



INDONESIA: TRADE AND INVESTMENT HIGHLIGHTS APRIL 2005

Summary:

- The Central Statistics Agency announced on May 2 that Indonesia's exports grew 31.3 percent in the first quarter of 2005 on a year-on-year basis.
- Indonesia and Japan held a third round of preliminary trade talks in Tokyo in April.
- The GOI will establish a team to provide support to Indonesia's textile and clothing sectors, and the International Textile and Clothing Bureau held its 41st council meeting in Bali from April 4-7.
- In commemoration of the April 26th World IPR Day, Indonesia's IPR office held a ceremony and conducted a seminar for the education sector.
- Indonesia's Trade Safeguard Committee ruled that two local ceramic tableware producers suffered injury as a result of dumping practices of foreign firms.
- The GOI announced it would open a tender in September 2005 for a USD 638 million, 34-kilometer double-double track (DDT) railway project connecting Jakarta and Cikarang in West Java.
- Indonesia's retail sector is expected to grow by 25 percent in 2005.
- The GOI says it will introduce an interconnection tariff among telephone operators effective January 1, 2006.
- The Indonesian Chamber of Commerce sponsored an "Asia-Africa Business Summit" on April 22 and the GOI announced plans to participate in the China-Asean Exhibition in Guang Xi, China in October 2005.

Exports Expand at 31-Percent Pace

The Indonesian Central Statistic Agency (BPS) announced on May 2 that Indonesia's exports reached USD 19.7 billion for the first quarter of 2005, an increase of 31.3 percent year-on-year (YoY). Non-oil and gas exports accounted for USD 15.4 billion of the three-month total, a YoY increase of 33.9 percent. Commodities exports led non-oil and gas export growth, as metal powder, coal and copper exports increased 197, 100 and 89 percent respectively. Knitted products, household goods, and garments also recorded respectable increases of 68, 61 and 30 percent respectively.

January to March 2005 imports grew to USD 13.0 billion, a 27.5 percent increase YoY. Construction and capital investment related imports led growth in imports, a further sign of increased investment in the economy. Steel and iron, electronic tools, steel and iron products, and mechanical machineries registered significant increases of 72, 53, 42 and 36 percent respectively. Indonesia's trade surplus reached USD 6.7 billion at the end of the first quarter of 2005, an increase of 39.6 percent YoY.

INDONESIAN Q1 TRADE PERFORMANCE

In USD billion	Jan – Mar 2004	Jan – Mar 2005	Percent Increase 2005/2004
Export	15.0	19.7	31.3%
Oil and Gas	3.5	4.3	22.8%
Non-Oil and Gas	11.5	15.4	33.9%
Import	10.2	13.0	28.3%
Oil and Gas	2.4	3.6	50.0%
Non-Oil and Gas	7.8	9.4	20.5%
Balance of Trade	4.8	6.7	39.6%

Source: Central Statistic Agency (BPS).

[Indonesia and Japan Hold Preparatory FTA Talks](#)

Minister of Trade Mari Pangestu revealed on April 19 that Indonesia and Japan continue to discuss how to bolster bilateral trade relations between two countries. The two sides held three rounds of Free Trade Agreement (FTA) preparatory talks from February-April 2005. Indonesia is reportedly urging Japan to facilitate personnel transfer and remove tariffs on forestry and fisheries products. Japan is reportedly requesting that Indonesia improve its investment climate and eliminate tariffs on motor vehicles and auto parts. Indonesia's exports to Japan grew to US\$ 15.96 billion in 2004, an increase of 17.34 percent YoY and consisted mainly of oil and gas and other mining products. Meanwhile, total imports from Japan jumped by 43 percent in 2004 to US\$ 6.08 billion.

[The GOI to Support Textile and Garment Sectors](#)

Minister of Industry Andung Nitimiharja and Bank Indonesia (BI) Governor Burhanuddin Abdullah announced on April 6 that the Government of Indonesia (GOI) has established a team to support the restructuring of Indonesia's textile and garment industries. As part of the effort, Bank Indonesia will encourage textile and garment industry stakeholders to develop policy recommendations to enhance Indonesia's competitiveness in the global market. Minister Andung urged BI to publicly recognize Indonesia's textile and garment sectors as viable industries and encourage the local banking sector to make capital available to it. A recent Ministry of Industry report states that Indonesia's 204 spinning, 775 weaving and knitting, and 885 garment factories need USD 5 billion in new machinery and other capital investment over the next ten years. Indonesia's textile and garment sectors are Indonesia's largest non-oil and gas export earner, at US\$ 7.28 billion (15 percent) in 2004, and they employ directly or indirectly roughly 3.5 million workers.

