



Dragon Sourcing

Your Tailored Approach to Emerging Markets

Study on Sourcing Opportunities in Indonesia

Dec, 2019



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Executive Summary (1/2)

Category	HS Code	2017 Export Value in USD Billion	Indonesia's share of Global Exports (2017)	Category's share of Total Indonesia Exports (2017)	Top Products	Top Export Destinations	Import Duty into US	Import Duty into EU
Mineral Fuel	27	27.9	2%	19%	Coal Petroleum gas Petroleum oils	China, Japan, India	0%	0% - EUR 178.85/1000 kg/biodiesel
Fats, Oils & Wax (Animal/Vegetable)	15	18.2	21%	13%	Palm oil Coconut Margarine	India, China, Pakistan	0% - 34.2 cents/kg	0% - 16%
Electrical Equipment	85	8.1	0.4%	6%	Insulated wire & cable Monitors & Projectors Switch, Fuse & Relays	Singapore, USA,. Japan	0%	0% - 4.70%
Precious Metals	71	6.4	1%	4%	Jewelry Gold Waste and scrap of precious metal	Singapore, Switzerland, Japan	0%	0%
Automobiles	87	5.9	0.4%	4%	Motor cars Tractor parts Motorcycles and bicycles parts	Philippines, Thailand, Japan	0%	0% - 15.40%
Rubber & Rubber Products	40	5.7	3%	4%	Natural rubber Pneumatic tires (rubber) Gloves, Mittens and Mitts (vulcanized rubber)	USA, Japan, China	0%	0% - 2.20%
Industrial Machinery	84	5.5	0.3%	4%	Printing machinery Laboratory equipment Refrigerators, freezers	Singapore, USA, Japan	0%	0% - 2.20%
Footwear & Accessories	64	4.6	3%	3%	Footwear with uppers of leather Footwear with uppers of textile materials Footwear with uppers of rubber	USA, China, Belgium	0% - 48%	0% - 11.90%



Executive Summary (2/2)

Category	HS Code	2016 Export Value in USD Billion	Indonesia's share of Global Exports (2017)	Category's share of Total Indonesia Exports (2017)	Top Products	Top Export Destinations	Import Duty into US	Import Duty into EU
Woven Apparel & Accessories	62	3.9	2%	3%	Women's or girls' suits Men's or boys' suits Women's or girls' shirts	USA, Japan, Germany	0% - 28.6%	0% - 9.60%
Wood & Wood Products	44	3.9	3%	3%	Plywood, veneered panel Wood strips and friezes Builders' joinery and carpentry	China, Japan, USA	0%	Import control of timber & timber products subject to the FLEGT licensing scheme
Ores, Slag & Ash	26	3.6	2%	2%	Copper ores Iron ores Niobium, tantalum, vanadium or zirconium ores	Japan, Philippines, China	0%	0%
Paper & Paperboard	48	3.4	2%	2%	Uncoated paper and paperboard Toilet or facial tissue stock Coated paper and paperboard	Japan, USA, Malaysia	0%	Import control of timber & timber products subject to the FLEGT licensing scheme
Knitted Apparel & Accessories	61	3.3	2%	2%	Jerseys, pullovers, cardigans, waistcoats Women's or girls' suits T-shirts	USA, Japan, Germany	0% - 32%	0% - 9.60%



INDONESIA – AN OVERVIEW



Indonesia – Country Overview

Country Facts (2018)	
Population	258.7 million
GDP	USD 932.4 billion
Annual GDP Growth	5.0%

Country Indicators	Score/Value
Global Competitiveness Index Score	4.68
Macroeconomic environment Score	5.7
Labor Market Efficiency Score	3.9
Domestic market size index	5.7
Business Sophistication Score	4.6

Note: Score reading: 1-7 (best)

Country Ranking (out of 190) Comparison						
Country Indicators	IDN	CHN	IND	VNM	THA	Explanation
Ease of Doing Business	72	78	100	68	26	A low numerical rank means that the regulatory environment is conducive to business operation
Time to import (days)	26	24	21.1	21	13	Calendar days
Documents to import (number)	6	3	5	8	5	Documents required for clearance by government ministries, customs authorities, port and container terminal authorities, health and technical control agencies and banks are taken into account

Note: Country ISO codes

IDN: Indonesia, CHN: China, IND: India, VNM: Vietnam, THA: Thailand

Corruption, Inefficient government bureaucracy, Access to financing are considered to be the most problematic factors for doing business in Indonesia

- **Political Outlook:** Political stability is one of the most significant driver in the economic growth of Indonesia.
- **Economic Outlook:** Being the largest economy in Southeast Asia, GDP is expected to grow at a rate of 5.3% in 2019 and 5.4% in 2020, mainly due to investments and exports. Indonesia's economy strengthened modestly in the third quarter of 2017 supported by higher commodity prices, stronger global growth, rebounding international trade, and relatively accommodative monetary and financial conditions.
- **Investment Outlook:** Investment in Indonesia reached around USD 38.3 billion in January-September 2018, up 13.2% from total investment in the same period one year ago. About 57% of the total investments were towards island of Java. Majority of the investments were into metal, machinery and electronics industry as well as mining sectors. Singapore is the largest investor, followed by Japan and China.

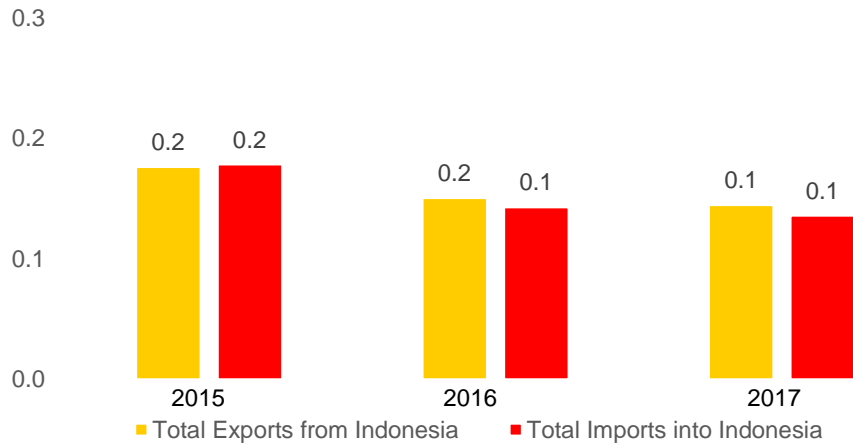
Source: World Economic Forum, data.worldbank.org, focus-economics.com, adb.org, indonesia-investments.com



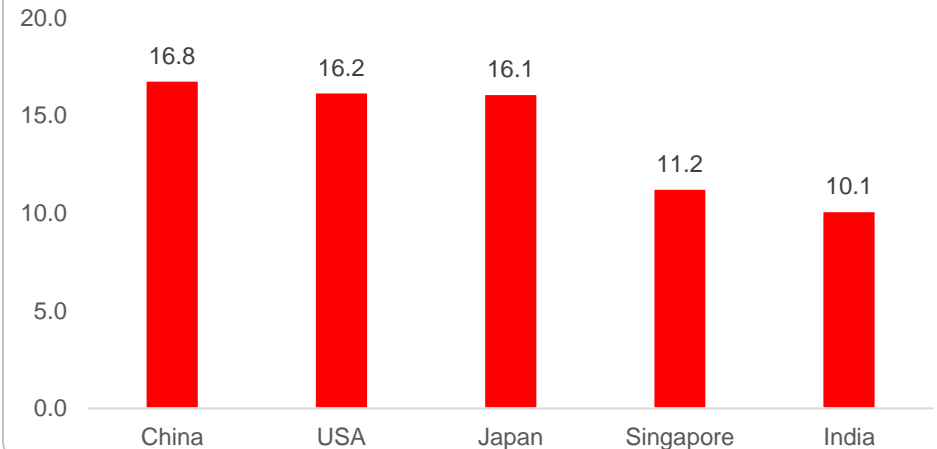
TRADE STATISTICS

Export & Import Trade Statistics

Indonesia - Export and Import Statistics
(in USD Trillion)



Top Importing Markets for products exported by
Indonesia (in USD Billion) in 2017



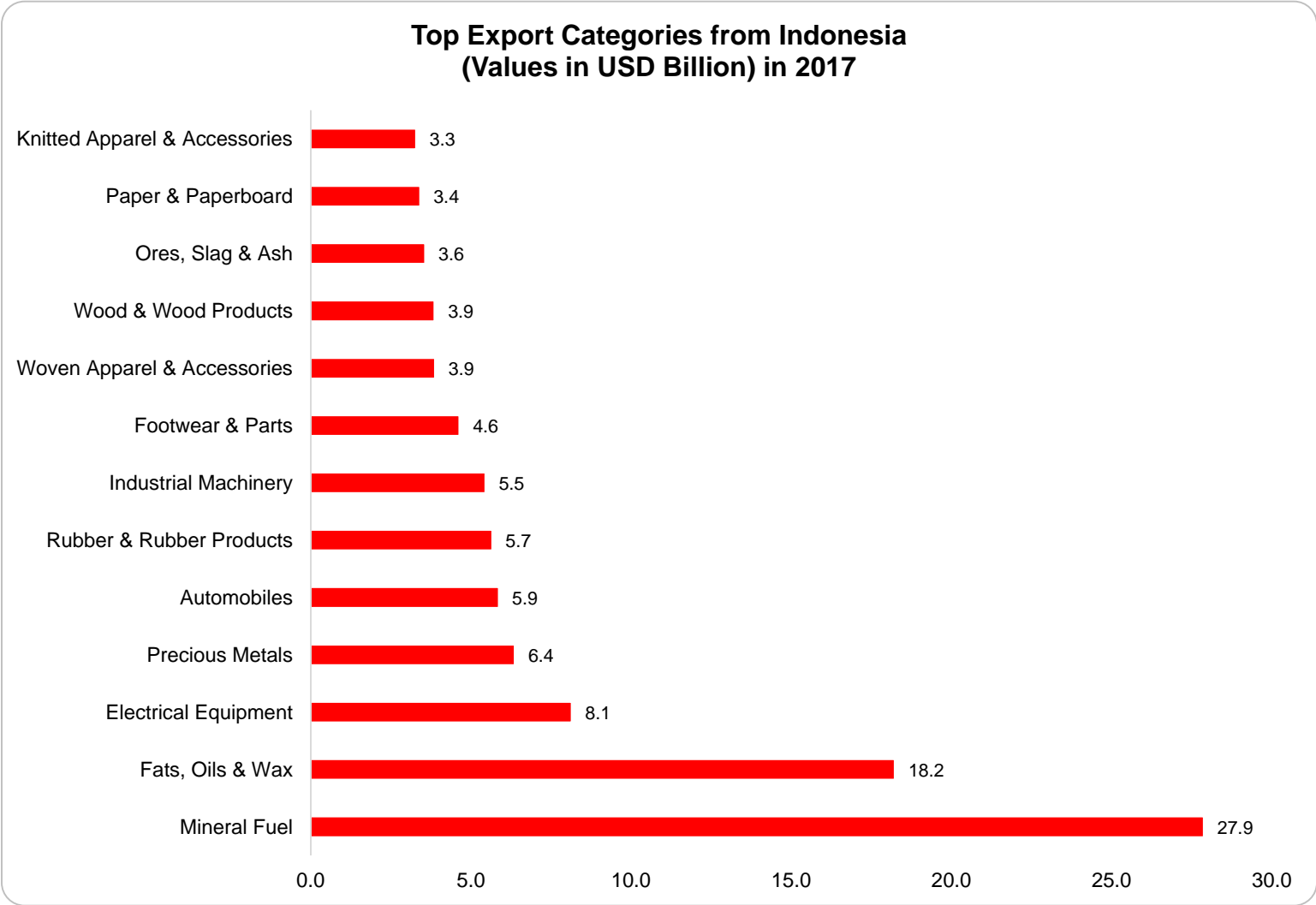
- The total untapped export potential for Indonesia (as an exporter) stands at around USD 67.5 billion. Crude Palm Oil, Palm Oil & Fractions have an untapped export potential of about USD 3.2 billion and USD 6.3 billion respectively. About USD 2.6 billion worth of potential is available for Technically specified natural rubber.
- Other potential products that are not completely exploited include Paper & Paper board products, Laminated woods like plywood, Unwrought Tin, Coffee, Shrimps & Prawns.
- The markets with greatest potential for Indonesia's exports are China, USA and India. China shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth USD 9.8 bn.

