

ESTIMATED ECONOMIC EFFECTS OF EU- INDONESIA CEPA

REPORT

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Summary

Gravity model estimates suggest gains from trade of +0.33 per cent of real GDP for Indonesia, and small but positive gains of less than +0.01 per cent for the Netherlands and the EU. Gains are concentrated in manufacturing.

This report estimates the economic effects of the negotiated EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) using a gravity model of international trade. The model accounts for both trade creation and trade diversion, using the negotiated tariff schedules and four scenarios for reductions in non-tariff measures (NTMs). Because domestic services activity is incompletely recorded for Indonesia, the model is solved on goods trade only and results are rescaled to the whole economy. Direct gains from services liberalisation and spillovers into services incomes are therefore not captured.

The CEPA tariff schedules imply the near-complete elimination of bilateral tariffs. Non-tariff measures currently pose a higher burden than tariffs, but the effects of the agreement's procedural commitments require assumptions. In the central scenario, Indonesian NTMs on EU goods fall by 40 per cent, excluding agrifood, while EU-side NTMs remain unchanged. Roughly 40 per cent of Indonesia's central-scenario welfare gain is attributable to tariff elimination; the remainder comes from lower non-tariff costs.

In the central scenario, welfare gains amount to +0.33 per cent of real GDP for Indonesia, +0.01 per cent for the Netherlands and +0.01 per cent for the EU as a whole. Across scenarios, the gains range from +0.13 to +0.63 per cent for Indonesia and from +0.003 to +0.014 per cent for the Netherlands. For Indonesia, the agreement opens preferential access to one of the largest and richest markets in the world. For the EU, Indonesia accounts for only a small share of external trade. These net gains do not imply that producers and consumers benefit equally, but within-country distributional effects are not formally estimated here.

Indonesian total exports increase by +12.6 per cent and imports by +15.7 per cent in the central scenario. Dutch exports and imports both rise by +0.3 per cent, around EUR +1.6 billion each at 2019 prices. The trade effects are overwhelmingly concentrated in manufacturing. Bilateral increases are considerably larger, but part of these increases is substitution rather than new trade. Only looking at bilateral EU-Indonesia flows would therefore overstate the trade impact.

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1 Introduction

This report estimates the economic effects of the negotiated EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) using a gravity model of international trade.

1.1 Background and our assignment

The Ministry of Foreign Affairs of the Netherlands has asked us to estimate the expected effects of the EU-Indonesia trade agreement on the Dutch economy. Negotiations on an EU-Indonesia Comprehensive Economic Partnership Agreement (CEPA) were launched in 2016. After nineteen negotiation rounds and a political agreement in July 2025, the parties concluded negotiations on 23 September 2025, covering both the CEPA and an accompanying Investment Protection Agreement (IPA). On 29 June 2026, the European Commission presented its proposals for the signature and conclusion of the CEPA and the IPA to the Council. Following approval by the Council (by qualified majority) and consent by the European Parliament, signature is envisaged in late 2026; the Indonesian authorities are in parallel pursuing their internal ratification procedures, targeting completion in the second half of 2026 so that implementation can begin at the start of 2027. CEPA is an EU-wide agreement and therefore no separate ratification by national parliaments of the Member States is required.

Indonesia's graduation from the EU's Generalised Scheme of Preferences (GSP) makes the timing of the CEPA particularly consequential. Having been classified by the World Bank as an upper-middle-income country for three consecutive years of 2023-2025, Indonesia is scheduled to lose its GSP beneficiary status on 1 January 2027. From that date, absent the CEPA, Indonesian exports would face standard MFN tariffs on the EU market rather than preferential GSP rates. The CEPA's expected entry into force at the start of 2027 therefore largely replaces, rather than merely adds to, the preferential access Indonesia currently enjoys.

The EU-Indonesia CEPA is an extensive agreement. It covers both goods and services and includes chapters on, amongst others, rules of origin, customs and trade facilitation, sanitary and phytosanitary measures, technical barriers to trade (including a dedicated automotive annex), digital trade, government procurement, intellectual property (including the protection of 221 European and 72 Indonesian geographical indications), competition and subsidies, energy and raw materials, and trade and sustainable development. The agreement also contains provisions to reduce non-tariff barriers and improve regulatory cooperation and is accompanied by a separate Investment Protection Agreement.

A central feature of the agreement is the elimination of import duties on 98.5 per cent of tariff lines, with around 80 per cent of bilateral trade fully liberalized at entry into force and around 96 per cent after five years. For the EU, this includes improved market access for industrial products (notably machinery, chemicals, motor vehicles) and agri-food products; Indonesia gains improved access for products such as palm oil, footwear, textiles, and fisheries products. Tariff phase-outs for the remaining lines are staggered over multiple years, with the most sensitive sectors receiving the longest staging periods. Both parties retain carve-outs for their most sensitive agricultural products, while a number of other sensitive products are covered by tariff-rate quotas (TRQs) that grant preferential access from entry into force without staging. The CEPA furthermore addresses trade in critical raw materials, an area of particular EU interest given Indonesia's position as the world's largest nickel producer and its

use of export restrictions on unprocessed minerals and pairs the palm oil tariff concessions with a sustainability-oriented cooperation framework.

To support the Dutch policy debate, we have been asked by the Dutch Ministry of Foreign Affairs to estimate the expected effects of the EU-Indonesia CEPA in terms of trade and GDP.

1.2 Prior estimates

The European Commission's June 2026 economic assessment, the most recent official estimate of the CEPA's economic impact, projects clear gains for both the EU and Indonesia, though of different magnitudes. By 2042, when all tariff reductions under the agreement are fully phased in, Indonesian GDP is expected to be EUR 26.8 billion higher than it would otherwise have been, equivalent to 0.13 per cent of real GDP. The gain for the EU is estimated at EUR 16.1 billion, or roughly 0.01 per cent of real GDP. On trade, EU exports to Indonesia are projected to increase by EUR 6.4 billion, or roughly 40%, while Indonesian exports to the EU rise by EUR 2.6 billion, or around 14 per cent. The Commission notes that these figures should be treated as conservative estimates as the model used captures the effect of tariff reductions and some non-tariff barrier reductions but cannot quantify additional gains expected from stronger intellectual property protection, greater legal certainty for investors, or more resilient supply chains, all of which the agreement also delivers. The true economic benefit is therefore likely to be higher.

Several ex-ante studies estimated the economic effects of an EU-Indonesia agreement, also predicting larger gains for Indonesia than for the EU. Tariffs between the EU and Indonesia are already relatively low, and studies that model tariff elimination alone find modest effects. The most comprehensive assessment that pre-dates the conclusion of negotiations is the Sustainability Impact Assessment (SIA) commissioned by the European Commission ([European Commission, 2019](#)), which simulated two liberalization scenarios in a computable general equilibrium (CGE) framework. By 2032, the SIA projects gains in EU welfare of between EUR 2.0 (conservative scenario) and 2.4 billion (ambitious scenario) and in EU GDP of between EUR 2.5 (conservative scenario) and 3.1 billion (ambitious scenario); for Indonesia, the projected gains are more pronounced, at EUR 2.8-3.2 billion in welfare and EUR 4.6-5.2 billion in GDP. These figures are not directly comparable to the Commission's 2026 estimates of EUR 16.1 billion (EU) and EUR 26.8 billion (Indonesia), which reflect a larger base economy (2023 base year versus 2011), a longer time horizon (2042 versus 2032), the actual negotiated tariff schedule, and an updated model, and should be read as an ex-ante scenario analysis.

Larger estimates arise in studies that additionally assume the agreement will reduce non-tariff barriers. These barriers include divergent product standards, licensing requirements and customs procedures, which in practice constitute a greater obstacle to trade than tariffs. A [World Bank study \(2019\)](#), which assumes substantial reductions in such barriers, estimates that the CEPA could raise Indonesian GDP by around 2.1 per cent by 2030. This exceeds the estimated gains for Indonesia from major regional agreements such as the RCEP and CPTPP, primarily because the EU accounts for a relatively large share of Indonesian trade. A study supported by the EU's ARISE Plus programme ([CSIS/ARISE Plus Indonesia, 2021](#)) projects that Indonesian exports to the EU could increase by more than half, with gains concentrated in sectors where Indonesia is most competitive, notably clothing, vegetable oils and processed food. Despite these differences in magnitude, the studies point to a consistent pattern: both parties gain, but the gains for Indonesia are a multiple of those for the EU, as access to the large and affluent EU market weighs more heavily in the Indonesian economy than vice versa.

To our knowledge, no prior study has estimated the effects of the actual CEPA on the Dutch economy specifically, which is the contribution of this report. The closest precedent is a 2016 study by SEO Amsterdam Economics, commissioned by the Ministry of Foreign Affairs and submitted to parliament (Kamerstukken II 2016/17, 31 985, nr. 48), which assessed the potential impact of six envisaged EU free trade agreements, including one with Indonesia, on Dutch trade, GDP and employment. That study, however, did not model the CEPA's negotiated provisions because the agreement was still at an early stage. Instead, it approximated the prospective EU-Indonesia FTA and estimated a Dutch GDP gain of roughly 0.21% (EUR 1.3 billion).

2 Current trade flows

In 2024, total Dutch exports to Indonesia amounted to approximately EUR 1.6 billion and imports to about EUR 3.7 billion. Most trade is in goods.

2.1 Indonesia country profile

Indonesia is the largest economy in Southeast Asia and ranks around sixteenth globally by nominal GDP. In 2026, its nominal GDP is projected at approximately EUR 1.4 trillion, with a population of around 288 million people. This results in a nominal GDP per capita of about EUR 4,930 and a purchasing power parity (PPP) adjusted GDP per capita of approximately EUR 16,200.

The country's economy is diversified, with significant contributions from industry and services. As of 2024, agriculture accounted for approximately 12.6% of GDP, industry for 39.3%, and services for around 48%. Key agricultural products include palm oil – of which Indonesia is the world's largest producer – rice, natural rubber, coffee, cocoa and coconut, while the industrial sector encompasses fossil fuels (petroleum and natural gas), mining (notably nickel and coal), textiles and footwear, automotive, electronics and food processing.

