when exporting to Indonesia.

Other duties, levies and taxes from the Indonesian authorities should also be eliminated.

- **The laying down of modern Rules of Origin**

The Rules of Origin of the agreement must be in line with other EU Free Trade Agreements, which enable our member companies to benefit from an EU-Indonesia CEPA. In the case of mechanical engineering products, we support a maximum permissible proportion of non-EU originating material of 50% or of 45% of the ex-works price. Alternatively, the change-of-tariff heading-rule is supported by VDMA.

- **The abolishment of Technical Barriers to Trade**

Indonesia often requires a third party to re-test products when importing certain products that have already been pre-tested in the EU. After the successful testing of conformity with the Indonesian National Standard (SNI), an SNI certificate is issued by an approved body. These testing and certification requirements apply primarily to consumer products, but also to certain electrical and electronic components from the industrial sector, such as circuit breakers, lights and power cables. This re-test procedure should be abolished as soon as possible. The agreement should also define ISO standards as a reference standard.

- **The removal of import and export restrictions**

Time and again, the Indonesian authorities intervene in market mechanisms. It already controls for example foreign trade in more than 40 product groups with various import and export licenses. Indonesia shall not adopt or maintain any prohibition or restriction on the importation of any good or on the exportation or sale for export of any good.

- **The establishment of a level-playing field in public procurement**

Public procurement accounts for a substantial part of the EU economy. The EU has opened its public procurement markets significantly to competitors from third countries, such as Indonesia. Public authorities in Indonesia must treat EU companies the same as Indonesian companies in the EU in the area of public procurement.

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