Source: International Trade Centre



Top Export Categories

Top 13 export categories contributes to about 70% of the total exports value from Indonesia

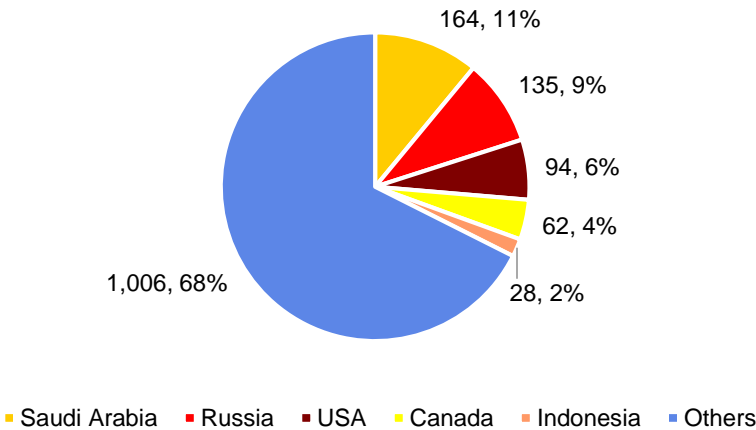


Source: International Trade Centre

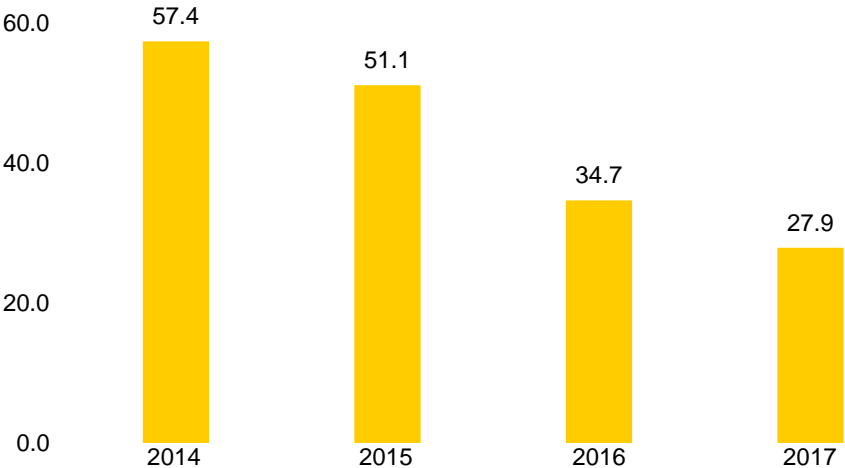


Mineral Fuel (1/2)

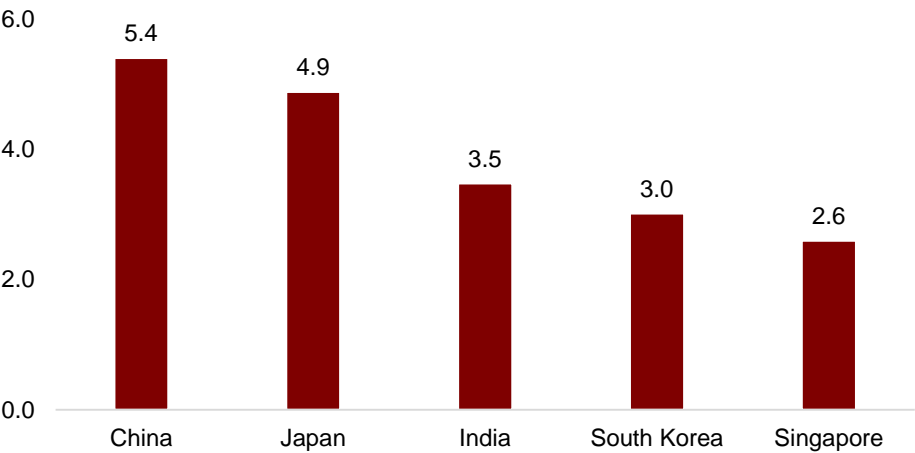
World Export of HS 27 series (Mineral Fuel) in USD billion in 2017



Export of HS 27 series (Mineral Fuel) from Indonesia in USD billion



Top Importers of HS 27 series (Mineral Fuel) from Indonesia in USD billion in 2017



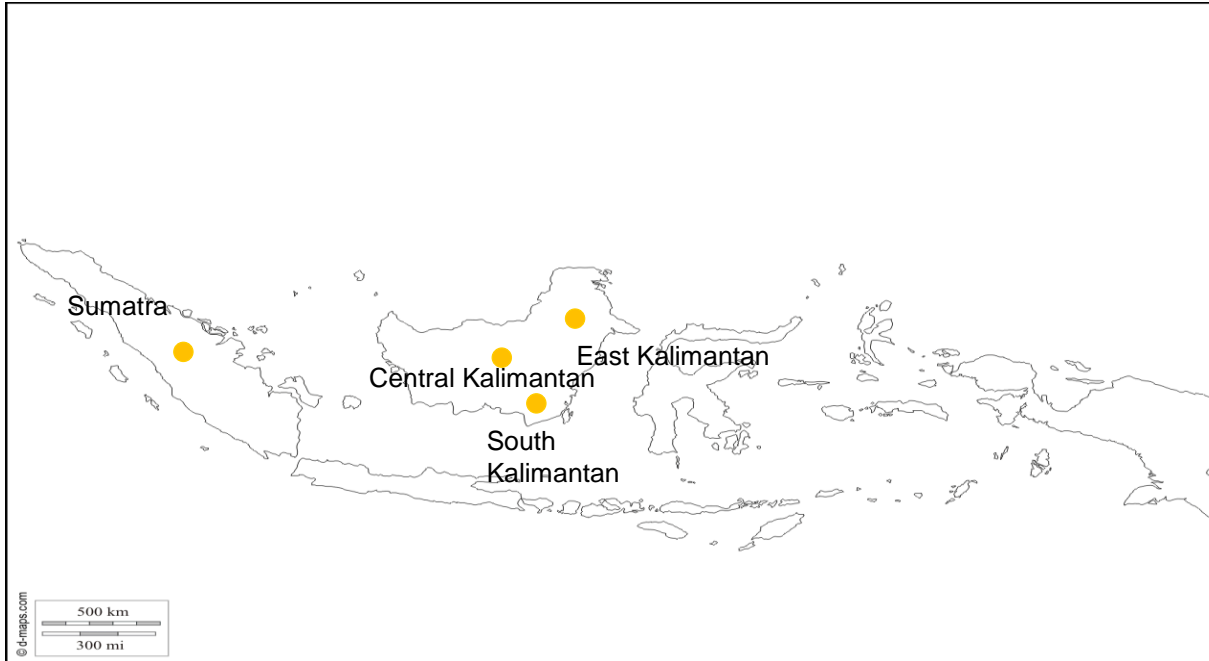
Top Exported Products in this Category

- Coal
- Petroleum gas
- Petroleum oils
- Lignite
- Petroleum coke

Source: International Trade Centre



Mineral Fuel (2/2)



● Major Coal Reserves in Indonesia

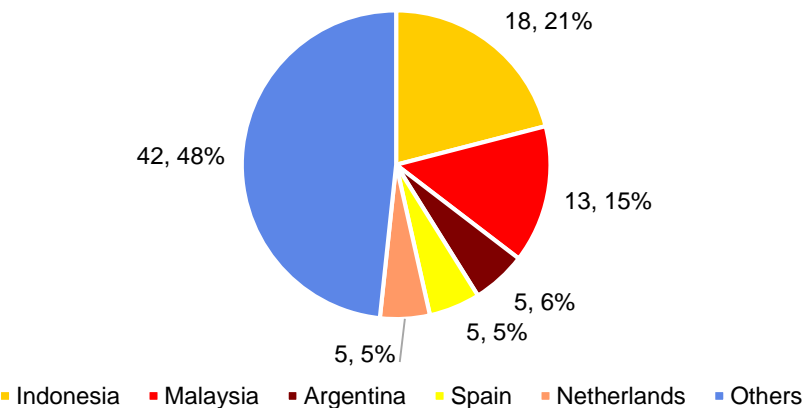
- Mineral Fuels category is the largest export sector and contributes to about 19% of the total exports from Indonesia
- Being one of the largest producer and exporter of Coal, production volume of coal was about 255.7 million tons oil equivalent in 2017 (ranking 5th in the world's production)
- Coal industry is fragmented with a few big players and several small players
- Recently, government has modified contracts with 13 coal mining companies as part of a shift toward a new mining permit system in order to boost government revenues

Source: Indonesia Coal Mining Association, indonesia-investments.com, cekindo.com, pwc.com, worldmap.harvard.edu

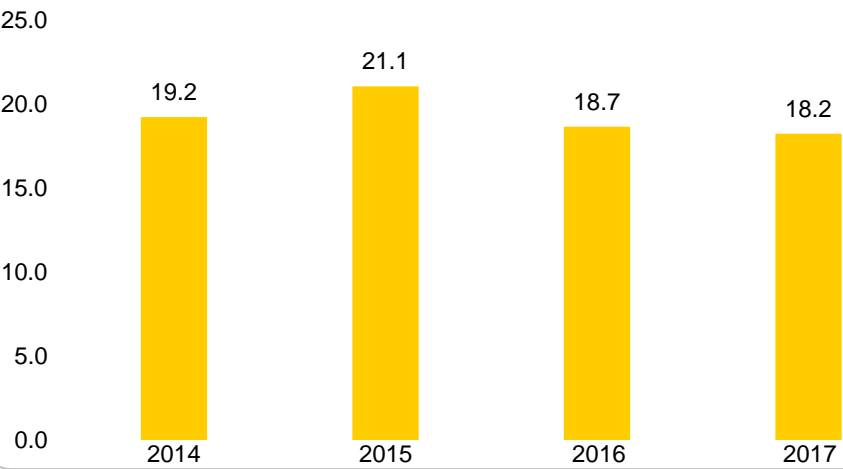


Fats, Oils & Wax (Animal/ Vegetable) (1/2)

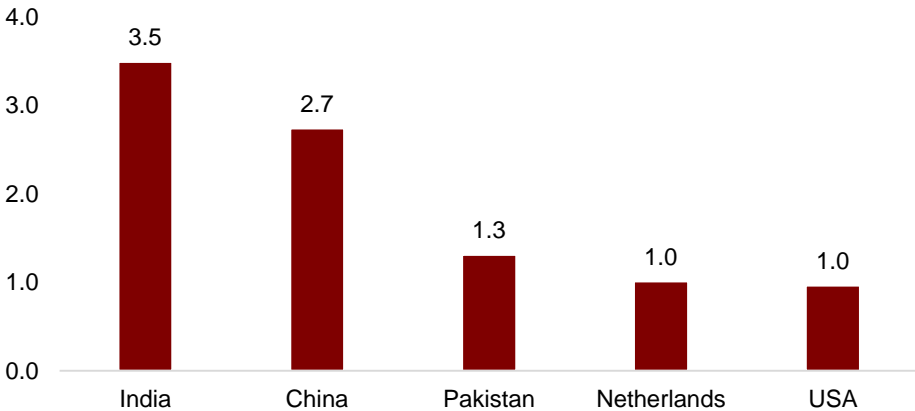
World Export of HS 15 series (Animal/ Vegetable - Fats, Oils & Wax) in USD billion in 2017



Export of HS 15 series (Animal/ Vegetable - Fats, Oils & Wax) from Indonesia in USD billion



Top Importers of HS 15 series (Animal/ Vegetable - Fats, Oils & Wax) from Indonesia in USD billion in 2017



