



**CONSULATE GENERAL OF  
THE REPUBLIC OF INDONESIA  
IN KARACHI**



**KARACHI CHAMBER OF  
COMMERCE & INDUSTRY**

# UNCOVERING THE DECLINE

Analyzing Pakistan's Top Import  
Products from Indonesia



**PRAC**  
POLICY RESEARCH  
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The findings and analysis are based on the data from the Pakistan Bureau of Statistics, (PBS), ITC Trade Map, and State Bank of Pakistan, and are the responsibility of the author(s) and do not necessarily reflect the opinion of these agencies. All data and statistics used are correct as of 5<sup>th</sup> July 2024 and may be subject to change.

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## **Executive Summary**

Pakistan and Indonesia enjoy longstanding diplomatic relations, underpinned by robust economic ties. Indonesia serves as a crucial trade partner for Pakistan, particularly in commodities like palm oil, which constitutes about 90% of Pakistan's palm oil imports. Despite this historical strength, recent data reveals a significant decline in bilateral trade activities, necessitating a thorough analysis of contributing factors and potential solutions.

This research identifies key products that have seen notable declines in trade volumes over the past five years, emphasizing the need for strategic interventions. Recommendations from a round-table discussion include advocating for streamlined business visas to facilitate bilateral trade, addressing price issues in palm oil, resolving anti-dumping duties on paper products, and leveraging upcoming business forums such as the Indonesia-South and Central Asia Business Forum (INASCA) in October 2024.

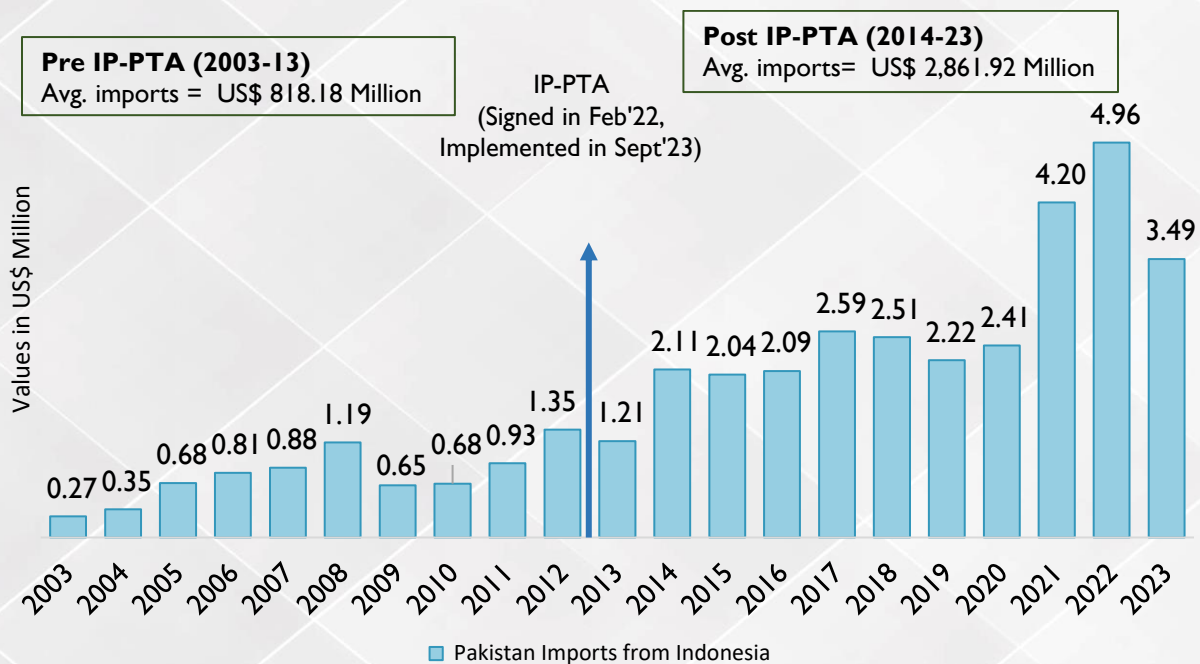
Challenges also include Pakistan's import restrictions on auto parts, impacting supply chains and costs for businesses reliant on these imports from Indonesia. Despite hurdles, opportunities exist in Indonesia's automotive sector, where Japanese manufacturers have established production facilities, offering potential for export opportunities and cost-effective parts for Pakistani markets.

