EUROPEAN UNION

EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA)

CEPA: the Strategic Context

Indonesia is Southeast Asia's largest economy and an **increasingly prominent player** on the **global stage**, with a population of **283 million** and an annual GDP of **€1.3 Trillion**.

- G20 Member
- OECD Accession
- CPTPP Candidate
- BRICS Entrant
- ASEAN Leader (35% GDP)

Unlocking Potential

Despite this growing geopolitical and economic footprint, Indonesia remains only the EU's 5th largest trading partner in ASEAN and 33rd globally.

The CEPA aims to build on **complementary economic structures** for a **win-win economic partnership**, while supporting **trade diversification**.

€9.8B
EU exports (2024)

€24.7B
EU FDI stocks (2024)

Over 200K
EU jobs supported by exports to IDN

Over 15K
EU SMES exporting to IDN

What is CEPA?

A comprehensive, rules-based **trade and investment** agreement.

An **unprecedented level** of tariff liberalisation between partners.

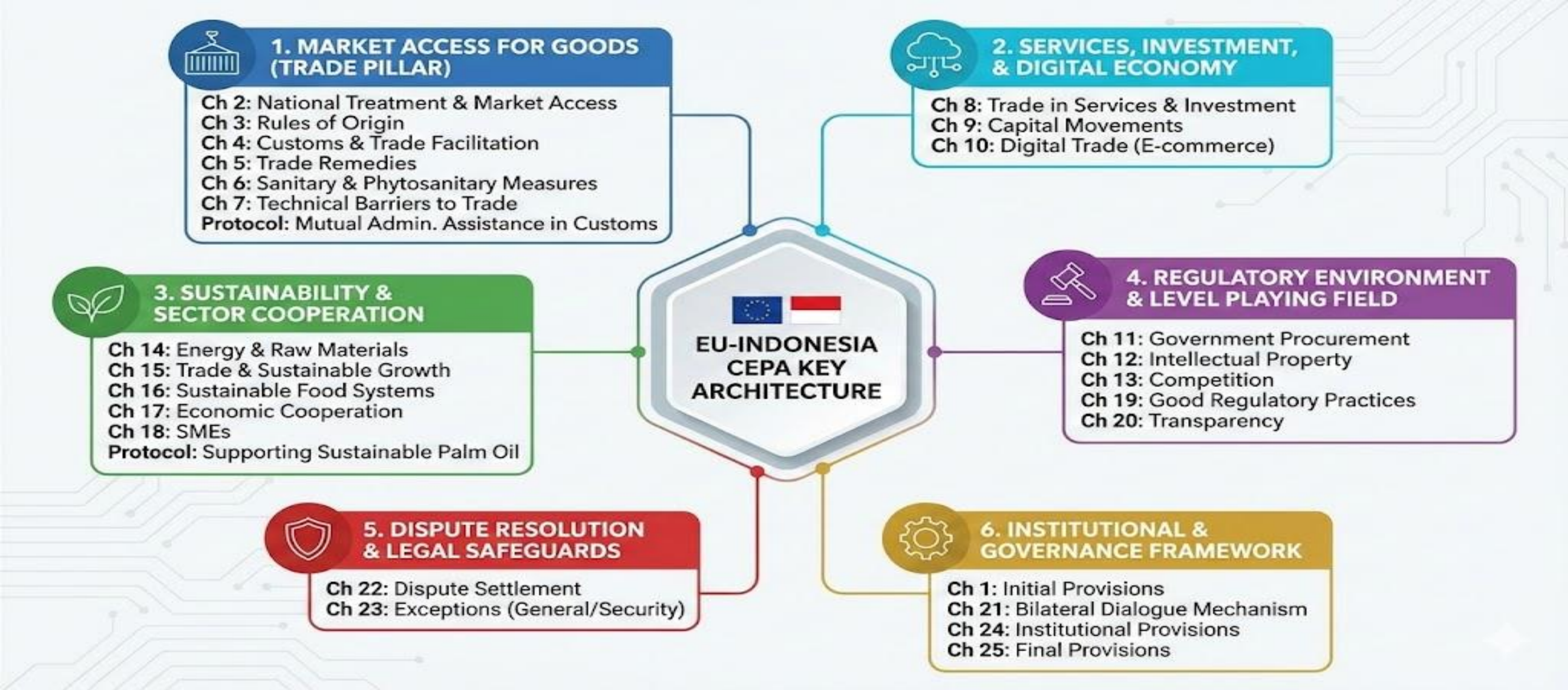
Creates **predictable market access** and stable investment conditions.

Establishes a **level playing field** and regulatory transparency.

Serves as a dynamic **platform for long-term** cooperation.

A **living agreement** with a built-in future agenda for evolution.