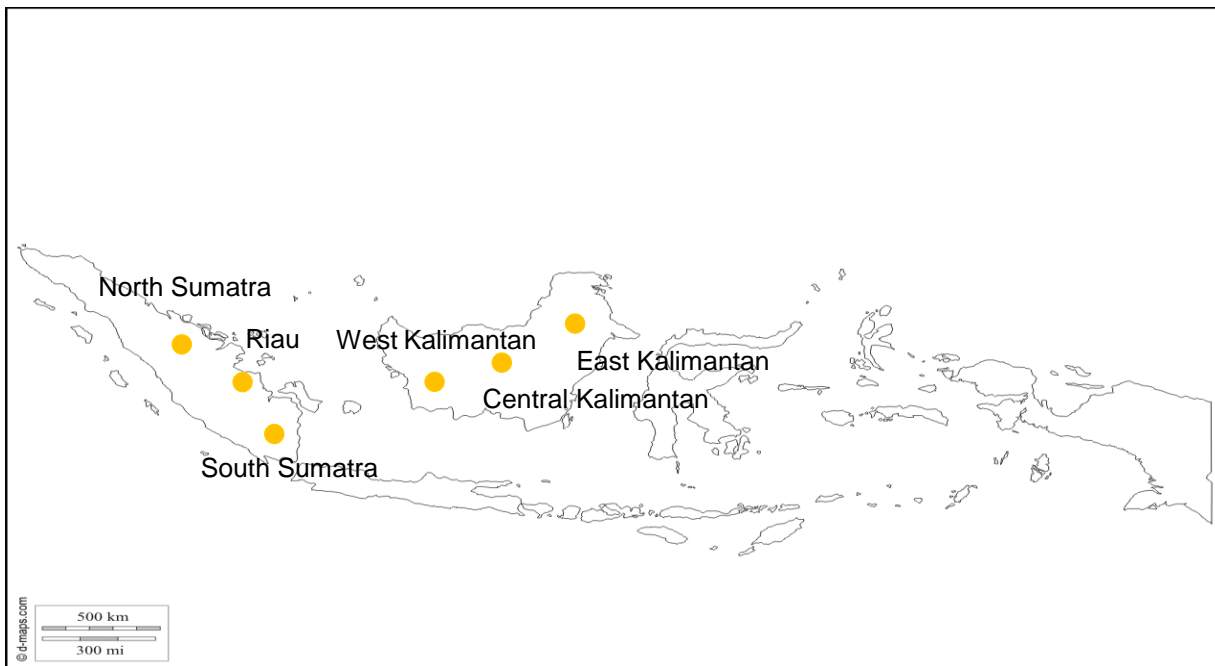
Top Exported Products in this Category

- Palm oil
- Coconut
- Margarine

Source: International Trade Centre



Fats, Oils & Wax (Animal/ Vegetable) (2/2)



● Major Palm Oil Production Zones in Indonesia

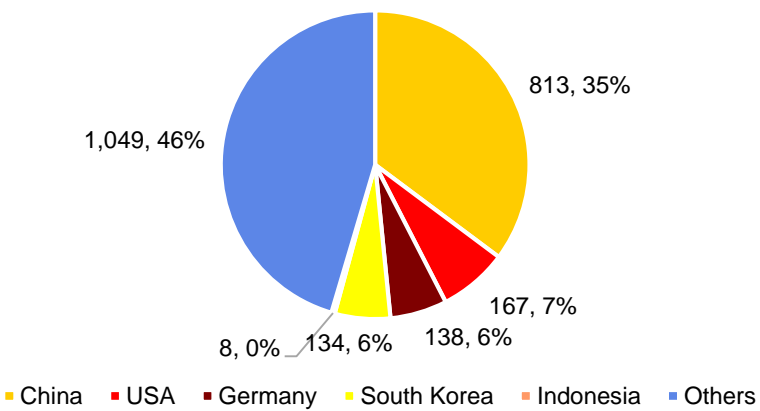
- Indonesia is the world's largest producer of Palm Oil and supplies to about more than half of the world's demand
- Indonesia's palm oil production stood at 36 million metric tons in 2017 and targeting to reach 40 million metric tons by 2020
- Palm oil plantation ownership breakup: Big state owned plantations (7%), Big private plantations (53%) and Small farmers (40%)

Source: Indonesian Palm Oil Association, indonesia-investments.com, schusterinstituteinvestigations.org

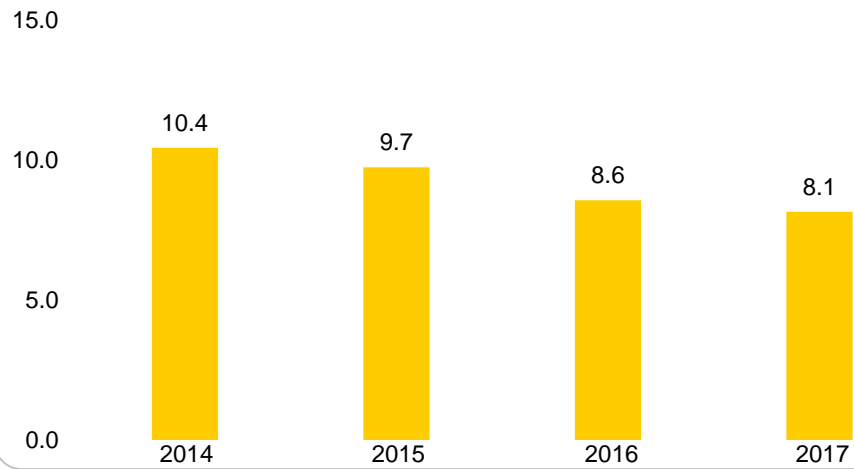


Electrical Equipment (1/2)

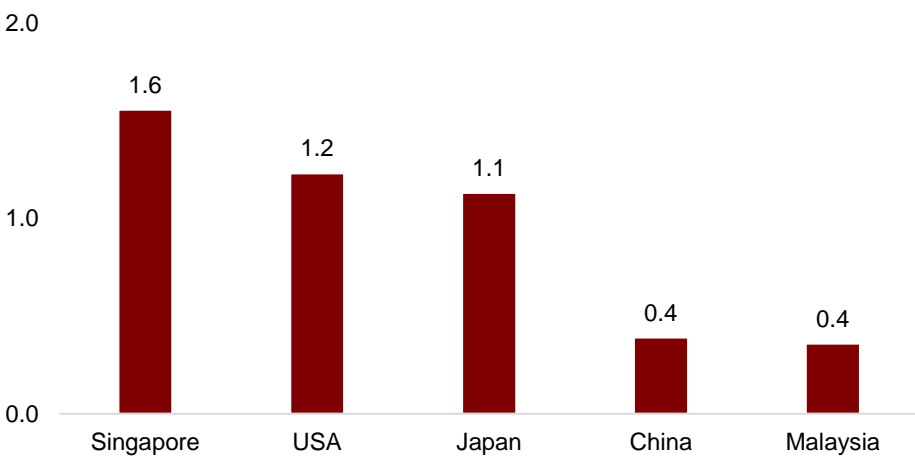
World Export of HS 85 series (Electrical Equipment) in USD billion in 2017



Export of HS 85 series (Electrical Equipment) from Indonesia in USD billion



Top Importers of HS 85 series (Electrical Equipment) from Indonesia in USD billion in 2017



Top Exported Products in this Category

- Insulated wire, cable "incl. coaxial cable" and other insulated electric conductors
- Monitors and projectors
- Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (switches, relays, fuses, surge suppressors, plugs, sockets, lamp holders and junction boxes)

Source: International Trade Centre



Electrical Equipment (2/2)



● Major Electrical Equipment Production Zones in Indonesia

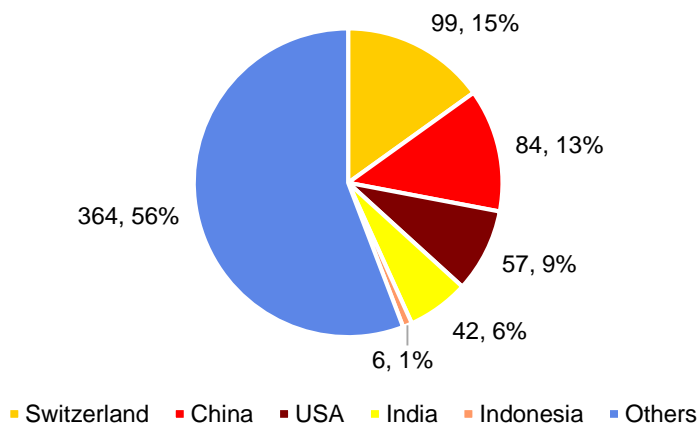
- Having one of the largest and fast growing client-base, about 235 companies operate in electronics manufacturing sector in Indonesia
- About 6% of the total exports from Indonesia is contributed by Electrical Equipment sector
- Tax holiday for up to 20 years for investors in industries such as electronics and telecoms
- Indonesia's electronics & components industry grew at a CAGR of 6.4% reaching USD 13 billion (Rp. 180 trillion) in 2016
- The Indonesian Chamber of Commerce & Industry (KADIN) estimates that half of locally assembled electronic products are made of foreign components. This, combined with the rising demand for electronics components (estimated to continue to grow by 10% annually), opens up lucrative opportunities for JVs and technology partnerships with local component producers.

Source: Indonesia Investment Coordinating Board, gbgindonesia.com, indonesiabriefing.com

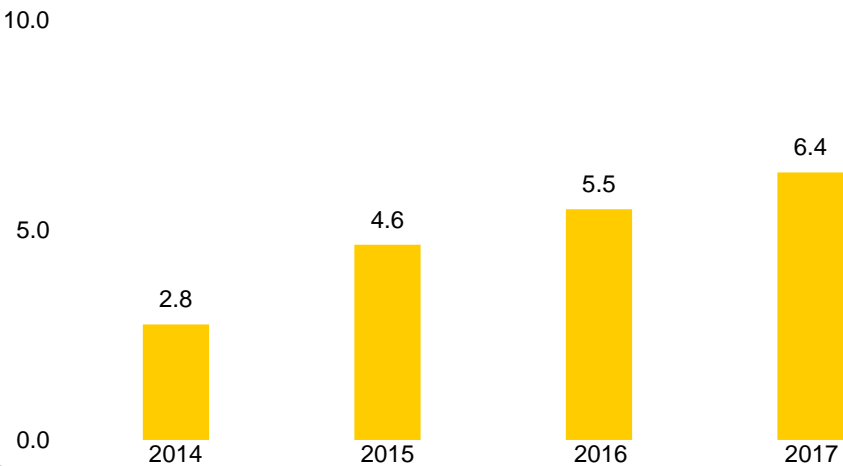


Precious Metals (1/2)

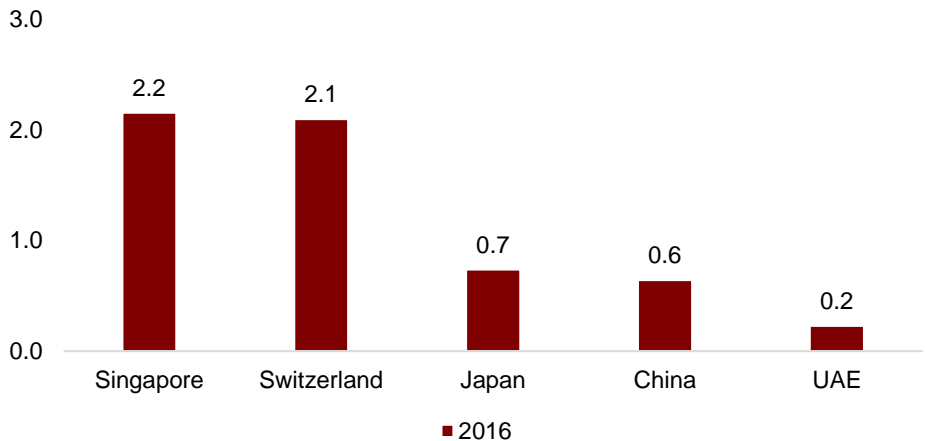
World Export of HS 71 series (Precious Metals) in USD billion in 2017



Export of HS 71 series (Precious Metals) from Indonesia in USD billion



Top Importers of HS 71 series (Precious Metals) from Indonesia in USD billion in 2017



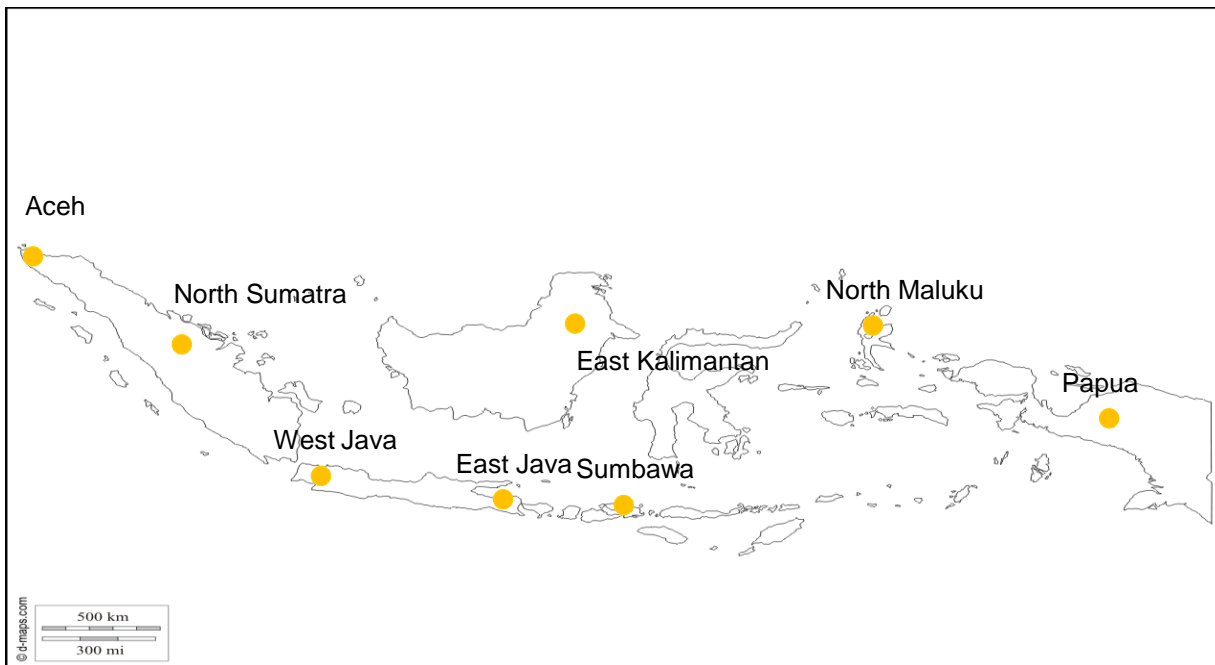
Top Exported Products in this Category

- Articles of jewelry and parts
- Gold
- Waste and scrap of precious metal

Source: International Trade Centre



Precious Metals (2/2)



