

## **Executive Summary on Automotive Sector**

Despite the growth of the automotive sector in Indonesia and the clear assets provided by the EU industry (FDI of 300 million USD in 2010/2011 in Indonesia, world's technology leaders and largest investors in R&D), the European automotive producers still have a relatively small market share (2-3%), and the largest assemblers remain Japanese-owned or linked to Japanese companies through joint ventures. As a result, the EU Trade and Investment flows in this sector still tend to prefer neighbouring countries such as Malaysia and Thailand where the environment is regarded as more conducive.

The automotive sector meeting held in Bali on November 8<sup>th</sup> highlighted the followings:

- **SNI Regulations and Adoption of the UN/ECE 1958 Agreement**

The signature of the UN/ECE 1958 Agreement and the adoption of some its international automotive standards to be applied jointly with the domestic SNIs would: 1) ensure to the Government of Indonesia and the national manufacturers the possibility to influence the international regulatory process, 2) allow the Indonesian producers to raise the quality of their production and automatically grant them access to all foreign markets recognizing those standards, 3) benefit to the Indonesian consumers by giving them access to vehicle with an increased safety standards and environmental performance, 4) avoid to the Government of Indonesia to potentially set up Technical Barriers to Trade (TBT) and non-tariff barriers (NTB) to both EU and Indonesian exports, affecting bilateral trade.

- **Revision of the IKD Scheme and its tariff**

In order to strengthen the structure of the national automotive industry and increase the amount of FDI, the revision of the IKD scheme and its tariffs appear necessary. The significant effects of previous revision witnessed in the truck and bus industries – benefiting of 0% of import duty since 2010 – urge for the broadening of the IKD scheme to all types of



vehicles, the revision of the IKD breakdown and the implementation of similar tariffs in the non truck and bus industries.

- **Incentives for Clean and Efficient Vehicles**

Environmental issues are a major concern in the automotive industry worldwide. It is crucial for Indonesia to consider a long term plan for its automotive industry to achieve sustainable development including CO2 reduction and the promotion of the use of clean and efficient vehicles. 3 steps yet to be taken: 1) the implementation of a technologically-neutral and emission based taxation based on CO2 emission for all types of power-train including petrol, diesel, natural gas (CNG), hybrid, and electric vehicles, 2) the development of an environmental policy promoting the manufacturing of cleaner fuel for the local market to encourage the use of greener vehicles, 3) the acknowledgement of green (low emission and low fuel consumption) cars and the issuance of a regulation giving tax incentive for local production/assembling of green cars.