In 2025, Indonesia's GDP grew by 5.0%, sustaining its steady recent pace. This growth was driven by resilient domestic demand, rising investment and a recovery in exports. Looking ahead, the International Monetary Fund projects Indonesia's real GDP growth to hold at around 5.0% in 2026, with the World Bank expecting a modest pickup thereafter. Inflation stood at around 2.8% in 2025, within Bank Indonesia's 2.5% $\pm$ 1% target range. The unemployment rate was approximately 4.7%, indicating a relatively stable labour market, though this headline figure masks considerably higher youth unemployment (around 16%) and a large informal sector (close to 60% of employment). Indonesia's economic outlook for 2026 suggests continued steady growth, supported by investment and exports, though moderate household consumption and global trade tensions remain the main downside risks.

2.2 EU-Indonesia trade relations

Figure 2.1 below summarizes EU-Indonesia trade in the context of overall Indonesian trade relations. In 2024, EU exports to Indonesia amounted to approximately EUR 16.6 billion, while EU imports from Indonesia were larger, at around EUR 22.8 billion.¹ As such, the EU ran a trade deficit with Indonesia of about EUR 6 billion in 2024, which has widened modestly over the past decade. EU exports to Indonesia are predominantly goods (around 72%, with services making up 28%), while EU imports from Indonesia are even more heavily skewed towards goods (around 89%, with services accounting for just 11%).

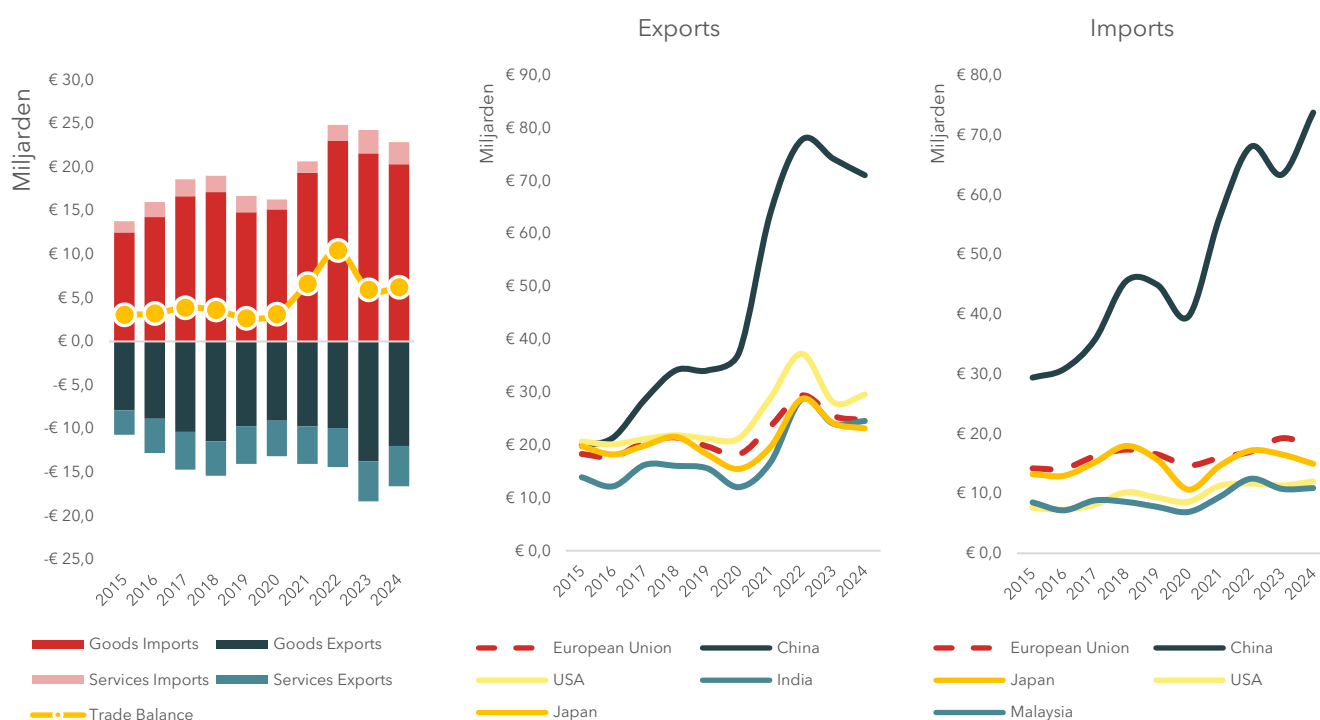
¹ We consistently take the importer's perspective and use import mirror data sourced from UN COMTRADE, i.e. the recorded imports by trade partners, to populate all bilateral export flows. This approach is applied throughout the study to ensure comparability and consistency across countries and flows, particularly in cases where export statistics are incomplete or inconsistent. The use of mirror data is well established in international trade analysis for low- and middle-income economies and follows international guidelines (International Monetary Fund, 2023; World Customs Organizations, 2015). Consequently, the resulting figures presented in this brief may differ from those reported by national statistical agencies, such as CBS in the case of the Netherlands, that compile trade data based on the domestic perspective.

Panel B of Figure 2.1 shows that China is by far Indonesia's largest trading partner, with the EU among the next tier. China leads both Indonesian exports (around EUR 71 billion in 2024) and imports (around EUR 74 billion). On the export side, the USA, the EU, India and Japan form a closely grouped second tier (each around EUR 23-30 billion). On the import side, the EU is Indonesia's second-largest supplier after China, ahead of Japan, the USA and Malaysia.

Figure 2.1 EU trade with Indonesia (Panel A) and Indonesia trade with other large partners (Panel B).

Panel A EU trade with Indonesia

Panel B Other large trading partners of Indonesia

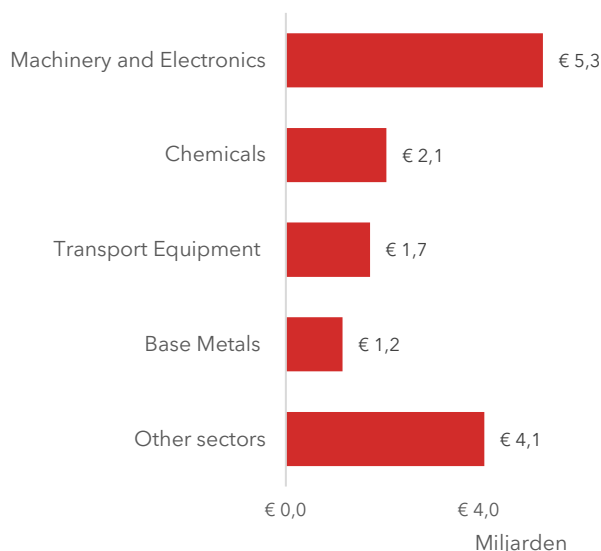


Source: SEO Amsterdam Economics based on UN COMTRADE.

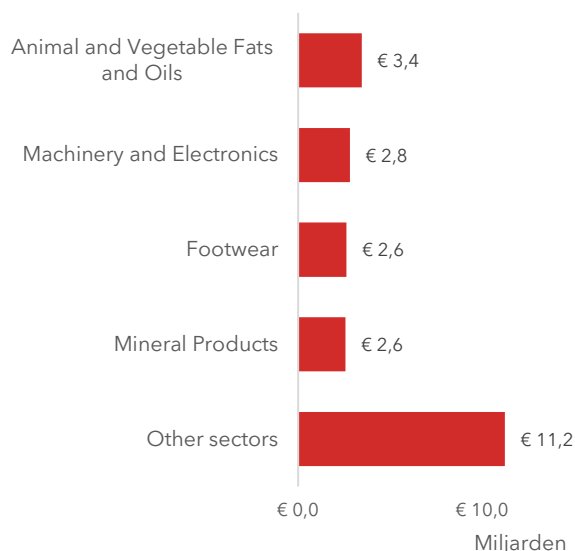
Figure 2.2 below highlights the top EU goods exports to Indonesia, as well as the top EU goods imports from Indonesia (2023). The top-4 product categories account for about 72% of EU goods exports to Indonesia: Machinery and Electronics (EUR 5.3 billion), Chemicals (EUR 2.1 billion), Transport Equipment (EUR 1.7 billion) and Base Metals (EUR 1.2 billion). On the import side, the top-4 categories make up around 51% of EU goods imports from Indonesia: Animal and Vegetable Fats and Oils (EUR 3.4 billion, largely palm oil), Machinery and Electronics (EUR 2.8 billion), Footwear (EUR 2.6 billion) and Mineral Products (EUR 2.6 billion).

Figure 2.2 Main EU goods exports (Panel A) to and imports (Panel B) from Indonesia in 2023.

Panel A Top EU goods exports to Indonesia



Panel B Top EU goods imports from Indonesia



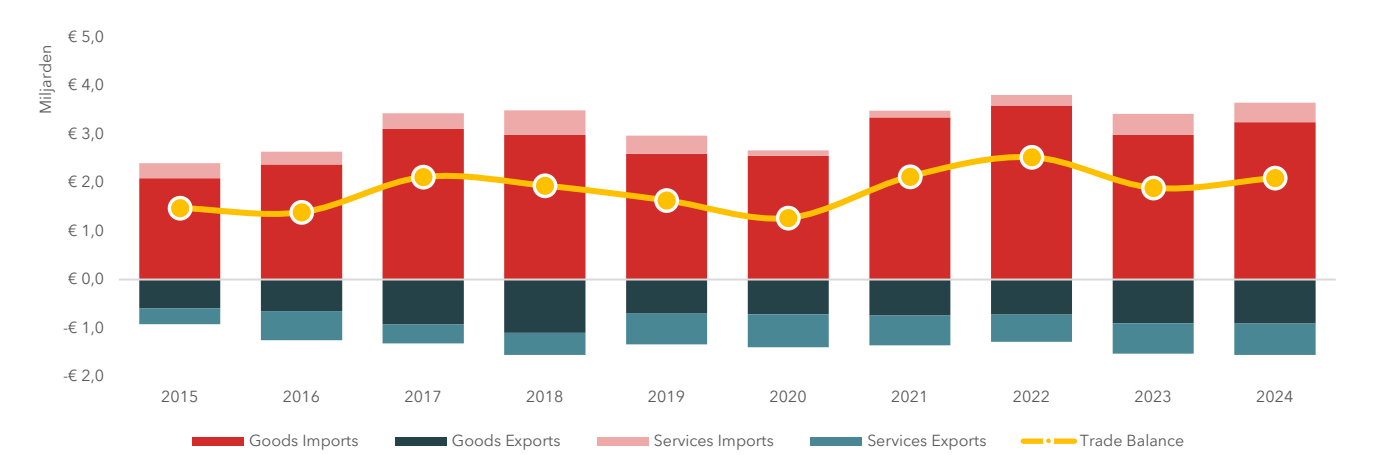
Source: SEO Amsterdam Economics based on UN COMTRADE. The industries shown here are HS2-digit product categories, with names simplified for readability. Machinery and Electronics refers to machinery and mechanical appliances, electrical equipment and parts, and sound and video recorders and reproducers; Animal and Vegetable Fats and Oils covers animal or vegetable fats, oils and waxes (largely palm oil); Footwear covers footwear, headgear and related articles; Chemicals covers products of the chemical or allied industries; Transport Equipment includes vehicles, aircraft, vessels and related transport machinery; Base Metals consists of base metals and their derived articles; Mineral Products includes raw and processed minerals.