● Major Gold Mine Production Zones in Indonesia

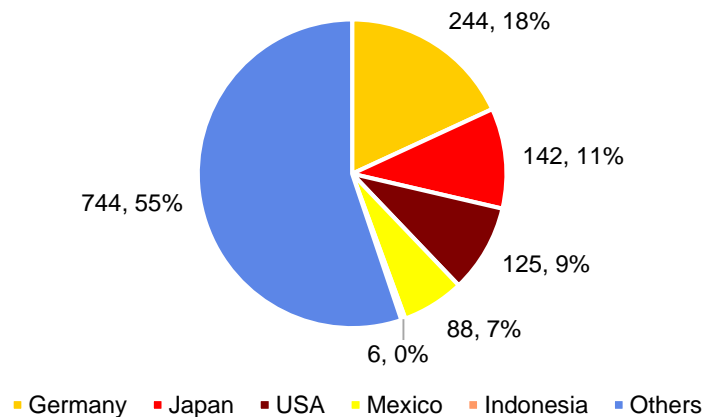
- Indonesia ranks 5th in the global gold production following China, Australia, Russia and USA in 2017. Gold production was 168.2 tons in 2017.
- Indonesia also produced 55.1 tons of gold from fabricated old gold scrap in 2017, next to China and India in the Asian region
- Gold Reserves in Indonesia increased to 79.31 tons in the second quarter of 2017 from 78.07 ton in the first quarter of 2017
- Jewelry consumption stood at 34.2 tons in 2016 in Indonesia and demand for jewelry fell by 10% year-on-year as a weaker rupiah drives gold to a record high

Source: GFMS Gold Survey 2017, tradingeconomics.com, ceicdata.com, indonesia-investments.com, southernarcminerals.com

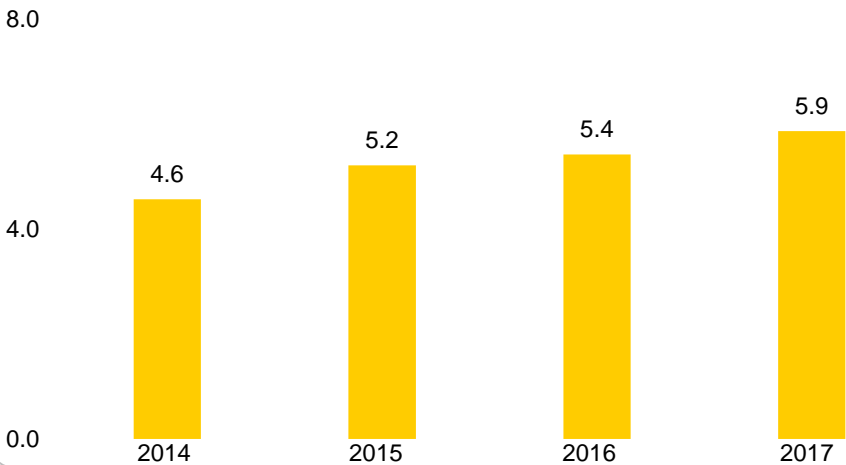


Automobiles (1/2)

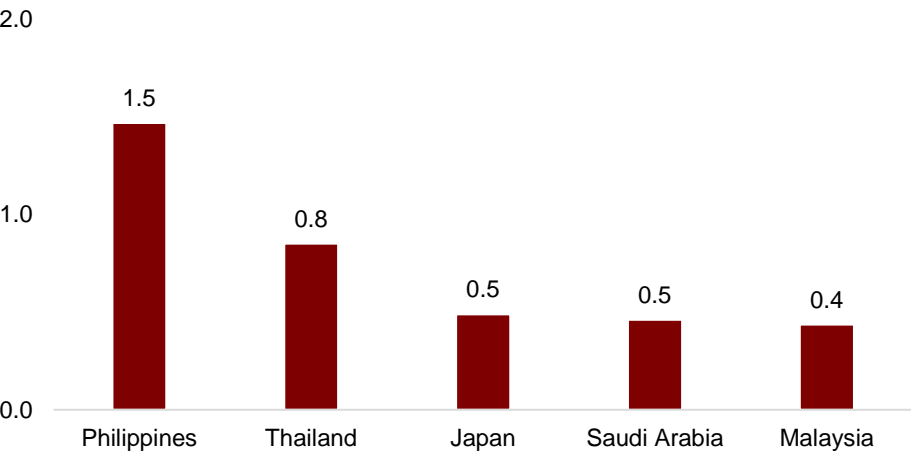
World Export of HS 87 series (Automobiles) in USD billion in 2017



Export of HS 87 series (Automobiles) from Indonesia in USD billion



Top Importers of HS 87 series (Automobiles) from Indonesia in USD billion in 2017



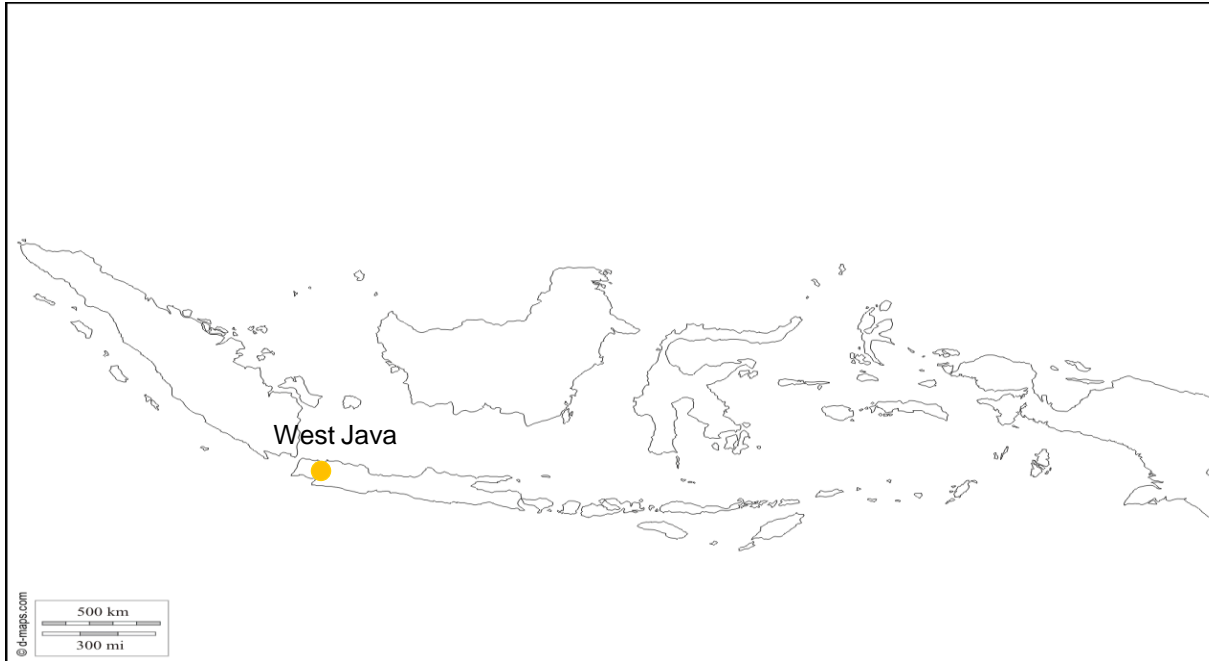
Top Exported Products in this Category

- Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars
- Parts and accessories for tractors, motor vehicles for the transport of ten or more persons
- Parts and accessories for motorcycles and bicycles and for carriages for disabled persons

Source: International Trade Centre



Automobiles (2/2)



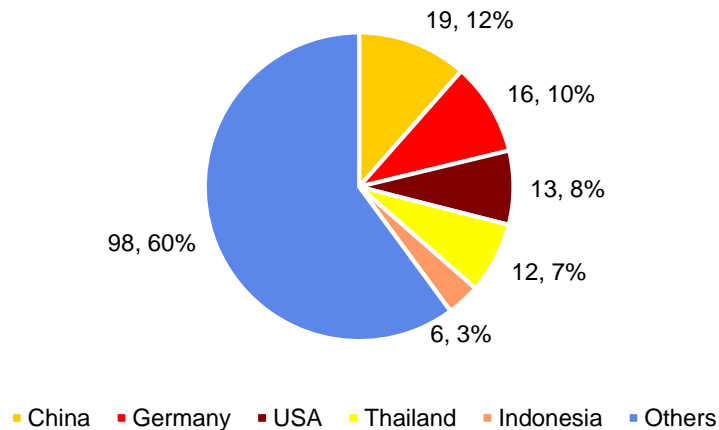
● Major Automobiles Production Zone in Indonesia

- Indonesia is the 2nd largest car manufacturing nation in the ASEAN region. However, it accounts for 1/3rd of total annual car sales in the region.
- Currently, Indonesia is primarily dependent on foreign direct investment, particularly from Japan, for the establishment of onshore car manufacturing facilities
- As on 2017, Indonesia's total installed car production capacity stands at 2.2 million units per year

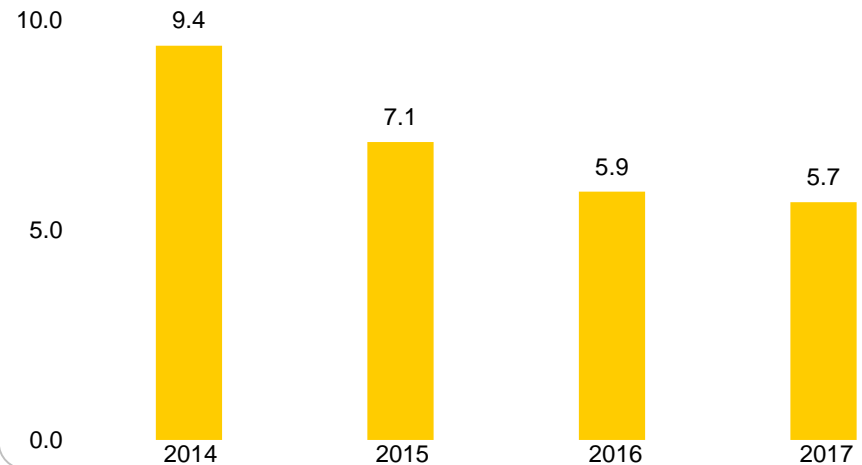
Source: indonesia-investments.com, statista.com

Rubber & Rubber Products (1/2)

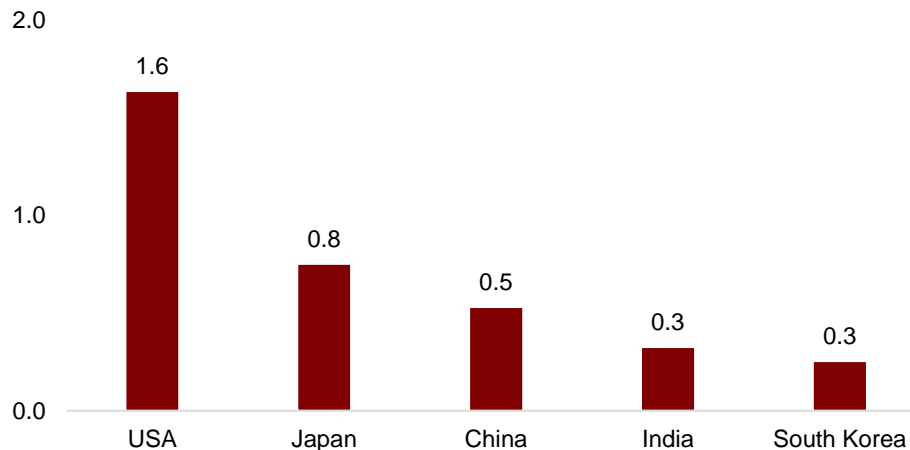
World Export of HS 40 series (Rubber & Rubber Products) in USD billion in 2017



