

**Embassy of India
Jakarta**

No. Jak/Com/201/4/2013

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**Monthly Economic & Commercial Report
February 2014**

1. Trends in Bilateral trade

(i) Bilateral Trade
(Value: million US\$)

	Export (Jan-Dec 2013)	Import (Jan-Dec 2013)	Total (Jan-Dec 2013)	Growth % of Export (y-o-y)	Growth % of Import (y-o-y)
Country's Trade with India	13,031.3	3,964.0	16,995.3	4.3	7.9
Country's Total Global Trade	182,551.8	186,628.7	369,180.5	-3.9	-2.6

(i) Top 10 Items of Export to India
(Value: million US\$)

S. No	Commodity (HS)	Total (Jan-Dec 2013)	Total (Jan-Dec 2012)	Percentage Growth (%) y-o-y	% Share in Total Export (Jan-Dec 2013)
1	Mineral fuel, mineral oils and products of their distillation (27)	5,548.4	4,983.4	11.3	42.6
2	Animal or vegetable fats and oils and their cleavage products (15)	4,709.8	5,055.1	-7.3	36.1
3	Ores, slag and ash (26)	759.5	451.4	68.2	5.8
4	Rubber and articles thereof (40)	386.2	362.6	6.5	3.0
5	Electrical machinery and equipment and parts thereof (85)	182.9	269.5	-32.1	1.4
6	Organic chemicals (29)	155.1	125.9	23.2	1.2
7	Pulp of wood or of other fibrous cellulosic material (47)	128.4	135.5	-5.5	1.0
8	Miscellaneous chemical products(38)	101.6	111.6	-9.0	0.8
9	Fertilisers (31)	96.3	38.7	148.8	0.7
10	Paper and paperboard; articles of paper pulp of paper or of paperboard (48)	87.2	63.4	37.5	0.6

(ii) Top 10 Items of Export to the World
(Value: million US\$)

S. No	Commodity (HS)	Total (Jan-Dec 2013)	Total (Jan-Dec 2012)	Percentage Growth (%) y-o-y	% Share in Total Export (Jan-Dec 2013)
1	Mineral fuels(27)	24,782.0	26,407.8	-6.1	13.6
2	Animal or vegetable fats and oils (15)	19,224.9	21,299.8	-9.7	10.5
3	Electrical machinery and equipment (85)	10,444.3	10,764.8	-3.0	57.2
4	Rubber and articles thereof (40)	9,394.1	10,475.2	-10.3	5.1
5	Ores, slag and ash (26)	6,542.8	5,082.6	28.7	3.6
6	Machinery and mechanical appliances(84)	5,969.4	6,103.1	-2.2	3.3
7	Vehicles other than railway or tramway rolling-stock, and parts	4,571.0	4,856.9	-5.9	2.5

S. No	Commodity (HS)	Total (Jan-Dec 2013)	Total (Jan-Dec 2012)	Percentage Growth (%) y-o-y	% Share in Total Export (Jan-Dec 2013)
	and accessories thereof (87)				
8	Articles of apparel and clothing accessories, not knitted or crocheted (62)	3,902.9	3,744.5	4.2	2.1
9	Footwear, gaiters and the like; parts of such articles (64)	3,859.9	3,524.6	9.5	2.1
10	Photographic or cinematographic goods (37)	2,527.7	2,436.6	3.7	1.4

(i) Top 10 Items of Import from India
(Value: million US\$)

S. No	Commodity	Total (Jan-Dec 2013)	Total (Jan-Dec 2012)	Percentage Growth (%) y-o-y	% Share in Total Export (Jan-Dec 2013)
1	Cereals (10)	594.9	476.4	3.9	15.0
2	Organic chemicals (29)	510.9	666.9	-23.4	12.9
3	Electrical machinery and equipment (85)	407.7	380.5	8.8	10.3
4	Machinery and mechanical appliances; (84)	325.5	293.4	10.9	8.2
5	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder (12)	276.4	194.8	41.9	7.0
6	Mineral fuels(27)	212.6	299.7	-29.1	5.4
7	Bars & rods, hot-rolled, in irregularly wound coils, of stainless steel and Ferro-chromium (72)	198.3	187.0	6.0	5.0
8	Vehicles other than railway or tramway rolling-stock, and parts thereof and accessories thereof (87)	180.6	400.3	-54.9	4.6
9	Residues and waste from the food industries; prepared animal fodder (23)	133.9	151.6	-11.7	3.4
10	Cotton (52)	104.5	83.0	25.9	2.6

