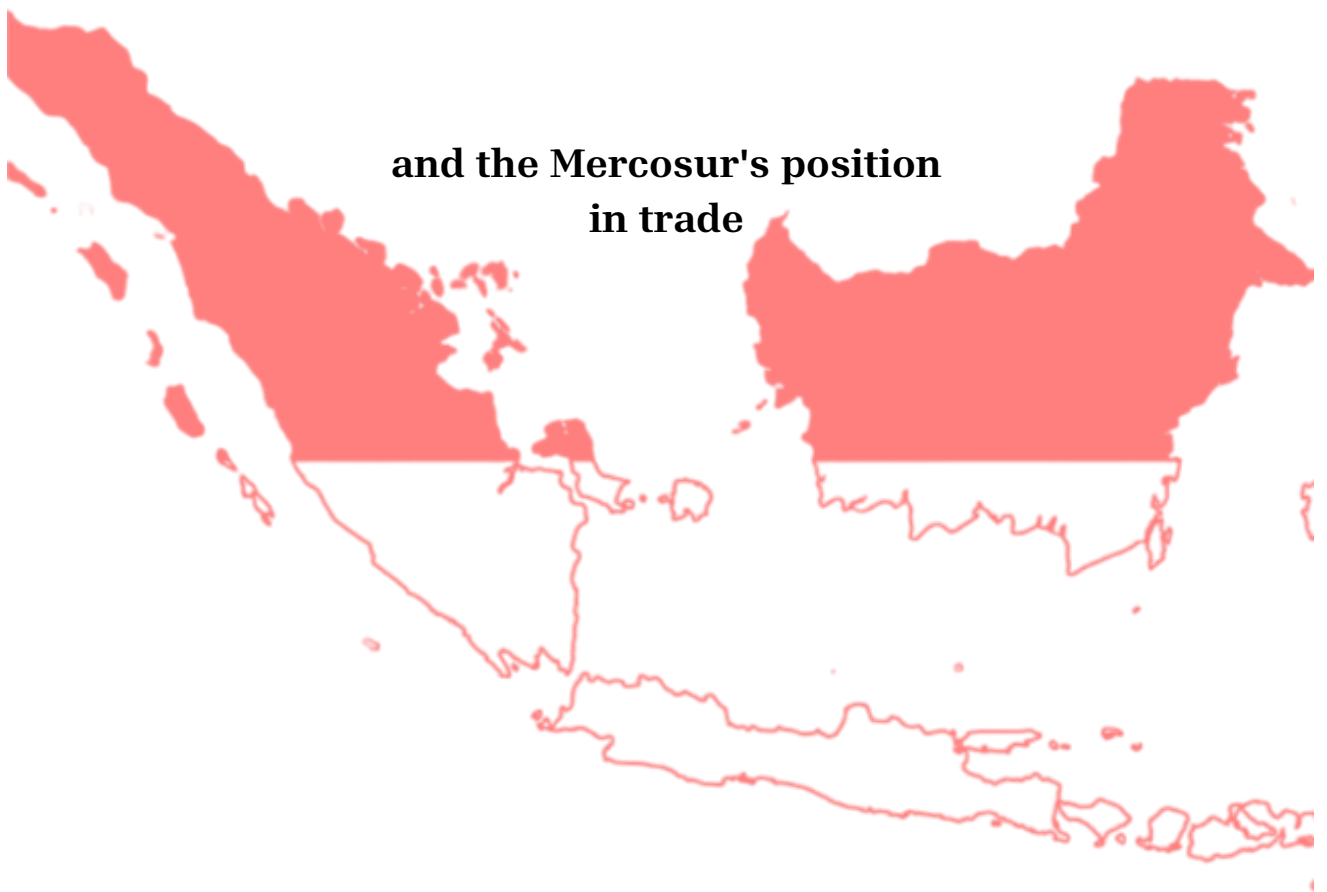


**Country Report on  
Market Access for**

# Indonesia

**and the Mercosur's position  
in trade**



GRUPO DE PAÍSES PRODUCTORES DEL SUR

GROUP OF PRODUCING COUNTRIES FROM THE SOUTHERN CONE

Updated on  
Jul-24



- Indonesia's GDP per capita is slightly more than one-third of the global average. It has a population of 275 million, accounting for 3.5% of the world's population in 2022. Agriculture has the lowest value added (12.4%); trade represents 45% of its GDP (2022 values), a percentage below the global average.
- A demand increase of about 7% is expected by 2030; half of this projected increase is for food for human consumption. Meat, cereals, and oilseeds are the most significant food sectors in demand projections, representing an opportunity for MERCOSUR.
- On average, Indonesia has a positive overall trade balance in agricultural products but a negative balance in non-agricultural ones. It maintains a negative trade balance with MERCOSUR, originating exclusively from the agricultural sector, while the non-agro sector has an almost balanced trade.
- The 99% of MERCOSUR's imports come from Argentina and Brazil. MERCOSUR bloc is the Indonesia imports' primary supplier, with no high concentration observed in either Indonesia's export destinations or import origins.
- The most relevant globally imported products by Indonesia include wheat, soybean complex products, and other food products for human consumption, such as sugar, milk, meat, onions, apples, pears, and quinces. MERCOSUR supplies 18% of Indonesia's total imports.