To sustain and enhance trade relations, efforts should focus on renegotiating the Preferential Trade Agreement (PTA) to ensure equitable concessions and expanding it to a broader Trade in Goods Agreement (TIGA), aligning with proposals under review by Pakistan's Ministry of Commerce.

## Introduction

Pakistan and Indonesia have historically shared strong diplomatic relations, which have fostered robust economic connections over time. Indonesia has long been a crucial trade partner for Pakistan, supplying a wide range of essential commodities. Palm oil stands out as a major export, with Indonesia accounting for approximately 90% of Pakistan's total palm oil imports. In addition to palm oil, Indonesia also exports significant quantities of coal, textiles, paper and paperboard, and various consumer goods to Pakistan.

The trade between the two nations has shown a consistent upward trajectory. A significant milestone in their economic relationship was the signing of the Indonesia-Pakistan Preferential Trade Agreement (IP-PTA) in February 2012, which came into effect on September 1, 2013.



The above graph illustrates the impact of the Indonesia-Pakistan Preferential Trade Agreement (IP-PTA) on Pakistan's import values from Indonesia over two distinct periods: pre IP-PTA (2003-2013) and post IP-PTA (2014-2023), highlighting a remarkable growth of 250 percent, from an average of USD 818 million (pre IP-PTA), to reaching USD 2.86 billion, (post IP-PTA) following the Trade Agreement's implementation. This visual representation underscores the agreement's role in boosting bilateral trade between the two countries.

As illustrated in the graph, it can be seen that the bilateral trade relationship between Indonesia and Pakistan peaked in 2022, with the total bilateral trade volume reaching an impressive USD 5.1 billion. A significant portion of this trade volume was occupied by Indonesian exports to Pakistan, amounting to USD 4.95 billion, highlighting the strength of the trade ties and Indonesia's crucial role in meeting Pakistan's import needs.



Historically, the trade between these two nations has shown a positive upward trend, with expectations of continued growth. However, the recent data from 2023 and the calculations for Compound Annual Growth Rate (CAGR) over the past five years indicate a troubling trend as it marked a significant decline in trade activities between Indonesia and Pakistan.

This downturn has caused concern among the stakeholders, prompting a search for the root causes. Several factors could be contributing to this decline, including regulatory changes, market dynamics, logistical challenges, and shifts in consumer preferences. Moreover, global economic conditions and geopolitical factors coupled with internal policy changes in both countries have also played significant roles in this reduction.

Given the strategic importance of this trade relationship, understanding and addressing these issues is crucial for both nations. Efforts to analyze and overcome these challenges could help to revitalize and strengthen the trade bonds between Indonesia and Pakistan, ensuring a mutually beneficial partnership in the future.

In this regard, this research study aims to identify the key products that have experienced significant decline, while also exploring the underlying factors contributing to this trend. The research aims to offer a thorough analysis of the recent shifts in trade dynamics between Indonesia and Pakistan, aiming to illuminate their broader implications for future economic relations between the two countries.

## **Analysis of Top 20 Products**

The following table offers a comprehensive overview of Pakistan's imports from Indonesia, focusing on the top 20 products that have shown a decline over the past five years (FY 2019-23). The table includes the average imports of these products from Indonesia, categorized by decreasing Compound Annual Growth Rates (CAGR) over the specified period. Additionally, it identifies Pakistan's major importing partners for these products, highlighting the countries to which Pakistan has redirected its imports from Indonesia. Furthermore, an analysis of the average per unit price of these products is provided, comparing the costs faced by Pakistan when importing from Indonesia versus other countries.

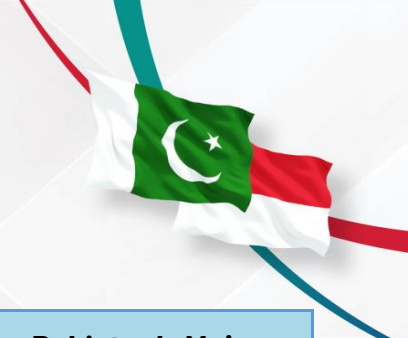
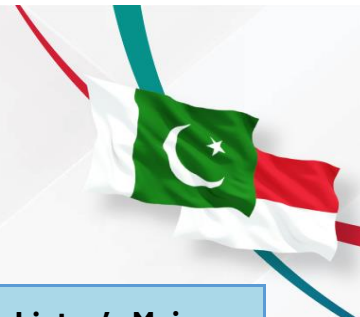


Table 1: Top 20 Products Experiencing Decline (FY19-23)

