



UNITED ARAB EMIRATES
MINISTRY OF ECONOMY



THE UAE – INDONESIA

Comprehensive Economic
Partnership Agreement



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**STRATEGIC
CASE**

Introduction

A Comprehensive Economic Partnership Agreement (CEPA) with Indonesia is one of the key pillars of the UAE's new foreign trade agenda, adopted in September 2021 to adapt to an increasingly complex economic environment still recovering from the impact of COVID-19. The UAE sought expand bilateral trade ties with like-minded nations and enhance its global competitiveness, increase foreign direct investment, attract leading international talent, and position the country as a global hub for trade, business and innovation.

As a nation located at a key crossroads between Asia, Europe and Africa, trade will play a role in the UAE's efforts to double the size of its economy to AED 3 trillion by 2030. Today, the UAE's non-oil economy represents more than 70 percent of its GDP, and its logistics network extends to more than 400 global cities. The CEPA model is central to the UAE's efforts to boost exports by 50 percent in the next few years and stimulate long-term, sustainable economic growth by attracting investment in priority sectors.

Indonesia was a natural partner for these efforts. The world's fourth-most populous country, the largest Muslim country in the world, and a long-standing trading hub at the heart of the emerging south-south corridor, Indonesia holds the potential to strengthen key supply chains and create new opportunities in the Halal economy.

The UAE-Indonesia CEPA has been designed to create a new platform for these efforts. By catalyzing trade flows, improving market access, removing unnecessary barriers to trade and promoting private-sector collaboration, this deal will benefit consumers, manufacturers and investors, drive growth, raise living standards and lower prices when it is most needed. The UAE is committed to creating new economic opportunities for the future and ensuring that a CEPA with Indonesia works for everyone.



Economic Recovery



Trade has always been vital to the UAE. From the spices and pearls of our earliest days to the barrels of oil that sparked our transformation into a modern, global economy, the movement of people, capital, services and ideas has provided a source of wealth, opportunity and innovation. Emerging from the pandemic and confronting a new economic landscape, we must remain open to continuous exchange.

Despite the impact of Covid and the subsequent pressure on supply chains, the UAE continues to believe in economic and strategic cooperation with the international community. Our growth ambitions are being built on openness to global markets and the free flow of goods and capital, and our agreement with Indonesia restates our conviction that multilateralism remains the best means of creating opportunity in a fast-changing world.

The UAE-Indonesia CEPA will enhance the efficiency, sustainability and strength of critical supply chains in Asia and secure a stronger, more resilient economic future for both nations.

UAE and Indonesia Key Allies

The UAE-Indonesia CEPA builds on 47 years of strong, bilateral relations, and lays the foundations for an ambitious partnership that creates new opportunities for exporters and manufacturers, drives investment into priority sectors, and creates a platform for collaboration in research and development.



The UAE and Indonesia already enjoy strong trade relations. In 2022, the total value of non-oil trade between the UAE and Indonesia reached nearly US\$4.1 billion, growing by 31 percent from 2021 and 112 percent from 2020. The UAE also ranked as Indonesia's number one non-oil trading partner in 2022, accounting for 24 percent of Indonesia's non-oil trade with Arab countries. Moreover, as Muslim-majority countries with young, multi-ethnic, multi-faith populations and strong trading histories, the CEPA reflects the nations' many shared interests, values and ambitions.

Indonesia is also the world's largest archipelago and 10th largest economy in terms of purchasing power parity. The UAE-Indonesia CEPA will offer UAE exporters and investors an important bridge into the heart of the rapidly expanding Asian economy, providing expansion opportunities in sectors such as logistics, energy and tourism. In turn, the deal opens up market access for key Indonesian exports such as agricultural products, gold, plastic and steel.

With shared interests and common visions, the UAE and Indonesia are continuing to work together to promote the development of trade, investment and innovation and address shared global challenges. From security and trade to climate action, healthcare and education, the UAE's partnership with Indonesia is helping build a more prosperous future.