- The number of non-tariff measures has increased in recent years, with discriminatory measures being more frequent. Regarding tariffs, agricultural products have, on average, rates that are only 8% higher than non-agricultural products. Over 80% of tariff lines are duty-free or have rates of 5% or less.
- Argentina and Uruguay are the MERCOSUR countries with the most potential for increasing exports and have greater possibilities for increasing their share in Indonesia's imports, considering the current participation rate.
- Several products are at risk of maintaining export competitiveness. The effect would be more negative in cases where Indonesia is an important destination (or already has a considerable share of MERCOSUR exports), such as nutmeg and anise seeds for Argentina, wheat and triticale for Brazil, or cocoa and dried vegetables for Paraguay.

## Population



275.5 Millions

3.5% Share of World Population

0.64 % Growth Rate Annual Population

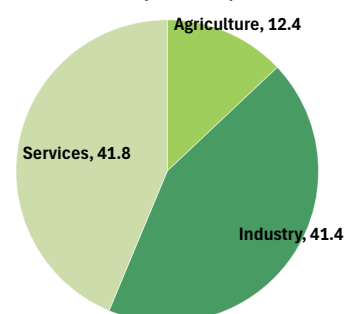
0.79 % Growth Rate Annual World Population



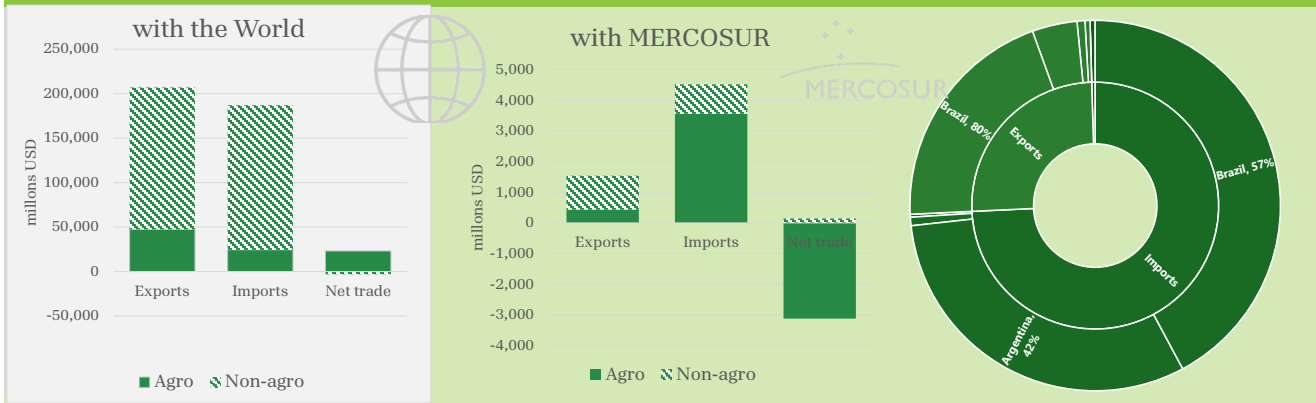
## Economy

	Indonesia	% of World
GDP (billions of USD 2022*)	1,319.1	1.31
	Indonesia	World Avg.
GDP per capita (USD 2022*)	4,788.0	12,687.7
GDP growth (annual %)	5.3	3.1
Trade (% of GDP)**	45.4	62.6

Value Added by Sectors (% of 2022 GDP)

