

# Chapter 3

## Indonesian Non-Tariff Measures: Updates and Insights

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# INDONESIAN NON-TARIFF MEASURES: UPDATES AND INSIGHTS

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## **1. Introduction**

### **1.1. Trade Structure**

Indonesia is blessed with rich natural resources that can be used as manufacturing inputs as well as final products. Natural resource-based sectors, such as agriculture, forestry, fishery, and mining and quarrying, are important in generating revenue and employment and in improving livelihoods, and will continue to be vital.<sup>2</sup> In 2016, merchandise exports were dominated by primary products (Figure 3.1), with the biggest contribution coming from palm oil (8.96%), coal (8.64%), petroleum gases (4.53%), petroleum oil and crude (3.23%), and natural rubber (2.32%).

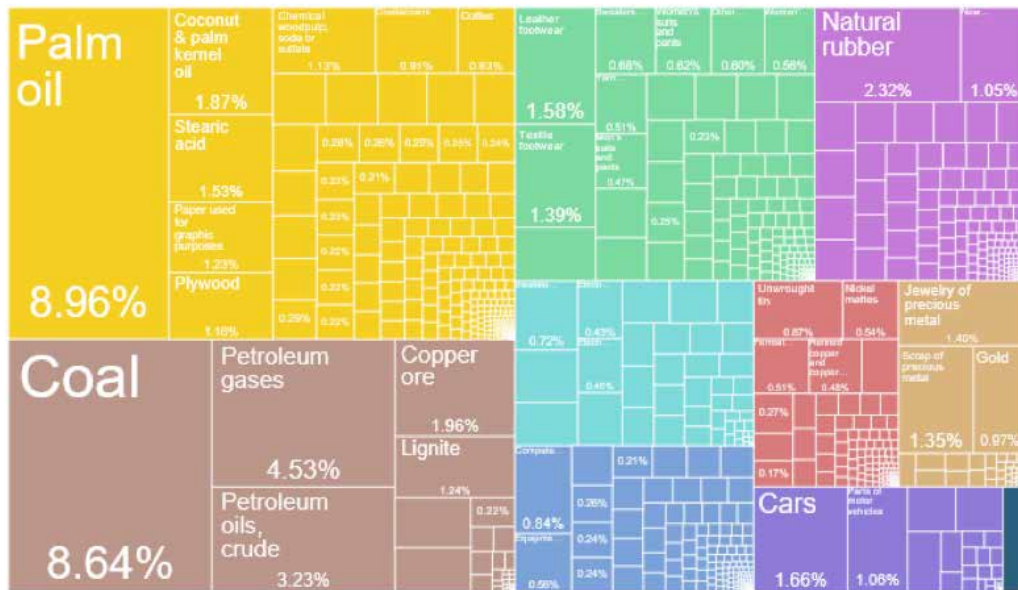
Imports are mainly secondary and manufacturing products, some for final consumption, others for industrial inputs (Figure 3.2). During 2016, imports were dominated by minerals (petroleum, oils and refined, made up 6.75% of imports, while petroleum, oils and crude, made up 4.14% of exports); electronics (telephones, transmission apparatus for radio telephones, and TV sets made up 2.08% of imports and 1.53% of exports); motor vehicle parts (1.85%, imports); and aircraft and spacecraft (1.48%, imports).

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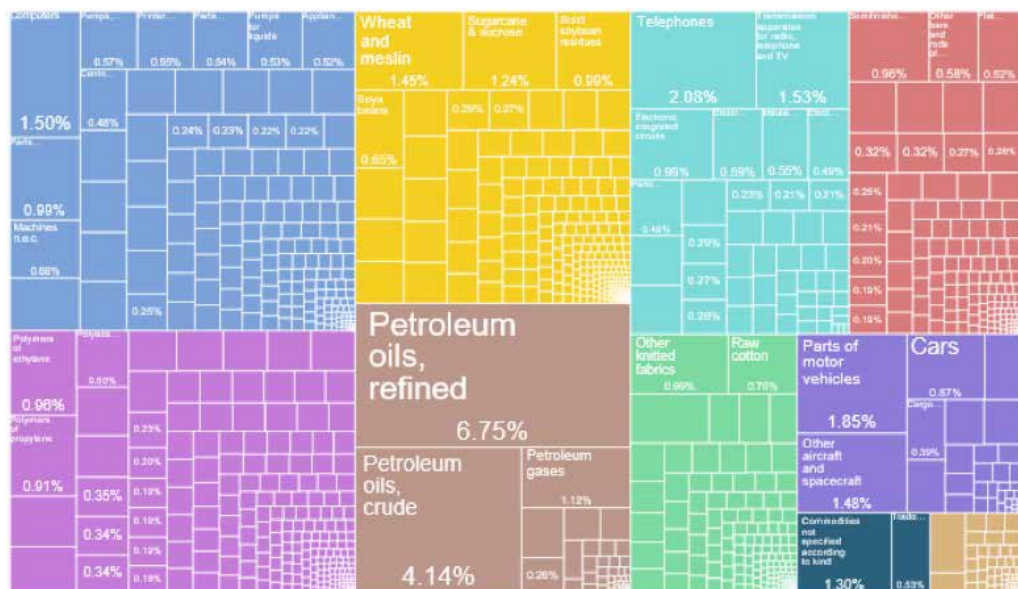
<sup>2</sup> During 2012–2015, the natural resource-based sectors contributed 13.4% on average to gross domestic product (GDP). In 2016, 22.7 million people 15 years old and over – or about 22.5% of people in that age group who were working – worked in agriculture, forestry, fishery, and mining and quarrying (Central Bureau of Statistics [BPS], 2017). The natural resource-based sector contributed to the highest work absorption, about 34%, during 2012–2016.