Reinforcing UAE's Position as Global Hub for Business



The UAE's CEPA program, which was launched in September 2021 to lay the foundations for the next 50 years of economic growth, is key to consolidating the UAE's position as a major regional and international trade hub. This new trade agenda is allied to a range of business-friendly policies and reforms that have smoothed pathways for investors and talents, and helped create a vibrant ecosystem for businesses in all industry sectors.

Whether it's the internationally competitive legal and business environment, 100 percent foreign ownership laws, efficient set-up procedures, variety of free zones, high-caliber, multi-national human resources or a state-of-the-art logistics infrastructure, the UAE offers Indonesia's manufacturers and exporters an unrivalled platform for expansion into the Middle East, Europe and Africa.

Importantly, 28 percent of the UAE's total trade in 2022 is re-exports, and the UAE-Indonesia CEPA will help accelerate the movement of goods through the UAE's state-of-the-art ports and world-class airports and onto the 400 cities to which they connect directly.

Developing The Halal Economy

The UAE-Indonesia CEPA will help develop and expand the Halal economy. The agreement includes a specific chapter that commits both parties to promoting Islamic sectors, including food, fashion, finance, tourism and pharmaceutical sectors, and will help strengthen Halal compliance across different product categories.

The opportunity is significant. The global Halal economy is projected to be worth US\$3.2 trillion by 2024 globally, making it one of the fastest-growing sectors of the global financial system and, for the UAE, a key platform for economic diversification. Halal lifestyle consumer demand among members of the Organisation of Islamic Countries (OIC) was US\$1.7 trillion in 2021, which represents 79 percent of the global spend in the sector.

With Indonesia one of the 20 global exporters of Halal economy products, stronger ties can help accelerate the growth of this sector and help close a halal trade deficit of US\$63 billion among OIC countries.



Opportunities for Entrepreneurs, Businesses and Investors

The UAE-Indonesia CEPA is a milestone achievement for both the UAE and Indonesia that will establish a new era of progress and prosperity for the people of both countries.

Key benefits of CEPA

- **Providing certainty and market access for UAE services businesses** by securing commitments from Indonesia on access to its market and fair competition in key UAE services sectors, such as financial, and transport services, as well as construction, health and tourism services. The CEPA also sets clear and transparent rules to trade, improving the ease of doing business for UAE service sector companies looking to expand to Indonesia and export services abroad.
- **Reducing barriers to trade in goods** through simpler customs procedures, lower or zero tariffs, and modern rules to trade. The CEPA will enable the UAE's new or existing exporters to Indonesia to trade more easily and at lower costs, while also benefitting UAE consumers.
- **Creating new opportunities in the Halal economy** by including of a chapter that commits both parties to promote current and future areas of one of the world's fastest growing sectors.
- **Protecting intellectual property rights** with a framework that is stronger than the World Trade Organization's standards. This will promote innovation in science, technology and other knowledge-based industries.
- **Shaping the rules for digital trade** to ensure online consumer protection, allow for the free flow of data, and enable the use of digital technologies in business while still protecting intellectual property rights. The UAE is prioritizing a digital-first economy and this CEPA will reduce obstacles for UAE companies operating in the digital economy, helping to stimulate investment in new technologies and accelerate digital transformation in the UAE.
- **Promoting collaboration on shared global challenges** through stronger economic ties. The UAE CEPA with Indonesia encourages greater partnership and cooperation on global issue areas such as new technology development, environmental policies and practices, and agriculture, forestry and fisheries.
- **Enabling SMEs to export goods and services to Indonesia.** SMEs are fundamental to the UAE's modern, knowledge-based economy. The sector accounts for 95 percent of the companies operating in the UAE and contributes more than 50 percent of the UAE's GDP. This CEPA will provide a platform for SMEs based in the UAE to expand and grow into new exciting markets, with enhanced access to new customers, networks, avenues of collaboration and mechanisms to scale at speed.
- **Exchanging best practices** while seizing the opportunity to utilize the CEPA as a stepping-stone to expanding Asian markets.