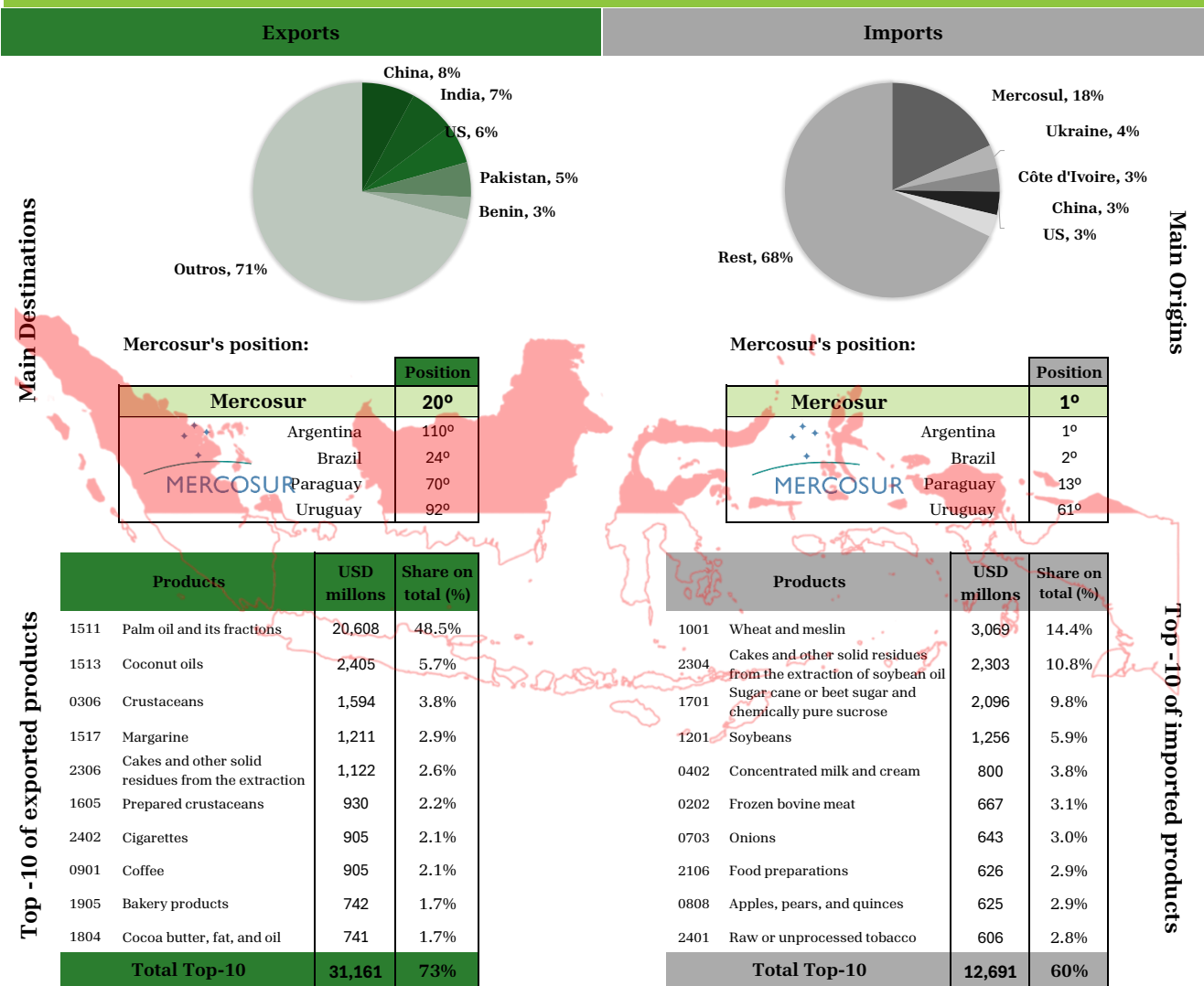


## Average Trade 2018-2022 of Indonesia



Indonesia has a trade surplus with the world in agricultural products, but not in non-agro products. Only 18% of Indonesia's global trade is related to the agricultural sector. With MERCOSUR, it has a negative trade balance of about 3 billion dollars (average from 2018-2022), almost exclusively from agricultural trade. The 99% of Indonesia's imports of products (both agro and non-agro) from MERCOSUR come from Brazil (57%) and Argentina (42%). In Indonesia's exports, Brazil is the main destination within MERCOSUR, accounting for 80%.

## Agricultural average trade 2018-2022 of Indonesia



Source: Compiled by GPPS based on Comtrade data (Avg 2018-22).

The importance of Indonesia's trade with MERCOSUR lies mainly in its imports. MERCOSUR is the main supplier of Indonesia's imports, yet there is no significant concentration of destination or origin in Indonesia's trade.

