



KCCI - Country Wrap: Indonesia (Nov.'18)



Economy of Indonesia

Indonesia, the largest economy in Southeast Asia, has seen a slowdown in growth since 2012, mostly due to the end of the commodities export boom. During the global financial crisis, Indonesia outperformed its regional neighbors and joined China and India as the only G20 members posting growth. After a decade of painful restructuring process of banks and companies, Indonesian businesses are progressing, spending on new factories and infrastructure. Indonesia, with the nine other ASEAN members, continues to move towards participation in the ASEAN Economic Community, though full implementation of economic integration has not yet materialized.

Key Industries of Indonesia

Key industries of Indonesia include petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, food and tourism. Its agricultural products include rubber and similar products, palm oil, poultry, beef, forest products, shrimp, cocoa, coffee, medicinal herbs, essential oil, fish and its similar products, and spices.

Indonesia's major trading partners

The important export partners of Indonesia are Japan (10.5%), China (13.6%), Singapore (7.6%), U.S (10.6%), South Korea (4.8%), India (8.4%) and Malaysia (5.1%). The countries that import commodities from Indonesia include China (23.2%), Singapore (10.9%), Japan (10%), South Korea (5.3%), US (5.2%), Thailand (6%) and Malaysia (5.6%).

Economic Relations between Pakistan and Indonesia

Pakistan-Indonesia relationship are particularly special, founded on common mutual religious outlook. Both countries are members of the Organization of Islamic Cooperation and Developing - 8 Countries. On 21st October 2013, the Jakarta Chamber of Commerce and Industry signed MoU with the Karachi Chamber of Commerce and Industry for strengthening bilateral trade ties.

Bilateral Trade Relations between Pakistan and Indonesia

Bilateral trade between the two countries is heavily in favor of Indonesia. During 2017, Pakistan exported goods to Indonesia worth \$ 239Mn as against \$ 157Mn in 2016 showing an increase of around 52%. Pakistan's imports from Indonesia increased to \$ 2.39Bn during 2017 against imports of \$ 2.02Bn in 2016 depicting a surge of 19%.

Preferential Trade Agreement between Pakistan and Indonesia

In an effort to increase economic cooperation between the two countries, and as a possible forerunner to a full Free Trade Agreement (FTA), Indonesia and Pakistan signed a preferential trade agreement (PTA) on Feb. 3, 2012 in Jakarta. Indonesia agreed to offer market access to Pakistan on 216 tariff lines on preferential rate while Pakistan offered 287 tariff lines. The Indonesian offer list included export products like fresh fruits, cotton yarn, cotton fabrics, readymade garments, fans, sports goods, leather goods and other industrial products. Pakistan also agreed to provide the same treatment to palm oil products from Indonesia as provided to Malaysia under Pak-Malaysia FTA i.e. at 15% Margin of Preference (MoP) rate.

However, Pakistan's initial request list to Indonesia for tariff concessions under the PTA did not feature prime export goods. Apart from this, Pakistan's exporters failed to fully utilize the 232 tariff lines on which Indonesia had offered duty relief as they focused only on 32 product categories. Keeping in view the continuous lop-sided trade, Indonesia recently assured Pakistan that it will notify the inclusion of 20 additional tariff lines in the Pakistan-Indonesia Preferential Trade Agreement (PTA) by the end of Nov'18. These 20 product categories account for 25% of Pakistan's global exports. Indonesia imports goods worth \$ 600Mn under these tariff lines. Indonesia is confident that further reviews and fine tuning of the PTA could lead to an FTA between the two countries.

Potential for enhancing bilateral trade relations between Indonesia and Pakistan

- The two countries can enhance their bilateral trade by exchanging commodities like maize, wheat, wheat flour, non-manufactured tobacco, fresh fruits, nuts, ready-made garments, finished and semi-finished leather, fish and fish products, cotton fabrics, cotton Islamic wear, prayer rugs, hide and skins, surgical goods, handicrafts, sports goods, sportswear and medical instruments from Pakistan to Indonesia.

- Halal Food industry also holds great potential for enhancing bilateral trade.