Product code	Product Description	Pakistan's Imports from Indonesia			Unit	Pakistan's Major Importing Partners & Price (FY23)
		Average (FY19-FY23)	CAGR (FY19-FY23)	Avg. Price Indonesia US\$/Unit		
27011200	Bituminous coal	131.86	-4.01%	65.27	MT	South Africa (-10.07%) Afghanistan (28.70%) - 46.9 US\$/Unit
87032191	Comp. of transport vehicles for < 10 persons	44.3	-33.42%	302.68	-	Thailand (-21.05%) S. Korea (107.71%) - 167.8 US\$/Unit
15111000	Crude palm oil	37.09	-48.87%	0.56	KG	Malaysia (-6.26%)
40012200	Technically specified natural rubber "TSNR"	24.04	-15.34%	1.9	KG	Malaysia (35.72%) Côte d'Ivoire (382.55%)* - 1.9 US\$/Unit
48026200	Uncoated paper and paperboard	19.03	-10.70%	0.9	KG	Thailand (-7.29%) UAE (-30.52%)*
48102900	Paper and paperboard	12.18	-17.01%	0.92	KG	China (2.73%) - 0.85 US\$/Unit Germany (28.16%)
18050000	Cocoa powder	8.21	-0.79%	2.48	KG	Malaysia (2.49%) China (18.31%) - 1.30 US\$/Unit
15132900	Palm kernel and babassu oil and their fractions	8.03	-30.23%	1.13	KG	Thailand (47.54%) - 1.03 US\$/Unit Malaysia (-40.50%)
30024190	Vaccines for human medicine	8.01	-44.98%	170.08	KG	USA (50.80%) - 156.23 US\$/Unit India (-19.21%) Germany (0.60%) - 127.67 US\$/Unit
19011000	Infant Food Preparations	7.42	-6.30%	10.33	KG	Netherlands (-9.58%) Denmark (42.05%) - 8.71 US\$/Unit Singapore (-3.46%)





Product code	Product Description	Pakistan's Imports from Indonesia			Unit	Pakistan's Major Importing Partners & Price (FY23)
		Average (FY19-FY23)	CAGR (FY19-FY23)	Avg. Price Indonesia US\$/Unit		
87084090	Gear boxes and parts, for heavy vehicles	7.24	-57.61	403.64	-	UAE (-0.31%) China (-15.70%)
9071000	Cloves, whole fruit, cloves and stems.	6.27	-15.97	4.64	KG	Madagascar (22.81%) - 3.35 US\$/Unit Comoros (36.01%) - 4.36 US\$/Unit
38061010	Gum Rosin	4.18	-1.44	1.51	KG	Brazil (-10.95%) China (28.76%)
12030000	Dried Coconut	3.99	-20.76	1.1	KG	Malaysia (33.33%) - 1.08 US\$/Unit Sri Lanka (-6.13%)
18040000	Cocoa butter	3.87	-4.2	5.46	KG	France (22.83%) UAE (0.00%)
48025510	Uncoated paper and paperboard	3.49	-20.22	0.88	KG	China (20.48%) Japan (-21.18%)
55095100	Yarn containing < 85 polyester staple fibers	3.48	-38.63	1.85	KG	China (0.00%) Thailand (2.07%)
73102900	Containers of Iron/Steel having capacity <50 Liters	3.28	-55.24	73.85	KG	Japan (-6.14%) China (-2.93%) Thailand (-30.50%)
87082939	Parts of motor vehicles for transport of ≥10 person	3.28	-29.69	29.68	-	Thailand (-40.24%) Japan (-8.93%)
40111000	New pneumatic tires, of rubber	2.81	-8.96	28.31	-	China (-1.10%) Thailand (16.13%) Japan (-5.92%)





In addition to other reasons and causes, the table above indicates that out of the 20 products, 11 have been redirected to countries such as China, Afghanistan, Thailand, South Korea, and others. These countries offer lower per unit prices compared to Indonesia. Further analysis of the reasons behind this decline is discussed in the Focus Group Discussion and detailed in the next chapter.

## Pakistan Imports: Indonesia Vs World

The following table presents a comparative analysis of Pakistan's imports from Indonesia and the world for the calendar years 2022 and 2023, covering the twenty identified product categories. It details the import values in million US\$ and the year-over-year (YoY) percentage changes in import values for each product, imported Indonesia as well as Pakistan's total imports from the World.

