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From Agreement to Action

The CEPA Explained What the EU–Indonesia Free Trade Agreement Means in Practice

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OUTLOOK FOR GLOBAL ECONOMIC GROWTH AND TRADE

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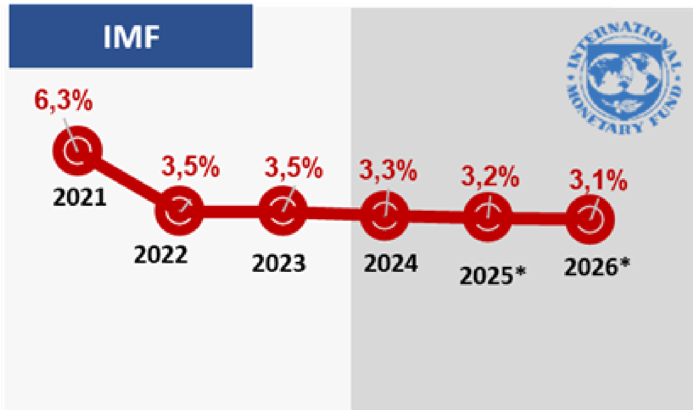
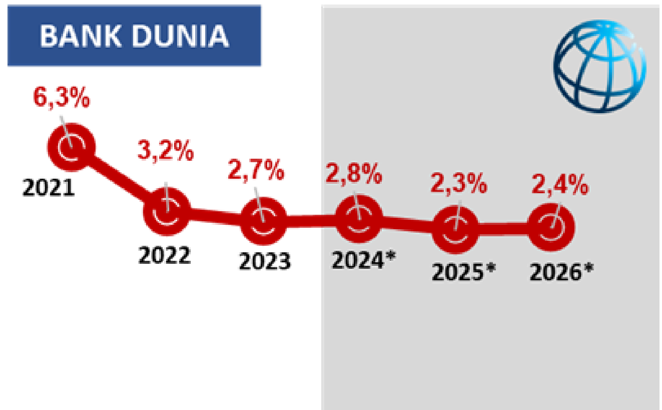
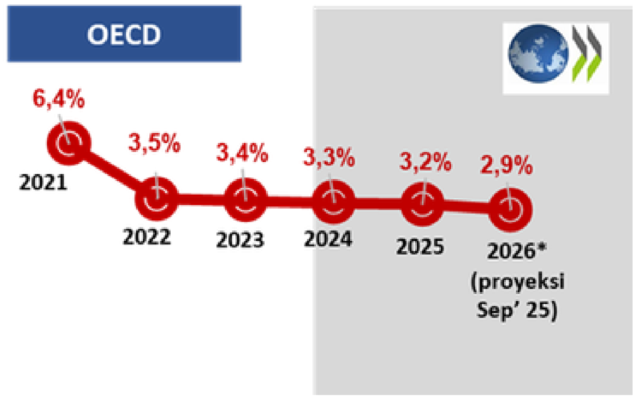
In 2026, several institutions project global economic growth in the range of **2.4%–3.1%**, reflecting relative stability despite remaining below the average recorded over the previous decade. From a trade perspective, the WTO forecasts a moderation in the growth of global merchandise trade volume to **0.5%** in 2026.