2.3 Netherlands-Indonesia trade relations

Figure 2.3 below summarizes Netherlands-Indonesia trade in the context of overall Dutch trade relations. In 2024, total Dutch exports to Indonesia amounted to approximately EUR 1.6 billion, around 59% of which were goods. Total Dutch imports from Indonesia were larger, at about EUR 3.7 billion, of which roughly 89% were goods. The Netherlands ran a trade deficit with Indonesia of about EUR 2 billion in 2024.

Some of these trade flows are re-exports. As a major European trade hub, the Netherlands generally reports a high share of goods re-exports (up to 50 per cent), goods that are imported, sold by a Dutch entity, and exported again with little or no processing. These flows appear in trade statistics but add limited domestic value. CBS does not publish a ready-available re-export estimate for trade with Indonesia, but for distant markets this share tends to be lower than for neighbouring EU partners. Comparable figures are not available at the EU level, as most Member States do not distinguish re-exports from domestic exports in their trade statistics.

Figure 2.3 Netherlands trade with Indonesia

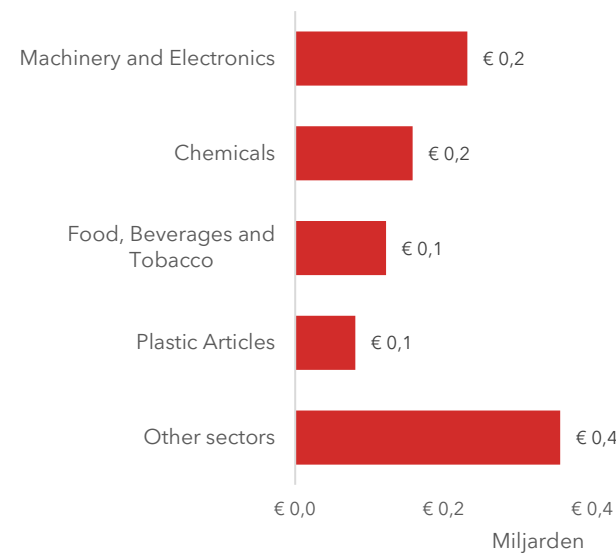


Source: SEO Amsterdam Economics based on UN COMTRADE.

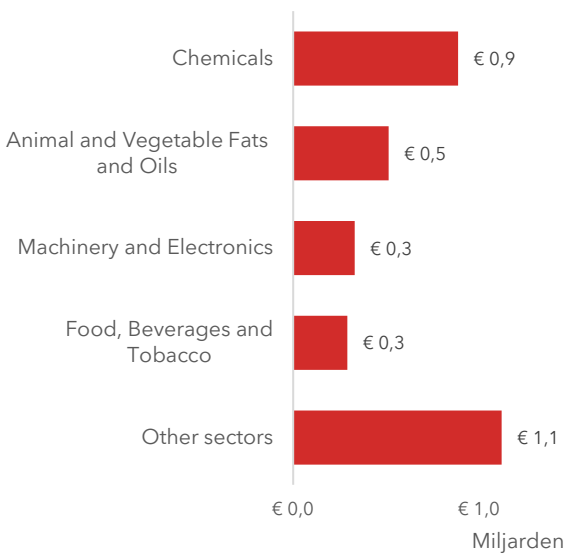
Figure 2.4 below shows the top Dutch goods exports to and imports from Indonesia (2023). On the export side, the leading categories are Machinery and Electronics (EUR 232 million), Chemicals (EUR 158 million), Food, Beverages and Tobacco (EUR 122 million) and Plastics and Rubber (EUR 81 million); together the top four account for about 62% of Dutch goods exports to Indonesia. On the import side, the largest categories are Chemicals (EUR 886 million), Animal and Vegetable Fats and Oils (EUR 512 million, largely palm oil), Machinery and Electronics (EUR 330 million) and Food, Beverages and Tobacco (EUR 290 million), together about 64% of Dutch goods imports from Indonesia.

Figure 2.4 Main Dutch goods exports (Panel A) to and imports (Panel B) from Indonesia in 2023.

Panel A Top Dutch goods exports to Indonesia



Panel B Top Dutch goods imports from Indonesia



Source: SEO Amsterdam Economics based on UN COMTRADE. The industries shown here are grouped HS2-digit product categories. Due to the chosen data source, level of classification, and the potential 'Rotterdam effect' not accounted for

in the data, the most traded product groups might differ from those reported by, for example, CBS. Product group names have been simplified for better readability in visualizations. Machinery and Electronics refers to machinery and mechanical appliances, electrical equipment and parts, and sound and video recorders and reproducers; Animal and Vegetable Fats and Oils covers animal or vegetable fats, oils and waxes (largely palm oil); Chemicals covers products of the chemical or allied industries; Plastic Articles covers Plastics and Articles Thereof Rubber and Articles Thereof; Food, Beverages and Tobacco covers Prepared Foodstuffs; Beverages, Spirits, and Vinegar; Tobacco and Manufactured Tobacco Substitutes.

3 Model estimates

Gravity model estimates suggest gains from trade of +0.33 per cent of real GDP for Indonesia, and small but positive gains of less than +0.01 per cent of real GDP for the Netherlands and the EU.

3.1 Model description

Our estimates follow from a General Equilibrium (GE) structural sectoral Armington-CES gravity model. This framework is the workhorse model in trade economics. It has been used to assess the effects of European integration² as well as to estimate the effects of trade agreements and the EU internal market on the Dutch economy (both by CPB³ and by us⁴). For a detailed exposition of the gravity model of international trade, see, e.g., Anderson (2011), Head & Mayer (2014) or Yotov, Piermartini & Larch (2016). Compared to the one-sector framework of the previous models, we expand it to be solved separately for four broad sectors – agriculture, mining and energy, manufacturing, and services – so that sector-specific trade barriers and trade responses are reflected in the results. Robustness checks between aggregated sector-wise country estimates and one-sector country estimates are performed for consistency.

The gravity model relates bilateral trade to country-level characteristics (“GDP”) and bilateral trade costs (“distance”). As a shorthand, the gravity model implies that bilateral trade increases with the size of either trading partner's economy, but decreases with bilateral trade costs – countries being far apart, or “distance” resulting from other trade barriers such as tariffs and non-tariff measures (NTMs). The CEPA reduces the trade costs between the EU and Indonesia. Our model first translates the agreement into a trade-cost reduction, and then estimates the resulting changes in trade and welfare.

The model accounts for both trade creation and trade diversion. A reduction in bilateral trade costs between the EU and Indonesia spurs bilateral trade (trade creation). Part of this increase, however, replaces trade with other partners, as trading with each other becomes more attractive relative to trading with third countries (trade diversion). The model counterbalances trade creation with trade diversion within a consistent general equilibrium.

The balance of trade creation and trade diversion implies welfare effects, measured in terms of real GDP. The model estimates welfare changes subject to several standard assumptions: there is no (immediate) reallocation of factors of production, consumers consider goods imperfect substitutes, and industries are separable. Gravity models thus yield consistent but structural estimates: the effects are typically smaller than those from models that add reallocation of production factors, capital investments, sectoral spillovers, or multi-period dynamics.⁵

² See e.g., Head, K. & Mayer, T. (2021). The United States of Europe: A Gravity Model Evaluation of the Four Freedoms. *Journal of Economic Perspectives* 35/2, 23-48.

³ See e.g., Freeman, D., Meijerink, G., & Teulings, R. (2022). Trade Benefits of the EU and the Internal Market. The Hague, The Netherlands: CPB Netherlands Bureau for Economic Policy Analysis.

⁴ See e.g., Oomes, N., Appelman, R., & Witteman, J. (2017). Impact of the EU-Ukraine Free trade Agreement on the Dutch Economy. SEO Amsterdam Economics.

⁵ We interpret model results as medium- to long-term structural changes after the CEPA is fully implemented and markets have adjusted; the model contains no transition path or adjustment costs.

To consistently estimate trade creation, trade diversion, and welfare effects, the model requires data on both bilateral trade and domestic output. Data on domestic output are needed to fully account for trade diversion, as not all output is exported. We employ a novel dataset of disaggregated bilateral and within-country trade flows from the United States International Trade Commission (USITC) – in particular ITPD-S (released December 2024), for the reference year 2019 – together with the Dynamic Gravity Dataset (DGD) with country and country-pair characteristics from the same source.