Five out of the ten main products imported by Indonesia are exported by MERCOSUR countries. The participation of MERCOSUR in the total imports averages less than 20% during the period from 2018 to 2022.

# Tariff measures

WTO Tariff Profile

## Tariffs and imports in total

Total		Total	Ag	Non-Ag	WTO member since	
Simple average final bound		37.1	47.1	35.5	Binding coverage:	Total 96.3
MFN applied						Non-ag 95.8
Simple average	2022	8.0	8.6	7.9	Ag: Tariff quotas (in %)	1
Trade weighted average	2022	5.2	5.7	5.1	Ag: Special safeguards (in %)	0.7
Imports in billion US\$	2021	199.4	24.4	174.9		

## Tariffs and imports in duty ranges

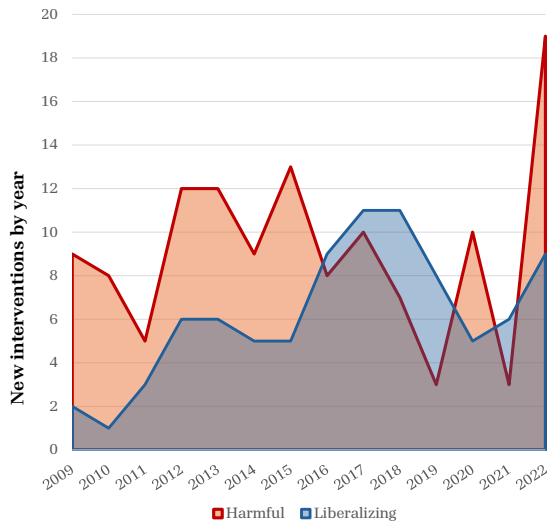
Frequency distribution		Duty-free	0 <= 5	5 <= 10	10 <= 15	15 <= 25	25 <= 50	50 <= 100	> 100	NAV in %
Agricultural products										
Final bound		0	0	0.6	0	0	87.5	8.6	3.2	0
NMF applied	2022	8.3	76.7	4.7	0.9	5	2.3	1.1	0.9	1.3
Imports	2021	39.1	44.9	11.3	1.2	2.7	0.6	0	0.3	10.5

## Tariffs and imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Animal products	43.7	0	50	100	7.1	8.1	30	0.8	2.1
Dairy products	74.0	0	210	100	5.5	0.0	10	0.7	0.0
Fruit, vegetables, plants	45.6	0	60	100	5.7	5.3	20	1.4	0.3
Coffee, tea	45.3	0	60	100	13.2	0.0	20	0.5	0.0
Cereals & preparations	44.8	0	160	100	7.4	9.6	150	2.9	60.1
Oilseeds, fats & oils	39.9	0	60	100	4.4	11.6	10	2.5	84.1
Sugars and confectionery	58.3	0	95	100	7.3	0.0	20	1.4	0.0
Beverages & tobacco	81.3	0	150	100	43.7	0.0	150	0.5	0.0
Cotton	37.4	0	40	100	4.0	20.0	5	0.6	99.5
Other agricultural products	40.7	0	60	100	4.1	17.1	5	1.1	33.8
Fish & fish products	40.0	0	40	100	6.3	1.4	20	0.2	15.6

Source: WTO Tariff profile of Indonesia. URL: [https://www.wto.org/spanish/res\\_s/publications\\_s/world\\_tariff\\_profiles23\\_s.htm](https://www.wto.org/spanish/res_s/publications_s/world_tariff_profiles23_s.htm)