Table 2: Pakistan's Imports from Indonesia vs Global Import

Product Code	Product Description	Pakistan's Imports from Indonesia			Pakistan's Imports from World		
		2022	2023	YoY	2022	2023	YoY
		Values in US\$ Million		(%)	Values in US\$ Million		(%)
27011200	Bituminous coal	202.68	96.11	-52.58	1,512.69	638.64	-57.78
87032191	Comp. of transport vehicles for < 10 persons	52.98	5.77	-89.11	182.16	32.33	-82.25
15111000	Crude palm oil	2.77	0.41	-85.37	60.44	60.73	0.48
40012200	Technically specified natural rubber "TSNR"	13.93	16.11	15.69	54.44	69.66	27.96
48026200	Uncoated paper and paperboard	25.02	16.14	-35.49	37.61	21.4	-43.12
48102900	Paper and paperboard	10.12	6.35	-37.22	16.14	11.16	-30.89
18050000	Cocoa powder	9.46	9.37	-0.97	23.18	20.78	-10.39
15132900	Palm kernel and babassu oil	8.77	2.38	-72.89	8.97	2.6	-70.99
30024190	Vaccines for humans	-	-	-	608.22	34.31	-94.36
19011000	Infant Food preparations	8.18	6.26	-23.44	95.43	63.38	-33.59
87084090	Gear boxes and parts thereof, for heavy vehicles	0.33	0.19	-43.22	2.07	1.06	-48.73
9071000	Cloves, whole fruit, cloves and stems.	2.97	3.1	4.1	6.64	6.29	-5.22
38061010	Gum Rosin	4.59	4.86	5.79	6.91	8.12	17.42
12030000	Dried Coconut	1.05	1.57	49.37	14.71	15.2	3.32
18040000	Cocoa butter	2.67	4.74	77.37	4.41	4.74	7.54
48025510	Uncoated paper and paperboard	2.32	2.49	7.25	11.5	14.28	24.21



Product Code	Product Description	Pakistan's Imports from Indonesia			Pakistan's Imports from World		
		2022	2023	YoY	2022	2023	YoY
		Values in US\$ Million		(%)	Values in US\$ Million		(%)
55095100	Yarn containing < 85 polyester staple fibers	0.76	0.23	-69.94	2.74	1.89	-30.77
3102900	Containers of Iron/Steel having capacity <50 Liters	7.65	0.22	-97.19	19.16	7.73	-59.64
87082939	Parts of motor vehicles for transport of ≥10 person	3.02	0.26	-91.33	23.47	8.4	-64.19
40111000	New pneumatic tires, of rubber	2.41	0.97	-59.96	29.6	11.37	-61.6

### Analysis of Pakistan's Imports: Indonesia Vs World (Based on Fiscal Year)

The year-on-year analysis of the identified twenty products that have consistently declined over the past five years is provided below. In addition to calculating the CAGR and constructing our analysis on the rankings of these outcomes, the year-on-year analysis offers a deeper understanding of the observed decline.

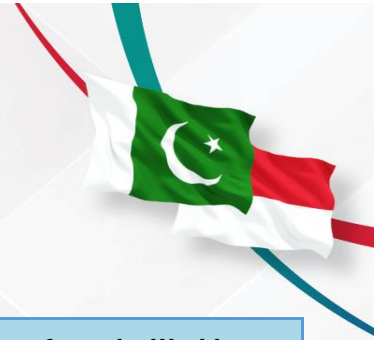
Table 3: YoY Analysis of Pakistan's Imports from Indonesia vs Global Imports

Product Code	Product Description	Pakistan's Imports from Indonesia (YoY, %)					Pakistan's Imports from the World (YoY, %)				
		FY20	FY21	FY22	FY23	CAGR (FY19-FY23)	FY20	FY21	FY22	FY23	CAGR (FY19-FY23)
27011200	Bituminous coal	-41.3	18.8	64.9	-29.1	-4.0	-10.9	27.6	60.3	-55.0	-3.9
87032191	Comp. of transport vehicles for < 10 persons	-82.5	-99.6	8644 6.7	-81.0	-33.4	-75.6	-95.2	9582.7	-77.5	-23.7
15111000	Crude palm oil	-31.2	-31.1	- 100.0	-	-48.9	-39.0	10.1	-63.7	71.7	-16.0
40012200	Technically specified natural rubber "TSNR"	-3.4	6.5	-40.8	-28.6	-15.3	5.3	39.3	1.1	-0.8	8.0