(iii) Top 10 Items of Import from the World
(Value: million US\$)

S. No	Commodity (HS)	Total (Jan-Dec 2013)	Total (Jan-Dec 2012)	Percentage Growth (%) y-o-y	% Share in Total Export (Jan-Dec 2013)
1	Machinery and mechanical appliances (84)	27,292.0	27,428.1	-0.5	14.6
2	Electrical machinery and equipment (85)	18,202.0	18,904.7	-3.7	9.7
3	Iron and steel (72)	9,553.6	10,138.9	-5.8	5.1
4	Vehicles and part thereof (87)	7,914.6	9,757.0	-18.9	4.2
5	Plastic and articles thereof (39)	7,642.7	6,990.9	9.3	4.1
6	Organic chemicals (29)	7,011.5	6,883.0	1.9	3.7
7	Aircraft of iron and steel (73)	4,747.4	4,889.6	-2.9	2.5
8	Cereals (10)	3,621.4	3,714.4	-2.5	1.9
9	Waste from the food industries (23)	3,042.1	2,798.1	8.7	1.6
10	Cotton (52)	2,554.9	2,513.8	0.8	1.4

(iv) Top Competitors of India's top 5 exports

S. No	Commodity (HS)	Competitors
1	Cereals (10)	USA, Canada, Australia, Brazil
2	Organic chemicals (29)	China, Singapore, Thailand, Japan
3	Electrical machinery and equipment (85)	Singapore, Japan, Hong Kong, Taiwan, Germany
4	Machinery and mechanical appliances; (84)	Singapore, China, Germany, Japan, South Korea
5	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder (12)	US, Canada, China

2. Important India related statement of Commercial Significance by political leaders, think tanks, chambers, associate, etc. **NIL**

3. **Market Access:**

a). Alerts on SPS/TBT notifications, import procedures, export restrictions put in place, change in trade policy:

Indonesia has implemented a **new Industrial Law** replacing the 1984 law, which would promote import substitution as well as downstream industries, and is expected to provide a strong legal base in its efforts to reduce the manufacturing sector's reliance on imports of components and machinery. According to Industry Minister M.S.Hidayat, the manufacturing sector is expected to grow by up to 6.8 percent and create 40,000 new jobs during 2014, generate US\$:125 billion from exports, and US\$:14 billion in foreign investment. Other measures being planned include tax holidays/allowance, ensuring adequate power supply, incentives for development of new energy sources, termination of exemption of import duties for raw materials and components, government equity in building smelters for basic metals, tighter controls on import of industrial products, and export duty on selected agricultural products. The measures are expected to prepare the local industries for the ASEAN Economic Community (AEC) which comes into effect in December 2015.

The House of Representatives passed Indonesia's first ever integrated **trade law** which would allow the government to curb exports and imports to help spur growth in local industries and markets and shield the domestic market. It gives the government the power to impose tariff and non-tariff barriers in the trade of certain goods or commodities to this effect. It also gives legislators more say in free trade negotiations conducted by the government with the country's trading partners. The government maintained the view that the trade law was not against the free trade principles of the WTO.

b). Alerts on Trade Defence Measures taken by respective country (special safeguard, anti-dumping, CVD or Anti-subsidy):

The Indonesian Trade Safeguard Committee (KPPI) is **investigating import of several alloy steel products**, based on the complaint filed by local steel producer PT Gunung Garuda which reported an injury to its business due to surge in imports. According to reports, the imports increased from 14,450 tons in 2009 to 243,928 tons in H1-2013. The Industry Ministry had requested the Trade Ministry during 2013 to curb the influx of certain alloy steel imports which it claimed to cause potential losses to local producers. The Indonesian Iron and Steel Industry Association (IISIA) alleged that import of boron-content alloy steel (0.0008 percent) enjoyed an import duty of 5 percent while no-alloy steel attracted higher duties of upto 15 percent, which placed this product in a different category and thus benefitted from lower import duties, from countries like China, Japan, and Taiwan.