Unlocking new opportunities for UAE businesses

- For the first time, in many sectors, UAE firms are now able to compete for some of Indonesia's government purchases on a nondiscriminatory basis.
- The UAE exports now benefit from duty-free treatment, including petrochemicals, ceramic and some steel products.
- The UAE CEPA also achieved better market access for trade in services sectors such as healthcare, distribution, education, transportation, construction, telecommunications, tourism, finance and insurance.



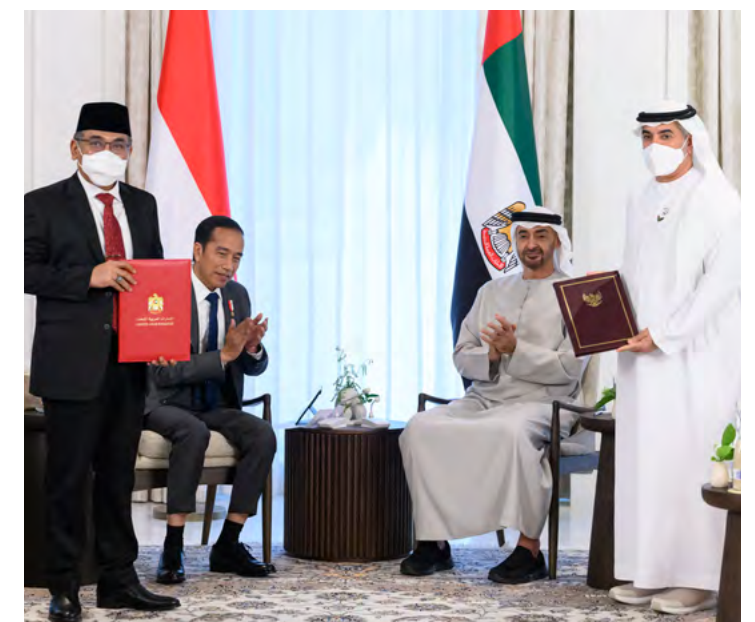
CEPA OBJECTIVES

Overall Objectives

For the UAE, the primary goal of the CEPA with Indonesia is to champion the private sector by reducing barriers to UAE exports, protecting UAE interests competing abroad, and ensuring fair and transparent rules of trade. Through the CEPA, UAE businesses can now enter and compete more easily in Indonesian's market and export their products and services to Indonesia at lower costs.

The UAE also aims to strengthen the longstanding UAE-Indonesia economic partnership and build upon their close economic ties and shared commitment to economic development and human prosperity. The UAE and Indonesia established diplomatic relations 45 years and their strong trade and investment relations paved the way for this CEPA, which will transform bilateral economic ties, open up emerging trade routes between Africa and Asia, promote global trade liberalization and drive economic growth in a post-COVID world.

Recent global and regional economic downturns have propelled the UAE to diversify its trade. The UAE ambition for its CEPA with Indonesia is to increase the resilience of the UAE's supply chain and secure its future economy from supply chain disruptions and economic shocks. At the same time, the UAE is actively working to improve supply chain efficiencies for global trade through new technologies and best-in-class logistics value chain capabilities.



While the UAE-Indonesia CEPA governs the rules of trade between the two nations, it takes into consideration the UAE's constitutional arrangements and obligations and builds on the UAE's existing international commitments. Most importantly, the goal of this CEPA is to achieve the UAE's trade and investment objectives without compromising on the UAE's high level of standards and protections for UAE consumers.

Overview Of Chapters

Trade In Goods Goods Market Access

- Ensures fair competition with UAE products by prohibiting the use of export subsidies in the export of Indonesian products destined to the UAE.
- Sets strict rules on import licensing procedures to ensure these procedures do not create unnecessary barriers for UAE products entering the Indonesian market.
- Establishes a base for broadening the scope of tariff elimination on goods in the future.
- Creates a joint mechanism for consultations between the UAE and Indonesia on non-tariff measures that may potentially create barriers to trade.