Because domestic services activity is incompletely recorded for Indonesia in the ITPD database, the model is solved on goods trade only and results are rescaled to the whole economy using national-accounts goods shares (WDI 2019). This means that our estimates are likely to understate the gains of the agreement, both for missing direct gains associated with trade in services and for assuming that that gains in goods trade do not spill over into services incomes. However, the unquantified services margin is likely to be modest. In fact, the most recent European Commission's impact assessment (2026) finds that services would represent around 3 percent of all bilateral trade gains accruing from the Trade Agreement.⁶ This corroborates the European Commission's own impact assessment (2019) that finds the quantifiable services component of the agreement to be marginal and supports our reading of a conservative goods-only design.⁷

Unlike in our previous reports, the trade-cost shock is constructed directly from the negotiated agreement rather than estimated from past trade agreements. The tariff component follows from the CEPA tariff schedules: for every tariff line we take the full implementation schedule and aggregate to sectors using bilateral trade weights. The NTM component applies assumed reductions to World Bank estimates of the ad-valorem equivalents (AVEs) of non-tariff measures (more below).⁸ Both components are converted into iceberg trade-cost reductions and the model contains no tariff-revenue channel. This direct calibration replaces the econometric approach of our earlier reports, in which trade-cost reductions were estimated from the observed effects of comparable past agreements. This was made possible because the negotiated schedules are fully available.

The CEPA tariff schedules imply the near-complete elimination of bilateral tariffs. Weighted by bilateral trade, Indonesia's applied tariffs on EU goods fall from +7.0 to +0.4 per cent at full implementation, and EU tariffs on Indonesian goods from +5.4 to +0.1 per cent. This cut is imposed across all computed scenarios.

CEPA's text also contains several chapters on NTM alleviation, which currently pose a higher burden than tariffs. Drawing from the World Bank's (2019) ad-valorem equivalents (AVEs) database, EU goods entering Indonesia currently face a +26.3 per cent tariff-equivalent barrier and Indonesian goods entering the EU +15.4 per cent. Indonesian non-tariff measures on EU goods are therefore worth close to four times the tariffs they sit alongside, while on the EU side the ratio is close to three. The agreement addresses these barriers through procedural disciplines rather than changes in standards: its SPS and TBT chapters streamline certification, approval and transparency procedures in both directions, and further chapters discipline Indonesia's import-licensing regime, customs procedures and export restrictions. Neither side changes its underlying food-safety or product standards, and on the EU side the agreement foresees no changes to TBT or SPS regulations at all (European

⁶ This estimate correspond to a modelled 3 percent AVE reduction in sectoral liberalization.

⁷ DEVELOPMENT Solutions for DG Trade (2019). Sustainability Impact Assessment (SIA) in support of FTA negotiations between the European Union and the Republic of Indonesia – Draft Final Report. The quantifiable services component of the agreement is found to be marginal (pp. 59-61).

⁸ Cali, M., Maliszewska, M., Olekseyuk, Z., & Osorio-Rodarte, I. (2019). Economic and Distributional Impacts of Free Trade Agreements: The Case of Indonesia. World Bank Policy Research Working Paper 9021.

Commission, 2026). Yet, unlike tariff schedules, these commitments cannot be directly derived from agreement and their impact has to be estimated.

As such, we model a range of possible outcomes across four different scenarios that mirror different levels of NTM alleviation. The Tariffs-only scenario implements the full tariff schedules and credits no NTM easing. This scenario is most consistent with the Commission's 2026 line-by-line scoring of the negotiated text, which prices the SPS and TBT commitments at close to zero.⁹ The central scenario follows the design of the Commission's Sustainability Impact Assessment (2019): Indonesian NTMs on EU goods fall by 40 per cent (–10.5 percentage points), excluding agri-food, reflecting the judgment that the licensing, certification and customs disciplines – real commitments that the Commission's (2026) scoring method does not price – deliver a substantial part of the broader easing; EU-side NTMs do not move, consistent with the negotiated text. The Low scenario halves this cut to 20 per cent (–5.3 percentage points) as a conservative bound. The High scenario assumes 50 per cent cuts (+10 pp) of the initial AVEs in both directions, including agri-food (–13.2 and –7.7 percentage points): a bounding case for deep implementation and the only scenario in which Indonesian exporters also face lower EU-side NTM costs. Like the tariff cuts, NTM reductions carry no revenue and enter the model as pure iceberg cost savings.

Table 3.1 translates the schedules and the NTM assumptions into shocks per direction and sector. The total shock compounds the two cuts and measures them as per centage changes against the pre-agreement cost of delivering the goods. The largest shock arises for EU exports of manufactured goods to Indonesia: the schedules remove 6.7 per centage points of tariffs and the central scenario a further 10.5 per centage points of NTM ad-valorem equivalent, so that the cost of delivering EU manufactured goods to Indonesia falls by 14.1 per cent. Manufacturing carries the overwhelming share of the trade affected by the agreement.

Table 3.1 Tariff and NTM AVE shocks by direction and sector

Sector	Tariff cut (pp)	NTM AVE cut (pp)			Total shock (Δ%)			
	EC (2026)	Low	Central EC (2019)	High	Tariffs only	Low	Central	High
Indonesian import barriers (EU exports to Indonesia)								
Agriculture	−5.0	0.0	0.0	−13.2	−4.8	−4.8	−4.8	−14.7
Mining and Energy	−3.9	−5.3	−10.5	−13.2	−3.8	−7.8	−11.8	−13.8
Manufacturing	−6.7	−5.3	−10.5	−13.2	−6.3	−10.2	−14.1	−16.0
EU import barriers (Indonesian exports to the EU)								
Agriculture	−3.7	0.0	0.0	−7.7	−3.6	−3.6	−3.6	−10.0
Mining and Energy	0.0	0.0	0.0	−7.7	−0.0	0.0	0.0	−6.7
Manufacturing	−5.6	0.0	0.0	−7.7	−5.3	−5.3	−5.3	−11.6

Source: SEO Amsterdam Economics, based on the CEPA tariff schedules and World Bank (2019) NTM ad-valorem equivalents (AVEs). Trade-weighted sector means. Note: Services carry no shock by construction.

⁹ The Commission (2026) scores each HS6 line of the schedules for the degree of achievable barrier removal agreed (0/33/66/100 per cent) and applies the score to estimated NTM ad-valorem equivalents; only the SPS and TBT chapters are priced. The largest scored reductions are precisely in agri-food – red meat (≈ 3.5 percentage points), dairy (≈ 1.8), white meat (≈ 0.6), other food (≈ 0.2) – alongside a few manufacturing lines (electrical equipment ≈ 0.4 , motor vehicles ≈ 0.2 , computers and machinery ≤ 0.1), with all other sectors at zero and nothing on the EU side. Weighted by EU exports, the average reduction is roughly 0.1 percentage points (or –0.08 per cent). Our Tariffs-only scenario is therefore the closest counterpart to this reading of the negotiated text. The central scenario instead credits the licensing, certification and customs content that this scoring method does not price, while conservatively excluding the small scored agri-food easing. The High scenario brackets the case in which it materializes.

3.2 Welfare effects

What do these shocks imply for welfare? Welfare measures how much better or worse off countries are as a result of the agreement, expressed in the same units as real GDP. It is a net measure that combines effects on the producer and the consumer side of the economy. On the producer side, the opening of markets creates competitive opportunities as well as competitive pressures, and the balance of the two determines what happens to nominal incomes. On the consumer side, lower trade costs mean access to a greater variety of goods at lower prices. The difference between the changes in nominal incomes and in the price level characterizes the welfare effect.

Overall, we estimate welfare gains from trade of +0.33 per cent of real GDP for Indonesia in the central scenario, and small but positive gains for the Netherlands (+0.006 per cent) and the EU as a whole (+0.005 per cent). Depending on the depth of the implementation of the CEPA agreement, welfare results can vary substantially. For Indonesia the range sits between +0.13 to +0.63 per cent of real GDP, while for the Netherlands CEPA's impact can vary from +0.003 to +0.014 per cent and for the EU +0.003 to +0.010 per cent. The asymmetry between Indonesia and the EU should be intuitive. For Indonesia, the agreement opens preferential access to one of the largest and richest markets in the world; for the EU, Indonesia accounts for only a small share of external trade. Table 3.2 summarizes the welfare effects across scenarios; robustness checks are reported in Appendix A.

Table 3.2 Welfare effects by scenario ($\Delta\%$ of real GDP)

Country / Bloc	Tariffs only	Low	Central	High
Indonesia	+0.13	+0.20	+0.33	+0.63
Netherlands	+0.003	+0.004	+0.006	+0.014
EU (27)	+0.003	+0.003	+0.005	+0.010

Source: SEO Amsterdam Economics. Central trade elasticities; the $\times 0.75$ – $\times 1.25$ elasticity robustness band is reported in Appendix A. Netherlands and EU (27) shown at three decimals because values are of the order of 0.005.

Gains are concentrated in manufacturing. For Indonesia, manufacturing gains +1.05 per cent against +0.04 per cent for agriculture. For the Netherlands and the EU (27) the pattern is the same at a much smaller scale: manufacturing gains +0.06 and +0.04 per cent respectively, while agricultural effects are effectively nil (+0.00 and +0.01 per cent). Services are unaffected by construction, as no services barriers are shocked. Table 3.3 disaggregates the central-scenario welfare effect into the two broad sectors.

Table 3.3 Welfare effects by sector, central scenario ($\Delta\%$)

Country	Total	Agriculture	Manufacturing
Indonesia	+0.33	+0.04	+1.05
Netherlands	+0.006	0.00	+0.06
EU(27)	+0.005	+0.01	+0.04

Source: SEO Amsterdam Economics. Total = economy-wide (rescaled); sector columns are sector-level values. Services carry no shock by construction.

Underlying the welfare gains are opposing movements in nominal incomes and consumer prices. For Indonesia, nominal incomes in manufacturing fall by -0.47 per cent: European manufacturers gain substantially improved access to the Indonesian market, resulting in additional competitive pressure on domestic producers. At the same time, the manufacturing price level falls by -1.50 per cent, as Indonesian consumers and firms can buy

from more efficient suppliers at lower cost. The price effect dominates, so real incomes in Indonesian manufacturing rise. Indonesian agriculture shows the mirror image of an export-led gain: nominal incomes rise (+0.17 per cent) on additional European demand, against a modest increase in the price level (+0.13 per cent). Table 3.4 and Table 3.5 provide the disaggregation.

Table 3.4 Nominal income effects, central scenario ($\Delta\%$)

Country / Bloc	Total	Agriculture	Manufacturing
Indonesia	-0.13	+0.17	-0.47
Netherlands	+0.007	-0.03	+0.07
EU (27)	+0.011	-0.03	+0.08

Source: SEO Amsterdam Economics. Total = economy-wide (rescaled); sector columns are sector-level values.

