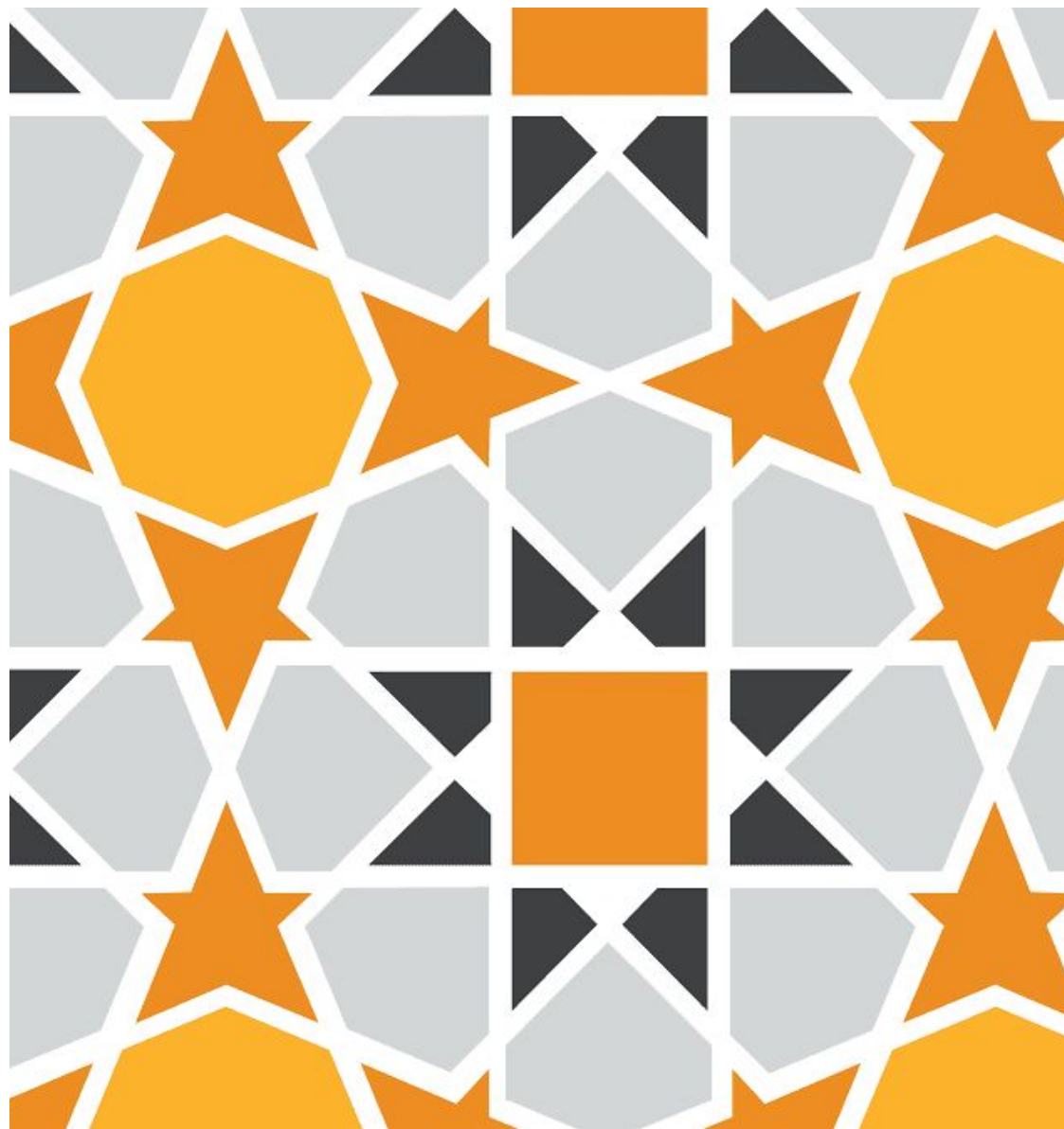


# UAE-Indonesia Comprehensive Economic Partnership Agreement (CEPA) enters into force

The CEPA is expected to increase annual bilateral trade to \$10 billion within five years by removing trade barriers on a wide range of goods and services

September 2023





## In brief

### General overview

The UAE Ministry of Economy has recently published the full text of the CEPA signed between the Government of the United Arab Emirates (UAE) and the Government of Indonesia (Indonesia).

The landmark agreement was signed on 1 July 2022 and has officially entered into force on 1 September 2023. The agreement is expected to increase annual bilateral trade to \$10 billion within five years by removing trade barriers on a wide range of goods and services, creating new opportunities for UAE exporters. The deal has the potential to increase the total value of trade in services between the UAE and Indonesia to \$630 million by 2030.