Customs and Trade Facilitation

- Enhances cooperation between the UAE and Indonesian customs authorities to ensure clear and efficient customs procedures that are essential to streamline the movement of goods across borders.
- Commits both Parties to implementing the Mutual Recognition Arrangement of their respective

Authorized Economic Operator (AEO) programs, providing the UAE and Indonesia with access to significant supply chain benefits, including customs and logistics advantages and fewer security and compliance controls, in each other's country.

Technical Barriers to Trade

- Ensures that the product rules adopted by each country, such as technical regulations (e.g., product size, weight, packaging, ingredients, marking, labeling, etc.) and conformity assessment procedures (e.g., procedures for sampling, testing, inspection, evaluation, accreditation and approval, etc.) are non-discriminatory and do not create unnecessary obstacles to trade.
- Facilitates information exchange and cooperation between the UAE and Indonesia on technical regulations and conformity assessment procedures to promote mutual understanding of each other's product rules and greater transparency regarding the objectives and rationale for the product rules introduced or adopted by each country.

Sanitary and Phytosanitary Standards

- Ensures that any sanitary and phytosanitary measures, the rules and procedures used to protect human, animal or plant health, taken by the UAE or Indonesia do not create unnecessary obstacles to trade.
- Strengthens cooperation between the UAE and Indonesia's competent authorities on assessing the risks to human, animal or plant life, increasing transparency and understanding of the SPS measures applied by each country, and achieving an equivalent level of health protection through the SPS measures applied by either country.
- Encourages the UAE and Indonesia to take into account science-based international standards, guidelines, and recommendations in the development and adoption of any measures taken to ensure food safety and protect animal and plant health.

RULE OF ORIGIN:

- The rules of origin set the conditions that govern the eligibility of products traded between the UAE and Indonesia that can benefit from preferential tariff treatment (e.g. reduction or elimination of customs duties) under the agreement. To qualify for preferential tariff treatment, products exported from the UAE or Indonesia must satisfy one of the following two criteria:
 1. **Substantial transformation:** The value-add (i.e. the minimum requirement for local content) needs to be at least 35% of the ex-works price of the finished product;
 2. **Product Specific Rules (PSRs):** The PSRs will be agreed upon within 1 year of the agreement entering in force and will primarily focus on the Change in Tariff Classification (CTH) criteria.
- Any goods produced in free zones that satisfy the rules of origin criteria above can also benefit from the preferential treatment under this agreement.

Trade In Services

- Establishes rules and disciplines for cross-border trade in services and identifies the service sectors in the UAE and Indonesia that will be granted market access based on certain conditions set by each country and national treatment (i.e. requirement by the importing country to treat foreign services and service suppliers no less favorably than its own "like" services and services suppliers).
- Provides the UAE with market access and national treatment for a broad range of service sectors including telecommunications, construction education, finance, insurance, health, tourism, travel, distribution and transport.
- Allows for the temporary presence of business visitors and intra-corporate transferees from the UAE and Indonesia to supply services in each other's country.





Digital Trade

- Ensures that the UAE and Indonesia will not impose any customs duties on electronic transactions, aligning with current practices of the WTO.
- Encourages greater cooperation on areas including electronic authentication and electronic signatures, online consumer protection, personal data protection, paperless trading, unsolicited commercial electronic messages, cross border flow of information and use of the internet for digital trade.
- Opens up future cooperation on areas related to the digital economy, e-commerce and cyber security.
- Excludes the digital trade chapter from dispute settlement.

Intellectual Property

- Strengthens the protection of intellectual property rights, particularly in areas related to patent grace period, protection of undisclosed test or other data for pharmaceutical products, well-known trademarks, and country names.
- Promotes transparency and ensures the UAE and Indonesia provides accessible information regarding intellectual property availability, scope, acquisition enforcement, and prevention of abuse in both countries.
- Encourages cooperation on intellectual property issues relevant to SMEs, science, technology, and

innovation activities, as well as the generation, transfer, and dissemination of technology.