Figure 3.1: Export Composition, Indonesia, 2016



Note: Figures are computed based on gross trade flows at the Harmonised System (1995–2016) 4-digit level.  
 Source: Author (2019), based on Center for International Development (2016).

Figure 3.2: Import Composition, Indonesia, 2016

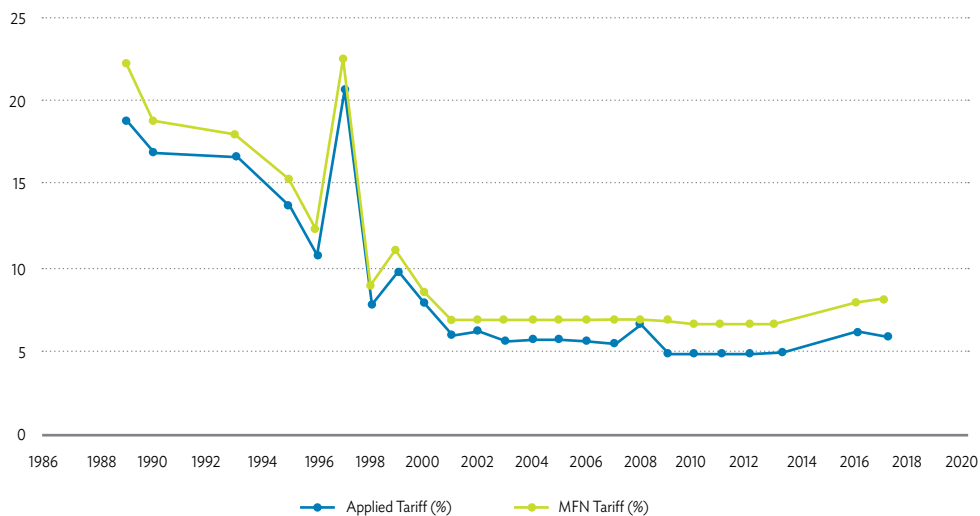


Source: Author (2019), based on Center for International Development (2016).

While they declined remarkably before 2001, tariffs remained relatively stable in 2001–2012 and increased slightly in 2014 (Figure 3.3). In 1989–1997, the average applied tariff

decreased 12.9% annually, with the average tariff at 15.4%. The most favoured nation (MFN) tariff declined 13.6% annually, with the average MFN tariff at 17.3%.

**Figure 3.3: Tariff Reductions Under Most Favoured Nation and Free Trade Agreements, Indonesia, 1989–2017**



HS = Harmonised System, MFN = most favoured nation.

Note: Figures are computed at the HS (combined) 2-digit level.

Source: Author (2019), based on World Integrated Trade Solution (2019).

Tariffs declined as a result of important trade reforms undertaken in the 1980s and 1990s, which were triggered by economic crises, the slowdown in domestic and international economic growth, and commitments made under regional and multilateral cooperation. The balance-of-payments crisis of 1980–1986 resulted from the drop in oil prices, which led to deregulation reform involving dramatic institutional changes to cut red tape, improve custom clearance processes, and simplify investment procedures.

The 1990–2000s reform was driven by regional and multilateral international cooperation agreements. After many years of slow progress in economic cooperation within the Association of Southeast Asian Nations (ASEAN), Indonesia finally joined the ASEAN Free Trade Area (AFTA) in 1991. The 1990s economic recession led to the first Asia-Pacific Economic Cooperation (APEC) Economic Leaders Meeting and a breakthrough in World Trade Organization (WTO) negotiations and the creation of the WTO on 1 January 1995.

The government used the momentum, strengthened by its hosting of the 1994 APEC meeting, to put in place important reforms to make the economy more competitive. Tariffs were removed in 1993 as were a number of foreign ownership restrictions in

1993 and 1994 (Ing et al., 2018). Tariff reform continued until 2003 as part of ASEAN and APEC commitments. As a result, MFN tariffs decreased sharply, with the simple average of MFN tariffs falling by two-thirds in 1989–2007 to 7.4% and the simple average applied tariff rate to 6.2%. Indonesia became a low-tariff country by developing-country standards; the average MFN tariff in developing countries was 8.3% (Molnar and Leshner, 2009; Hoekman et al., 2002). The preferential tariff decreased significantly. The ASEAN Trade in Goods Agreement tariff, for example, has been zero since 2017.