Indonesian Trade Safeguard Committee (KKPPI) is enquiring into the petition of Indonesian Textile Association (API) to extend the trade **safeguard measures for products of cotton yarn** other than sewing thread, to help the domestic industry to improve and become competitive in the domestic market. The KPPI held a hearing on 14th February 2014 in this matter. The Embassy of India in Jakarta has appropriately represented against this extension of safeguards as per the directive of the Department of Commerce.

c). Feedback on major trade fairs/BSM including Indian participation (whether or not supported by MAI funds):

BHEL in association with Indian Embassy, and the Indian Business Forum (IBF) organised a seminar on the theme “Realising Indonesian Power Vision: Building Partnership with India” on 13th February 2014 in Jakarta. Ambassador Shri Gurjit Singh spoke about the need for India and Indonesia to cooperate in the area of power generation and transmission including renewable energy, through joint ventures and IPP projects. The chief guest and key note speaker was Director General of Electricity, and special guest of honour was President Director of Indonesian state electricity company (PLN).

Deputy chief of Mission, Shri Manish was the guest of honour and delivered the inaugural address for ‘ACG TechnoVersity seminar on Process and Packaging Technologies’ held on 19th February 2014 in Jakarta, which was organised by ACG Indonesia, manufacturers of empty capsules. The seminar covered topics related to packaging in the pharma industry, automations etc. The seminar was attended by senior officials of drug regulatory authority and drug manufacturers association.

d). Feedback from local commercial visitors to trade fairs in India, including under BSM. nil

Number of Business Visas issued:

S. No	Month	Visa issued
1.	February 2013	314
2.	March 2013	358
3.	April 2013	309
4.	May 2013	292
5.	June 2013	293
6.	July 2013	279
7.	August 2013	310
8.	September 2013	349
9.	October 2013	370
10.	November 2013	327
11.	December 2013	210
12.	January 2014	378
Total		3,789

4. Investment

a). Opportunities for Investments/assets on offer/major company divestment: NIL

b). Information on Tender notices of interest to India project exporters (US\$ 15 million & above):

c). Information regarding major investment in India from respective country: NIL

5. Action taken on the previous JWGs, joint Commissions, Sub commissions etc.(Issues that Mission had to follow up with host government):

The various pending bilateral issues were taken up appropriately during interaction with the concerned interlocutors of the local government by Ambassador and other officers.

6. Trade Queries for Imports/Exports:

FROM INDONESIAN		
S no.	Product Sector	Queries
1	Plantation	-
2	Agriculture & allied products	-
3	Ores & minerals	-
4	Leather & manufactures	-
5	Gem & jewellery	-
6	Medical Equipment	-
7	Chemicals	-
8	Engineering goods	-
9	Electronics & computers	-
10	Machinery	-
11	Textiles	-

FROM INDIAN		
S no.	Product Sector	Queries
1	Plantation	3
2	Agriculture & allied products	8
3	Ores & minerals	-
4	Leather & leather products	-
5	Gem & jewellery	-
6	Garment/textile	2
7	Chemicals	7
8	Engineering goods	5
9	Electronics & computers	-
10	Machinery	-
11	Auto	1

12	Handicrafts	-
13	Carpets	-
14	Petroleum products	-
15	Unclassified	2
	TOTAL	2

12	Handicrafts	-
13	Medical equipments	-
14	Building materials	1
15	Unclassified	10
	TOTAL	37

7. Any other issues of importance:

Infrastructure:

The **Indonesian government plans to develop seven hydropower plants (PLTA)** with a combined total capacity of 1,377 MW as part of a government program to accelerate the development of hydro power in the country. Four of the plants (about 146.52 MW) in East Java are expected to be constructed in the second half of 2014. The government will also assess the potential of developing power plants at 239 reservoirs owned by the Public Works Ministry, some of which are to be used by private companies.