[Bali ITCB Meeting](#)

The International Textile and Clothing Bureau (ITCB) held its 41st Council Meeting in Bali on April 4-7 and resolved to push for further liberalization of world textile and garment trade. Many ITCB members raised concerns about the expiration of the Multi Fiber Agreement (MFA) and fears that it will allow Chinese products to dominate the global market. The ITCB will pursue further expansion of market

access through WTO tariff negotiations. ITCB members agreed that WTO market access negotiations for non-agricultural products, trade facilitation efforts, and improvements to WTO rules and disciplines were all important to ensuring market access security in the global textile and garment markets. ITCB members elected Indonesia's Ambassador to the WTO Gusmardi Bustami as the organization's chairman for 2005.

[April 26 World IPR Day Commemoration](#)

The Ministry of Law and Human Rights (MOLHR) on April 26 held a ceremony and seminar to commemorate World Intellectual Property Rights (IPR) Day. Director General for IPR Abdul Bari Azed opened the ceremony that was attended by roughly 50 GOI law enforcement officials from the Police and Attorney General's Office, as well as representatives of IPR NGOs. Bari noted that in addition to enforcement activities, his office would focus on IPR public awareness, particularly in the academic sector. In conjunction with the ceremony, the MOLHR and the World Intellectual Property Organization (WIPO) held a two-day IPR awareness seminar from April 25-26 for Indonesian academics. More than 100 lecturers and teachers from universities, high schools and research institutions attended the seminar. The seminar specifically focused on IPR systems and the role of academia in a country's technological development through the encouragement of creativity, invention and discovery.

[Ceramic Tableware Safeguard Measures](#)

The Indonesian Trade Safeguard Committee (KPPI) on April 4 conducted a public hearing concerning an ongoing safeguard investigation of imports of ceramic tableware into Indonesia. The KPPI ruled that PT. Lucky Indah Keramik and PT. Queen Setyabudhi Ceramics suffered injury from 1999 to 2004 as a result of surges of imports of ceramic tableware (HS 6911.00.00.00 and 6912.00.00.00) mostly originating from China. Chinese imports accounted for 96.5 percent of total imports into Indonesia during that period. U.S. imports of ceramic tableware into Indonesia during the same period reached a peak of 992 kilogram in 2003, or just 0.003 percent of total imports that year. The KPPI's investigation, initiated October 19, 2004, ruled that the surge in imports illegally undercut prices of locally produced ceramic tableware by 1.3 to 24.8 percent and caused domestic industry's market share to drop nearly 50 percent from 1999 to 2003. Based on KPPI's findings, the Ministry of Trade has asked the Ministry of Finance to consider safeguard measures on ceramic tableware that would be effective on May 5, 2005. It is not yet clear what measures are under consideration (tariff increase, quotas or a combination of both). The Ministry of Finance already announced in January 2005 an increase in the import duty for ceramic tableware from 5 to 30 percent.

[Retail Sales Accelerating](#)

The Indonesian Retailers Association predicted on April 8 that retail sales will grow 25 percent this year to USD 48 billion, compared to USD 37 billion in 2004. Most major retailers are planning to expand their operations in 2005. One hypermarket operator said it plans to triple its outlets this year. The retail sector is apparently also attracting new foreign investment. Seven Eleven is expected to soon

open its mini-markets across Indonesia. Consumer spending on major goods increased 13.8 percent last year.

[GOI to Introduce Interconnection Tariff](#)

Press reports on April 8 suggest that the GOI is considering implementing a cost-based interconnection tariff among telephone operators effective by January 1, 2006. The GOI would abandon the current revenue-sharing scheme due to its adverse impact on competition. Some telecommunication analysts express hope that the implementation of cost-based interconnection scheme will reduce costs and improve earnings through increased interconnection volumes.

[GOI to Open Tender for Rail Project](#)

The Ministry of Communications announced on April 4 that the GOI is preparing a 34 kilometers double-double track (DDT) railway construction project connecting Jakarta and Cikarang in West Java worth USD 638.3 million. The Ministry said it will announce a pre-qualification tender in September 2005, and that land acquisition for the project should be completed by the end of this year. The project will be divided into two phases. The first phase will connect Jakarta to Bekasi (21 kilometers) and is slated for completion in 2007. The project is financed by a Japanese Government yen loan under the 1997 Miyazawa Plan. As such, project bids will be limited to Japanese and Indonesian firms.

[Asia-Africa Business Summit and China-ASEAN Exhibition](#)

In conjunction with the 2005 Asia-Africa Summit, the Indonesian Chamber of Commerce (KADIN) sponsored a business summit on April 22 attended by more than 500 CEOs and businessmen from 24 Asian and African countries. The summit aimed to explore business opportunities and encourage investment and trade between the two continents. KADIN Chairman Mohammad S. Hidayat expressed hope that governments can provide greater political support for facilitating inter-continental trade. Vice President Yusuf Kalla announced on April 7 that Indonesia will participate in the China-ASEAN Trade Exhibition in Guang Xi in October. Kalla instructed the Ministry of Trade and KADIN to arrange Indonesia's participation at the Expo.