After 2007, the discussion of trade policy was dominated by concerns over the impact of import competition on domestic industry. The impact of free trade agreements (FTAs) and unfair trading practices of overseas companies pressured domestic trade policy. The import substitution policy also drove international trade policy. The government stepped up efforts to substitute imports with locally produced goods to curb overseas purchases and to attract new investments to locally produce raw materials, intermediary goods, and capital goods. The government could limit or halt exports of strategic commodities to ensure adequate local supplies. Recent policies were applied to commodities such as rattan, cocoa, and mineral ores. Indonesia's first-ever Trade Bill gave the government a greater role in restricting exports or imports to protect domestic industry. Since import tariffs on most commodities were already low, the government considered using NTMs to protect the domestic market from foreign penetration (Tijaja and Faisal, 2014).

In 2012–2014, world merchandise trade grew at less than 1%. Trade protectionism increased globally through safeguards and import and export restrictions in many countries, including Indonesia, prompting the government to take steps to save the domestic economy. One was to increase national competitiveness by boosting downstream industry by (1) restricting exports of raw materials, (2) establishing processing industries that could produce domestic intermediate goods and encourage export performance, (3) restricting imports, and (4) requiring local content. Uncertain global trade contributed to Indonesia's increasing tariffs and use of NTMs after 2014 to secure domestic industry from global competition (Hertanti, 2017). The use of NTMs grew, as indicated by the increasing number of coded NTMs from 676 in 2015 to 977 in 2018, as well as other NTM indicators.

## 1.2. Hierarchy of Laws and Regulations

Laws are at the top of the hierarchy, followed by government regulations. Both have general terms and principles, and their implementation usually needs lower-level ministerial regulations, which contain detailed guidelines and are where NTM regulations are mostly found.

The Indonesia National Single Window (INSW) website is an important source of NTM regulations. The INSW hosts the prohibitions and restrictions (LARTAS) database. LARTAS collects state revenue. The website is managed and updated regularly by the customs agency. Before it can implement NTM regulations, it must notify the Ministry of Finance. The LARTAS database lists the regulations but does not provide the regulation documents, which are available from government agency websites such as the Ministry of Trade website ([www.inatrade.kemendag.go.id](http://www.inatrade.kemendag.go.id)) for technical barriers to trade (TBT), pre-shipment inspection, labelling, port limitation, and licensing. The Ministry of Industry website is important for TBT, particularly with regard to the Indonesia National Standard (SNI). The websites of the Indonesian Monitoring Agency for Food and Medicine (BPOM) and quarantine agencies are important for sanitary and phytosanitary (SPS) measures.

Table 3.1 lists ASEAN NTMs updated in 2018. The research team identified NTM-related regulations from the (1) Ministry of Trade, (2) Ministry of Agriculture, (3) Ministry of Environment and Forestry, (4) Ministry of Industry, (5) State Secretariat, (6) Ministry of Energy and Mineral Resources, (7) Ministry of Transportation, (8) Ministry of Health, (9) Ministry of Finance, (10) Ministry of Marine and Fisheries, (11) National Agency of Drug and Food Control, (12) Indonesian National Police, and (13) Ministry of Communication and Information.

The research team checked 381 regulations, of which 239 were trade related. Of these, 169 were coded in 2015, i.e., they were in the 2015 NTM database, and 80 were issued in 2015–2018. Some new regulations replaced older ones. Of the 169 regulations coded in 2015, only 74 were unchanged.

**Table 3.1: Summary of Non-tariff Measure Regulations, Indonesia, 2018**

No.	Summary	Number
1	Number of issuing agencies	13
2	Number of identified regulations	381
3	Number of trade-related regulations	239
4	Number of regulations coded in 2015	169
	4a. Unchanged	74
	4b. Revoked and replaced	48
	4c. Amended	38
	4d. Revoked	9
5	New regulations	80
6	Number of regulations coded in 2018	192

Source: Author, based on ERIA–UNCTAD (2018).

The 239 regulations can be categorised as follows:

1. Unchanged. Coded in 2015 and unchanged; 74 regulations fell under this category in 2018.
2. Repealed and replaced. Coded in 2015 but replaced because they were no longer suitable. For example, Ministry of Trade Regulation No. 07/2018 on the import of clinker cement and cement replaced Ministry of Trade Regulation No. 40/2013 on the import of clinker cement and cement. When Regulation No. 07/2018 was issued, the government repealed Regulation No. 40/2013. There were 48 regulations in this category in 2018.
3. Amended. Coded in 2015 and amended several times, often only the implementation date or procedures but not the measures. There were 38 regulations in this category in 2018.
4. Revoked. Coded in 2015 and revoked because they were no longer suitable. Nine regulations have been revoked since 2015.
5. New. Issued after 2015. Some replaced previous regulations (48, see category 2) and 22 were new, for a total of 70.