# Non-tariff measures

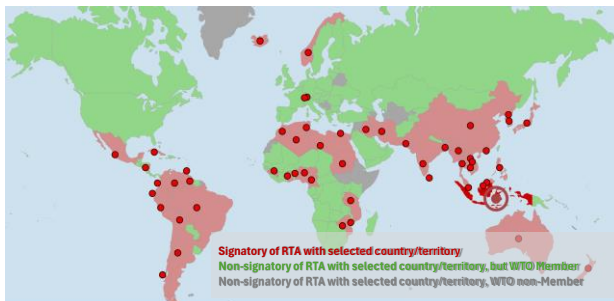


Products most affected by discriminatory measures						Products most affected by liberalization measures					
1511-Palm oil and its fractions, 25	1513-Coconut oils, 18	1201-Soybeans, 15	2101-Extracts, essences, and concentrates, 12	2106-Food preparations, 11		1511-Palm oil and its fractions, 13	1201-Soybeans, 10	1513-Coconut oils, 9	2106-Food preparatio... 8	1701-Sugar cane or beet sugar and chemical... 6	2101-Extracts, essences, and concen... 6
	1005-Maize, 16	2009-Fruit or other fruit juices, 13	1701-Sugar cane or beet sugar and chemical... 11	2304-Cakes and other solid... 8	0805-Citrus fruit, 8	0805-Citrus fruit, 10	0202-Frozen bovine meat, 9	2009-Fruit or other fruit juices, 8	2008-Fruits or other edible parts of plants and other... 6	1005-Maize, 6	2304-Cakes and other solid... 6

Notes: Both graphs show the number of interventions. Source: Global Trade Alert. URL: <http://www.globaltradealert.org/>

# Trade agreements

## Participation in RTAs on goods and services



## Agreements in force

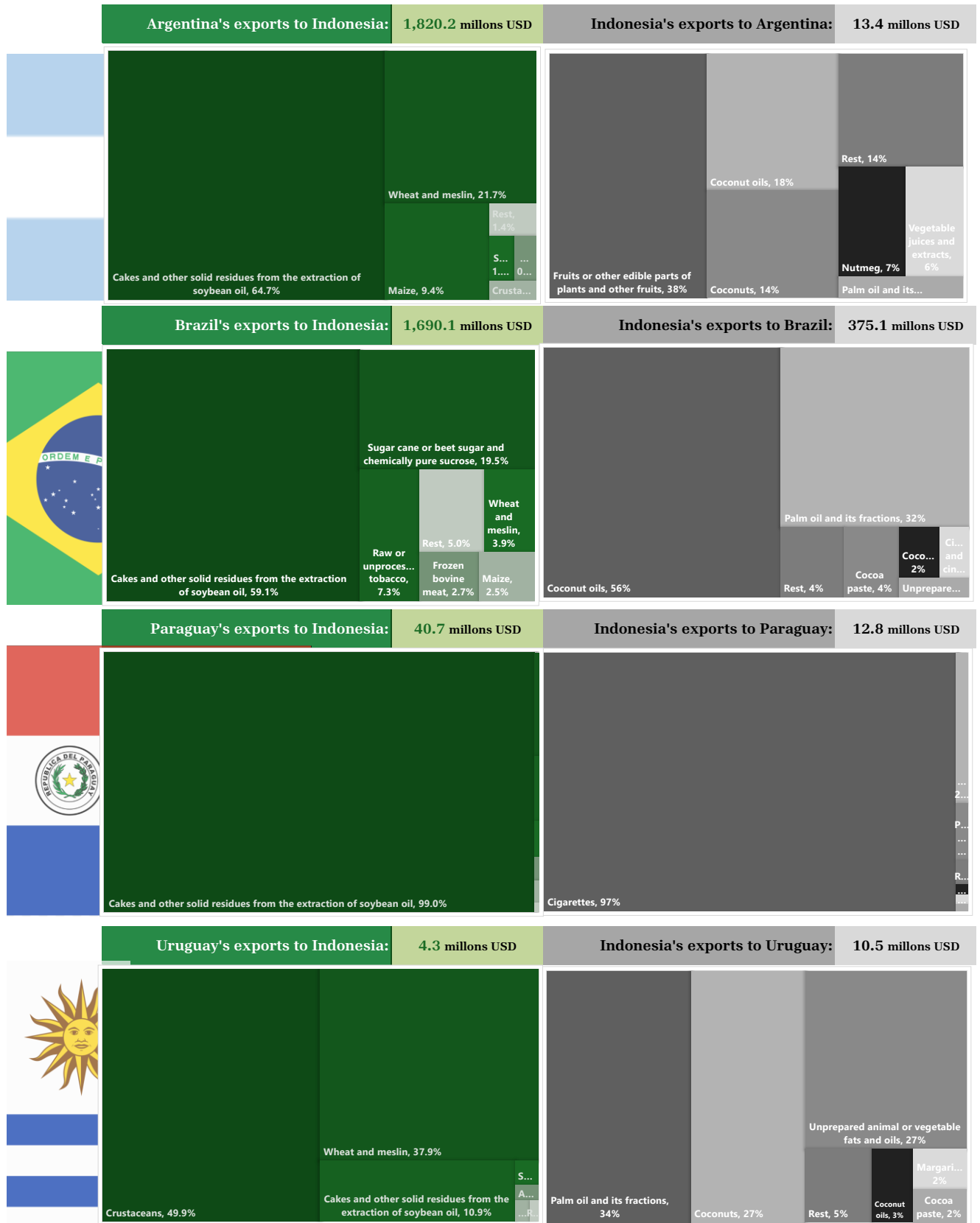
1. ASEAN-Australia-New Zealand
2. ASEAN -China
3. ASEAN- Hong Kong, China
4. ASEAN -India
5. ASEAN -Japan
6. ASEAN- Rep. of Korea
7. ASEAN -Free Trade Area
8. Chile - Indonesia
9. EFTA- Indonesia
10. Global System of Trade Preferences between Developing Countries (SGPC)
11. Indonesia - Australia
12. Indonesia - Rep. of Korea
13. Indonesia - Pakistan
14. Japan -Indonesia
15. Mozambique -Indonesia