Product Code	Product Description	Pakistan's Imports from Indonesia					Pakistan's Imports from the World				
		(YoY, %)					(YoY, %)				
		FY20	FY21	FY22	FY23	CAGR (FY19-FY23)	FY20	FY21	FY22	FY23	CAGR (FY19-FY23)
48026200	Uncoated paper and paperboard	-44.9	21.0	42.2	-40.1	-10.7	-29.5	23.9	20.1	-49.1	-11.8
48102900	Paper and paperboard	-13.3	10.8	34.6	-69.6	-17.0	-14.7	3.7	36.2	-56.3	-12.0
18050000	Cocoa powder	9.9	-31.4	56.0	-18.3	-0.8	3.0	8.2	19.2	-19.4	1.4
15132900	Palm kernel and babassu oil and their fractions	-69.4	75.8	99.2	-84.6	-30.2	-70.9	103.2	72.7	-83.8	-30.2
30024190	Vaccines for humans	-23.7	97.2	-96.8	-100	-100.0	-18.3	147.5	490.9	-97.6	-22.3
19011000	Infant Food preparations	-27.2	8.6	47.4	-38.0	-6.3	-28.4	26.7	-3.1	-22.4	-7.4
87084090	Gear boxes and parts for heavy vehicles	-80.4	-98.6	59.3	203	-57.6	-77.7	-70.2	-3.4	-23.9	-45.3
9071000	Cloves, whole fruit, cloves and stems.	-5.4	88.6	-61.1	-39.7	-16.0	-12.8	63.2	-35.1	-4.8	-2.5
38061010	Gum Rosin	-15.5	-5.6	99.3	-41.5	-1.4	-26.6	12.7	84.5	-40.4	-1.9
12030000	Dried Coconut	-5.6	84.6	-54.2	-60.9	-20.8	29.0	16.8	7.7	-3.4	9.4
18040000	Cocoa butter	-54.3	77.3	-37.6	59.9	-4.2	-17.4	0.6	24.0	-21.7	-4.2





Product Code	Product Description	Pakistan's Imports from Indonesia (YoY, %)					Pakistan's Imports from the World (YoY, %)				
		FY20	FY21	FY22	FY23	CAGR (FY19-FY23)	FY20	FY21	FY22	FY23	CAGR (FY19-FY23)
48025510	Uncoated paper and paperboard	-75.0	-48.3	78.0	40.6	-20.2	-40.1	23.7	20.2	-6.6	-3.6
55095100	Yarn containing < 85 polyester staple fibers	-46.1	31.2	-53.9	-73.3	-38.6	-54.4	46.9	-34.4	-52.9	-27.0
73102900	Containers of Iron/Steel having capacity <50 Liters	-79.1	-99.9	8528 22	-99.0	-55.2	-76.3	-60.9	2198.6	-87.6	-23.4
87082939	Parts of motor vehicles for ≥10 person	-61.9	-73.4	233.3	-49.2	-29.7	-73.2	-39.3	105.4	-56.4	-32.0
40111000	New pneumatic tires, of rubber	-3.0	196.5	-57.3	-49.1	-9.0	-15.0	384.0	-32.7	-67.3	-2.0

As demonstrated in the above table, while Pakistan's overall global imports have also been on a declining trend for the past consecutive years, the decline in imports from Indonesia to Pakistan has been significantly more pronounced.



## **Products Identified for Focus Group Discussion**

Based on the above analysis, five products from various sectors have been identified that were previously imported in high quantities from Indonesia but have experienced a significant decline in recent years, particularly over the last five years, as indicated by their CAGR and average prices.

- 1)** Bituminous Coal
- 2)** Crude Palm Oil
- 3)** Components of Transport Vehicles
- 4)** Cocoa Powder
- 5)** Paper & Paperboard Articles

Understanding the factors behind this decline is crucial for both countries. To investigate the root causes of the decline in imports of the identified products—whether economic, logistical, or regulatory—a focus group discussion was organized. This discussion aimed to develop strategies to overcome these challenges. The group comprised key industry stakeholders, government officials, and trade representatives from both nations, who convened to discuss challenges and opportunities for revitalizing bilateral trade relations.



## **Conclusion & Recommendation**

The focus group discussion identified several reasons for the continuous decline in imports of the identified products from Indonesia, over the last five years. Out of 20 identified products, 08 are included in the IP-PTA, having same concessions as being provided to Malaysia and China. Despite being included in the concession list, imports from Indonesia for these products have been facing a decline.