In 2018, the team identified 192 regulations: 80 new, 74 unchanged, and 38 amended.

## 2. Non-tariff Measure Statistics

### 2.1. General Summary of Non-tariff Measures, 2015 and 2018

NTM regulations were compiled from 13 government agencies (Table 3.2). The number of NTM regulations increased by almost 14%, from 169 in 2015 to 192 in 2018. The number of coded NTMs increased significantly from 767 in 2015 to 977 in 2018.

The 977 coded NTMs affected 7,759 tariff lines or 77.5% of total tariff lines. This figure increased by about 3% over 2015, when 767 coded NTMs affected 7,540 national tariff lines or 75.3% of total tariff lines. This means that the new regulations distributed and contributed only 3% of tariff lines previously not subject to NTMs.

**Table 3.2: General Summary of Non-tariff Measures, Indonesia, 2015 and 2018**

No.	Comprehensiveness	Number	Number
1	Total NTM-related regulations	169	192
2	Total NTMs reported to WTO	-	292
3	Total number of coded NTMs	767	977

No.	Comprehensiveness	Number	Number
4	Total affected products (HS lines, national tariff lines)		
	a. Total number of affected products	7,540	7,759
	b. Share of the number of affected products to the number of total products (%)	75.3%	77.5%
5	Total issuing institutions	13	13

HS = Harmonised System, NTM = non-tariff measure, WTO = World Trade Organization.

Note: The total number of NTMs reported to the WTO in 2015 is not available

Source: Author, based on ERIA-UNCTAD (2018).

## 2.2. Non-tariff Measure-related Regulations by Issuing Institution, 2015 and 2018

Since 2015, NTM-related regulations have been spread out among 13 agencies. The Ministry of Trade has always contributed the most (28.6% in 2018). The Ministry of Industry accounted for 27.4% in 2018, the Ministry of Agriculture contributed 19.9%, and the Ministry of Marine and Fishery, 7.7%. The Ministry of Trade's contribution to the number of NTMs decreased from 30.4% in 2015 to 28.6% in 2018. The Ministry of Industry's contribution also declined from 31.3% to 27.4%, while the Ministry of Agriculture's contribution increased from 17.2% to 19.9% (Table 3.3).

**Table 3.3: Non-tariff Measures by Issuing Institution, Indonesia, 2015 and 2018 (number, %)**

Number	Issuing Institution	2015		2018	
		Number of NTMs	Share of NTMs (%)	Number of NTMs	Share of NTMs (%)
1	Ministry of Trade	233	30.4	279	28.6
2	Ministry of Finance	6	0.8	6	0.6
3	Ministry of Industry	240	31.3	268	27.4
4	Ministry of Agriculture	132	17.2	194	19.9
5	Ministry of Marine and Fisheries	61	8.0	75	7.7
6	Ministry of Energy and Mineral Resources	22	2.9	26	2.7
7	Ministry of Environment and Forestry	5	0.7	22	2.3
8	The Indonesian National Police	4	0.5	4	0.4
9	Ministry of Communication and Information	21	2.7	24	2.5
10	The National Agency of Drug and Food Control	10	1.3	48	4.9
11	Ministry of Health	24	3.1	24	2.5



Number	Issuing Institution	2015		2018	
		Number of NTMs	Share of NTMs (%)	Number of NTMs	Share of NTMs (%)
12	State Secretariat	7	0.9	7	0.7
13	Ministry of Environment	2	0.3	0	0.0
	<b>Total</b>	<b>767</b>	<b>100.0</b>	<b>977</b>	<b>100.0</b>

NTM = non-tariff measure.

Source: Author, based on ERIA–UNCTAD (2018).

### 2.3. Non-tariff Measures by Chapter, 2015 and 2018

Change in the pattern of NTMs was limited in 2015–2018. Technical measures dominated, accounting for about 75% of all NTMs. Non-technical measures accounted for about 12%. Export-related measures contributed about 13% to the number of NTMs, unchanged in 2015–2018.

TBT measures are the most common NTMs, but their share declined to about 7.28%. The share of SPS measures increased significantly from 19.8% to 24.5%, mostly because of SNI regulations on food products. Some SNI regulations were issued by the Ministry of Industry: e.g., on wheat flour as a foodstuff; mineral waters, including demineralised waters, natural mineral waters, and dew drinking waters; and tuna in cans and sardines and mackerel in cans. BPOM issued quality standard regulations on food: one in 2015, four in 2016–March 2018. A regulation issued by the Ministry of Marine and Fisheries and the Ministry of Environment on mandatory fish quarantine increased the number of SPS measures. NTMs now serve to protect consumer health and safety as well as the environment.