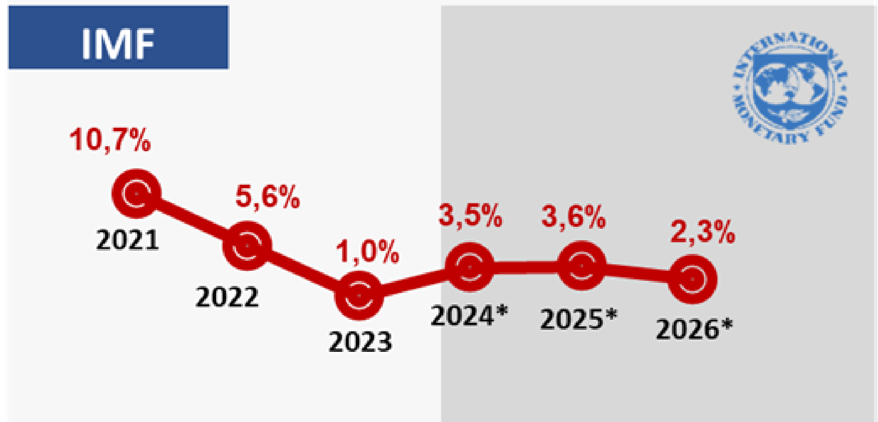
World Economic Growth Projection 2026



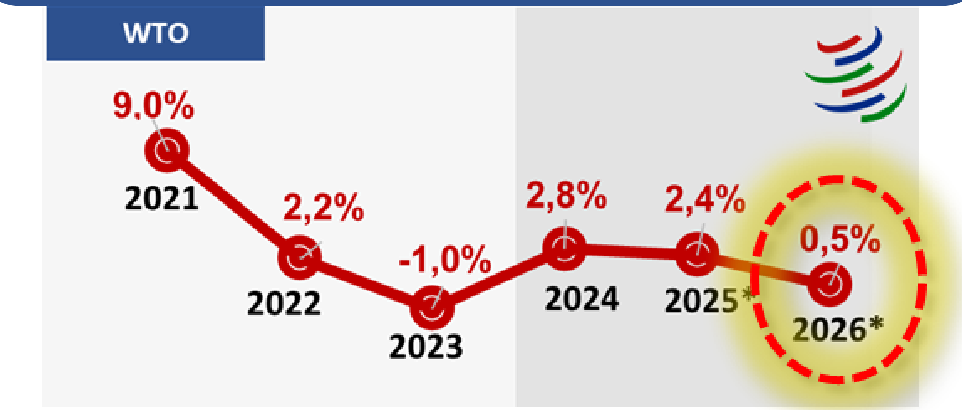




World Trade Volume Growth Projections 2025–2026 (Goods and Services)



World Merchandise Trade Volume Growth Projections 2025–2026



Sources: International Monetary Fund (October 2025); World Bank (June 2025); OECD (September 2025); and WTO (October 2025).

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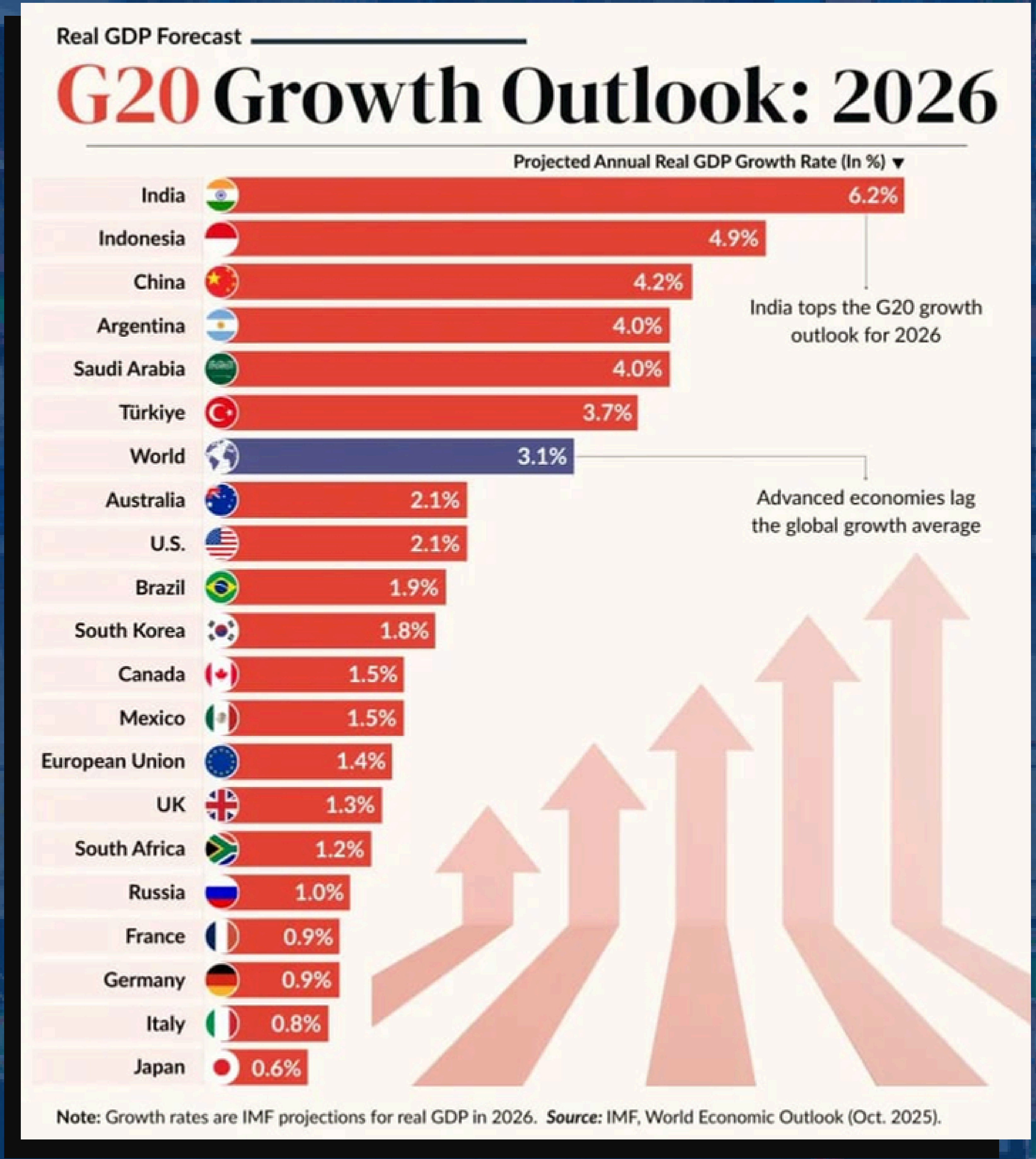