- Affords protection to well-known marks, regardless of whether they are registered, and provides a way to refuse or cancel the registration and prohibit the use of well-known marks from UAE or Indonesia when applied for or used by an unauthorized party that would likely cause confusion with identical or similar marks or could deceive the public.

Government Procurement

- Creates opportunities for the UAE goods and service suppliers to participate in the bids offered by Indonesia's government agencies.
- Allows both countries to benefit from the experiences and expertise of the other in managing government procurement.
- Creates opportunities for Indonesia goods and service suppliers to participate in the bids offered by the UAE's federal authorities in accordance with the following parameters:
 1. Supplier offers a product/service not available in the local market.
 2. Absence of a local distributor.
 3. Absence of alternative products in the local market.
 4. Vast difference in price between local and external supplier.

Trade Remedies

- Establishes preferential trade remedy measures to prevent unfair competition, such as dumping and subsidies for imported goods, to ease the trade remedy investigation process, and to enable consultations before the initiation of a trade remedy investigation.
- Establishes rules and procedures for implementing bilateral safeguard measures if imported goods under tariff elimination suddenly surge to quantities that has the potential to cause or threaten serious damage to the domestic industry.
- Ensures due process rights in trade remedy investigations for the best interest of UAE and Indonesian exporters by ensuring proper and timely notifications.



Dispute Settlement

- Enables consultations and mediation between the UAE and Indonesia on any issue or dispute concerning the interpretation and application of this agreement with a view to reaching, where possible, a mutually agreed solution.
- Establishes clearly-defined rules, procedures and timetables for completing a dispute settlement case if the UAE or Indonesia fail to comply with its obligations under the CEPA, including principles and procedures for financial compensation and trade retaliation, the remedy of last resort in the dispute settlement system.
- Establishes an effective and timely dispute settlement system that requires the final panel report to be delivered to the UAE and Indonesia within one-hundred-and-twenty (120) days from when the panel was formed.
- Regulates the process to implement the final panel report, sets rules on the temporary remedies implemented in case of non-compliance with the panel report, and institutes the right to suspend benefits or other obligations if the responding party does not comply with the panel report.

Investment

- Refers to the UAE-Indonesia Bilateral Investment Treaty (BIT), signed in 2019, and any subsequent amendments.
- Establishes the UAE-Indonesia Technical Council on Investment with the objective of promoting, facilitating and monitoring the investment activities, as well as identifying opportunities to expand investments, exchange information, increase partnership between SMEs, remove impediments facing investment flows and facilitate and support the investment of sovereign wealth funds.
- Excludes the investment chapter from dispute settlement.

Small And Medium-Sized Enterprises

- Enables SMEs in the UAE and Indonesia to access the information necessary to enter into each other's market, including laws, regulations, procedures, business registration, technical regulations, standards and SME programs.
- Strengthens cooperation between dedicated SMEs centers, incubators and accelerators, export assistance centers, SMEs owned by youth and women and start-ups.
- Establishes an SME committee with clear functions to enable SMEs engagement and provide them with tools to benefit from the opportunities provided in the CEPA.

Islamic Economy

- Commits the UAE and Indonesia to promoting current and future sectors of the Islamic economy.
- Encourages greater facilitation and promotion of investment, financing, trade in, and dissemination of, goods and services that contribute to the development of Islamic Economy.



Economic Cooperation

- Encourages future cooperation in areas not covered in other chapters, including areas such as tourism, health, competition policies, agriculture and fisheries.
- Enables consultations and cooperation on important areas of future interest for both countries.
- Establishes a special committee for monitoring the effective implementation of this chapter based on an annual program to be adopted by the Joint Committee.

