Govt Eyes 6% Growth In Non-oil And Gas Exports

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The government is hoping to achieve 6.3 percent annual growth in non-oil and gas exports this year as Indonesia's trading partners have started rolling out coronavirus vaccines to emerge from the pandemic-induced economic downturn.

Trade Minister Muhamad Lutfi said on Friday that the growth target was based on the assumption that Indonesia's economy would recover this year in line with the forecasts of various international organizations.

"Of course, there will be many factors that come into play," Lutfi said during a virtual presser. "First is the success of vaccination, not only in Indonesia but also in its major trading partners. Second is the long-awaited reform through the Job Creation Law."

The COVID-19 pandemic has disrupted international trade and global supply chains as mobility restrictions around the world have hampered logistics. In addition, the slowing of the global economy has resulted in weak purchasing power and demand.

Indonesia's overall exports fell by 2.57 percent year-on-year (yoy) to US$163.3 billion last year while imports slumped by a steeper 17.35 percent yoy to US$141.6 billion. As a result, the country booked a trade surplus of $21.7 billion, the second-highest in history.

This year's target signaled an expectation for a rebound in non-oil and gas exports, which were down 0.58 percent to $155 billion in 2020 from a year earlier, according to the ministry, quoting data from Statistics Indonesia (BPS).

The unusually high surplus last year was due to declining domestic demand as consumer spending and investment shrank, Lutfi said, in line with the pandemic-induced economic downturn.

"Some 70 percent, or three quarters, of Indonesia's imports are raw and supporting materials. If raw and supporting materials are falling, it means industrialization in the country is also declining, perhaps because consumer spending is down," said the former Indonesian ambassador to the United States.

Indonesia's economy shrank 3.49 percent yoy in the third quarter of 2020, marking the country's first recession in around two decades. Consumer spending contracted by 4.04 percent yoy and investment expenditure by 6.48 percent yoy in the quarter.

The World Bank and the Asian Development Bank have forecast that the country's economy will grow 4.4 percent and 4.5 percent, respectively, this year.

To support the export target, the ministry is planning to promote exports of automotive products to new markets such as China, Brazil and Myanmar, metals to Turkey, the United Arab Emirates and the Philippines, rubber to China, Australia and Vietnam and electronics to the United States, Australia and China.

The Trade Ministry also plans to explore the formation of trade deals with the Southern African Customs Union and South American trade bloc Mercosur, according to Lutfi. It is also planning to negotiate a limited trade deal with the US.

Center of Reform on Economics (CORE) Indonesia executive director Mohammad Faisal expressed optimism that imports would grow this year as Indonesia's gross domestic product was expected to grow by at least 3 percent.

At the same time, he also expected higher exports — despite being still below 10 percent — as the country's main trading partners, such as China, recovered from the pandemic.

Moreover, the global economy is also forecast to grow by 5.5 percent yoy this year, according to the International Monetary Fund, which is expected to boost trade once again.

"The growth in imports will be higher than exports, although both are positive. So, a surplus will occur again in 2021, but lower than the surplus seen in 2020," Faisal told *The Jakarta Post* in a phone interview on Friday.

Separately, Indonesian Chamber of Commerce and Industry (Kadin) deputy chairwoman Shinta Kamdani said more opportunities were available as Indonesia had yet to optimally utilize its existing trade deals.

Under the general system of preferences (GSP) offered by the US, for instance, Indonesian exporters utilized only about one fifth of more than 3,500 zero-tariff commodities.

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