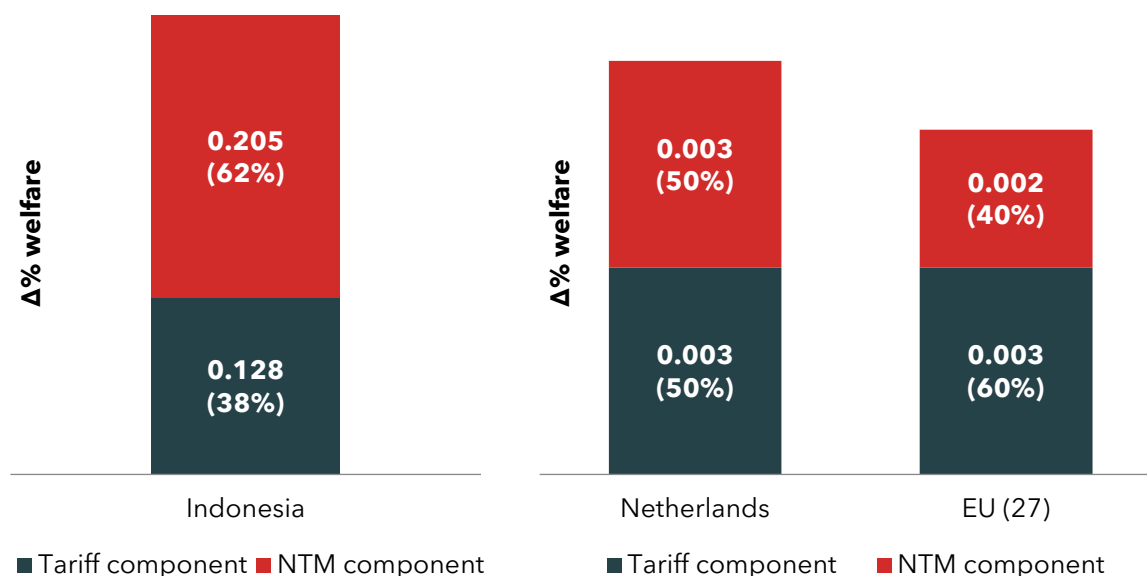
Table 3.5 Price level effects, central scenario ($\Delta\%$)

Country / Bloc	Total	Agriculture	Manufacturing
Indonesia	-0.46	+0.13	-1.50
Netherlands	+0.001	-0.03	+0.01
EU (27)	+0.005	-0.04	+0.04

Source: SEO Amsterdam Economics. Total = economy-wide (rescaled); sector columns are sector-level values.

For the Netherlands and the EU, the same mechanics operate at a much smaller scale. Nominal incomes in manufacturing rise (+0.07 per cent for the Netherlands and +0.08 per cent for the EU (27)) as producers capitalize on improved access to the Indonesian market, with hardly any movement in the economy-wide price level. In agriculture, nominal incomes edge down (-0.03 per cent) under somewhat stronger Indonesian competition – concentrated, at the Commission’s finer sector detail, in vegetable oils and fats – but the agricultural price level falls in step (-0.03 to -0.04 per cent), to the benefit of consumers. The economy-wide effect is a weighted average across sectors and is dominated by services, which is both large and unaffected by the shock; this weighting explains why the aggregate numbers are small even though the sector effects are clearly visible.

Roughly 40 per cent of Indonesia's central-scenario welfare gain is attributable to tariff elimination; the remainder comes from lower non-tariff costs. Figure 3.1 splits the central-scenario welfare effect into a tariff component (the tariffs-only variant) and an NTM component (the central scenario minus the tariffs-only variant). This breakdown roughly translates the difference between the European Commissions (2026) exercise against our adopted SIA (2019) benchmark, providing a reference for the differing dynamics across scenarios. For Indonesia, the tariff share is about 39 per cent. For the EU and the Netherlands, tariff elimination and NTM reduction contribute in broadly similar measure. The decomposition is approximate: general-equilibrium interactions mean that the two components do not add up exactly.

Figure 3.1 Decomposition of the central-scenario welfare effect into tariff and NTM components ($\Delta\%$ of real GDP)

Source: SEO Amsterdam Economics. Approximate decomposition: tariff component = tariffs-only variant; NTM component = central scenario minus tariffs-only variant. General-equilibrium interactions mean the components do not add up exactly. Note the difference in scale between the panels.

The interpretation of these net welfare gains requires care, because the model operates at the country level and does not capture distributional effects. In reality, producers and consumers benefit unequally. In Indonesia, consumers and firms that buy manufactured goods gain from markedly lower prices, whereas manufacturing producers face increased competitive pressure on their incomes, which the model assumes to be absorbed through gradual adjustment. In the Netherlands and the EU, consumers gain from slightly cheaper agricultural imports,¹⁰ while producers in the agricultural lines that compete most directly with Indonesian exports – notably vegetable oils and fats – face pressures on their incomes that are not fully compensated by the fact that these producers also pay lower consumer prices; producers in manufacturing can generally expect to benefit. These within-country differences are not formally estimated here.

3.3 Trade effects

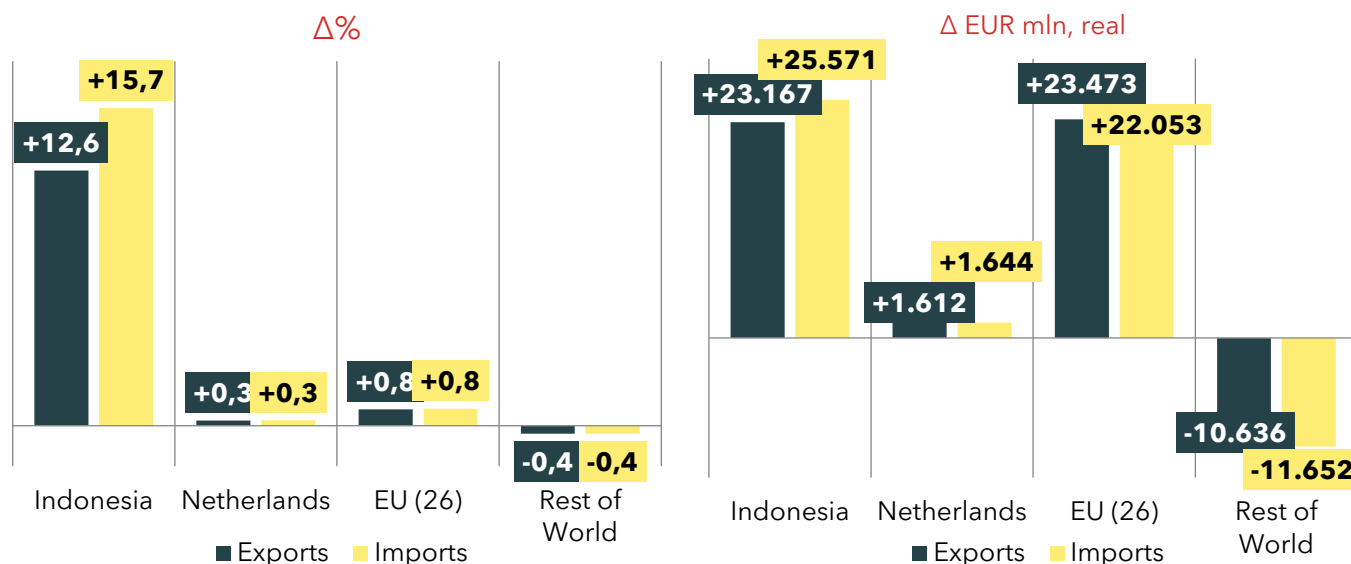
Figure 3.2 shows the estimated effects on (real)¹¹ total (all partners) exports and imports for Indonesia, the Netherlands, the other 26 EU member states, and the rest of the world for the central scenario. Bilateral flows between the parties are shown separately below. For Indonesia, total exports increase by +12.6 per cent (EUR +23.2 bln.) and imports by +15.7 per cent (EUR +25.6 bln.). The effects for the EU are far more modest in percentage terms – Dutch exports and imports both rise by +0.3 per cent (around EUR +1.6 bln. each), and those of the remaining EU26 by +0.8 per cent (EUR +23.5 bln. in exports and EUR +22.1 bln. in imports). The rest of the world trades less

¹⁰ Most likely animal and vegetable fats and oils, the largest agri-food import group from Indonesia (see Sections 2.2 and 2.3) and one of the few with a meaningful EU tariff, which the CEPA largely removes.

¹¹ The model yields trade changes in nominal terms. To extract the real effects, we re- and deflate the changes in exports and imports to the old price index. Euro values are converted at the 2019 average exchange rate of 0.8931 USD/EUR.

(−0.4 per cent, or EUR −10.6 bln. in exports and EUR −11.7 bln. in imports), as trade is diverted towards the new preferential relationship.

Figure 3.2 Effects on global exports and imports, central scenario ($\Delta\%$ left and Δ EUR mln right)



Source: SEO Amsterdam Economics. Totals exclude domestic trade; the EU (26) is treated as one bloc, so intra-EU26 flows net out of its totals. Real changes, converted at 0.8931 USD/EUR (2019 average).

Figure 3.3 disaggregates the trade effects into the two broad sectors. The changes are overwhelmingly concentrated in manufacturing: Indonesian manufacturing exports rise by +17.0 per cent (EUR +22.9 bln.), EU26 manufacturing exports by +1.1 per cent (EUR +23.2 bln.), and Dutch manufacturing exports by +0.4 per cent (EUR +1.6 bln.) – effectively the entire Dutch trade effect. Agricultural trade grows more modestly: Indonesian exports rise by +3.2 per cent (EUR +250 mln.), EU26 exports by +0.4 per cent (EUR +162 mln.), and Dutch agricultural trade by only +0.02 per cent (EUR +5 mln., rounded to 0.0 in the figure). Services do not respond by construction, as no services barriers are shocked. These patterns follow directly from the interaction between the existing trade structure and the modelled impulse: the deepest cost reductions occur in manufacturing (tariffs plus the NTM easing), precisely where most EU-Indonesia trade currently occurs. On the contrary, agricultural trade – currently several order of magnitude lower – receives only modest tariff cuts and no agri-food NTM in the central scenario.

