Asia-Pacific Trade Briefs

Indonesia

Merchandise trade: Indonesia is a major commodities exporter in both agricultural products and extractive industries. The top ten export products are dominated by fuels and minerals – particularly coal, petroleum gases, and palm oil. As such, the country has been hit hard by the fall in global commodity prices – particularly in minerals and fuels. In 2014, merchandise exports contracted by -3.4% – compared with average annual growth of 2.8% between 2010-2014. This is likely due to: implementation of an export ban on unprocessed ores in January 2015; economic stagnation in Japan – its largest export partner; and lower commodity demands from China – its second largest export partner. In 2014, merchandise imports contracted by -4.5% – a worse performance than the Asia-Pacific regional contraction of -1.0%. Factors behind this fall include commodity price declines and subsequent currency depreciation, which lowered export receipts and hence purchasing power. Almost half (46.0%) of all imports are sourced from China and Singapore. The largest import is petroleum oils, accounting for 14.3% of all imports.

Services trade: Indonesia's services export growth decelerated to just 2.6% in 2014 – from an average of 8.8% annual growth between 2010-2014. This was led by increases in exports of travel and transport services; however this was somewhat offset by a sharp contraction in exports of business services. Services imports contracted 3.9% in 2014 – led by a fall in transport and business services. Transport and travel account for over half of services exports and imports.

Global value chains (GVCs): Even though Indonesia is a commodity exporter, the country also participates in GVCs as an exporter of intermediate products. The share of intermediate goods in trade – a proxy for participation in GVCs – is higher in Indonesia (27%) than the Asia-Pacific region (22%) for imports, and higher in Indonesia (24%) than the Asia-Pacific (18%) for exports.

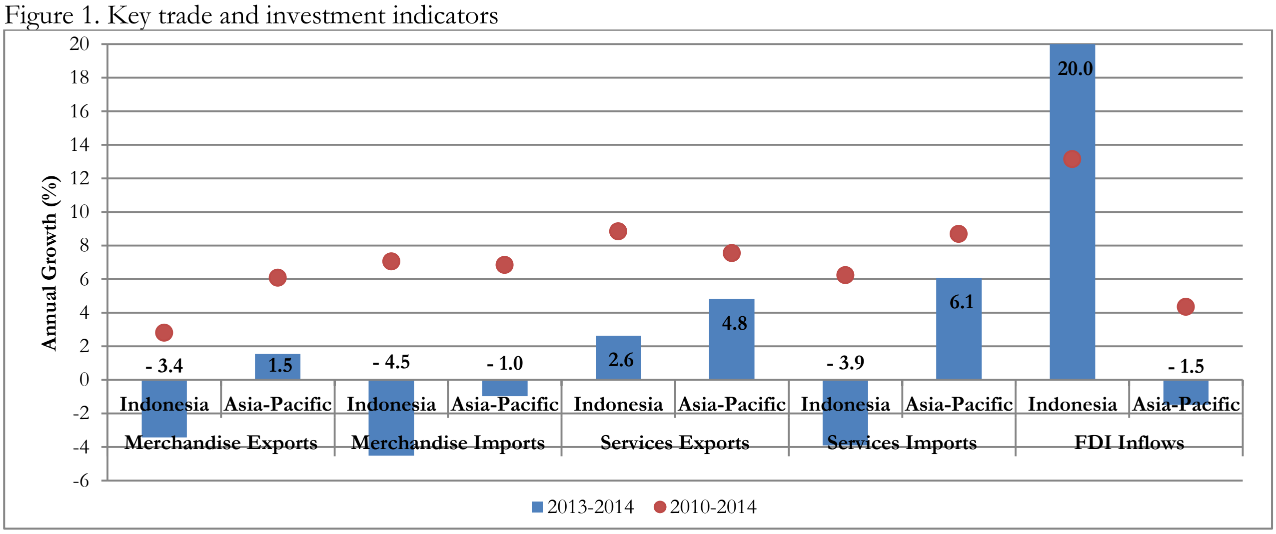
Foreign direct investment (FDI): Indonesia's FDI inflows grew a phenomenal 20.0% in 2014 – following several years of relatively flat growth (2011-2013). An uncertain global economic outlook, heightened financial market volatility, and escalating geopolitical risks may have encouraged investment in higher-yielding investment opportunities in emerging markets such as Indonesia. The largest investment sectors included: mining, food, and transport. The largest investors included: Singapore, Japan and Malaysia. There remain significant risks to FDI, including: protectionist measures on employment of foreigners; high levels of corruption; and unstable regulation.

Tariffs: Average MFN applied and effective tariffs at 6.7% and 6.8% are slightly lower than Asia-Pacific averages of 7.4% and 7.4%. Average WTO bound duty, at 37.1%, is higher than the Asia-Pacific average of 21.7%.