The CEPA is particularly focused on key sectors such as agriculture, food production, logistics and advanced technologies, echoing the UAE's economic drive towards sustainability, sound economic growth and innovation.

UAE businesses engaged in international trade with Indonesia should look at the rules of origin defined in the CEPA to maximise the benefits. The full text of the agreement can be accessed [here](#).

### Key benefits of UAE-Indonesia CEPA

UAE-Indonesia CEPA guarantees key benefits such as:


 <p>Exchanging best practices</p>	 <p>Reduced barriers to trade in goods</p>	 <p>Shaping the rules for digital trade</p>
 <p>Providing certainty and market access for UAE services businesses</p>	 <p>Enabling SMEs to export goods and services to Indonesia</p>	

### Unlocking new opportunities for UAE businesses

The UAE-Indonesia CEPA has unlocked for the first time new opportunities for UAE companies trading or planning to trade with Indonesia. These opportunities include:



UAE exports now benefit from duty-free treatment, including petrochemicals, ceramic and steel products.



Better market access to Indonesia's services market in sectors including healthcare, distributions, education, transportation, construction, telecommunication tourism, finance and insurance.



The UAE-Indonesia CEPA is expected to increase annual bilateral trade to \$10 billion within five years by removing trade barriers on a wide range of goods and services, creating new opportunities for UAE exporters.





## In detail

The CEPA makes commitments in multiple areas such as trade in goods and services, rules of origin, customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary standards, digital trade, investment, intellectual property, government procurement, trade remedies, dispute settlement, SMEs, and economic cooperation.

Notable benefits of the CEPA for the UAE and Indonesia include:

### 1. Lower tariffs for trade in goods

In terms of trade in goods, both countries can now benefit from greater market access through preferential tariff rates due to the reduction or elimination of customs duties on originating goods.

Under the CEPA a significant amount of originating goods will eventually be subject to 0% customs duties. Some tariff lines will access complete customs duty elimination immediately upon entry into force, others will be eliminated over a period of up to 5 years, and the rest will be reduced, as compared to the existing customs duty rates. The tariff elimination/reduction schedules and timelines vary depending on the nature of the goods. In addition, some tariff lines are excluded from the preferential treatment, prohibited or included in the special goods category.

UAE goods shipped to Indonesia that comply with the Rules of Origin (RoO) will be granted one of the following three statuses: Tariff Elimination at Entry Into Force (EIF), Tariff Elimination within 5 year (NT 5), or a Tariff Reduction Immediately (TR)

Non-comprehensive examples of the tariff schedule for UAE goods imported into Indonesia include:

- EIF - customs duty to be made 0% at entry into force:

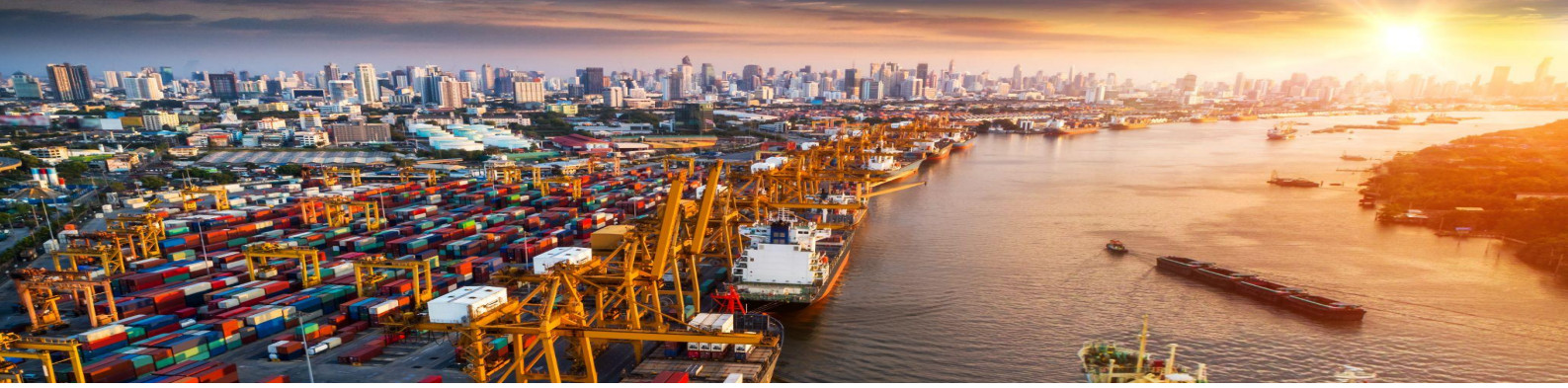
HS code	Description
76141010	Electric wire & cable, not insulated.
84381000	Bakery machinery & machinery for the manufacture of macaroni, spaghetti or similar products.