The percentage of pre-shipment inspection and other formalities (chapter C) as well as of non-automatic licensing, quotas, prohibitions, and quantity-control measures other than SPS or TBT reasons (E) declined, even as the numbers slightly increased (Table 3.4). The use of pre-shipment inspection and other formalities (C) often received complaints, particularly the pre-shipment inspection (C1) and the requirement to pass through a specified port of customs (C3). Pre-shipment regulation negatively impacted the Indonesian consumer because higher import costs were reflected in higher prices (AIPEG, 2014). Ultimately, the regulation had a negative impact on competitiveness, particularly for retailers and small and medium-sized enterprises.

The use of non-automatic licensing, quotas, prohibitions, and quantity-control measures for other than SPS or TBT reasons (E) often received complaints. The process of getting import approval, which required technical recommendation, was claimed to be unnecessarily complicated and included duplication of the documents requested. More important, the process of getting technical recommendation increased costs for the importer, which were eventually passed on to buyers (anonymous interview, 2017). Therefore, the decline in use of non-automatic licensing, quotas, prohibitions, and quantity-control measures for other than SPS or TBT reasons (E) was a good sign. The increasing use of price control measures in 2015–2018, including additional taxes and charges (F), and measures affecting competition (H) was alarming as they had non-legitimate objectives.

**Table 3.4: Non-tariff Measures by Chapter, Indonesia, 2015 and 2018 (number, %)**

Chapter		2015		2018	
		Number of NTMs	Share of NTMs (%)	Number of NTMs	Share of NTMs (%)
A	Sanitary and phytosanitary (SPS) measures	152	19.8	239	24.5
B	Technical barriers to trade (TBT)	370	48.3	437	44.7
C	Pre-shipment inspection and other formalities	53	6.9	58	5.9
D	Contingent trade protective measures	0	-	0	-
E	Non-automatic licensing, quotas, prohibitions, and quantity control measures for other than SPS or TBT reasons	75	9.8	85	8.7
F	Price control measures, including additional taxes and charges	8	1.1	21	2.2
G	Finance measures	0	-	0	-
H	Measures affecting competition	5	0.7	12	1.2
I	Trade-related investment measures	1	0.1	1	0.1
J	Distribution restrictions	0	-	0	-
K	Restriction on post-sales services	0	-	0	-
L	Subsidies (excluding export subsidies under P7)	0	-	0	-
M	Government procurement restrictions	0	-	0	-
N	Intellectual property	0	-	0	-
O	Rules of origin	0	-	0	-
P	Export-related measures	103	13.4	124	12.7
		767	100.00	977	100.00

NTM = non-tariff measure.

Source: Author, based on ERIA-UNCTAD (2018).

## 2.4. Incidence of Non-tariff Measures by Type

From the 977 coded NTMs identified in 2018, 88 types were identified. The top-10 NTMs were mostly applied to imports. Their contribution declined from 63.2% in 2015 to 55.7% in 2018; the contribution of other NTM types increased from 36.8% to 44.3%.

Labelling for TBT reasons was the most common use of NTMs in 2015 (10.9% of all NTMs) and 2018 (9.7%). Product quality standard was the second-most implemented NTM in 2015 (9.5%) and 2018 (8.8%). In 2018, certification for TBT reasons ranked third, accounting for 7.7%, followed by non-automatic import-licensing procedures other than authorisations covered under SPS and TBT chapters, accounting for 7.3%. Testing requirement for TBT reasons ranked fifth.

**Table 3.5: Top-10 Non-tariff Measures, Indonesia, 2015 and 2018 (number, %)**

No	NTM Type	NTM Description	2015		2018	
			Number of NTMs	Share of NTMs (%)	Number of NTMs	Share of NTMs (%)
1	B31	Labelling requirement for TBT reasons	84	10.95	95	9.72
2	B7	Product-quality, -safety, or -performance requirement	73	9.52	86	8.80
3	B83	Certification requirement	66	8.60	75	7.68
4	E1	Non-automatic import-licensing procedures other than authorisations covered under SPS and TBT chapters	64	8.34	71	7.27
5	B82	Testing requirement	60	7.82	66	6.76
6	B85	Traceability requirements for TBT reasons	36	4.69	36	3.68
7	A83	Certification requirement for SPS reasons	33	4.30	45	4.61
8	C3	Requirement to pass through specified port of customs	27	3.52	28	2.87
9	C1	Pre-shipment inspection	25	3.26	24	2.46
10	B81	Product registration/approval requirement for TBT reasons	17	2.22	18	1.84
		Others	282	36.77	433	44.32
		<b>Total</b>	<b>767</b>	<b>100.00</b>	<b>977</b>	<b>100.00</b>
		10 NTMs	485	63.23	544	55.68

NTM = non-tariff measure, SPS = sanitary and phytosanitary, TBT = technical barriers to trade.

Note: Rank is based on 2015 figures.

Source: Author, based on ERIA-UNCTAD (2018).