Export of HS 40 series (Rubber & Rubber Products) from Indonesia in USD billion



Top Importers of HS 40 series (Rubber & Rubber Products) from Indonesia in USD billion in 2017

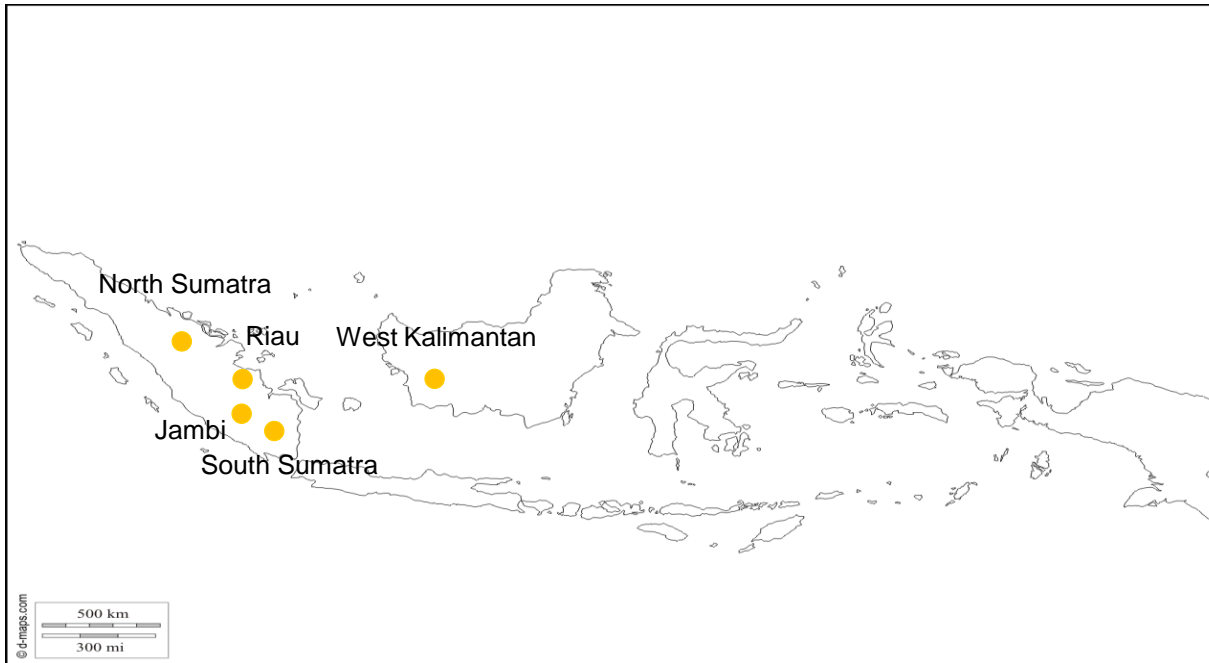


Top Exported Products in this Category

- Natural rubber
- New pneumatic tires, of rubber
- Articles of apparel and clothing accessories, incl. gloves, mittens and mitts, for all purposes, of vulcanized rubber

Source: International Trade Centre

Rubber & Rubber Products (2/2)



● Major Rubber Production Zones in Indonesia

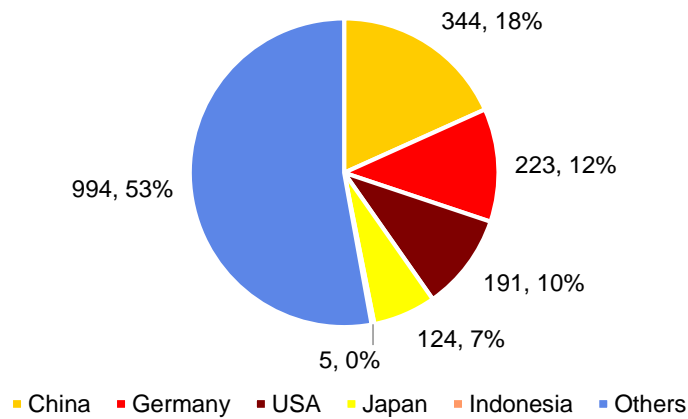
- Indonesia is the 2nd largest producer of rubber globally
- Industry is highly fragmented and about 85% of the rubber producers are small holders, and contributes to around 81% to the national output
- The regions Java and Sumatra are the largest contributors to the tire market in the country. It is projected that the Indonesian tire market will grow at a CAGR of approximately 13% during the period 2015-2020.

Source: indonesia-investments.com, businesswire.com

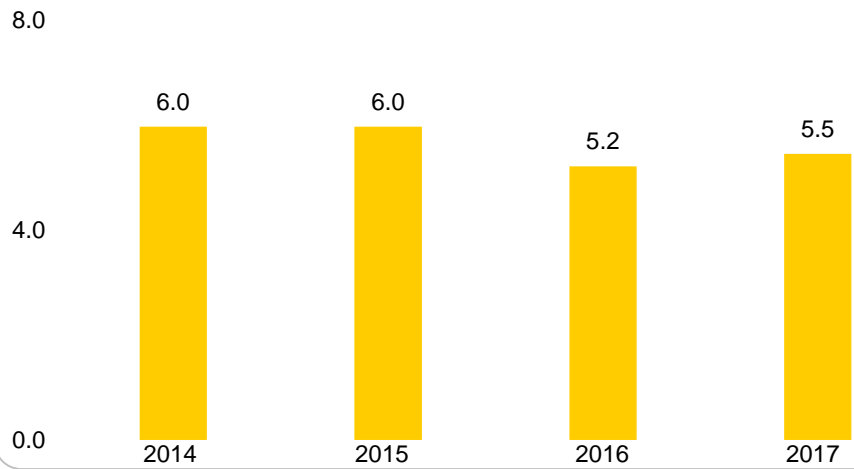


Industrial Machinery (1/2)

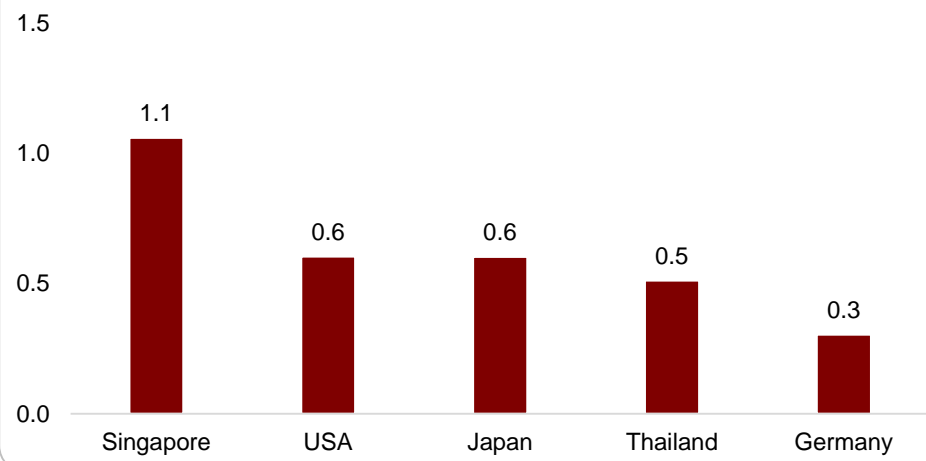
World Export of HS 84 series (Industrial Machinery) in USD billion in 2017



Export of HS 84 series (Industrial Machinery) from Indonesia in USD billion



Top Importers of HS 84 series (Industrial Machinery) from Indonesia in USD billion in 2017



Top Exported Products in this Category

- Printing machinery used for printing by means of plates, cylinders
- Machinery, plant or laboratory equipment whether or not electrically heated
- Refrigerators, freezers and other refrigerating or freezing equipment

Source: International Trade Centre



Industrial Machinery (2/2)



● Major Machinery Production Zones in Indonesia

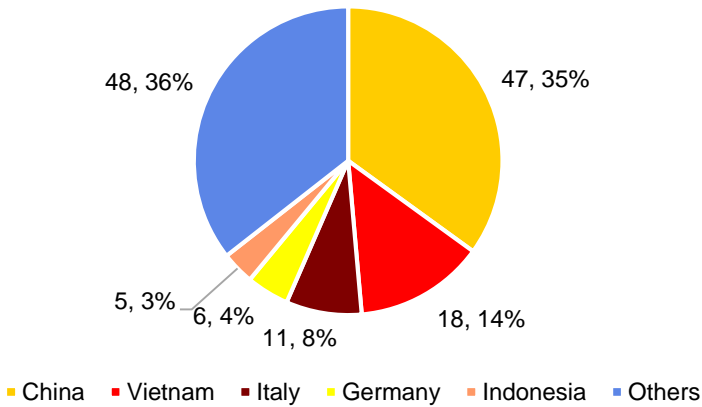
- Indonesia has around 250 electronics and component manufacturers in the country
- International brands dominate the higher end digital electronics sector mainly through joint ventures with local manufacturers (import components and assemble the products) such as LCD televisions, air conditioning units and refrigerators for both the local market and exports
- Major international brands are well established throughout the country with distribution networks via both modern and traditional retail networks

Source: gbgindonesia.com, indonesia-investments.com, thejakartapost.com, indonesiabriefing.com

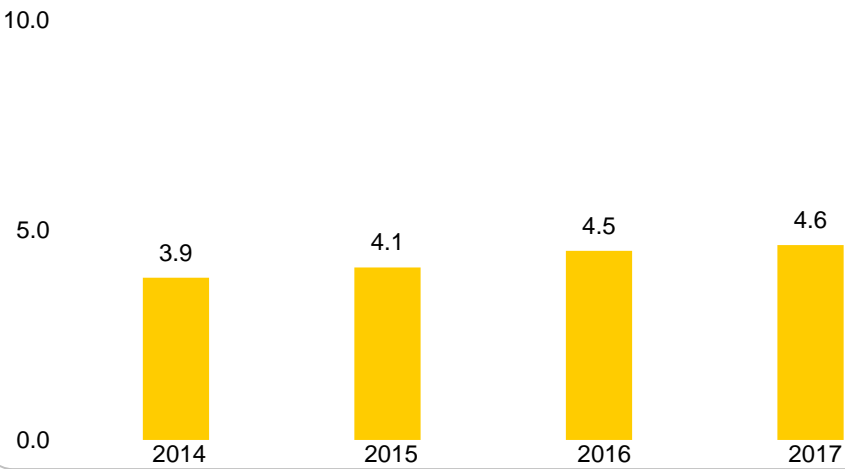


Footwear & Accessories (1/2)

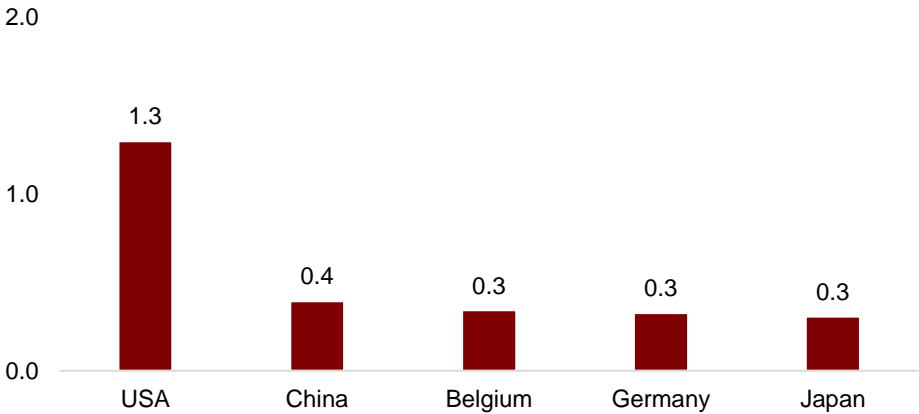
World Export of HS 64 series (Footwear & Accessories) in USD billion in 2017



Export of HS 64 series (Footwear & Accessories) from Indonesia in USD billion



Top Importers of HS 64 series (Footwear & Accessories) from Indonesia in USD billion in 2017