Key Architecture of the Agreement



CEPA includes **several "first-ever" commitments for Indonesia** – both **on market access** and **on rules**

Market Access for Goods: an Unprecedented Level of Tariff Liberalisation

Tariff elimination for both sides on

98% of Tariff Lines*

~100% of trade value

Accelerated Transition and Ambitious Timeline:

- Phase-outs for Indonesia are mostly reduced to a **5-year maximum**.
- Over **96% of trade becomes duty-free by Year-5** for EU exports to Indonesia.
- **Key EU exports** (machineries, automotives, pharmaceuticals, chemicals, F&B) will see tariff eliminated, many at **EIF**

Addressing Non-Tariff Barriers

Securing a predictable and business-friendly regulatory environment

The TiG Chapter Framework

WTO-Plus Commitments

Establishes additional disciplines beyond standard WTO rules to ensure non-discriminatory market access.

Institutional Infrastructure

Creates formal dialogue channels to address potential trade problems early before they disrupt operations.

Ending Quantitative Restrictions

Non-Automatic Licensing

Eliminates discretional quantities

30

DAY APPROVAL LIMIT

Import Licenses are deemed **automatically approved** if not processed within 30 days.

Standards and Conformity Assessment

International Benchmarks

- Technical requirements must be based on **recognised international standards** (eg ISO, IEC, ITU). Any deviation requires **evidence-based justification**.
- **Accreditation discipline**: both parties must rely on global accreditation system frameworks, **ensuring equivalency of EU labs**.

Risk-Based Proportionality

Commitment to ensure conformity assessment procedures are **proportionate to the risks** involved, **avoiding excessive testing**

Transparency & Predictability

Strong procedural safeguards:

- Both parties must **notify new technical requirements** in advance;
- allow at least **60 days for comments**;
- provide **written responses** to questions;
- allow minimum **6-month implementation periods**; and
- engage in **technical consultations** upon the other party's request

Certification and Testing Procedures

Recognition of EU Test Reports and Certificates: For products areas in which the EU accepts a Supplier's Declaration of Conformity (SDoC), Indonesia must consider EU-based certificates/reports as proof of compliance, helping to **avoid burdensome duplicative testing**.

Platform of Engagement: CEPA establishes direct channels via **TBT Coordinators** and the **Trade Committee,** serving as a vital mechanism to ensure smooth implementation and maintain a dialogue. It is particularly valuable for addressing the **current emerging complexities in testing and certification**, ensuring that procedures remain streamlined and consistent with the spirit of trade facilitation.

Export Taxes: Securing Supply Chain Stability

Transparency

Notification of new or existing export duties is mandatory. Annual reviews allow the EU to monitor disruptions and request possible rollback of duties.

MFN Clause

Both sides will automatically extend any better treatment granted to other partners, ensuring a competitive level playing field.

A calibrated balance: Indonesia retains policy space for development (e.g. *downstreaming*) while providing the EU with safeguards against export restrictions

THE STRATEGIC EDGE

Guarantees EU refiners and manufacturers (food, chemicals, cosmetics) reliable access to strategic commodities at competitive prices.

50% Lower Rate

For products beyond the 1st stage of processing, EU exports and investors enjoy a 50% lower rate than the new full export duty, providing a unique price advantage.

Palm Oil Quota

Secure, duty-free quota for Crude Palm and Palm Kernel oil. Exemption from export taxes for current volumes, with a planned increase over 10 years.

Investment & Services: Foundation for Growth

National Treatment (NT)

Ensures investors and service suppliers receive treatment no less favourable than local companies, applied across sectors e.g. in constructions, certain transport, mining, various manufacturing sectors.

MFN Treatment

All firms automatically benefit from any better terms the other side would grant to third countries in future trade agreements, applied across sectors e.g., in professional services, engineering, certain transport, construction, education, health, tourism, renewable energy.

Prohibition of Performance Requirements

General prohibition of distortive conditions like forced technology transfers or export quotas (with certain reservations).

No **Local Content Requirements** in the following key sectors:

- Pharmaceuticals and Medicinal Products
- Electronics, Semiconductors, Telecom Equipment, and Batteries
- Automotive Manufacturing and Components
- Renewable Energy

Services: Professional Mobility & Operational Ease

- The agreement facilitates the **temporary entry** of **key personnels**.
- **Qualification procedures** must be **clear**, **objective**, and processed within a **reasonable timeframe**.

Category	Stay Period in IDN / Key Benefit	Strategic Impact
Intra-Corporate Transferees	Up to 3 Years (Managers/Specialists)	Stable talent deployment for long-term projects
Business Visitors	90 Days in any 12-month period	Facilitates establishment and early-stage operations
Licensing Transparency	Clear, objective, & accessible	Eliminates arbitrary delays in authorization

Stay period for independent professionals and contractual service suppliers are subject to the liberalisation schedule.