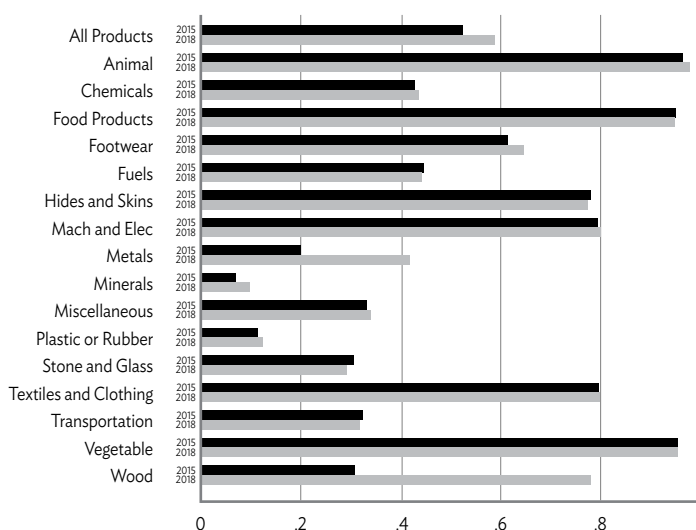
### 3. Non-tariff Measure Indicators

The trends and patterns observed in NTM incidence were reflected in the NTM indicators, which showed that government efforts to simplify NTMs were not successful. The frequency index, coverage ratio, and prevalence score increased in 2018 over 2015, implying that regulatory reforms since 2015 had not streamlined the number of NTMs. The reform programme aimed to maintain momentum and boost trust in the economy, which performed relatively well amidst the global economic slowdown. From September 2015 to November 2018, 16 economic policy packages were released, which saw streamlining NTMs as the first step to making Indonesia more competitive (Ministry of Trade, 2016).

#### 3.1. Import Non-tariff Measure Indicators

In 2015, all products had a frequency index for imports of almost 0.55, implying that 55% of import tariff lines were subject to at least one NTM (Figure 3.4a), affecting about 61% of imports, as indicated by a coverage ratio of 0.61. The increase in number of NTM regulations and codes impacted the frequency index for imports, which increased to almost 0.6 in 2018 and affected about 62% of imports (Figure 3.4a, Figure 3.4b).

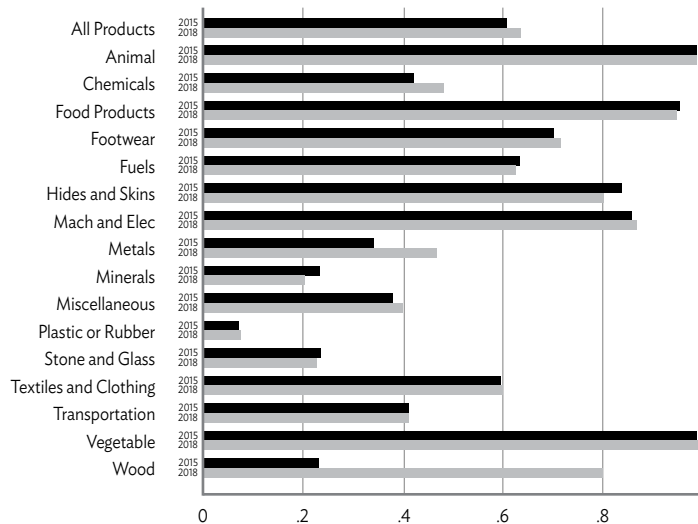
**Figure 3.4a: Frequency Index of Imports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA-UNCTAD (2018).

**Figure 3.4b: Coverage Ratio of Imports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA–UNCTAD (2018).

The indicators revealed that the product groups with the most import NTMs were animal, food, and vegetable products, shown by the frequency index of almost 1, which meant that almost 100% of tariff lines of these products were subject to at least one NTM. The NTMs on animal, food, and vegetable products affected almost 100% of imports as shown by an almost 100% coverage ratio (Figure 3.4a, Figure 3.4b). Animal, food, and vegetable products were more regulated than other product groups, which was not surprising as income per capita increased from US\$3,377 in 2015 to US\$3,927 in 2018. Hummels and Lugovskyy (2009) in Ing et al. (2016) observed that the average unit value of a country's imports tends to rise with its level of income. Thus, with or without standards, consumers naturally tend to switch to higher-quality and safer products when their incomes rise. This has been confirmed by the increase in SPS measures from 2015 to 2018.

Mineral products had the lowest frequency index at 8% in 2015, which slightly increased to 10% but affected 21% of imports, which slightly increased to 22% in 2018. Plastic and rubber products had a slightly higher frequency index than mineral products, at 11% in 2015, which increased to 12% in 2018 but affected only 8% of imports.

The indicators also revealed that, by product group, metals and wood showed a significant increase in the frequency index in 2015–2018: metal products increased from 20% in 2015 to 42% in 2018, affecting 23% of imports in 2015 and 48% in 2018. The main reason for the significant increase was the issuance of Ministry of Trade Regulation No. 82/2018 Jo. 22/2018 on imports of iron and steel. Several new regulations on national

standards for metal products issued by the Ministry of Industry and the Ministry of Communication and Information also contributed significantly to the increase of NTM incidence for metal products. The frequency index of wood products increased from 30% to almost 80%, affecting 23% of imports in 2015 and 80% of wood product imports in 2018. The reason was the issuance of Regulation No. 84/M-DAG/PER/2016 Jo. 12/M-DAG/PER/2/2017 on Export Provisions for Forestry Industrial Products, which aimed to protect the environment by introducing certification requirements for the export of forestry products.