G20 GROWTH OUTLOOK: 2026

- **The G20 Growth Outlook 2026** indicates that the center of global growth is increasingly shifting toward emerging markets

- **India projected to grow by 6.2** percent and **Indonesia by 4.9 percent**, both above the global average of around 3.1 percent. This performance underscores their role as key drivers of global demand, supported by strong domestic consumption and productive investment, while positioning Indonesia as one of the most solid-performing economies in the G20 and an increasingly attractive destination for trade and investment.

- **The European Union** and several of its member states continue to record positive, albeit more moderate, **growth at around 1.4 percent on aggregate**, while remaining among the world's largest economies.

- This configuration reflects a more complementary global dynamic: India and Indonesia serve as centers of demand expansion, while the European Union maintains its strategic role in technology, industrial standards, and high-quality investment.

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IEU-CEPA is Indonesia's most modern and comprehensive trade agreement.

19 Rounds of Negotiation

25 Chapters

- I-EU CEPA is Indonesia's third trade agreement with European continent after EFTA and EAEU.
- The agreement was concluded after 9 years of negotiations, based on principles of ***mutual respect, mutual benefit*** and ***single-undertaking***.

INDONESIA & EU MARKET

730 Million Consumers

USD 20.8 TRILLION GDP

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POTENTIAL IMPACT OF I-EU CEPA ON INDONESIA

Impact Indicators	INDONESIA	EUROPEAN UNION
Real GDP Growth	+0,19%	+0,01%
Income Increase (USD)	+2,8 miliar	+2 miliar
Export Increase	+57,76%	+76,17%
Investment	+0,13%	
Employment Growth	+0,05%	

Source: CSIS (2021)

- Projections from CSIS and the Sustainability Impact Assessment (SIA) indicate significant macroeconomic gains from the implementation of the IEU-CEPA.
- Indonesia is projected to experience an export surge of up to +57.76 percent, along with an income increase of approximately USD 2.8 billion, reflecting a substantial stimulus for businesses through expanded access to the European market at considerably lower entry costs.
- Comparatively, Indonesia is also expected to derive greater benefits than the EU from the implementation of this agreement.

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SCOPE OF I-EU CEPA

I-EU CEPA agreement text consists of 25 Chapters including elements of market access liberalization, trade facilitation, cooperation, and new issues.

4 CEPA Pillars

Liberalization

Market access in goods, services, and investment.

*Negotiation on Government Procurement market access will be conducted within 3-5 years after EIF.

Cooperation

- Economic Cooperation & Capacity Building,
- Good Regulatory Practice, Small and Medium Enterprises, and
- cooperation in specific sector.

Trade Facilitation

- Simplification of export-import procedures,
- document digitalization,
- fast and transparant custom procedures,
- pre-arrival processing,
- post-clearance audit,
- standard harmonization through TBT and SPS.

New Issues

- State-Owned Enterprises,
- Sustainable Food System, Subsidies,
- Energy and Raw Material,
- Bilateral Dialogue Mechanism,
- Annex on Motor Vehicle,
- Anti-Fraud Clause,
- Government Procurement,
- Sustainable development.

- Customs and Trade Facilitation
- Digital Trade
- Dispute Settlement
- Economic Cooperation and Capacity Building
- Energy and Raw Materials
- Liberalisation of Investment And Trade In Services
- Institutional Provisions
- Final Provisions
- Exceptions
- Initial Provisions and General Definitions
- Trade Remedies
- Transparency
- Sustainable Food Systems
- Rules of Origin
- Capital Movements, Payments and Transfers
- Government Procurement
- Good Regulatory Practice
- Intellectual Property Rights
- National Treatment and Market Access
- Competition
- Sanitary and Phytosanitary Measures
- Small and Medium Sized Enterprises
- Technical Barrier to Trade
- Bilateral Dialogue Mechanism
- Trade and Sustainable Growth

TIMELINE I-EU CEPA

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Commitment and Study

2009
President establishes Vision Group (VG)

2011
VG's Study and Recomendations

2016
April: Completion of Scoping Paper
Juli: Joint Announcement on the Launch of I-EU CEPA Negotiations in Brussels
September: Kick-off Meeting