Source: Extracted from WTO - <https://www.wto.org/>

## Indonesia's bilateral agricultural trade with MERCOSUR countries

This section presents the agricultural trade of the Indonesia with each of the MERCOSUR countries. It provides insights into the main agricultural products traded between the Indonesia and individual MERCOSUR countries, along with the average bilateral trade amounts (in current USD) from 2018 to 2022.

It highlights the heterogeneity of exports and imports among MERCOSUR countries; aggregating them hide the relative importance of trade with Paraguay and Uruguay, placing greater emphasis on Brazil and Argentina due to their significantly larger trade volumes.



Notes: Values are averages for 2018-2022. The top 6 products are shown. Source: Comtrade 2024.

## Products from MERCOSUR countries with Potential-Threat in Indonesia

### Methodology

The **Potential (or Threat)** of exporting a product is analyzed for each of the MERCOSUR countries, considering products classified at the four-digit Harmonized System (HS04) level.

The analysis is conducted based on the calculation and interpretation of the Revealed Comparative Advantage (RCA) index following Lima & Álvarez (2008).

A product is considered to have export **Potential** if the exporting MERCOSUR country has a Revealed Comparative Advantage (RCA index  $\geq 1$ ) in its exports, **and the importing country also has a Revealed Comparative Advantage** (RCA index  $\geq 1$ ) in its imports of the same product, indicating export risks.

The data source used is COMTRADE, and all values are averaged over 2018-2022.

### Analysis by MERCOSUR country

Product	Have:	Argentine exports to		IDN relevance on Argentine exports	IDN imports from World (USD millions)	Argentine relevance on IDN's total imports (in %)
		IDN (USD millions)	World (USD millions)			
1001 Wheat and meslin	Potential	394.21	3,027.02	13.0%	3,069.00	12.8%
2304 Cakes and other solid residues from the extraction of soybe		1,177.19	12,346.82	9.5%	2,303.09	51.1%
0404 Whey		16.83	102.81	16.4%	186.37	9.0%
0409 Natural honey		1.94	261.37	0.7%	19.97	9.7%
0903 Yerba mate		0.01	34.12	0.0%	0.02	62.7%
0402 Concentrated milk and cream	Threat	0.21	258.41	0.1%	799.56	0.0%
0405 Butter		0.97	79.44	1.2%	144.16	0.7%
0406 Cheeses and curd		8.54	283.85	3.0%	138.42	6.2%
0602 Other live plants		0.01	3.66	0.3%	4.09	0.3%
0713 Shelled dried vegetables		0.26	575.37	0.0%	118.57	0.2%
0805 Citrus fruit		4.60	566.11	0.8%	196.57	2.3%
0806 Grapes		0.09	79.43	0.1%	327.68	0.0%
0808 Apples, pears, and quinces		1.47	510.84	0.3%	625.01	0.2%
0810 Other fruits or other edible parts of plants		0.20	113.24	0.2%	139.03	0.1%
0908 Nutmeg		0.01	0.03	27.5%	2.29	0.4%
0909 Anise seeds	1.04	6.08	17.1%	23.13	4.5%	


Among the **products with potential for increased exports** from Argentina to Indonesia are **whey, honey, and wheat**. These three products currently have a low share in Indonesia's total imports and Argentina's total exports, positioning them with better prospects for increasing trade with this destination in the future.

Regarding **products at risk of decreased exports** to Indonesia, the only ones of significant importance to Argentina are **nutmeg, anise seeds, and cheese and curd**. Argentina holds a relatively significant share in the latter two (over 4%), which mitigates the potential impact of a decrease.