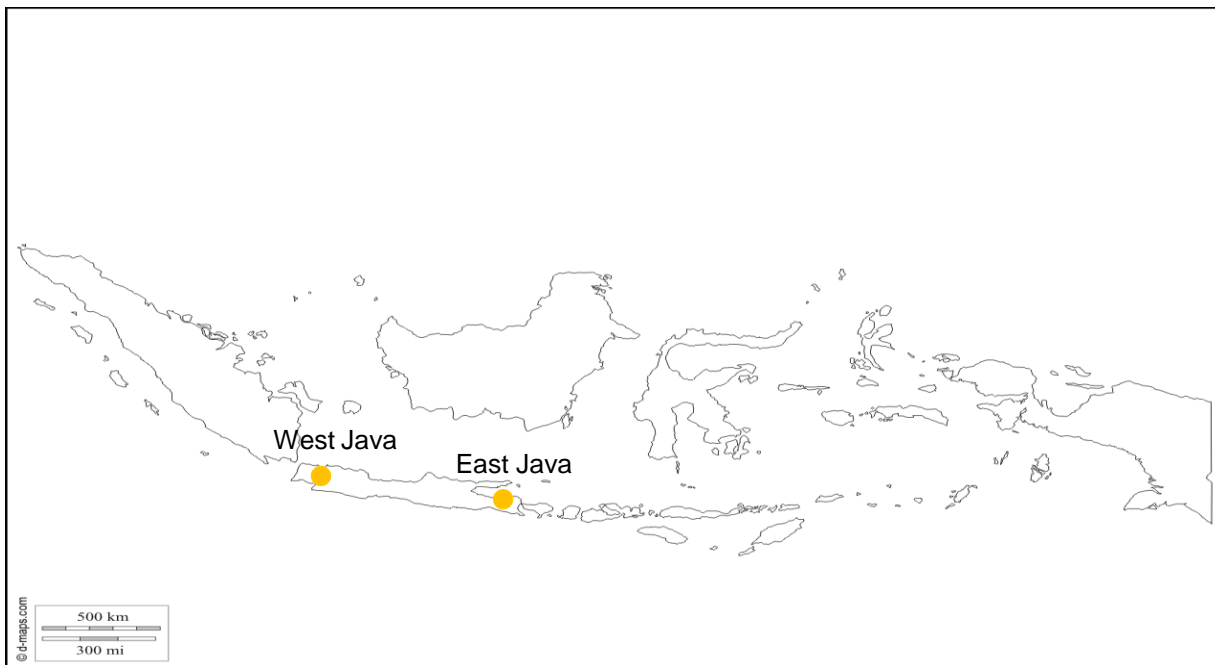
Top Exported Products in this Category

- Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather
- Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials
- Footwear with outer soles and uppers of rubber or plastics

Source: International Trade Centre



Footwear & Accessories (2/2)



● Major Footwear Production Zones in Indonesia

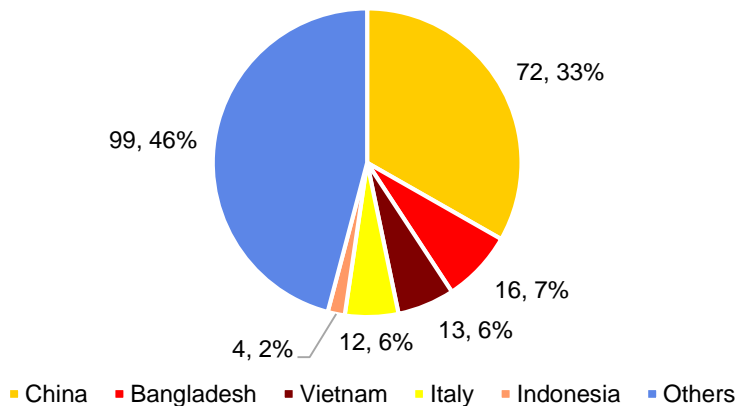
- Footwear recorded robust value growth of 7% in 2018 due to growing demand for high-quality and sophisticated products, provided by many new domestic brands such as Buccheri.
- Sepatu Bata Tbk Pt led footwear industry in 2018 with a value share of 4% and sales of IDR1.4 trillion. Bata is a longstanding brand in Indonesia and has a large number of stores, even in remote areas of the country.
- Indonesia ranks 6th in the export of footwear, globally
- Main concern for this sector is the import need of several raw materials (leather and rubber) for the production of shoes. Despite being a major rubber producer Indonesia still needs to import rubber for the manufacturing of shoes as the country lacks domestic processing facilities.

Source: Indonesian Footwear Association, euromonitor.com, indonesia-investments.com, worldfootwear.com, gbgindonesia.com, aprisindo.or.id

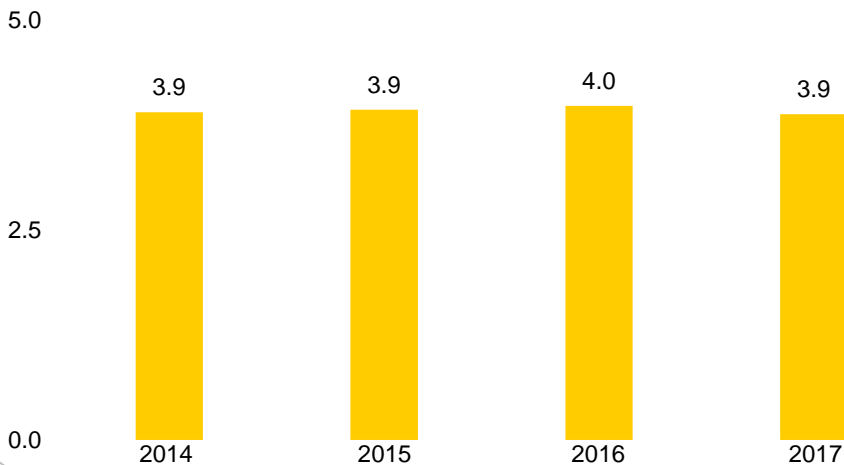


Woven Apparel & Accessories (1/2)

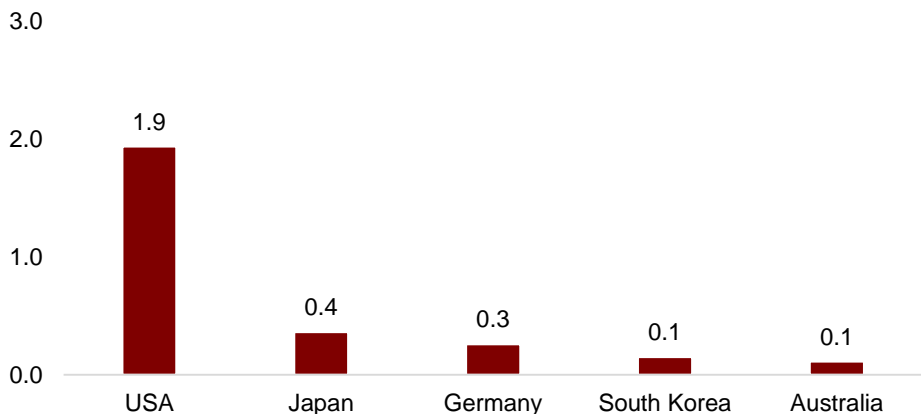
World Export of HS 62 series (Woven Apparel & Accessories) in USD billion in 2017



Export of HS 62 series (Woven Apparel & Accessories) from Indonesia in USD billion



Top Importers of HS 62 series (Woven Apparel & Accessories) from Indonesia in USD billion in 2017

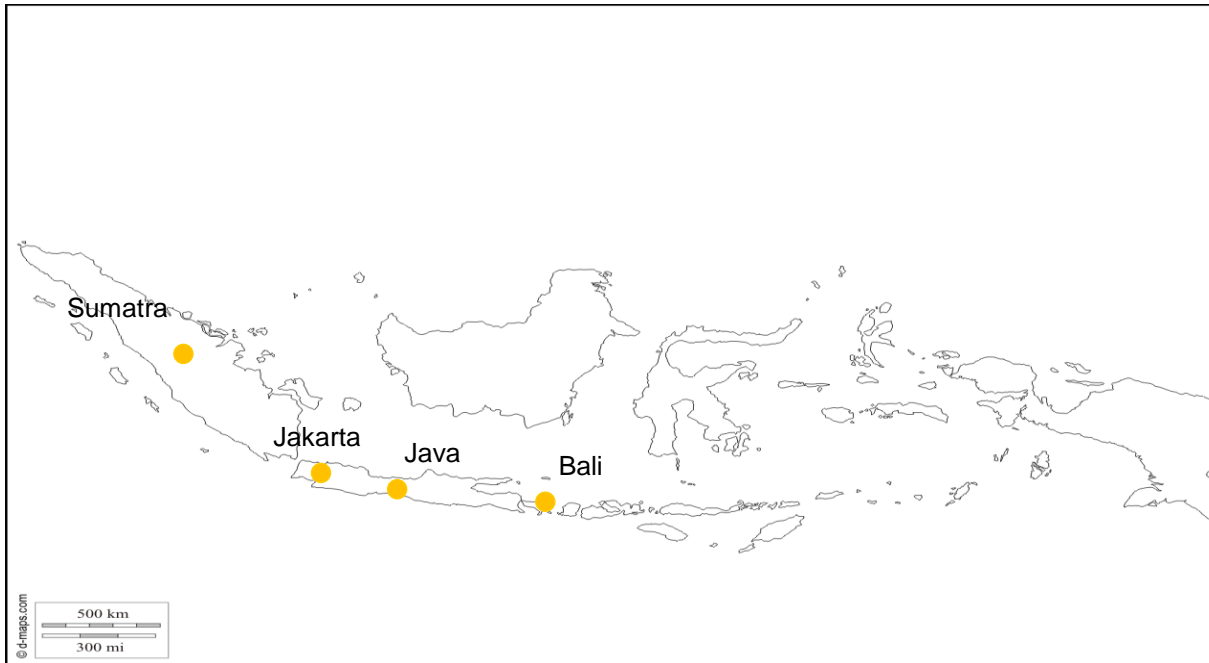


Top Exported Products in this Category

- Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts
- Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts
- Women's or girls' blouses, shirts and shirt-blouses

Source: International Trade Centre

Woven Apparel & Accessories (2/2)



● Major Apparel Production Zones in Indonesia

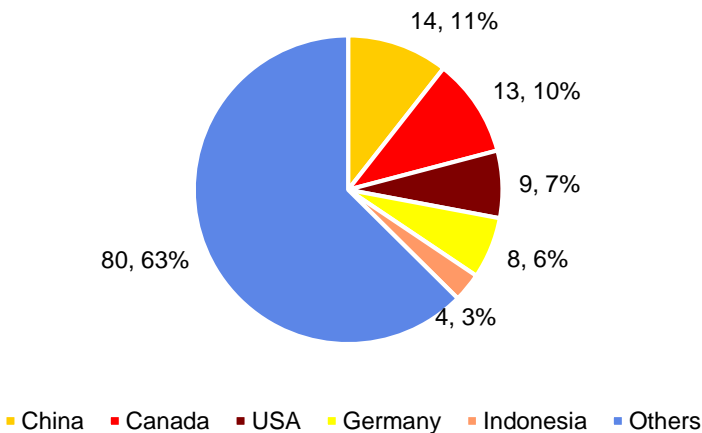
- Textile and apparel industry in Indonesia is currently employing over 3 million people, accounting for over 17% of employment in the manufacturing sector
- Specialty products such as Indonesian batik cloth and other traditional or cultural Indonesian fabrics are currently high demand which is contributing to the country's surge in textiles exports
- Government has set the target to increase the nation's value of exported textile and apparel to USD 75 billion by the year 2030, and obtain about 5% share in the global market

Source: [businesswire.com](https://www.businesswire.com), [bizvibe.com](https://www.bizvibe.com)

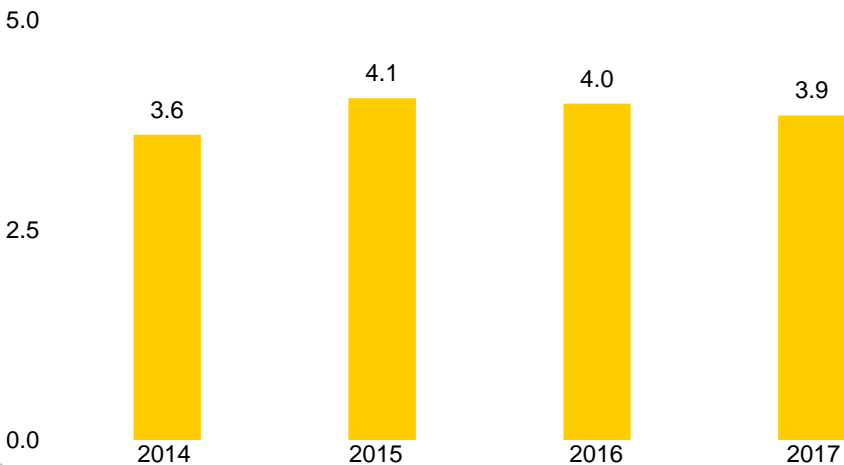


Wood & Wood Products (1/2)