The prevalence score measures the average number of NTMs applied to a traded product (Figure 3.4c). The score does not measure stringency but provides some indication of the level of regulatory obligations that trade flows face. In practice, many products are affected by more than one regulatory measure. For example, a product could be subject to a sanitary standard, a technical measure of quality, and some licensing. The greater the number of NTMs applied to the same product, the more regulated the commerce of that product, especially if measures are from different HS chapters (Cadot et al., 2018).

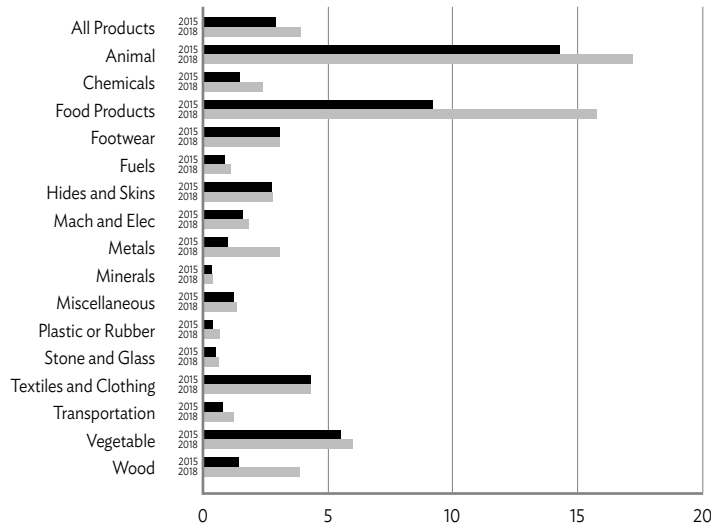
The prevalence score of all imports was 3.5 in 2015 and 4.5 in 2018. The product groups with the higher prevalence score were animal and food products (more than 15). However, the NTMs were mostly SPS measures for consumer protection. This was in line with the previous two indicators, which showed that animal and food products had a high frequency index for imports, affecting almost 100% of imports. The prevalence score index confirmed that the animal and food sector was the most heavily regulated and where sanitary standards were stringently applied. Animal and food products were intensively subject to technical measures of quality and some non-automatic licensing. These products had not only a high prevalence score but also an increasing one. The prevalence score for animal products increased approximately from 15 to 18, and for food products, from 10 to 18 (Figure 3.4c).

### **3.2. Export Non-tariff Measure Indicators**

Animal and vegetable products had the highest frequency index: almost 1. This means that almost all export tariff lines of animal and vegetable products were subject to at least one NTM and affected 100% of Indonesian animal and vegetable exports. Figure 3.5a presents the 2015 and 2018 export NTM frequency index by HS 2 product group, while Figure 3.5b presents the 2015 and 2018 export NTM coverage ratio by HS 2 product group. For all products, the export frequency index was relatively lower, about 0.2, than the import frequency index. However, export NTMs affected 50% of exports. The prevalence of export NTMs could result in trade restriction, reducing the government's

export revenue and negatively affecting the state budget. Licensing or permits and registration requirements contributed almost 25% of total export NTMs. Almost 10% of export NTMs on animal and food products were subject to export price control measures.

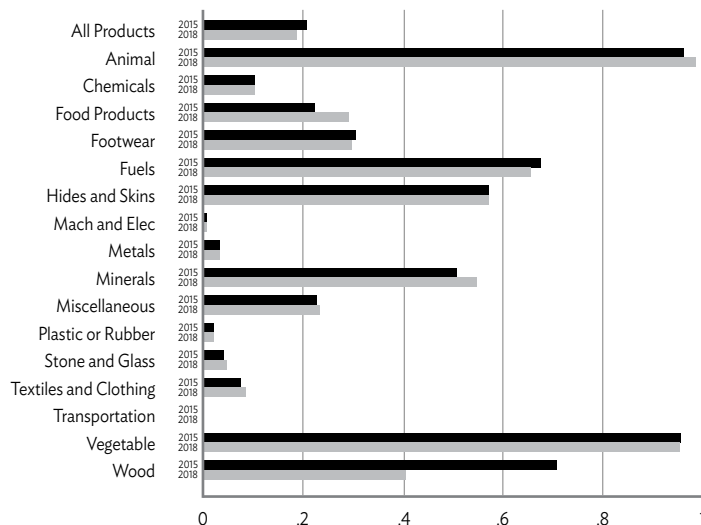
**Figure 3.4c: Prevalence Score of Imports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA-UNCTAD (2018).