Conclusion

13 Juli 2025
Political Conclusion in Presidential Level

23 September 2025
Announcement of Substantial Conclusion

Ratification Target and Implementation

Q3 - Q4 2026
Ratification process in House of Representative (DPR)/Parliament

Q1 2027
Implementation (entry into force) of I-EU CEPA

Negotiations

2016 - 2024
19 Rounds of Negotiations were held

Legal Scrubbing and Signing Target

Q4 2025 - Q2 2026
Legal srubbing process, text translation, and other Domestic Procedure

Q3 2026
Signing of I-EU CEPA

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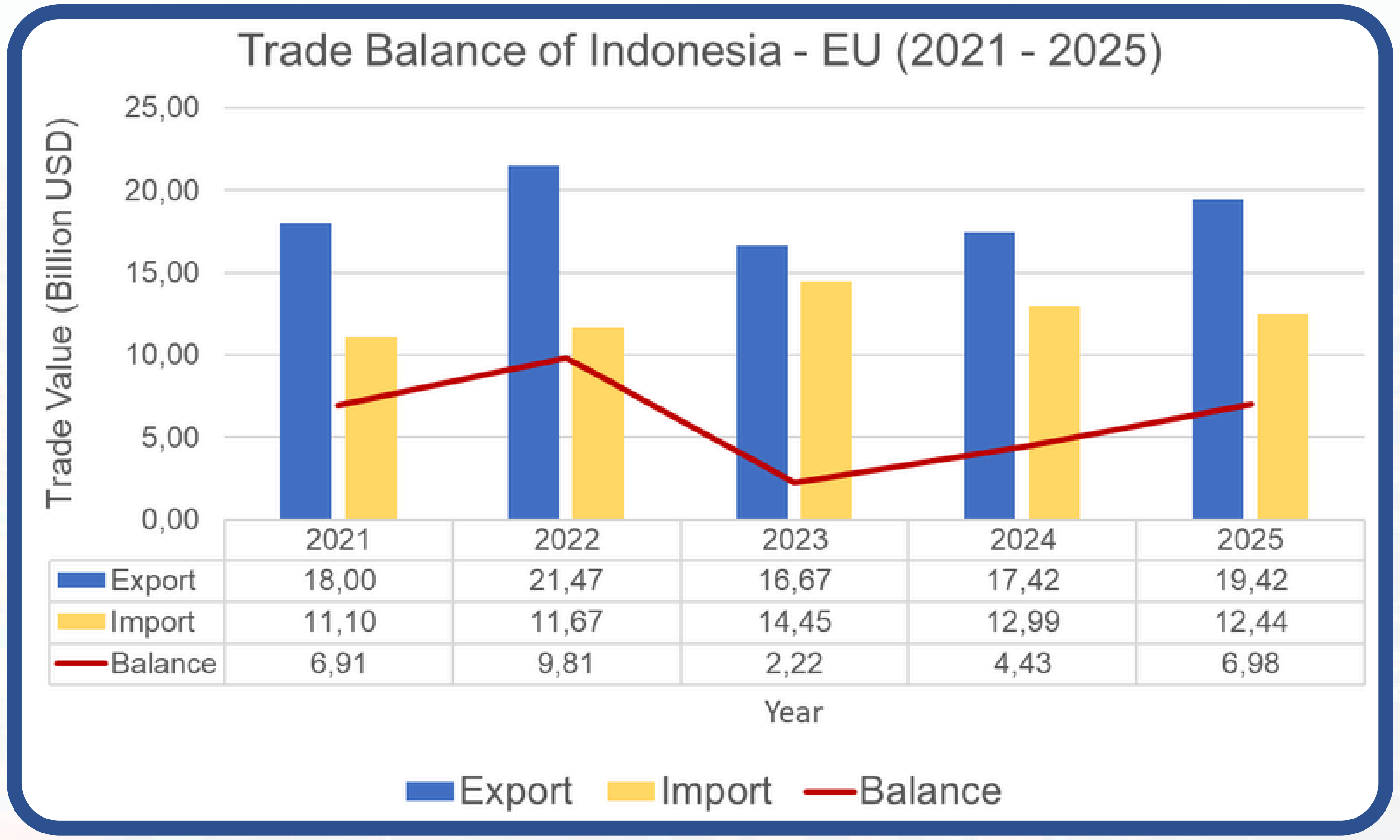
TRADE BALANCE
INDONESIA – EU