Product	Have:	Brazilian exports to		IDN relevance on Brazilian exports	IDN imports from World (USD millions)	Brazil's relevance on IDN's total imports (in %)
		IDN (USD millions)	World (USD millions)			
1701 Sugar cane or beet sugar and chemically pure sucrose	Potential	329.2	5,945.0	5.5%	2,096.4	15.7%
2101 Extracts, essences, and concentrates		38.7	683.4	5.7%	134.3	28.8%
2304 Cakes and other solid residues from the extraction of soybe		999.3	10,203.4	9.8%	2,303.1	43.4%
2401 Raw or unprocessed tobacco		123.1	2,517.6	4.9%	606.1	20.3%
1001 Wheat and meslin	Threat	65.4	234.7	27.9%	3,069.0	2.13%
2007 Jams, jellies, and preserves		0.7	21.4	3.4%	20.3	3.55%
2008 Fruits or other edible parts of plants and other fruits		1.8	119.2	1.5%	53.4	3.44%


Brazil has the **potential to expand exports to Indonesia in only four products**. Among these, cane or beet sugar and raw tobacco have the highest probability of success, given that their share in Indonesia's imports is still moderate. However, Brazil's potential is limited by Indonesia's strategy to keep the concentration of import origins low.

Among the **three products identified with risks of decreased exports** to Indonesia, **wheat and morcajo** are the most important for Brazil. A decline in exports to this destination would have a significant impact on Brazil, as Indonesia represents almost 30% of its exports. Meanwhile, it would be easier for Indonesia to find substitutes.

	Product	Have:	Paraguayan exports to		IDN relevance on Paraguayan exports	IDN imports from World (USD millions)	Paraguay's relevance on IDN's total imports (in %)
			IDN (USD millions)	World (USD millions)			
	2304 Cakes and other solid residues from the extraction of soybe	Potential	39.75	1,037.19	3.8%	2,303	1.7%
	0602 Other live plants		0.01	0.34	4.2%	4	0.4%
	1801 Raw cocoa beans	Threat	0.10	0.10	99.9%	557	0.0%
	0713 Shelled dried vegetables		0.16	0.90	18.3%	119	0.1%

Few products were found with potential to increase Paraguay's exports to Indonesia. Of the two identified, Indonesia currently holds a low share in Paraguay's exports (less than 5%), and the concentration of origin is not an issue, which enhances the prospects for export growth.

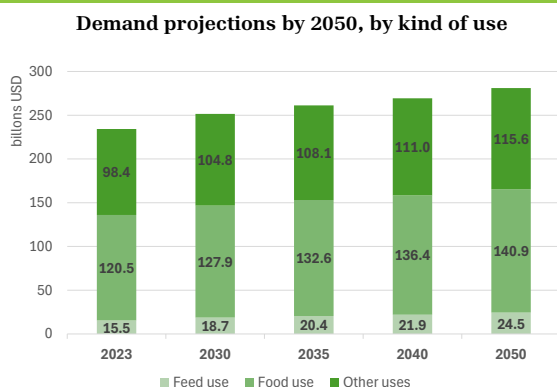
Conversely, there are also not many products with threats of decreased exports from Paraguay. However, a reduction in the two identified products would significantly impact these markets in Paraguay, as Indonesia is a very important destination for both products.

	Product	Have:	Uruguayan exports to		IDN relevance on Uruguayan exports	IDN imports from World (USD millions)	Uruguay's relevance on IDN's total imports (in %)
			IDN (USD millions)	World (USD millions)			
	1001 Wheat and meslin	Potential	1.6	70.4	2%	3,069	0.1%
	2304 Cakes and other solid residues from the extraction of soybe		0.5	54.1	1%	2,303	0.0%
	0106 Other live animals		0.0	0.6	0%	3	0.1%
	0306 Crustaceans		2.2	7.0	31%	100	2.2%
	0909 Anise seeds		0.0	0.0	92%	23	0.1%
	0713 Shelled dried vegetables	Threat	0.00	0.31	1.1%	119	0.0%

Indonesia is an important destination for Uruguay in **two of the products identified with potential** for export growth. However, increasing dependency on this destination should not be a strategy for Uruguay for these products. Instead, focus should be on other products such as wheat and morcajo, oil cakes and other residues from oil extraction, and other live animals (although the latter has less potential).

Only **one product presents a threat of decreased exports from Uruguay to Indonesia**, but it holds a low share in both Indonesia's imports and Uruguay's exports, **making it more likely to see a reduction in trade due to origin substitution**.