- NT 5 - customs duty to reach 0% in 5 years:

HS code	Description
73269095	Tool boxes, of iron or steel.
83071000	Flexible tubing of iron or steel, with or without fittings.

- TR - customs duty to be reduced immediately:

HS code	Description
76011000	Unwrought aluminium, not alloyed.
82121010	Safety razors, & their base metal parts & blades, finished or not, non-electric.



## In detail (cont'd)

For a product to benefit from the preferential tariff treatment, it must comply with the following RoO stipulated by the CEPA:

1. Be wholly obtained or produced in the territory of the contracting party; or
2. Have undergone sufficient working or production to be regarded as “substantially transformed”;

With regards to the second requirement, products are regarded as “substantially transformed” if they generally meet either one of the following:

- The value add of the final good is at least 35% of the ex-works value. This value can be attributed to the cost of originating raw materials and/or production costs;
- The value add of the final good is at least 40% of the FOB value; or
- The manufacturing of the goods has resulted in a change in tariff classification of the products. This generally means that the tariff code of the non-originating raw materials used in production is different to the tariff code of the final manufactured product.

The agreement also stipulates that products manufactured in a free zone situated within either country, shall be considered products originating in that country and eligible for the preferential treatment.

Compliance with the RoOs needs to be supported by a proof of origin, which can be provided by any of these means: paper certificate of origin, fully digitalized certificate of origin, or a declaration of origin made by an approved exporter.

### 2. Customs and trade facilitation

In alignment with the WTO’s agreement on Trade Facilitation (TFA) and the World Customs Organisation (WCO), the CEPA introduces measures to facilitate cross-border trade of goods and ensure efficient customs procedures, such as issuing customs rulings prior to import, facilitating cross-border clearance for economic operators, and adopting international best practices of customs management techniques.

In addition, the CEPA enables specific forms of cooperation and trade facilitation through agreements on mutual administrative assistance on customs matters and mutual recognition of Authorized Economic Operators (AEO) schemes, ensuring that ‘trusted traders’ face fewer controls relating to safety and security when moving cross-border goods.

### 3. Trade in services

Indonesia has offered market access to the UAE to the broad service sectors, such as telecommunications, construction, education, finance, insurance, health, tourism, travel, distribution and transport. Moreover, the agreement 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.

### Additional provisions adopted by the CEPA

In addition to tariffs elimination and reduction, the agreement includes other key provisions that will benefit exporters and importers both from UAE and Indonesia, as well as service providers. Some of these benefits include:

- Further cooperation in relation to the agreement on Technical Barriers to Trade (TBT), to ensure that 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
- Promotion of trade opportunities for small and medium sized enterprises such as promotion of digital trade and ease of access of information for SMEs, and collaboration to identify new commercial opportunities; and
- agreement on transparency and impartiality on government procurement.

# The takeaway

The UAE-Indonesia CEPA has come into force in 1 September 2023, and businesses trading in goods and services between the UAE and Indonesia are encouraged to evaluate how they can benefit from the opportunities that this new CEPA brings to the UAE.

Origin compliance management and proactive application of preferential tariff treatment should be prioritised to optimise the benefits. The implementation of the additional tariff reductions, customs procedures, rules of origin and other technical standards should be actively monitored to further reduce the costs and enhance efficiencies in the supply chain. The approved exporter status is another key highlight to reduce administrative burden and maximize savings.

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## Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

### Carlos Garcia

Middle East Customs & International Trade Leader

+971 56 682 0642

[c.garcia@pwc.com](mailto:c.garcia@pwc.com)

### Rakan Alhiary

Director, Customs & International Trade

+966 54 940 8357

[rakan.alhiary@pwc.com](mailto:rakan.alhiary@pwc.com)

### Mbali Nkuna

Senior Manager, Customs & International Trade

+971 54 793 3582

[nkuna.mbali@pwc.com](mailto:nkuna.mbali@pwc.com)

### Sarah McEvitt

Manager, Customs & International Trade

+971 50 191 4162

[sarah.m.mcevitt@pwc.com](mailto:sarah.m.mcevitt@pwc.com)

### Abdulla Alkaabi

Senior Associate, Customs & International Trade

+971 56 511 3971

[abdulla.a.alkaabi@pwc.com](mailto:abdulla.a.alkaabi@pwc.com)

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