Figure 3.3 Effects on global exports and imports by sector, central scenario ($\Delta\%$ left and Δ EUR mln right)

Source: SEO Amsterdam Economics. Totals exclude domestic trade; the EU (26) is treated as one bloc, so intra-EU26 flows net out of its totals. Real changes, converted at 0.8931 USD/EUR (2019 average).

The European Commission's impact assessment tells a consistent story at a finer sectoral detail. Within manufacturing, the SIA's 32-sector results place Indonesia's largest export gains in leather and footwear, wearing apparel and textiles, and the EU's in machinery, chemicals and motor vehicles; each side's declining sectors mirror the other side's expansions. These signs and rankings align with our two-sector results, although the magnitudes differ with the underlying elasticities.

Underlying these totals are nuanced substitution effects, which the table below documents for the central scenario. The bilateral flows between the parties are large in relative terms, partly because they start from modest bases: EU26 exports to Indonesia more than quadruple, from EUR 13.4 bln. in the 2019 base to EUR 56.1 bln. (EUR +42.7 bln.), Dutch exports to Indonesia more than triple (from EUR 1.4 bln. to EUR 4.6 bln.), and Indonesian exports

to the EU26 and the Netherlands roughly double (EUR +13.3 bln. and EUR +2.9 bln.). Part of these increases is substitution rather than new trade. On the Indonesian side, cheaper European goods displace both domestic sales (EUR –22.1 bln.) and third-country suppliers (EUR –20.4 bln. of imports from outside the EU), while Indonesia's own exports rise towards all destinations as its costs fall. On the European side, part of the additional exports to Indonesia is diverted from other markets: of the EU26's EUR +42.7 bln., some EUR 19.3 bln. comes at the expense of sales elsewhere, netting to the EUR +23.5 bln. total of Figure 3.2. Only looking at the bilateral EU-Indonesia flows would therefore overstate the trade impact of the agreement.

Table 3.6 Bilateral trade flow adjustments, central scenario (Δ EUR mln)

S.	Importer Exporter	Indonesia	China	Netherlands	EU (26)	Rest of the World	Total Δ Exports
Central	Total						
	Indonesia	-22 091	1 060	2 940	13 256	5 911	23 167
	China	-6 245	986	160	2 907	2 159	-1 019
	Netherlands	3 212	-103	-1 306	-486	-1 011	1 612
	EU (26)	42 733	-2 569	-1 751	-19 435	-14 940	23 473
	Rest of the World	-14 128	324	295	6 375	7 081	-7 134
	<i>Total Δ Imports</i>	25 572	-1 288	1 644	22 052	-7 881	
	Agriculture						
	Indonesia	-208	-14	34	310	-81	249
	China	18	-8	-2	-6	-2	8
	Netherlands	13	1	-4	-18	9	5
	EU (26)	117	8	-1	-147	38	162
	Rest of the World	89	12	-27	-105	31	-31
	<i>Total Δ Imports</i>	237	7	4	181	-36	
	Manufacturing						
	Indonesia	-21 876	1 072	2 906	12 945	5 988	22 911
	China	-6 261	992	161	2 913	2 162	-1 025
	Netherlands	3 196	-104	-1 300	-468	-1 020	1 604
	EU (26)	42 527	-2 576	-1 749	-19 211	-14 972	23 230
	Rest of the World	-14 138	312	319	6 405	7 050	-7 102
	<i>Total Δ Imports</i>	25 324	-1 296	1 637	21 795	-7 842	

Source: SEO Amsterdam Economics. EUR mln., central scenario, real changes converted at 0.8931 USD/EUR (2019 average). Rows are exporters, columns importers; Rest of the World excludes China. Diagonal cells contain domestic and intra-group trade and are excluded from the totals. Off-diagonal row and column sums equal the total export and import changes of Figure 3.2; Figure 3.2's rest-of-world bloc equals the China and Rest of the World rows combined, net of their mutual trade.

The clearest reorientation in the table is away from China, Indonesia's largest supplier. In the central scenario, Indonesian imports from China fall by EUR –6.2 bln. (–15.5 per cent) as European goods displace Chinese supply in the Indonesian market – the largest effect on any single partner in the model. Indonesian exports to China are broadly unaffected (+3.5 per cent, EUR +1.1 bln.), so the agreement reduces Indonesia's import dependence on China while leaving its export side intact. For China itself the aggregate effects are negligible: total Chinese exports fall by just –0.04 per cent, as lost sales to Indonesia are largely redirected to the EU (EUR +2.9 bln.) and other markets. EU26 exports to China decline modestly (EUR –2.6 bln., –1.0 per cent) as European supply pivots towards Indonesia. Seen through this lens, the CEPA also works as a diversification instrument: it rebalances Indonesian import sourcing away from China towards Europe, without provoking measurable aggregate losses for China.

4 Trade in deforestation-risk products

4.1 Deforestation in Indonesia and CEPA provisions

Indonesia is an internationally significant forest clearing zone, driven primarily by crude palm oil and timber expansion. Globally, commodity-driven land conversion accounts for roughly 27% of total forest loss, with Southeast Asia a key region of concentration (Curtis et al., 2018). Oil palm expansion was the single largest driver of Indonesian deforestation between 2001 and 2016, at 23%, followed by timber at 14%, and other large-scale plantations at 7% (Austin et al., 2019). In 2014, over half of existing Indonesian oil palm plantations were established on land that was tropical forest three decades earlier (Vijay et al., 2016).

Trade liberalization tends to increase deforestation, though this effect is not fixed. Dividing countries by their stage of forest transition shows that, within the group of "early-transition" countries (nations still in a net-deforestation phase), Indonesia alone accounts for 48% of all deforestation embodied in exported commodities (Pendrill et al., 2019). This makes Indonesia the single largest source of exported deforestation among this group. Regional trade agreements are associated with an average 26% increase in annual deforestation in the 3 years following their enactment, driven primarily by agricultural land conversion rather than timber harvesting (Abman & Lundberg, 2020). Agreements that include specific, enforceable forest-related provisions substantially mitigate this effect, while agricultural expansion and agricultural trade are also limited (Abman et al., 2024).

The CEPA liberalises palm oil and other forest-risk commodities without attaching any deforestation-free condition. The agreement has not yet entered into force, but the negotiated text provides for Indonesia to remove its export duties on palm oil within sizeable quotas, starting at around 1.9 million tonnes of crude and refined palm oil and rising to almost 2.5 million tonnes after nine years, with smaller quotas for palm-kernel oil. Neither these quotas nor the wider tariff concessions are made conditional on deforestation-free production.

The agreement's sustainability commitments are set out in its Trade and Sustainable Growth chapter and a separate Palm Oil Protocol. These commitments are legally binding and enforceable through the agreement's dispute settlement mechanism, with trade measures available as a last resort for an ongoing breach of the commitment to uphold the Paris Agreement and the core ILO conventions (European Commission, 2026). However, the agreement stops short of making palm oil tariff preferences directly conditional on deforestation-free production, which implies that its forest-related leverage rests largely on dialogue and cooperation (Fern, 2026). This reflects the well-documented practical constraints of trade negotiations, since binding bilateral non-trade obligations are difficult to secure and partner countries are generally reluctant to accept enforceable commitments of this kind outside multilateral frameworks (see, e.g., [Srivastava, 2025](#)).

Cooperation between the Netherlands and Indonesia on sustainable palm oil extends beyond the CEPA to a dedicated intergovernmental instrument. In October 2025 Indonesia, the Netherlands and the United Kingdom signed a trilateral Memorandum of Understanding (MoU) on Cooperation on Sustainable Production of Palm Oil, which supersedes the 2019 Indonesia-Netherlands MoU and supports smallholder livelihoods, capacity-building and climate-change mitigation in the sector. Like the Palm Oil Protocol, however, it is expressly a cooperation framework and states that it creates no legally binding or enforceable obligations. It therefore adds a further avenue for dialogue and practical cooperation rather than a binding safeguard against deforestation.

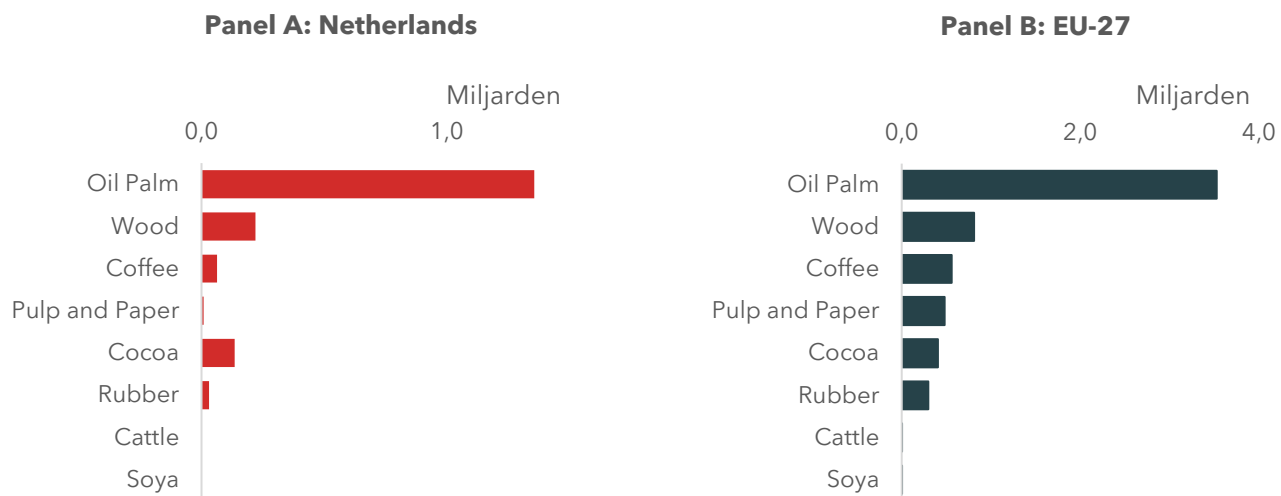
The EU Deforestation Regulation (EUDR) is the EU's main tool against imported deforestation but it sits outside the CEPA. This makes it the natural candidate to offset the forest risks of the CEPA. Adopted in 2023, the EUDR seeks to ensure that commodities placed on the EU market do not contribute to deforestation or forest degradation worldwide, requiring that seven commodities including palm oil be shown free of deforestation. A potential challenge is that it sits outside the negotiated trade deal. The mitigating effect found in the literature typically comes from forest provisions written into an agreement and enforced through its own dispute-settlement mechanism (Abman et al., 2024), whereas the EUDR is a separate, unilateral regulation applied to all countries alike through ordinary customs channels. Its application has also been postponed twice, most recently to December 2026 for large and medium operators (Regulation (EU) 2025/2650), and Indonesia was placed in the "standard" rather than "high" risk tier in the EU's first country benchmarking (Commission Implementing Regulation (EU) 2025/1093), attracting lighter checks despite its documented deforestation record. Proponents, including the Netherlands, have supported the EUDR less for its potential to catalyse longer-term change in producer countries, by driving traceability, certification and governance reforms and by shifting global market norms.