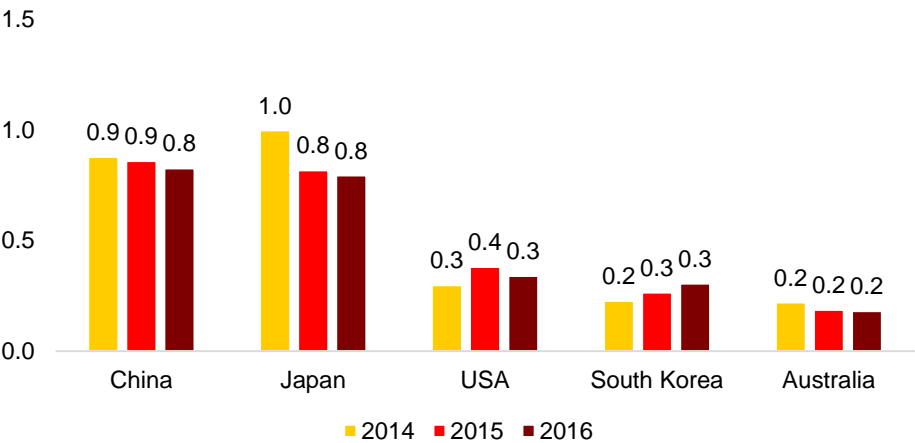
World Export of HS 44 series (Wood & Wood Products) in USD billion in 2017



Export of HS 44 series (Wood & Wood Products) from Indonesia in USD billion



Top Importers of HS 44 series (Wood & Wood Products) from Indonesia in USD billion in 2017



Top Exported Products in this Category

- Plywood, veneered panel and similar laminated wood
- Wood, incl. strips and friezes for parquet flooring, not assembled, continuously shaped "tongued, grooved, rebated, chamfered, V-jointed beaded, moulded, rounded or the like" along any of its edges, ends or faces, whether or not planed, sanded or end-jointed
- Builders' joinery and carpentry, of wood, incl. cellular wood panels, assembled flooring panels, shingles and shakes, of wood

Source: International Trade Centre



Wood & Wood Products (2/2)



● Major Wood Processing Zones in Indonesia

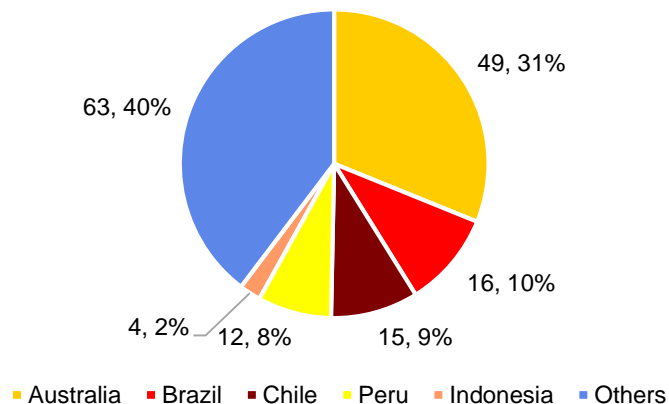
- Indonesia contributes to about 3% of the global wood exports
- Indonesia has three categories of forest land: Conservation Forests, Protection Forests, and Production Forests. More than half of the Indonesian forest area is production forest.
- Commonly harvested species for the timber industry include: Meranti, Keruing, Kapur, Mersawa, and Teak from plantations

Source: International Tropical Timber Organization, samkotimber.com, timbertradeportal.com

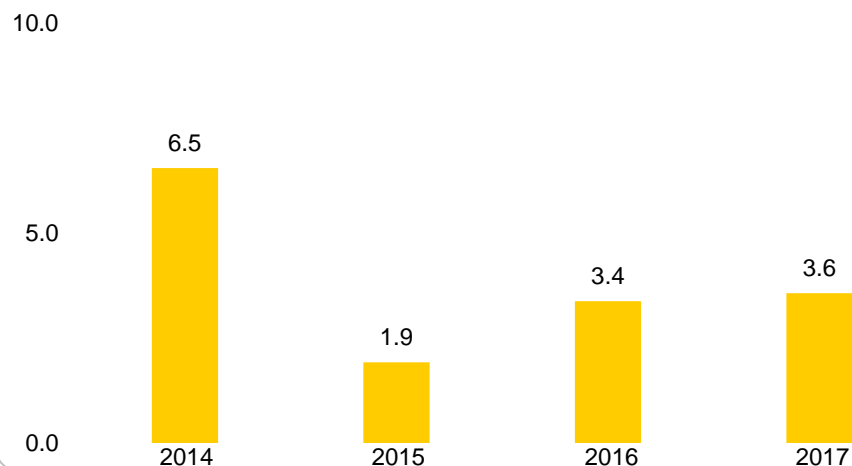


Ores, Slag & Ash (1/2)

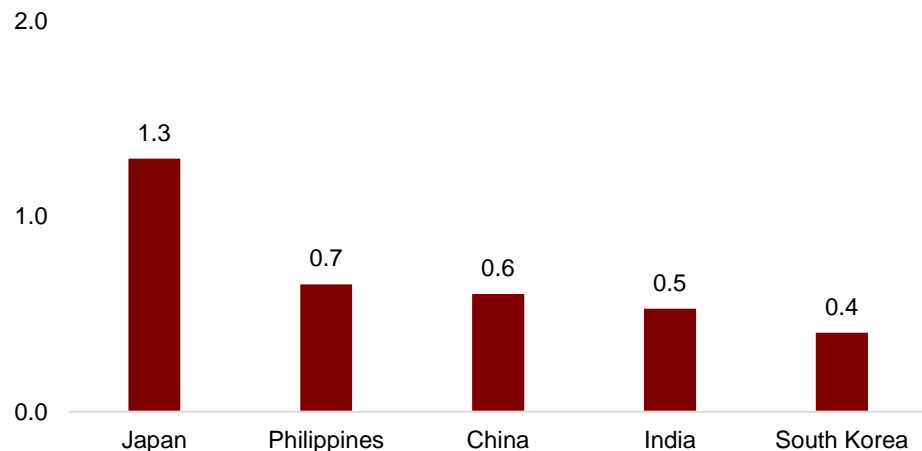
**World Export of HS 26 series (Ores, Slag & Ash)
in USD billion in 2017**



**Export of HS 26 series (Ores, Slag & Ash) from
Indonesia in USD billion**



**Top Importers of HS 26 series (Ores, Slag & Ash)
from Indonesia in USD billion in 2017**



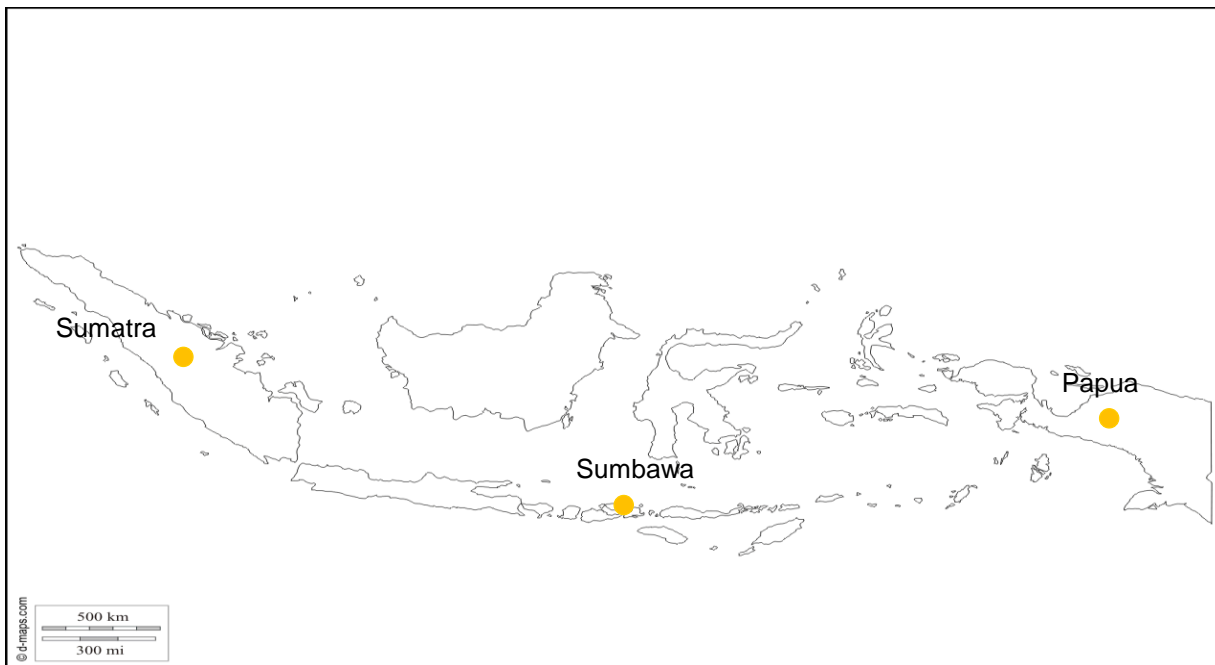
Top Exported Products in this Category

- Copper ores and concentrates
- Iron ores and concentrates, incl. roasted iron pyrites
- Niobium, tantalum, vanadium or zirconium ores and concentrates

Source: International Trade Centre



Ores, Slag & Ash (2/2)



● Major Copper Production Zones in Indonesia

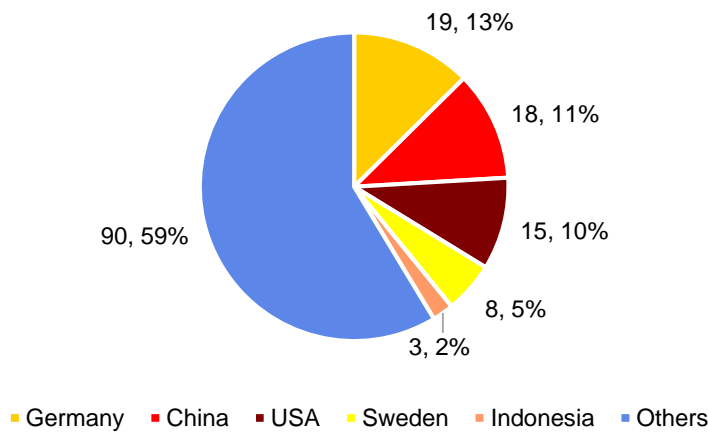
- The Grasberg mine, located in the highlands of Indonesia's Papua province, is the world's second-largest copper mine
- In January 2017, government imposed a ban of the export of semi-processed metal ore concentrates and hence miners halted Indonesian shipments of copper concentrates. However, the ban was lifted in March 2017 with a condition that over the next five years miners will be permitted to export mineral ore, including nickel ore, bauxite and concentrates of other minerals, provided they can show progress toward smelter development.
- Subsequently, Phoenix-based Freeport has agreed to give a 51% ownership in the mine to Indonesia. It gains operational control of the mine until 2041 in return.