The Indonesian government proposes to turn three areas in the archipelago into **special economic zones (KEKs)** and would provide incentives like tax reductions, exemptions, and infrastructure etc. to the businesses operating in the area. The areas are Tanjung Api-Api in South Sumatra for coconut based industries, rubber, mineral ore, and coal gasification; Morotai in North Maluku for development of fishery, manufacturing, and tourism; and Mandalika in West Nusa Tenggara for tourism.

Commodity:

Indonesia is expected to **limit coal production** to less than 400 million tons during 2014 which would be 5 percent less than the 2013 production of 421 million tons, to stem declining prices. The Ministry of Energy & Mineral Resources (MoEMR) is reportedly drafting regulations to control production. The government would enforce sanction against companies that mine more coal than approved. The penalties could include suspensions and cut in production allocations for the next year. The MoEMR would also ask regional governments to control small companies holding IUPs.

The Indonesian government has plans to amend a ministerial decree that would require mining **companies to put up a deposit as a surety to build smelters** for value added processing of minerals before export. This is in addition to the export ban/ progressive taxes imposed in January 2014 on export of certain categories of minerals. The deposit would be held in a local bank for up to three years and would be returned on completion of construction of downstream value addition processes. There is also a likelihood that the government would consider changes to the tax regulations for reduction in the export duties imposed on minerals to those companies that commit to build smelters.

The **ban on export of unprocessed ores** from Indonesia came into effect from 12/1/14. **Japan**, which imports 44 percent of its nickel ore requirements from Indonesia, is studying the details of the ban, and is likely to take this matter to the WTO if it found strong evidence that the ban regulations breached WTO rules. Indonesian Minister for Industry, M.S.Hidayat stated that the government was willing to seek “win-win” solutions with Japanese stakeholders outside the WTO’s dispute settlement body, and indicated willingness to guarantee ore supplies for Japanese firms set to invest in processing facilities in Indonesia.

Bilateral with other countries:

The **Indonesia- USA Joint Commission meeting** under the Comprehensive Partnership Agreement was held during the visit of Secretary of State, John Kerry to Indonesia during 15-17 February. The countries reviewed the progress of bilateral cooperation of six working groups including trade & investment, and energy.

During his visit to Indonesia, King Abdullah II of **Jordan** met leading Indonesian businessmen to build partnerships, explore new possibilities for economic cooperation, and new markets for Jordanian exports to Indonesia. Trade volume between the two countries stood at US\$:438.59 million with US\$:148.96 million surplus on the Jordanian side.

Indonesian and **South Korean** officials met in Seoul for discussions on the **Comprehensive Economic Partnership Agreement (CEPA)**, in order to strengthen bilateral trade to US\$:100 billion by 2020. Since the first round of negotiations in July 2012 Indonesia has been demanding higher Korean investment. The CEPA is expected to further liberalize trade between the two countries by offering duty cuts on 1,051 tariff lines outside those covered by the free trade pact under the ASEAN-South Korea framework, like industrial goods, agricultural, fishery, and pharmaceutical products.

Russian Deputy PM Dmitry O.Rogozin led a delegation of 40 companies including Russian Railway, Kamaz, Sukhoi Civil Aircraft, RUSAL, etc. as part of the **ninth Indonesia-Russia Joint Commission for Cooperation in Trade and Economy**. The two sides have agreed to establish five working groups for – legal affairs; trade; investment and industry; culture and tourism exchange; energy; transportation and infrastructure. Russia wants to increase bilateral trade to US\$:5 billion by next year, through the formation of working groups to deepen cooperation in particular trading sectors. Russian investments would be around US\$:6 billion for smelters and railways projects. RUSAL would build smelters in West and East Kalimantan, and Russian Railways will start a railway line to deliver coal in East Kalimantan.