Trade diversion limits how much the EU can shape Indonesian deforestation. Palm oil the EU turns away can readily be sold elsewhere, so cutting European demand might redirect trade rather than change how the palm oil is produced. The EU's share of Indonesia's palm oil exports fell from about 17% in 2013 to 10% in 2022, while China became the largest single buyer and domestic Indonesian demand, driven by biodiesel, kept rising (Benedict & Heilmayr, 2024). Modelling further shows that a European ban on high-deforestation palm oil is estimated to cut Indonesian deforestation by only around 1.6%, as roughly half of the diverted volume is absorbed by non-participating markets (Busch et al., 2022). Global trade models reach a similar conclusion for Malaysian and Indonesian palm oil (Taheripour et al., 2019). Unilateral EU demand-side measures therefore have limited leverage on their own, although the EU has developed accompanying measures intended to reduce this risk.

4.2 EU and Netherlands exposure to deforestation-risk products from Indonesia

Oil palm products dominate both EU and Dutch imports of EUDR-relevant commodities from Indonesia. Analysis of 2025 Comtrade data shows wood, cocoa and coffee following at considerably lower volumes, a ranking that holds for the Netherlands (Figure 4.1, Panel A) and the EU-27 (Panel B) alike. In absolute terms EU-27 imports far exceed Dutch volumes: for oil palm, about EUR 3.5 billion against EUR 1.4 billion, consistent with the Netherlands being one entry point among several.

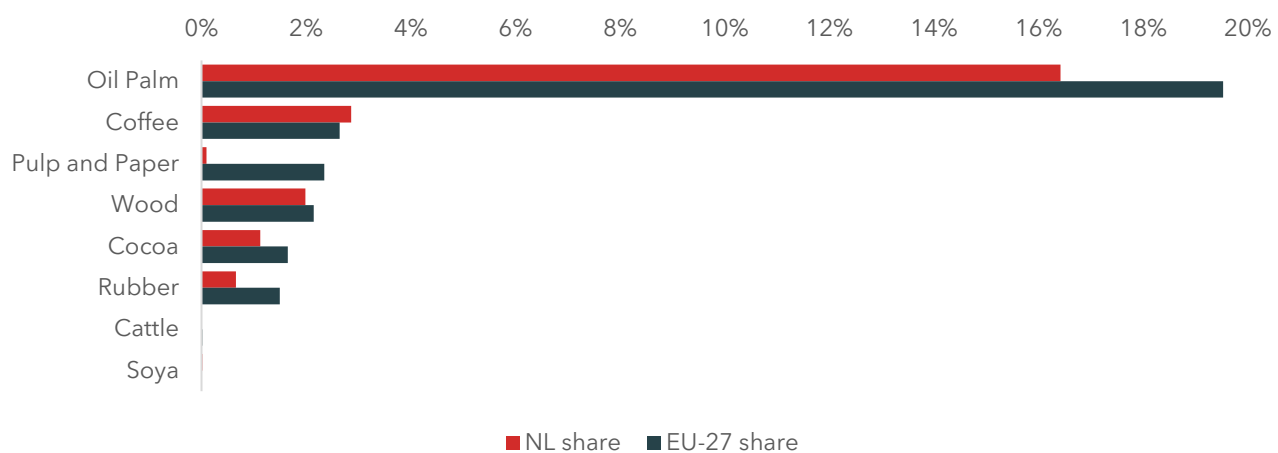
Figure 4.1 EUDR product imports from Indonesia (2025): Netherlands (Panel A) and EU-27 (Panel B), by commodity category (EUR)



Source: SEO Amsterdam Economics based on UN COMTRADE. The categories shown are HS4-level product groups as defined under Annex I of the EU Deforestation Regulation (EUDR). Cattle refers to live bovine animals, bovine meat and offal, and bovine hides and leather. Cocoa covers cocoa beans, paste, butter, powder and chocolate products. Coffee refers to coffee, whether roasted or decaffeinated. Oil Palm covers crude palm oil and its fractions, palm nuts and kernels, and related derivatives such as glycerol and fatty acids. Rubber covers natural and compounded rubber and rubber articles, including tires, belting and rubber apparel. Soya covers soybeans, soybean oil, and soybean meal and oilcake. Wood covers unprocessed and processed wood products, including sawn wood, panels, and wooden furniture. Pulp and Paper covers wood pulp, paper and paperboard, and printed paper products. Panel A shows Dutch imports and Panel B EU-27 imports; cattle and soya volumes are negligible for both.

Indonesia's share of total EUDR imports is likewise concentrated in oil palm. This holds for both the EU-27 and the Netherlands, at approximately 20% and 16% (Figure 4.2).

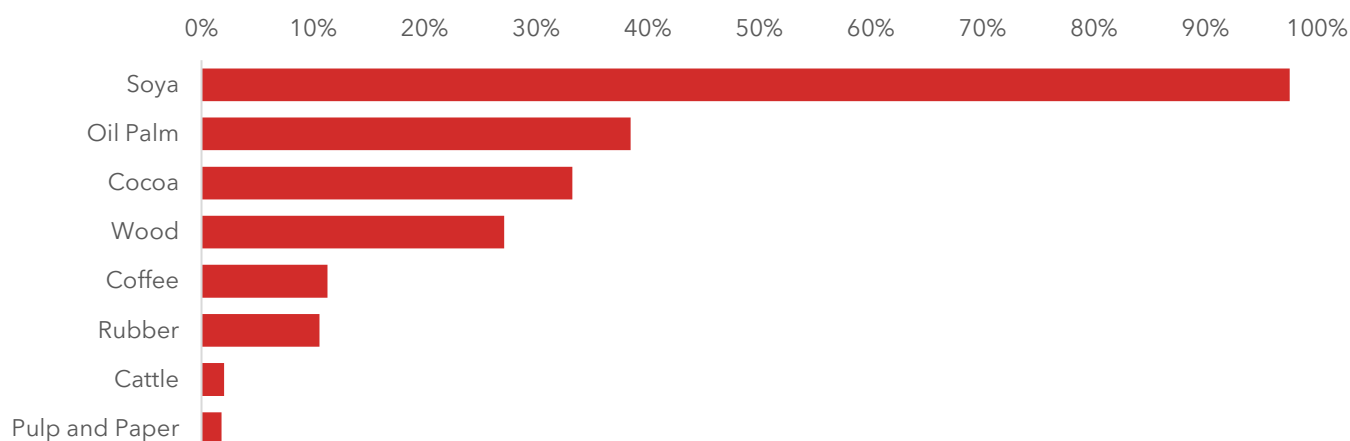
Figure 4.2 Indonesia's share of total EUDR imports (2025): Netherlands vs. EU-27, by commodity category.



Source: SEO Amsterdam Economics based on UN COMTRADE.

The Netherlands accounts for a substantial share of the EU's entry point for Indonesian EUDR-relevant flows. This is particularly pronounced for oil palm, cocoa and soya (Figure 4.3).

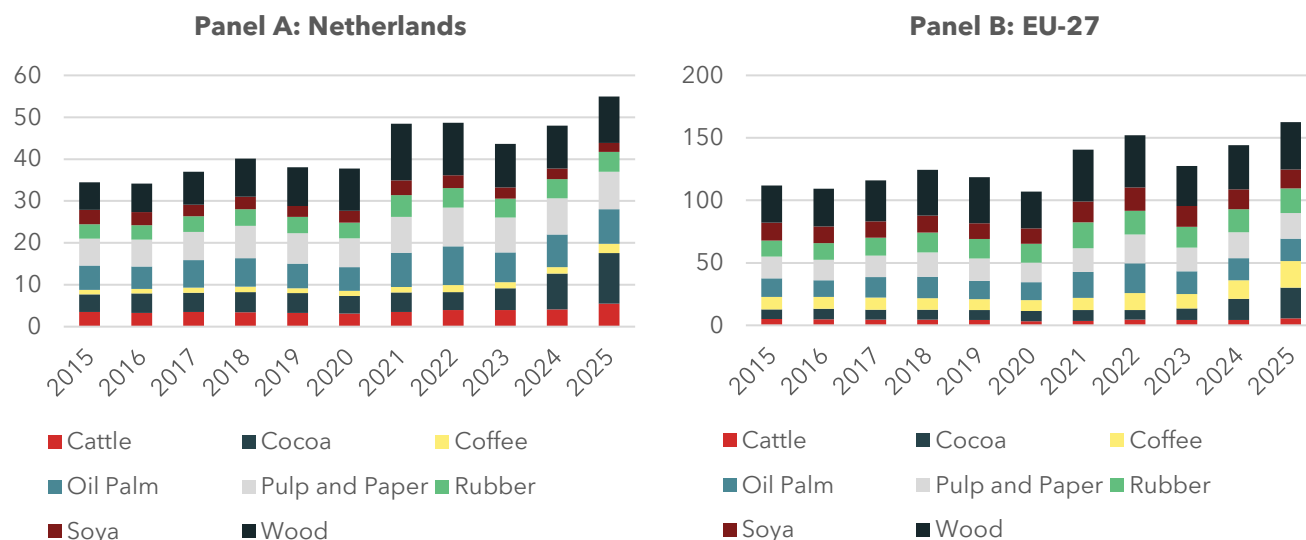
Figure 4.3 Netherlands' share of EU-27 EUDR imports from Indonesia (2025), by commodity category.