Source: mining-technology.com, ft.com, thebalance.com

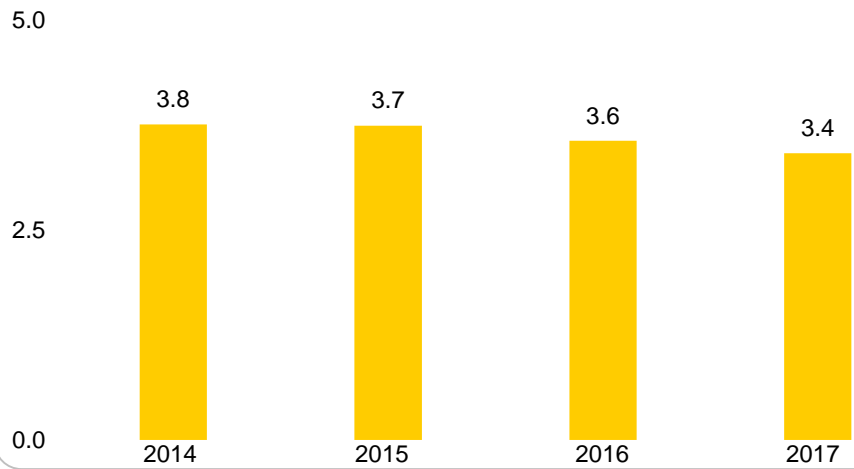


Paper & Paperboard (1/2)

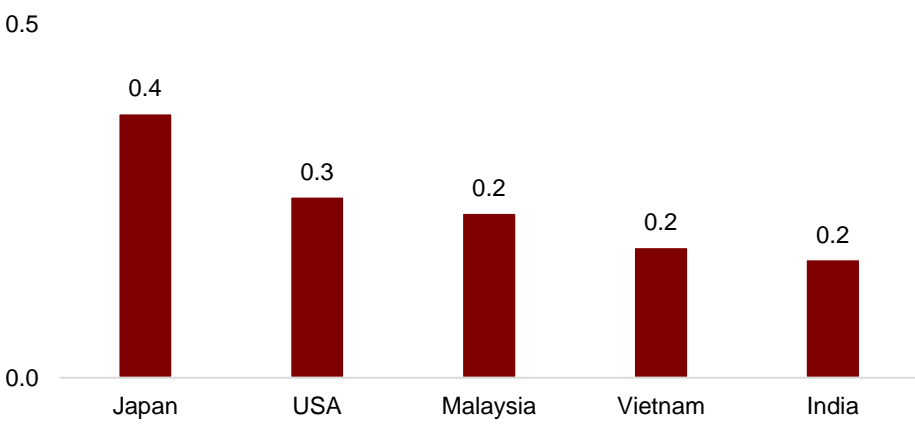
World Export of HS 48 series (Paper & Paperboard) in USD billion in 2017



Export of HS 48 series (Paper & Paperboard) from Indonesia in USD billion



Top Importers of HS 48 series (Paper & Paperboard) from Indonesia in USD billion in 2017



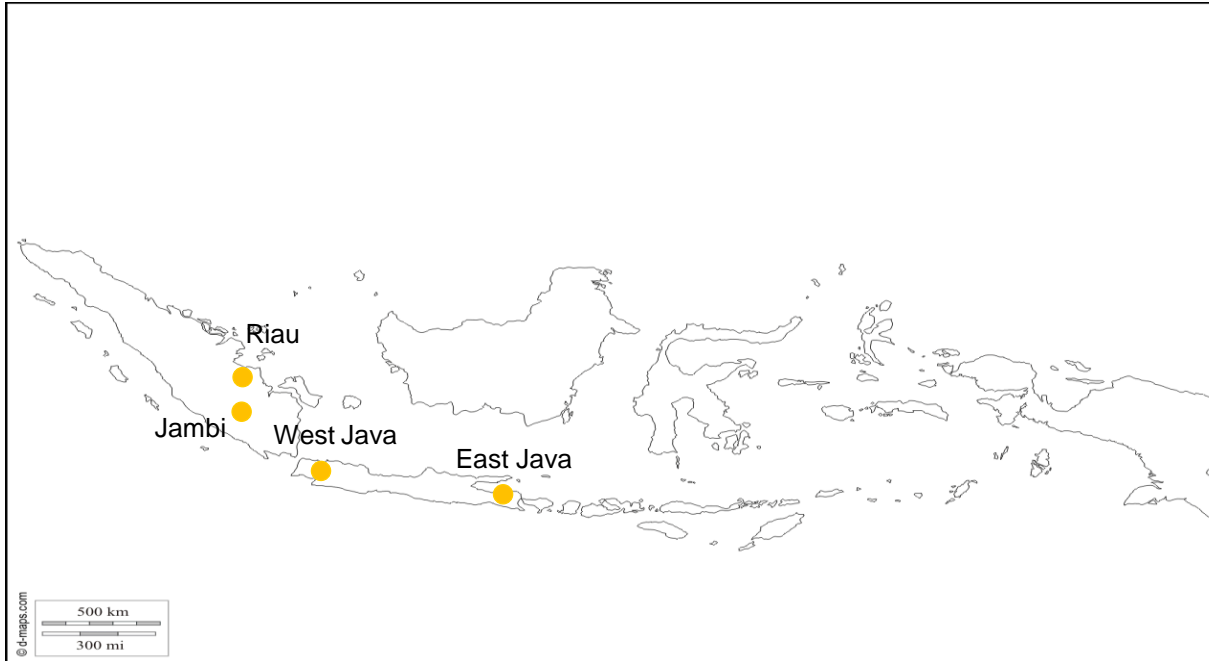
Top Exported Products in this Category

- Uncoated paper and paperboard, of a kind used for writing, printing or other graphic purposes, and non-perforated punch cards and punch-tape paper
- Toilet or facial tissue stock, towel or napkin stock and similar paper for household or sanitary purposes, cellulose wadding and webs of cellulose fibers
- Paper and paperboard, coated on one or both sides with kaolin "China clay" or other inorganic substances

Source: International Trade Centre



Paper & Paperboard (2/2)



● Major Paper Production Zones in Indonesia

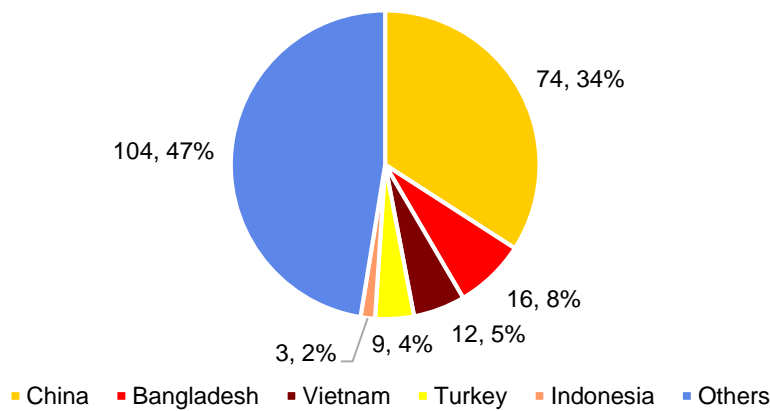
- Indonesia ranks ninth in terms of biggest global pulp producers and sixth in terms of biggest paper producers
- Approximately 60% of domestic pulp and paper output is shipped to Indonesia's export destinations
- Demand for paper is expected to stay strong in Southeast Asian nations as well as in the USA. Likewise, Indonesia's domestic paper consumption is still low at 32.6 kilogram per capita per year and therefore has much room for further growth. Indonesia's paper consumption is below the ASEAN average of 55 kilogram per capita, per year.

Source: asiapulppaper.com, indonesia-investments.com

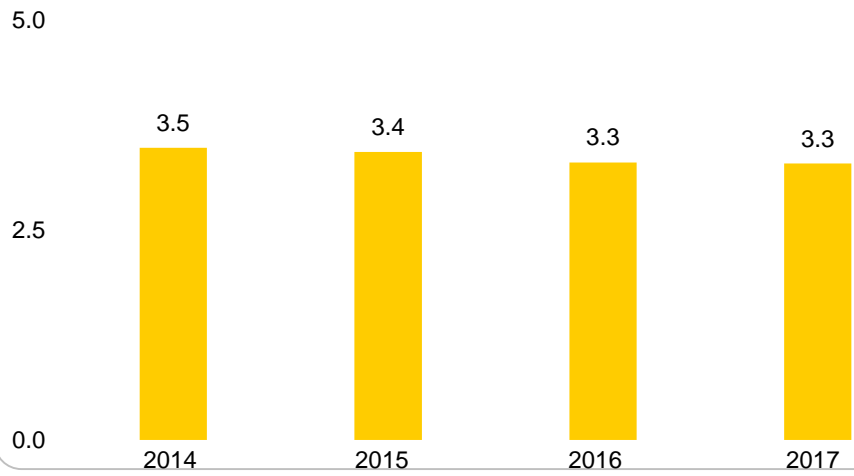


Knitted Apparel & Accessories (1/2)

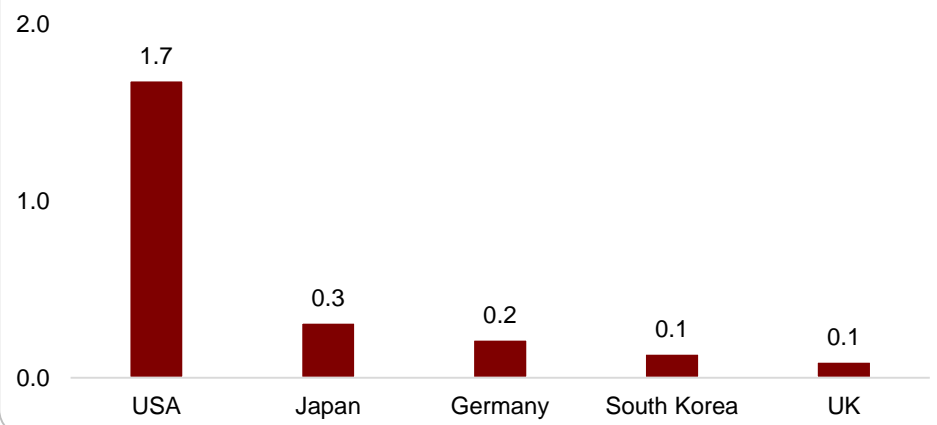
World Export of HS 61 series (Knitted Apparel & Accessories) in USD billion in 2017



Export of HS 61 series (Knitted Apparel & Accessories) from Indonesia in USD billion



Top Importers of HS 61 series (Knitted Apparel & Accessories) from Indonesia in USD billion in 2017



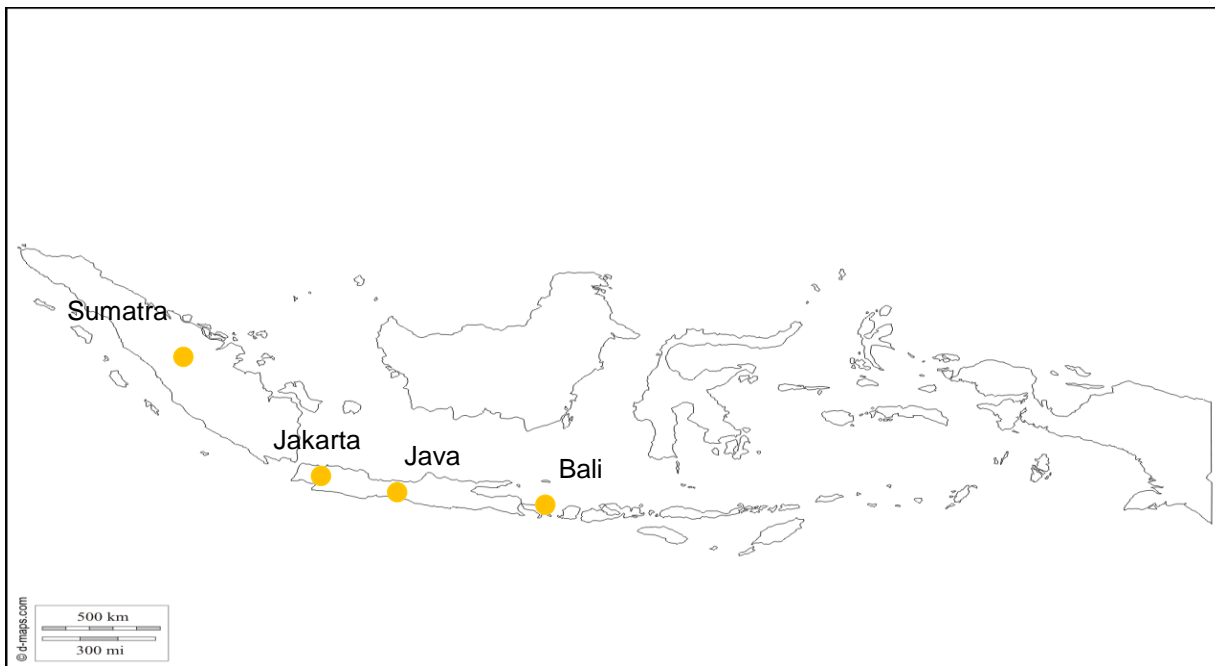
Top Exported Products in this Category

- Jerseys, pullovers, cardigans, waistcoats
- Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts
- T-shirts, singlets and other vests

Source: International Trade Centre



Knitted Apparel & Accessories (2/2)



● Major Apparel Production Zones in Indonesia

- Although Indonesia produces cotton, textile manufacturers prefer to import cotton from abroad - particularly the USA, Australia and India - because the quality of foreign cotton is much higher while the domestic cotton supply is highly volatile (there often occur supply shortages)

Source: *businesswire.com, bizvibe.com*



TRADE AGREEMENTS



Indonesia – Trade Agreements

Indonesia has 8 RTAs. Early announcements has been made for 2 RTAs (EFTA – Indonesia and EU – Indonesia)

Agreements	Region/ Countries Involved
Asia	ASEAN Free Trade Area (AFTA), ASEAN - Australia - New Zealand, ASEAN – China, ASEAN – India, ASEAN – Japan, ASEAN – South Korea, Japan – Indonesia
Other Trade Agreements	
Other Agreements	Global System of Trade Preferences among Developing Countries (GSTP)

Source: World Trade Organization