Trade costs: Intraregional trade costs in Indonesia have fallen sharply since 2009. It is costlier for Asia-Pacific economies to trade with Indonesia than with the East Asia-3 (China, Japan and Republic of Korea) – the intraregional benchmark – and with the EU-3 (France, Germany and United Kingdom) – the extraregional benchmark. Based on the UNRC Survey 2015*, Indonesia's trade facilitation and paperless trade implementation score is at 61.3%, compared to 46.5% for the Asia-Pacific.

Trade agreements: Indonesia has 10 trade agreements in force, higher than the Asia-Pacific average of 7.1 agreements. Sixty eight per cent of exports are to PTA partners, compared to 35% for the Asia-Pacific. Seventy nine per cent of imports are from PTA partners, compared to 45% for the Asia-Pacific.

Figure 1. Key trade and investment indicators



*Country notes summarising results of the UNRC Survey 2015 are available at: http://unnext.unescap.org/UNTFSurvey2015.asp

Figure 2. Top merchandise markets

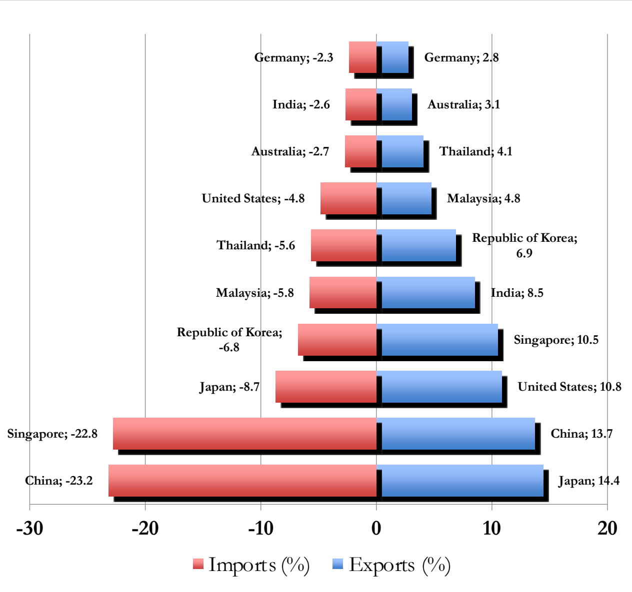