The core reasons as well as recommendations behind this decline are discussed below:

### **General Recommendations**

- The Indonesian authorities should consider implementing business visas specifically for Pakistani businessmen, with a more flexible application process to facilitate bilateral trade. Chambers of Commerce can play an active role in this initiative, providing authentication certificates to expedite visa processing for businesses. This approach would prove to be beneficial for both countries in the long-term.
- The convening of the Indonesia-South and Central Asia (INASCA) Business Forum scheduled for October 2024 represents a timely initiative aimed at promoting collaborations between businesses from both nations. The INASCA Business Forum could offer Pakistani businesses a crucial platform to explore new partnerships and investment opportunities in Indonesia and across South and Central Asia. It will help Pakistani businesses with trade facilitation, as the platform can provide with direct engagement with the Indonesian counterparts, fostering knowledge exchange, market access, and potential joint ventures.
- The Preferential Trade Agreement (PTA) between Indonesia and Pakistan needs to be renegotiated to ensure equal concessions and market access for both countries. Following this, efforts should focus on expanding the agreement to the "Trade in Goods Agreement (TIGA), the draft for which has already been submitted to the Pakistan's Ministry of Commerce by Indonesia.

### **Sector Specific Recommendations**

#### **1) Crude Palm Oil & Palm Products**

Pakistan has predominantly sourced most of its palm oil and its derivatives with an average import value of around USD 2.44 billion per annum (2019-2023) from Indonesia. This constitutes a significant portion of the total global import expenditure, which



amounts to USD 2.8 billion (2019–2023). Pakistan extended tariff concessions to Indonesia, akin to what we offer Malaysia. However, since 2022, Indonesia has either imposed export bans on crude palm oil or levied extra duties for exporting the same.

Indonesia's higher prices for crude palm oil compared to Malaysia stem from its pursuit of attaining self-sufficiency in fuel sources. Indonesia has officially introduced B35, a blend of conventional diesel and 35% biodiesel derived from palm oil, marking an increase from the previous commercially available B30 blend. As their domestic biodiesel consumption rises, Indonesia faces a shortage of palm oil for export, prompting export restrictions and taxes. Consequently, Pakistan has now shifted to alternative oils like sunflower and soybean, which are now priced lower than Indonesian crude palm oil. Thus, addressing this issue of export prices by the Indonesian side, is crucial for fostering a more favorable trading environment for Pakistan.

## **2) Components of Motor Vehicles**

In 2023, the Pakistani government implemented strict import restrictions to safeguard foreign reserves and address the trade deficit, classifying auto parts as non-essential items. This categorization has significantly disrupted the supply chain for auto parts importers, resulting in shortages, increased costs, and delays in receiving shipments. These challenges have created a difficult operating environment for businesses dependent on imported auto parts.

Japanese automakers, leveraging Indonesia's robust manufacturing capabilities, have established production facilities in the country. These facilities supply parts for new vehicles and hold substantial potential for exporting replacement parts at competitive prices compared to those from Thailand. Several popular car models in Pakistan, such as the Toyota Corolla, Toyota Fortuner, Suzuki Wagon-R, Suzuki Cultus, and Suzuki Swift, use parts originally manufactured in Indonesia.

Indonesian manufacturers are crucial suppliers of high-quality, cost-effective auto parts to the Pakistani market. However, the Indonesian automotive sector is predominantly dominated by foreign car makers, with local manufacturers being less inclined towards exporting their products. They could benefit from adopting export strategies used by the Thai exporters, such as inviting trade delegations through trade fairs and establishing partnerships with local distributors in target markets to streamline supply chains and ensure timely delivery of auto parts, and offering competitive financing options to overseas buyers to make Indonesian auto parts more attractive.





### **3) Paper & Paperboard Articles**

Pakistan's robust local industry in paper and paperboard manufacturing often faces challenges when Indonesian exporters offer their products to Pakistani importers at significantly lower prices than what the domestic producers can match. This has prompted Pakistan to impose anti-dumping duties on Indonesian paper and paperboard products across various HS codes, a situation contested by Indonesia in the WTO since 2011. Such measures introduce uncertainty and have repeatedly disrupted trade between the two nations.

To address these recurring issues, it is imperative to proactively manage concerns from Pakistan's perspective to avoid future trade barriers. Establishing a bilateral dialogue mechanism can facilitate constructive discussions and mitigate potential disputes. Additionally, fostering collaboration between Indonesian and Pakistani paper producers can enhance mutual understanding and help alleviate concerns related to pricing differences and local industry losses. This cooperative approach could be beneficial in preventing further anti-dumping measures by Pakistan's National Tariff Commission (NTC) against the Indonesian exporters.