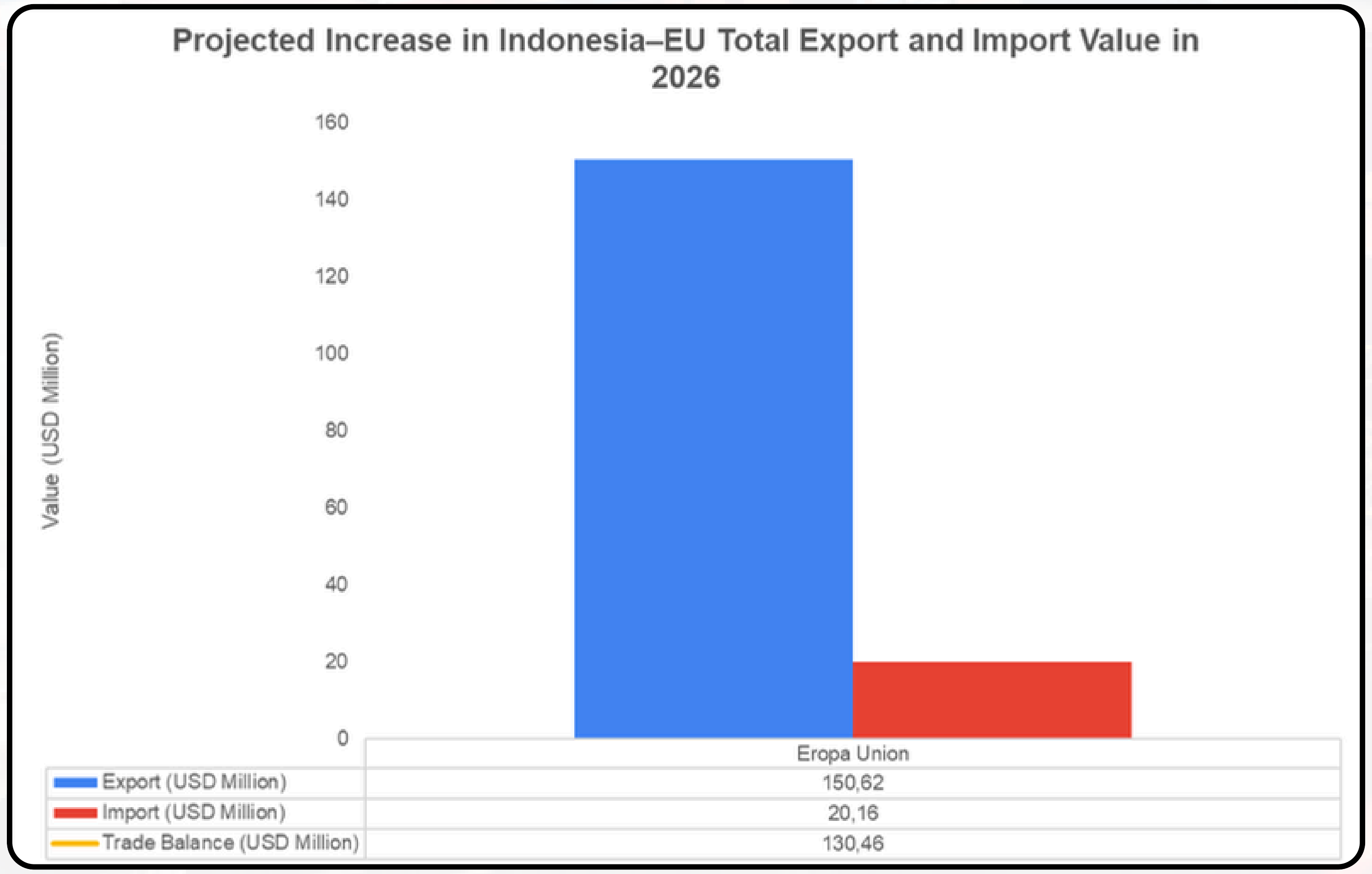
- During the 2020–2025 period, Indonesia's trade balance with the European Union over the past five years has consistently recorded a surplus.