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Services: Sectoral Highlights

Telecommunications

- Non-discriminatory access to public networks and interconnection rights for suppliers.
- 100% foreign ownership in the telecommunications and computer services sectors.

Computer Services

Broader coverage for data hosting, software as a service (SaaS), cloud operation and digital consulting

Financial Services

Right to introduce "New Financial Services“, supporting fintech and digital payment ecosystems.

Delivery Services

Anti-Monopoly rules, independent regulatory bodies, and no preferential treatment for inbound mail services over international delivery providers

Maritime Transport

- **Market Access**: Commitment to unrestricted access to international maritime markets and trades on a commercial basis
- **National Treatment in Ports**: Equal treatment regarding port access, use of infrastructure, berthing, and customs facilities.
- **Cargo sharing**: prohibition on introducing new cargo-sharing arrangements with third countries
- **Feeder Services**: Rights for suppliers to provide feeder services (subject to authorisation)

How CEPA supports the Agri-Food Sectors

Market Access

Elimination of duties on vast majority of imports:

- **Dairy:** Powders, Cheeses, Formula.
- **Meats:** Pork, Poultry, and Beef.
- **Processed:** Confectionery, Bakery.

Licensing:

30-DAY DECISION LIMIT

Automatic approval if deadline is missed, ensuring legal certainty for perishable goods.

PROTECTED GEOGRAPHICAL INDICATIONS

SPS & Controls

- **Single Entity:** EU recognised as a single entity for certifications.
- **Risk-Based:** Shift to scientific, proportional audit procedures.
- **Regionalisation:** Protection against blanket import bans.
- **International standards** reliance
- **SPS Committee** to manage issues

Sustainability (SFS)

Framework for modern transformation:

- Cooperation on **Animal Welfare**.
- Reduction of **Food Waste**.
- Prevention of **Agri-food Fraud**.

How CEPA supports the Automotive Sector

Tariff Elimination/Reduction

Elimination of steep import duties, many upon Entry Into Force (EIF) and most over 5 years.

Ecosystem Advantage

Strategic relaxation of **Local Content Requirements (LCR)** to integrate components industrial chain, including in EVs.

Standardisation Anchor

Anchoring the market to UNECE standards to reduce red-tape and ensure regulatory predictability

PHASE 1: TRANSITIONAL (EIF ONWARDS)

- **78 UN Regs:** Indonesia accepts EU type-approval for 78 regulations immediately.
- **Reciprocity:** Facilitated access for vehicles meeting international standards in both directions.
- **Zero Re-testing:** Removal of duplicative marking and technical certification delays.
- **Time-to-Market:** Significant reduction in bureaucratic red-tape for new model launches.

PHASE 2: LONG TERM (from 2033 or full UNECE membership)

- **Innovation Clause:** New tech (Digital/EV) cannot be blocked by a lack of domestic rules.
- **Burden of Proof:** Any side must justify any future restrictions with scientific evidence.
- **Random Sampling:** Prohibition of systematic retesting; move to market surveillance.
- **Automotive Working Group:** Dedicated forum to oversee implementation and capacity building.

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How CEPA supports other industrial sectors

Pharma & Medical Devices

Improving pharma competitiveness through duty elimination and deep investment reform:

- **Performance Requirements:** Significant relaxation of mandates, enabling higher investment levels.
- **Regulatory Data:** Enhanced protection for clinical and regulatory data.
- **Market Access:** Elimination of duties on medicines and high-tech medical devices.

Manufacturing Strongholds

Eliminating "behind-the-border" issues for Chemicals, Machinery, Electrical, and Cosmetics:

- **TBT Breakthrough:** international standards/testing for machinery and electronics.
- **Zero Duplication:** machines can be sold without costly additional local testing.
- **Tariff Abolition:** Phased elimination of import duties

Palm Oil Related Industry

- **Export Tax Elimination:** Applied to an increasing quota of crude palm and palm kernel oil.
- **Level Playing Field:** Lower prices and higher reliability in the raw material supply chain.
- **Competitive Edge:** Strengthens position of refiners against third-country producers.

Intellectual Property (IP)

TRIPS-plus elements reduce risk for tech, pharma, fashion, and creative industries:

- **Robust Enforcement:** Enhanced standards for Copyright, Trademarks, Designs, and Trade Secrets.
- **GI Recognition:** Immediate protection for iconic Geographical Indications.
- **R&D Incentives:** High-level protection encourages high-value EU investment in local R&D.