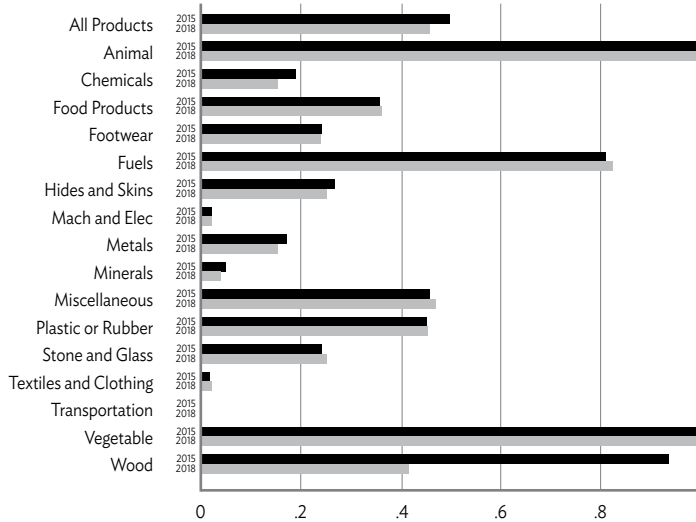
**Figure 3.5a: Frequency Index of Exports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA-UNCTAD (2018).

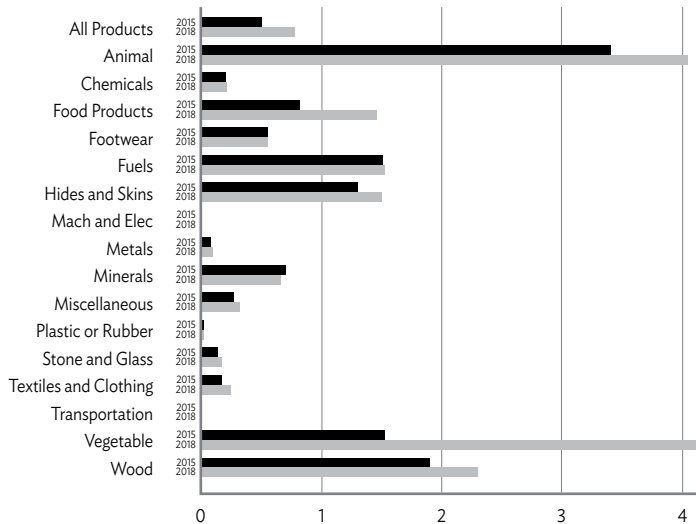
**Figure 3.5b: Coverage Ratio of Exports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA-UNCTAD (2018).

**Figure 3.5c: Prevalence Score of Exports, Country Total, by HS 2 Product Group, Indonesia, 2015 and 2018**



HS = Harmonised System.

Source: Author, based on ERIA-UNCTAD (2018).

Wood exports saw a decrease from 71% to 40% in frequency index in 2015-2018, from 40% to almost 71%. As a result, the number of affected export tariff lines significantly increased. In 2015, the export NTM regulations on wood affected only 41% of total wood



exports; in 2018, they affected almost 95%. The frequency indices for other exports were relatively stable, partly due to government policy to substitute imports by limiting or halting exports of strategic commodities to ensure adequate local supplies. This policy affected commodities such as rattan, cocoa, and mineral ores; another justification for this provision was to allow better management of the trade balance.

At around 1 in 2018, the export prevalence score was smaller than the import prevalence score. Animal and vegetable products had a relatively high prevalence score (Figure 3.5c).

Animal products had a high and increasing prevalence score, from 3.2 to 4.2. The prevalence score for vegetables increased even more, from 1.5 to 4.4. This implies that the two sectors had become more regulated than other product groups.

## **4. Conclusions and Policy Recommendations**

Indonesia's regulations are changing rapidly, particularly those related to NTMs, a situation aggravated by the fact that the authority to issue NTM regulations is held by 13 agencies, each with its own mandate. This makes monitoring NTMs difficult, especially since there is no dedicated institution supported by a competent workforce to carry out NTM regulatory review and stocktaking.

One would expect that the number of NTMs should have been reduced when the government undertook regulatory reforms as committed by President Joko Widodo. However, the key findings from our updated database show the opposite. The number of NTMs increased significantly. New NTM regulations issued after 2015 contributed to the increasing number of NTMs. Other indicators – the frequency index, coverage ratio, and prevalence score – showed the same trend in 2018. On the surface, this evidence seems inconsistent with the government commitment to create a better business environment, as increasing NTMs could burden businesses.

A deeper examination of the structure of NTMs, however, suggests that the increase is not necessarily a bad sign, and Indonesia is moving in the right direction because (1) the Ministry of Agriculture and the National Agency of Drug and Food Control have reduced the role of the Ministry of Trade, and (2) the increase in SPS measures implies that the purpose of the NTMs is mainly to protect consumers and the environment. It is alarming, however, when NTMs are issued for non-legitimate reasons.

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