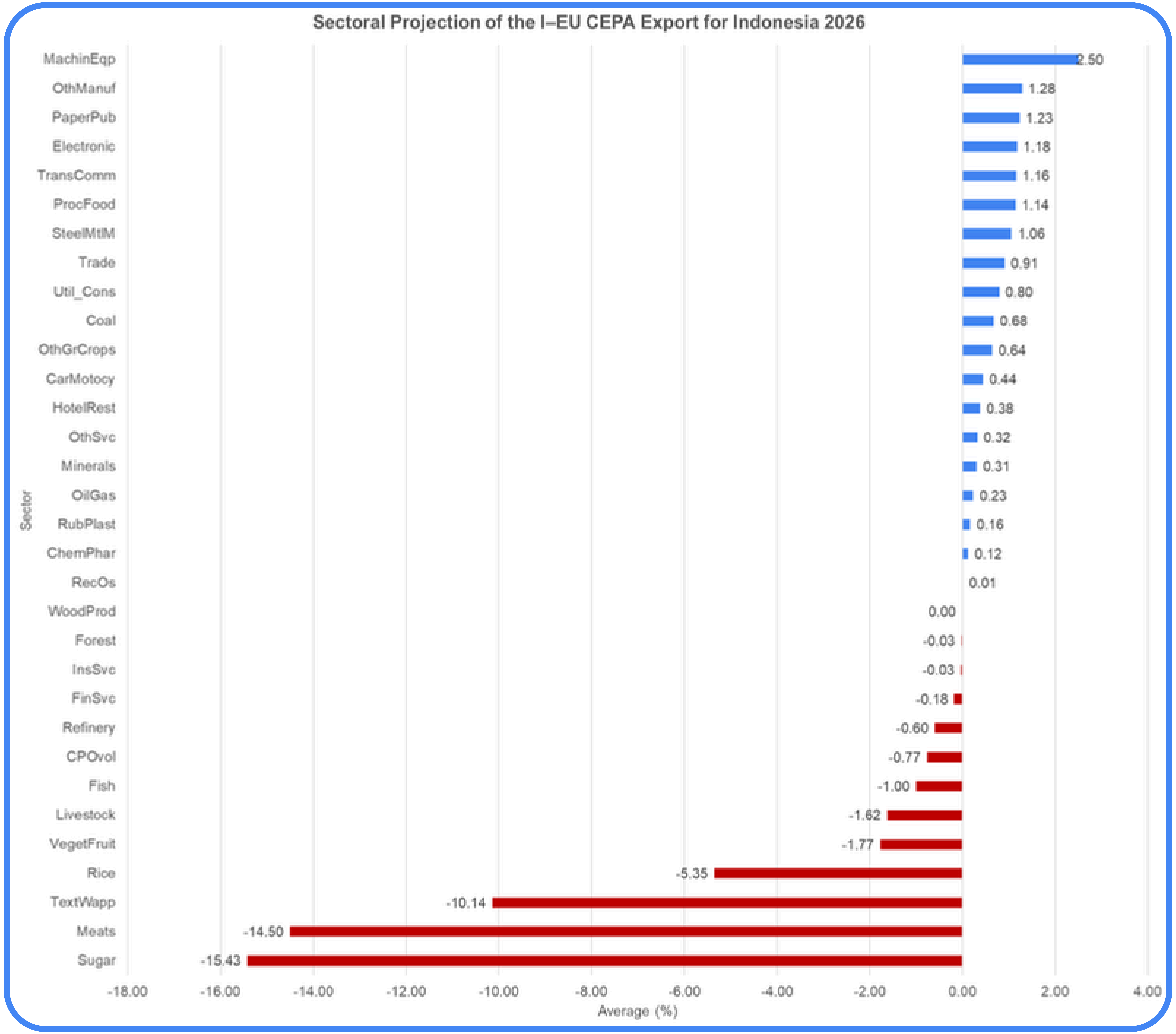
- Indonesia's exports to the EU showed a positive trend of 5.08 percent, with the highest export value recorded in 2022 at USD 21.47 billion.

- Indonesia's imports from the EU grew by 7.79 percent, with the highest import value recorded in 2023 at USD 14.45 billion.



Sumber: SISTER 2025 (processedd by PuskaPI)