Figure 3. Top merchandise products

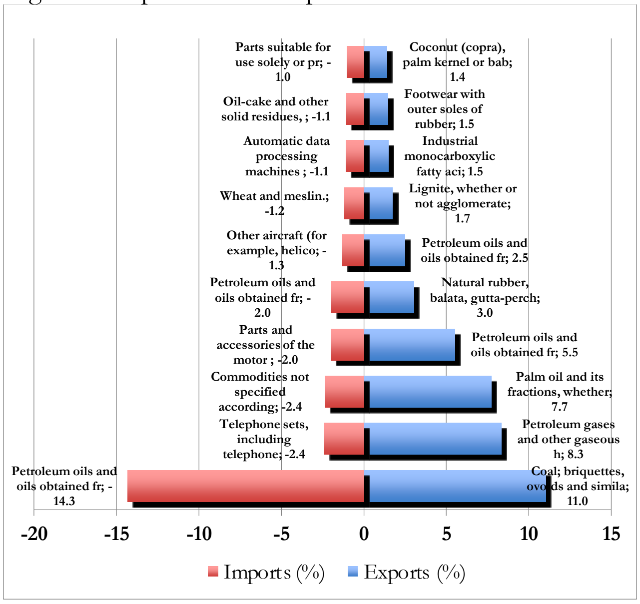


Figure 4. Trade in goods by their use

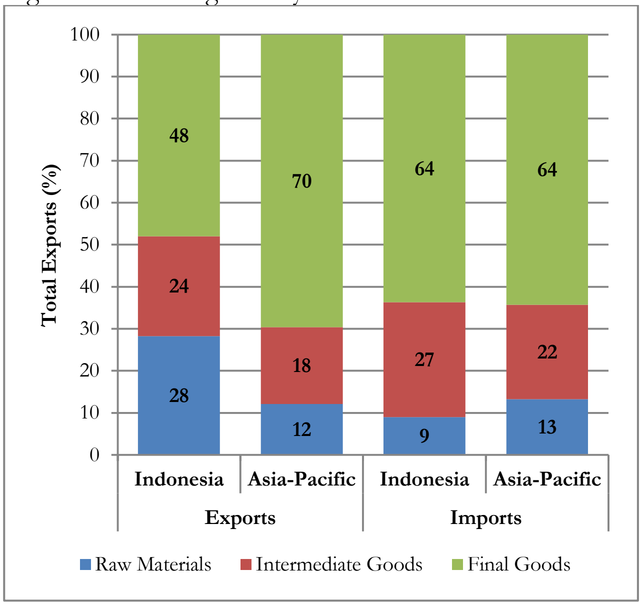


Figure 5. Foreign direct investment

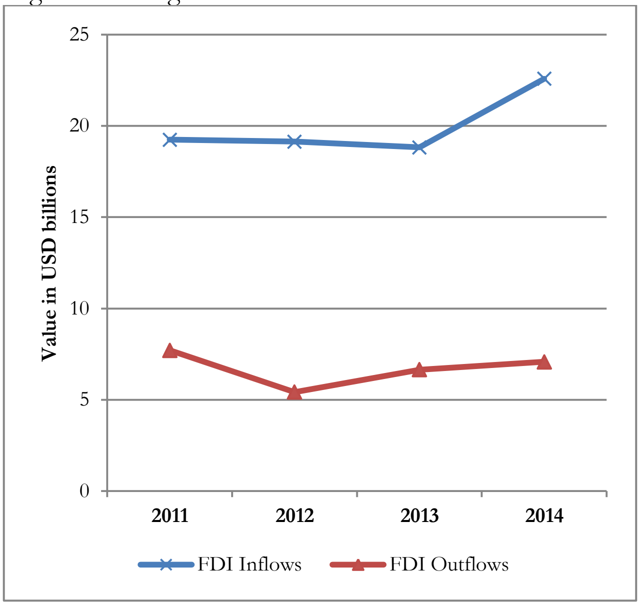


Figure 6. Tariffs

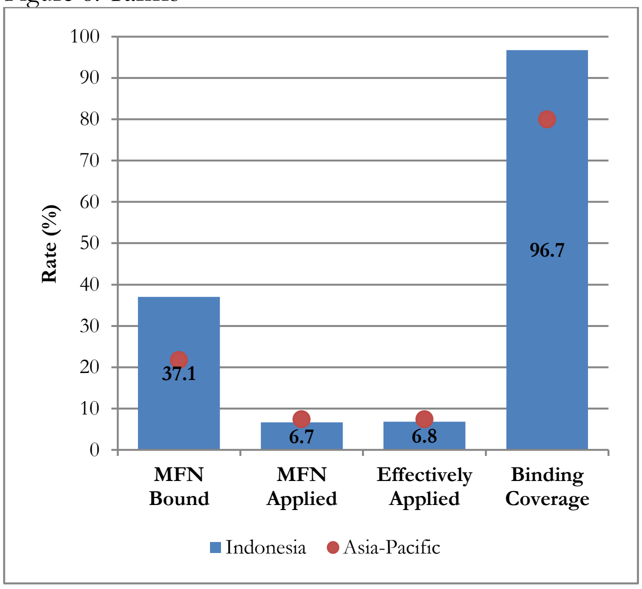
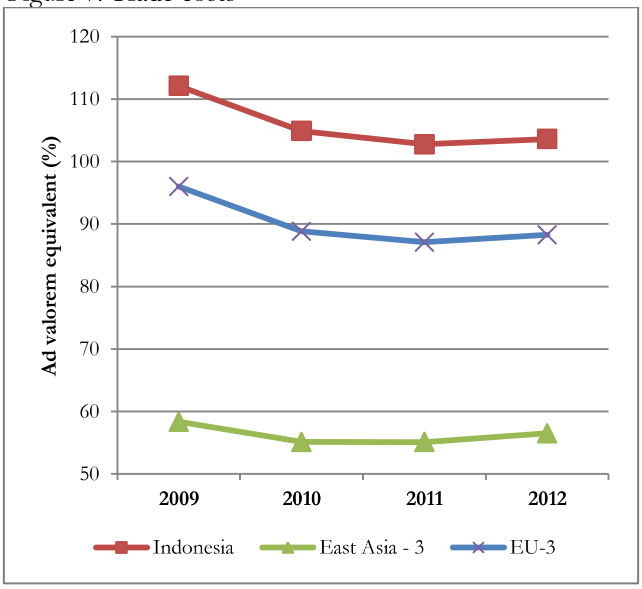


Figure 7. Trade costs



Sources: Trade and tariff data were accessed through WITS. FDI data was accessed through UNCTADstat.
Notes: Trade data follows the HS2007 classification. Mirror data is used. Products are defined at the 6-digit level.
Definitions: Primary, intermediate, consumer, and capital goods are defined using UNCTAD System of Accounts. Final goods are defined as the sum of consumer and capital goods. Bound tariff is the maximum most favoured nation (MFN) tariff permitted under WTO obligations. MFN applied tariff is the tariff applied on imports among WTO members. Effectively applied rate is the lowest tariff available, i.e. preferential rates where available.
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