Source: SEO Amsterdam Economics based on UN COMTRADE. Shares for soya and cattle rest on negligible absolute import volumes and should not be over-interpreted.

Rather than domestic consumption alone, this Dutch concentration includes the "Rotterdam effect": the port's role as a re-export hub. The Netherlands is one of the EU's largest single-country importers of deforestation-linked commodities (van Berkum et al., 2025), a position partially related to Rotterdam's function as the EU's largest port and a major entry point for goods destined for other member states. Based on CBS destination data for 2021, approximately 28% of Dutch imports of deforestation-linked goods, were directly re-exported, while a further 33% were exported after processing in the Netherlands. Around 39% remained in the Netherlands for use or domestic consumption after processing (CBS, 2023). For oil palm specifically, the Netherlands acted as a major intermediary trading country, importing around 4.2 million tonnes annually between 2016 and 2020, of which some 42% was subsequently re-exported or distributed elsewhere (Santika et al., 2024). Consequently, total Dutch import volumes overstate actual Dutch consumption and should not be read as a direct measure of Dutch exposure to Indonesian deforestation-risk trade.

Figure 4.4 Imports of EUDR-relevant commodities from all origins, by category, 2015-2025 (EUR billions)



Source: SEO Amsterdam Economics based on UN COMTRADE.

Beyond Indonesia specifically, EU and Dutch imports of EUDR-relevant commodities have risen across the board over the past decade. Total EU-27 imports of the commodities covered by the EUDR, from all origins, grew from roughly EUR 112 billion in 2015 to about EUR 163 billion in 2025, while Dutch imports rose from around EUR 35 billion to EUR 55 billion over the same period (Figure 4.4). Part of the most recent increase reflects prices rather than volumes – notably the 2024-25 rise in cocoa prices, so the levels should be read with care. These totals are the expanding baseline into which the Indonesian flows shown above fit: sizeable in absolute terms, but a modest and, for palm oil, declining share of a much larger EU market.

4.3 Synthesis

Taken together, the evidence points to a real but only partially governable deforestation risk from the CEPA.

Indonesia is the largest single source of trade-embodied deforestation among countries still in a net-deforestation phase, and palm oil, the commodity most exposed to the CEPA's tariff concessions, is simultaneously its dominant deforestation driver and the dominant EUDR-relevant good it ships to the EU and the Netherlands. Liberalisation could therefore increase forest-risk trade, yet the agreement itself carries no deforestation-free conditionality, and the instrument the EU relies on instead, the EUDR, sits outside the CEPA, applies irrespective of origin, and only takes effect from the end of 2026. The EU's capacity to shift outcomes on the ground is bounded in any case as its share of Indonesian palm oil is shrinking, while domestic and non-EU demand dominate, and demand-side measures risk being offset by trade diversion. Whether the CEPA raises deforestation risks will probably depend less on the tariff schedule than on other policy levers outside of the agreement.

Appendix A Additional results

This appendix reports additional results underlying Chapter 3. It presents the bilateral trade-flow adjustments for the scenarios not shown in the main text (Table A.1) and the elasticity robustness band around the headline welfare results (Table A.2).

The pattern of trade adjustment is the same in every scenario; its size scales with the assumed depth of NTM liberalization. Table A.1 reports the bilateral trade-flow adjustments for the Tariffs-only, Low and High scenarios; the central scenario is shown in Table 3.6. In all of them, Indonesia and the EU trade more with each other and less with third countries and at home. Under the Tariffs-only scenario, Indonesian total exports rise by EUR +10.0 bln. and EU26 exports by EUR +9.5 bln.; in the Low scenario these totals reach EUR +15.1 bln. and +14.9 bln., and in the High scenario EUR +43.9 bln. and +43.6 bln. – roughly twice the central scenario, and more than four times the tariffs-only effect. The reorientation away from China deepens with NTM depth on the import side: Indonesian imports from China fall by EUR –0.6 bln. under Tariffs-only, EUR –2.9 bln. in Low and around EUR –6 bln. in the central and High scenarios, while EU26 exports to Indonesia climb from EUR +11.4 bln. (Tariffs-only) to EUR +23.8, +42.7 and +61.4 bln. across the ladder.

Table A.1 Bilateral trade flow adjustments by scenario (Δ EUR mln)

S.	Importer Exporter	Importer		Exporter		Total Δ Exports
		Indonesia	China	Netherlands	EU (26)	
Tariffs only	Total					
	Indonesia	-8 898	- 535	2 449	11 035	9 999
	China	- 644	599	- 156	- 312	- 591
	Netherlands	862	2	- 674	- 169	746
	EU (26)	11 442	- 176	- 914	-8 522	9 460
	Rest of the World	-1 426	16	- 528	-1 018	-2 956
	<i>Total Δ Imports</i>	10 234	- 693	851	9 536	0
	<i>Total Δ</i>	1 336	- 94	177	1 014	- 293
	Agriculture					
	Indonesia	- 208	- 14	34	310	249
	China	18	- 8	- 2	- 6	8
	Netherlands	13	1	- 4	- 18	5
	EU (26)	117	8	- 1	- 147	162
	Rest of the World	89	12	- 27	- 105	- 31
	<i>Total Δ Imports</i>	237	7	4	181	0
	<i>Total Δ</i>	29	- 1	0	34	- 5
Low	Manufacturing					
	Indonesia	-8 689	- 521	2 415	10 724	9 749
	China	- 662	606	- 154	- 306	- 599
	Netherlands	849	1	- 670	- 151	741
	EU (26)	11 313	- 184	- 913	-8 364	9 287
	Rest of the World	-1 504	4	- 502	- 923	-2 925
	<i>Total Δ Imports</i>	9 996	- 700	846	9 344	0
	<i>Total Δ</i>	1 307	- 94	176	980	- 288
	Total					
	Indonesia	-13 960	80	2 638	11 889	15 073
	China	-2 912	776	- 30	972	- 776
	Netherlands	1 788	- 40	- 924	- 294	1 081
	EU (26)	23 784	-1 134	-1 245	-12 841	14 905
	Rest of the World	-6 560	139	- 198	1 924	-4 695
	<i>Total Δ Imports</i>	16 100	- 955	1 165	14 491	0
	<i>Total Δ</i>	2 140	- 179	241	1 650	- 506

Agriculture						
Manufacturing						
Same as Tariffs Only Scenario						
Indonesia	-13 749	93	2 604	11 578	545	14 820
China	-2 930	783	- 28	978	1 196	- 784
Netherlands	1 774	- 41	-919	- 277	- 382	1 074
EU (26)	23 628	-1 142	-1 244	-12 661	-6 535	14 707
Rest of the World	-6 615	127	- 173	1 997	4 675	-4 664
Total Δ Imports	15 857	- 963	1 159	14 276	-5 176	0
Total Δ	2 108	- 180	240	1 615	- 501	
Total						
Indonesia	-39 944	-1 244	9 160	42 200	-6 199	43 917
China	-5 963	2 499	- 369	836	2 981	-2 515
Netherlands	4 641	- 59	-2 835	- 826	- 475	3 281
EU (26)	61 352	-2 099	-3 806	-37 808	-11 838	43 609
Rest of the World	-13 424	398	-1 403	346	14 083	-14 083
Total Δ Imports	46 606	-3 004	3 582	42 556	-15 531	0
Total Δ	6 662	- 505	747	4 748	-1 448	
Agriculture						
Indonesia	- 888	- 42	131	1 209	- 245	1 053
China	49	- 20	- 5	- 18	- 6	20
Netherlands	72	3	- 26	- 69	28	34
EU (26)	645	23	- 13	- 655	76	731
Rest of the World	247	36	- 83	- 322	124	- 122
Total Δ Imports	1 013	20	30	800	- 147	0
Total Δ	125	0	4	145	- 23	
Manufacturing						
Indonesia	-39 039	-1 013	9 011	40 336	-5 532	42 802
China	-6 011	2 520	- 364	856	2 984	-2 535
Netherlands	4 564	- 62	-2 805	- 757	- 504	3 241
EU (26)	60 574	-2 135	-3 792	-36 996	-11 936	42 711
Rest of the World	-13 606	205	-1 309	1 110	13 596	-13 600
Total Δ Imports	45 521	-3 005	3 546	41 545	-14 988	0
Total Δ	6 482	- 485	741	4 549	-1 392	

Source: SEO Amsterdam Economics

We test the robustness of our estimates by varying trade elasticities across sectors. Sectoral trade elasticities take central values of 8.5 (agriculture), 15 (mining and energy), 12.6 (manufacturing) and 5 (services); as a robustness convention we scale all elasticities jointly by $\times 0.75$ and $\times 1.25$. Results scale predictably with the assumed trade elasticities. The scaling moves Indonesia's central-scenario welfare gain between +0.26 and +0.42 per cent of real GDP, around +0.33 per cent at central values (Table A.2). Trade responses react more strongly: the increase in EU exports to Indonesia in the central scenario ranges from +184 per cent ($\times 0.75$) to +464 per cent ($\times 1.25$). The band is a robustness convention, not a confidence interval.

Table A.2 Welfare effects by scenario, elasticity robustness band ($\Delta\%$ of real GDP)

Country / Bloc	Tariffs only	Low	Central	High
Indonesia	+0.13 [+0.12 - +0.14]	+0.20 [+0.17 - +0.24]	+0.33 [+0.26 - +0.42]	+0.63 [+0.47 - +0.86]
Netherlands	+0.003 [+0.003 - +0.003]	+0.004 [+0.004 - +0.005]	+0.006 [+0.005 - +0.007]	+0.014 [+0.011 - +0.017]
EU (27)	+0.003 [+0.001 - +0.003]	+0.003 [+0.003 - +0.004]	+0.005 [+0.004 - +0.007]	+0.010 [+0.007 - +0.012]

Source: SEO Amsterdam Economics. Central trade elasticities; brackets show results with all sector elasticities scaled by $\times 0.75$ and $\times 1.25$ (a robustness convention, not a confidence interval). Netherlands and EU (27) at three decimals because values are of the order of 0.005.



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