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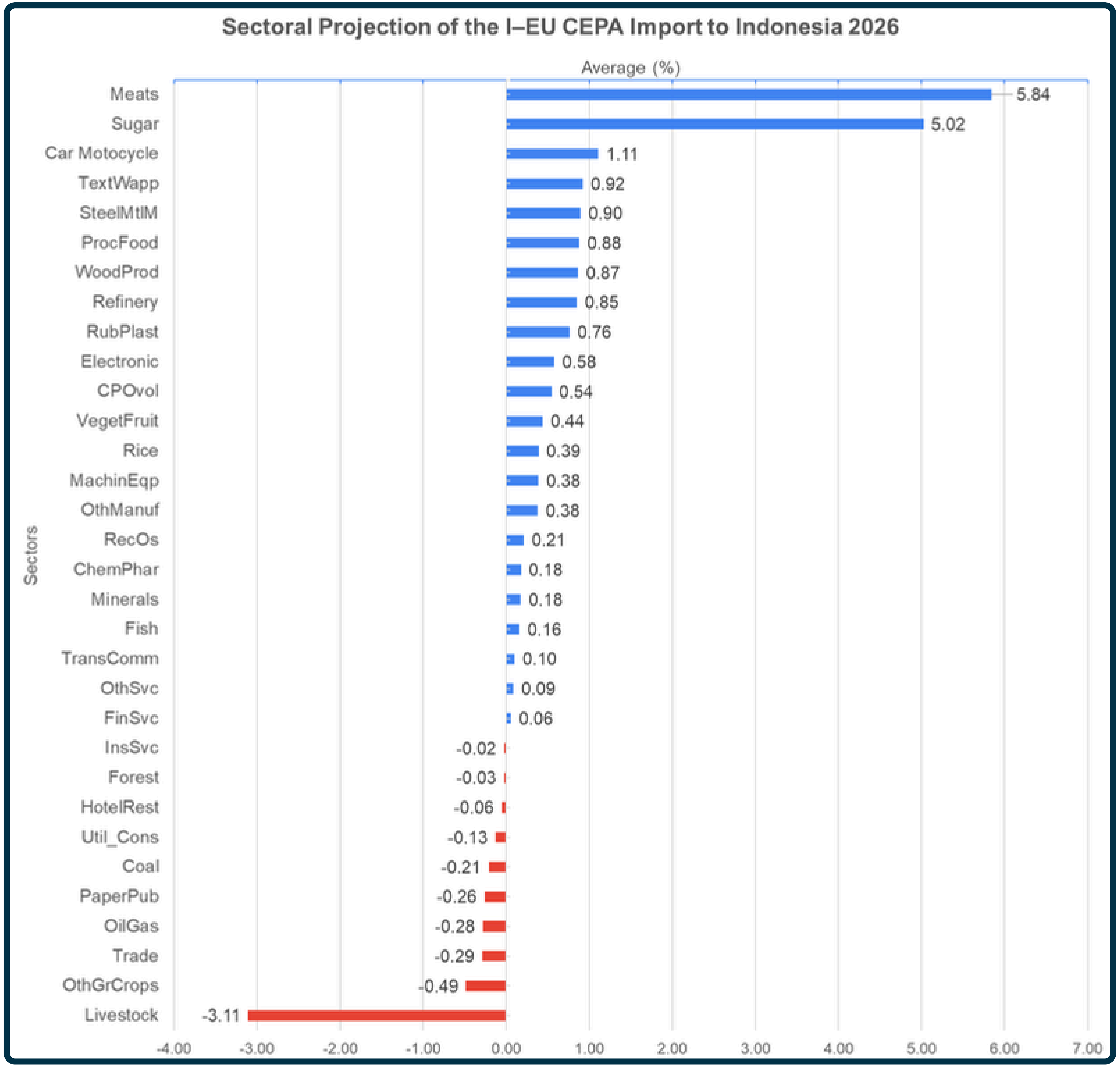
SECTORAL PROJECTION OF THE I–EU CEPA FOR INDONESIA 2026 (EXPORT)

- The 2026 projection of the I–EU CEPA implementation indicates a notable structural adjustment in **Indonesia's export pattern**.
- Higher value-added manufacturing sectors such as **machinery and equipment at 2.50 percent**, **electronics at 1.18 percent**, and **metal products at 1.06 percent** show positive performance,
- Commodities including **sugar at minus 15.43 percent**, **meats at minus 14.50 percent**, and **textiles at minus 10.14 percent** are projected to decline.
- Overall, the projection suggests a shift toward strengthening export-oriented manufacturing, accompanied by significant adjustment pressures on primary and labor-intensive sectors.



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SECTORAL PROJECTION OF THE I–EU CEPA FOR INDONESIA 2026 (IMPORT)

- The largest increases are projected in **meats at 5.84 percent** and **sugar at 5.02 percent**, followed by motor vehicles and textiles, reflecting stronger EU market penetration after tariff liberalization.
- Certain sectors such as livestock are expected to contract by minus 3.11 percent.

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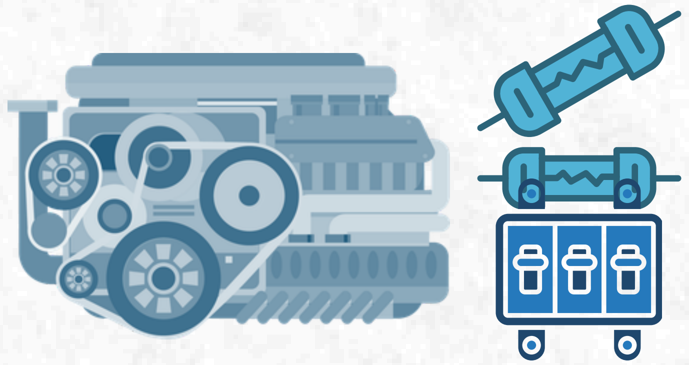
OPPORTUNITIES - GOODS

Liberalization Level

98% Tariff Lines

99.5% Import Value

Cumulation with ASEAN and Japan



- Certain materials (machinery and electrical equipment) from Japan and ASEAN Members can count as originating if processed further in Indonesia.
- This gives Indonesian products greater flexibility.