Green Transition and Sustainable Growth

Governance & Rules

- **Paris Agreement:** Established as an "essential element" with enforceable withdrawal mechanisms.
- **Non-Regression:** Enforceable clauses ensure trade growth supports environmental protection.
- **Environmental Governance:** Strong disciplines on sustainable resource management.

Strategic Cooperation

- **Palm Oil Protocol:** Dedicated framework for dialogue and sustainable palm oil management.
- **Green Diplomacy:** Joint efforts on renewable energy, energy efficiency, and low-carbon tech.
- **Trade Facilitation:** Platform for environmental issues

Market Openings

- **"Green Services":** Liberalisation of environmental, transport, and offshore marine services.
- **LCR Relaxation:** First-ever commitment to remove Local Content Requirements in Renewables & EVs.
- **Investment Certainty:** Easier entry for wind farms, solar projects, and geothermal activities.

Energy & Raw Materials Integration

The CEPA prohibits **discriminatory export pricing on raw materials** and commits to **environmental impact assessments (EIAs)**. It sets advanced provisions for **cooperation on Critical Raw Materials (CRMs)**, biofuels, and the overall **"Energy Transition" supply chain integration**.

Digital Trade and Digital Transition

Facilitation & Trust

- **Full package:** Supports for e-contracts, e-authentication, and "no-prior-authorization" for SMEs
- **IP Safeguards:** Protection of source code against unauthorized transfer or access.
- **User Safety:** Rules for online consumer protection and mandatory spam prevention.

The Data Economy

- **Cross-Border Flows:** Prohibition of unjustified data localization requirements.
- **Privacy First:** Full carve-out ensuring protection of personal data and privacy
- **Supply Chain:** Relaxation of LCRs in ICT and electronics sector

Investment Openings

- **"100% Equity":** full foreign ownership in Telecom & IT Services
- **Fintech support:** eased cross-border insurtance.
- **Standards:** Sector-specific regulatory alignment

Permanent Prohibition of Custom Duties on Electronic Transmission

Even if the global moratorium were to lapse, authorities cannot charge duties on these products (Operating System Software, Application Software, Multimedia, Supporting or Driver Data, and Other Software and Digital Products)

CEPA: an Agenda for the Future

A Dynamic, Forward-Looking Deal

The CEPA establishes a **gradual approach** for **novel regulatory areas**, enabling the agreement to **evolve**.

In areas such as **government procurement**, **subsidies** and **state-owned enterprises**: key principles are established in the agreement, while an in-built agenda creates a pathway to progressively complement them

Government Procurement Breakthroughs

- **Single Electronic Portal:** Mandatory publication of all tender calls to identify opportunities.
- **No Ownership Bias:** National treatment for established businesses.
- **Transparency:** Guaranteed fair procedures
- **Rendez-vous Clause:** Commitment to launch market access negotiations within 5 years.

CEPA: an Agenda for the Future

Level playing field and the "living agreement"

Competition

Ensures **independence** of competition authorities. Guarantees transparent and non-discriminatory action across both jurisdictions.

Subsidies

Focuses on **transparency** via annual reporting and a robust dialogue mechanism to address trade-distorting concerns.

SOE Discipline

Rules to ensure commercial considerations. Lists of covered central SOEs will be **periodically expanded**.

General Review

A comprehensive assessment every **10 years** to ensure CEPA targets are met and disciplines remain relevant to current trade flows.

Year 1	Year 5	Year 10
First Review of SOE List Scope	Negotiations on GP Market Access	Comprehensive CEPA Impact Review

Investment Protection Agreement (IPA)

Asset Safeguards

- **Anti-Discrimination:** Prevents unfair treatment vs. local firms.
- **Expropriation:** Guaranteed fair, prompt compensation.
- **Justice:** Protection against denial of justice in courts.

Right to Regulate

- **Sovereignty:** Parties retain full rights to legislate in public interest.
- **Policy Space:** Environment, health, & labor laws preserved.
- **Limits:** Protection for lawful investments only.

Legal Clarity

Modernized definitions for **"Fair and Equitable Treatment"** (FET) and **"Indirect Expropriation"** reduce ambiguity and prevent "regulatory chill."

Dispute Settlement

Initial state-to-state mechanism ensures removal of inconsistent measures, providing a **predictable business climate** for investors.

RATIFICATION & FUTURE ROADMAP

Swift Entry: "EU-only" designation allows for fast-tracked ratification at the EU level.

2027-2030: Negotiations to add a state-of-the-art Investment Court System (ICS) within 3 years.

Ways Forward

- Legal scrubbing
- Signing, Ratification and Entry Into Force (target: early 2027)
- Implementation (requires thorough preparation)
- Business engagement essential
- Once-in-a-generation opportunity