## Food demand projections from Indonesia



Source: FAO- Food and agriculture projections to 2050- Country Data Market

### Changes in Food Demand

2050 vs 2023

**+20%**

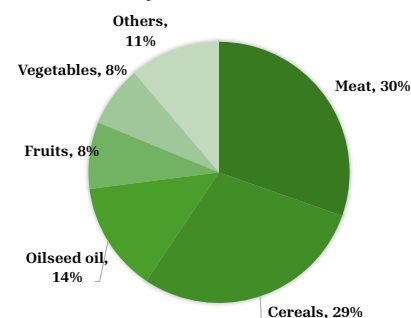
2040 vs 2023

**+15%**

2030 vs 2023

**+7%**

### Share of Food Categories in Average Projections 2030-2050



Projections indicate an increase in food demand in Indonesia of approximately 7% by 2030 and 20% by 2050. The largest share is for products intended for human consumption, while the smallest is for those used in animal feed. However, the demand growth rate for animal feed is the highest, nearing 60% between 2023 and 2050.

The lower share of demand for animal feed is not favorable for MERCOSUR, given the current composition of its export basket to Indonesia. However, considering the products with the most significant weight in the projections (meats, cereals, and oilseeds), MERCOSUR would have **greater potential** for market entry since the region is currently a net exporter with high competitiveness in these products.

## Conclusions

Indonesia is a country with a market composed of 275 million people, experiencing a population growth rate lower than the global average. Its GDP per capita represents just over one-third of the world average, growing at a rate 70% higher than the global average. While trade is important, it does not account for more than 50% of GDP (as of 2022), a percentage lower than the global average. Agriculture is the sector with the lowest added value, representing 12.4% of the GDP.

On average, Indonesia has a trade deficit with MERCOSUR, primarily originating from the agricultural sector. The 99% of MERCOSUR imports come from Argentina and Brazil. Additionally, MERCOSUR is the main supplier of Indonesia's total imports, accounting for 18% of the total imported goods. However, there is no high concentration in the destinations of exports or the imports' origins for Indonesia. The main destinations/origins do not exceed 32% of the total exported/imported.

Regarding imports alone, the top ten imported products represent 60% of the total, with an average value of nearly 13 billion USD. The main products are for human consumption, except for soybean meal and other soybean complex residues and soybeans, which are the most significant in value.

Generally, the tariff level is slightly higher for agricultural products compared to the others: the MFN tariff applied to agricultural products is 8% higher than others. The products with the highest tariffs are beverages and tobacco (43.5%) and coffee and tea (13.2%), while the products predominantly exported by MERCOSUR to Indonesia have an average tariff of less than 8%.

Except for Uruguay, the main export product of all MERCOSUR countries is a soybean by products. Uruguay primarily exports crustaceans, followed by wheat and morcajo to Indonesia. There is a high concentration of MERCOSUR exports to Indonesia by product, with the top three products representing more than 85% of the total exported to this destination, on average, by country. This product concentration poses a risk for MERCOSUR due to dependence on these products in exports.

In the projections of food demand in Indonesia, growth is mainly expected for human consumption, with meats, cereals, and oilseeds being the primary projected products. The potential for increased exports was analyzed based on Revealed Comparative Advantages, considering not only MERCOSUR's exports but also Indonesia's imports.

Products with potential for increased exports are considered more likely when their share in Indonesia's imports is relatively low. When the market share is high, it is not advisable for MERCOSUR countries to pursue a strategy of increasing exports to Indonesia, as this would heighten dependency risks. This is particularly true for most products identified for Brazil, as well as crustaceans and anise seeds for Uruguay, which have limited growth potential in their export markets.

Products at risk of losing market share in Indonesia that are significant for MERCOSUR include cocoa beans and dried vegetables for Paraguay, wheat and morcajo for Brazil, and nutmeg and anise seeds for Argentina.

The data suggests that a potential economic complementation agreement between the two regions could enhance and increase certain trade flows currently limited by relatively high tariffs compared to competitors with existing trade agreements. Although average tariffs do not exceed 8%, specific products, such as Brazilian tobacco, face exceptionally high tariffs in Indonesia. Such an agreement would primarily enable MERCOSUR to diversify its export portfolio to Indonesia, which currently shows high concentration. Promoting these agreements would be crucial for MERCOSUR to deconcentrate its exports both in terms of products and destinations.