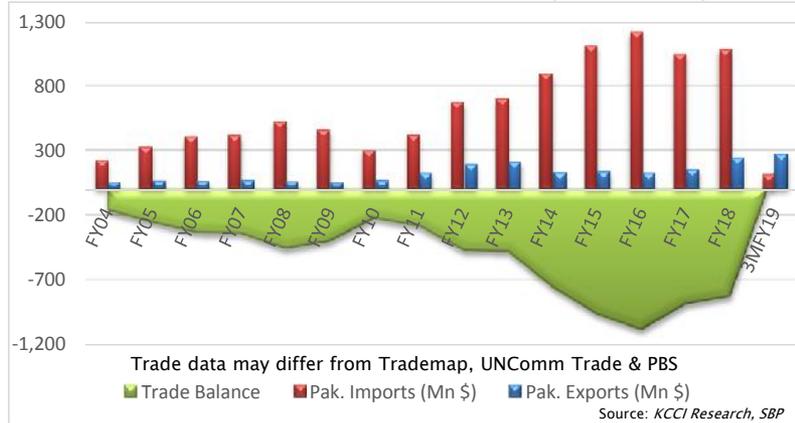
-Indonesia also intends to invest in power projects and oil and gas exploration as well. It will facilitate Pakistan to enjoy expertise of Indonesian coal sector for producing electricity.

Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	3,087	3,243	5.05%
GDP per Capita	\$	11,900	12,400	4.20%
GDP growth	%	5.00	5.10	0.10%
Forex Reserves	\$ Bn	116.4	130.2	11.86%
External Debt	\$ Bn	316.4	352.2	11.31%
Exports of Goods	\$ Bn	144.4	168.8	16.90%
Imports of Goods	\$ Bn	129.1	149.9	16.11%
Trade Balance	\$ Bn	15.3	18.9	23.53%
Current Account	\$ Bn	-16.95	-17.29	-2.01%
FDI - at Home	\$ Bn	229.1	247.7	8.12%
FDI - at Abroad	\$ Bn	18.42	19.96	8.36%
CPI	%	3.50	3.80	0.30%
Prime Lending Rate	%	12.20	11.70	-0.50%
Population	Mn	261.12	263.99	1.10%
Unemployment	%	5.60	5.60	0.00%

Sources: KCCI Research, CIA Factbook

Trade between Pakistan & Indonesia (FY04-3FY19)



Indonesia's Trade with World - Top 10 Trade Items (2017)

Top 10 Exports Items	(\$ Bn)	Top 10 Imports Items	(\$ Bn)
Mineral fuels	36.87	Mineral fuels, mineral oils	27.99
Animal or vegetable fats	22.97	Machinery & appliances	20.03
Electrical machinery	8.47	Electrical machinery	16.40
Rubber and articles	7.74	Iron & steel	8.46
Vehicles other than railway	6.84	Plastics & articles thereof	7.41
Machinery & appliances	5.87	Vehicles other than railway	6.17
Natural Pearls	5.61	Organic chemicals	5.78
Footwear, gaiters and the like	4.91	Cereals	3.96
Articles of apparel and clothing	4.15	Residues from food industry	2.94
Wood & articles	4.00	Sugars & confectionery	2.64

Sources: KCCI Research, Trademap

Pakistan - Indonesia Top 10 Trade Items (2017)

Pakistan's Export Items	(\$ Mn)	Pakistan's Import Items	(\$ Mn)
Edible fruit and nuts	59.01	Animal or vegetable fats	1,482.63
Cereals	37.89	Vehicles other than railway	168.60
Cotton	37.27	Edible fruit and nuts	119.02
Iron and steel	25.88	Mineral fuels, mineral oils	108.64
Paper and paperboard	23.97	Man-made staple fibres	104.92
Fish and crustaceans	11.19	Paper and paperboard	100.01
Raw hides and skins	9.15	Rubber and articles	49.64
Articles of apparel-Not knitted	4.82	Soap and lubricants	25.50
Fertilizers	4.43	Coffee, tea, maté and spices	21.47
Articles of apparel-knitted	3.17	Machinery,mechanical appliance	19.95

Sources: KCCI Research, Trademap