General Provisions

- Establishes, in accordance with the Joint Committee power, a mechanism to review and assess the results and overall operation of the agreement in the light of the experience gained during its application and its objectives.
- Provides the UAE and Indonesia with the possibility to consider any amendments to the Agreement that may be proposed by either Party, including the modification of concessions made under this Agreement.
- Encourages the UAE and Indonesia to amicably resolve disputes arising from the interpretation or application of this agreement, or any other agreement relating to market liberalization to which they are both parties.





CONSULTATIONS ON TRADE NEGOTIATIONS

Consultations On Trade Negotiations

Overview

The UAE implemented a whole-of-government approach in its CEPA negotiations with Indonesia. The UAE trade negotiation team is led by the Ministry of Economy and includes members from numerous UAE government and private sector entities who have a stake in the UAE's future. The UAE trade negotiation process involves an economic feasibility analysis of a potential CEPA with a partner country, consultations with private sector stakeholders, an agreed upon scope and terms of reference with the partner country, and rounds of negotiation working group sessions across every CEPA chapter.

The UAE CEPA with Indonesia covers 18 chapters, 7 annexes and three side letters, all of which are available on the Ministry of Economy website at <https://www.moec.gov.ae/en/cepa>.

Throughout the negotiation process with Indonesia, the UAE consulted with the private sector and received feedback on chapter provisions and market access offers/requests from companies across a range of industries. These consultations helped to safeguard the UAE's economic interests in Indonesia and secure the best deal for UAE businesses.

CEPA Governance

The UAE Cabinet reviews and gives final approval on all Comprehensive Economic Partnership Agreements, paving the way for ratification.

The UAE Trade Negotiation Higher Committee reviews final terms of the CEPA and manages strategic matters and sensitive issues.

The UAE Trade Negotiation National Committee reviews and approves final CEPAs, manages partner country relations, develops CEPA strategy for each partner country, and supervises the CEPA process and strategic communications.

The UAE trade negotiation team is comprised of experienced economists, trade analysts, legal and public relations experts from various government and private sector entities.

ECONOMIC IMPACT

Economic Impact

Overview

As with the UAE's other CEPAs, this deal is central to its efforts to build its economy over the next 50 years. It is the third bilateral deal that the UAE has signed, and it will cement the UAE's position as a global economic hub.

- In terms of numbers, the CEPA will:
 - ▷ Push bilateral trade flows from US\$3 billion to beyond **US\$10 billion** within five years.
 - ▷ Add **0.87%** to UAE GDP by 2030 – or **US\$4.6 billion**
 - ▷ Increase exports by **0.64%** by 2030 – with a value of **US\$3.2 billion**
 - ▷ Increase the value of trade in services to **US\$630 million** by 2030
- It will do this by:
 - ▷ Removing or reducing tariffs
 - ▷ Removing non-tariff barriers to trade
 - ▷ Facilitating market access for services sectors
 - ▷ Providing a platform for SMEs to expand internationally
 - ▷ Promoting and facilitating investment

The UAE-Indonesia CEPA will also enable greater investments in priority sectors such as:

- ▷ Logistics
- ▷ Renewable energy
- ▷ Manufacturing
- ▷ and **the Halal economy**

- The **Islamic Economy** is particularly interesting. The CEPA commits both parties to promoting current and future sectors of the Islamic economy.
 - ▷ The global Islamic economy will be worth **US\$3.2 trillion by 2024** globally, making it one of the fastest-growing sectors of the global financial system and a key platform for economic diversification.

- ▷ This CEPA will grow the Halal food and beverage, fashion, cosmetics, finance and pharmaceutical sectors – in which the UAE ranks in the top 5 nations.

Next Steps

- The UAE will continue to consult with stakeholders through formal and informal mechanisms as we develop our independent trade policy further and work to expand our network of CEPAs.
- Upon entry into force of our CEPA with Indonesia, we encourage private sector companies to share any feedback on issues that arise or barriers to trade in leveraging the benefits of this CEPA with our team at CEPA@economy.ae.





www.moec.gov.ae/cepa

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