Faster Customs Clearance & Lower Trade Costs

- Use of electronic systems
- Advance submission of documents
- Rapid release of goods
- Self-declared Statement of Origin

Indonesia Export Products

- Palm Oil
- Unwrought Tin
- Copper Ores
- Oilcake
- Sports Footwear
- Bituminous Coal
- Natural Rubber
- Floating Drilling Platforms
- Fatty Acid
- Coffee

EU Export Products

- Pharmaceutical Products
- Ethylene
- Paperboard
- Chemical Wood Pulp
- Milk
- Tanks
- Iron Tubes and Pipes
- Laboratory Reagents
- Pulp Machinery
- Wrapping Machinery

0% Entry Into Force

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OPPORTUNITIES - SERVICES

Contractual Services Suppliers

An employee of an Indonesian company cooperating with an EU company

Legal Services Accounting and Bookeeping Services Tax Consulting Services Architectural and Urban Planning Services Engineering Services Midwifery Services Nursing, Physiotherapist and Medical Personnel Services Computer Services R&D Services Advertising Services Management Consulting Services Analytical Testing Services Mining Services Maintenance Services Translation Services Construction Services Higher Education Services Enviromental Services Travel Agent and Tour Operator Services Tourist Guides Services Chef de cuisine

Independent Professionals

Self-employed obtaining sponsorship in an EU member state.

Legal Services Architectural and Urban Planning Services Engineering Services Computer Services Management Consulting Services Mining Services

Cross-Border Supply & Commercial Presence

Market access for Indonesia service suppliers and investors in all services sectors, except audiovisual services

Business services (professional, other business, computer services, research and development services), communication services, distribution services, education services, environmental services, financial services, health services, tourism services, recreation services, transportation services, and energy services.

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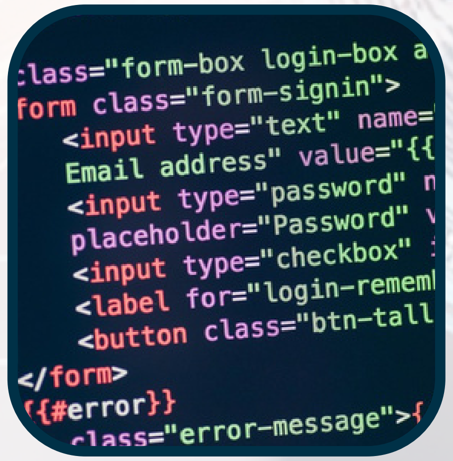
OPPORTUNITIES - DIGITAL TRADE



Bigger Market Access

- Indonesian digital companies—from game developers to software houses— can sell directly to EU market with equal treatment.
- Creative economy sectors and startups can scale faster internationally.

No Prior Authorisation

- Removes bureaucratic delays for digital trade (i.e. e-commerce, online education platforms, or app-based services).
- Encourages rapid entry of Indonesian digital services into the EU.

Source Code

- Indonesian software companies can confidently enter the EU market knowing their intellectual property is protected.
- Attracts FDI in digital and tech sectors (EU companies receive reciprocal protection).

Supporting Down streaming Policy

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01 Preferential access to EU Market and Supply of Capital Goods

- Giving processed and higher-value Indonesian products preferential access to the EU market.
- Ensuring supply of capital goods for down streaming industries through tariff elimination.

02 Technology-Driven EU Investment

By providing legal certainty, national treatment, and clear market access rules, CEPA improves Indonesia's investment climate - reduce investor risk and make Indonesia more appealing for advanced manufacturing, processing, refining, engineering services, R&D, and supporting industries.

03 Strengthening Industrial Capabilities and Standard

- Compliance pushes Indonesian industries to upgrade quality, safety, sustainability, and traceability systems—core prerequisites for moving up the value chain.
- Through economic cooperation and capacity building, Indonesia gains targeted support on industrial standards, certification, sustainable production, labour improvements, and climate-related technologies.
- The Energy & Raw Materials Chapter promotes cooperation in renewable energy, energy transition and green technologies , enabling Indonesia to use European expertise to upgrade domestic processing and decarbonisation technologies

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Trade & Sustainable Growth

To ensure that trade and investment between Indonesia and the EU are aligned with the principles of sustainable development, encompassing economic, social, and environmental dimensions in accordance with Agenda 2030 and the SDGs

Trade & Sustainable Development

Strengthening the integration between trade and sustainability through the adoption of high standards in labor, gender equality, and environmental protection

Cooperation

Advancing technical cooperation to ensure that sustainability regulations are implemented in a transparent and proportionate manner, while supporting market access for sustainable products, including those produced by MSMEs and local communities

Horizontal Provision and Institutional Arrangment

Dialogue mechanisms, institutional alignment, monitoring, and cooperation—implemented through the Specialised Committee, Domestic Advisory Groups, and the Civil Society Forum—to ensure effective, transparent, participatory, and sustainable implementation of all TSD commitments

THANK YOU