

*World Bank–Ministry of Trade
Strategic Issues Forum on*

**Trading Towards Sustainability:
The Role of Trade Policies in
Indonesia’s Green
Transformation**

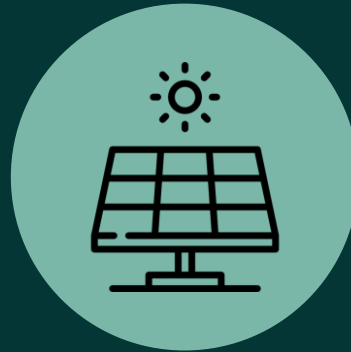
January 18th, 2024

Outline



The Case for the Role of Trade and Environmental Goods (green goods) in Climate Action and Mitigation

1



How Much Does Indonesia Trade in Environmental Goods and Plastic Substitutes?

2



Trade Policies for Indonesia's Green Transformation

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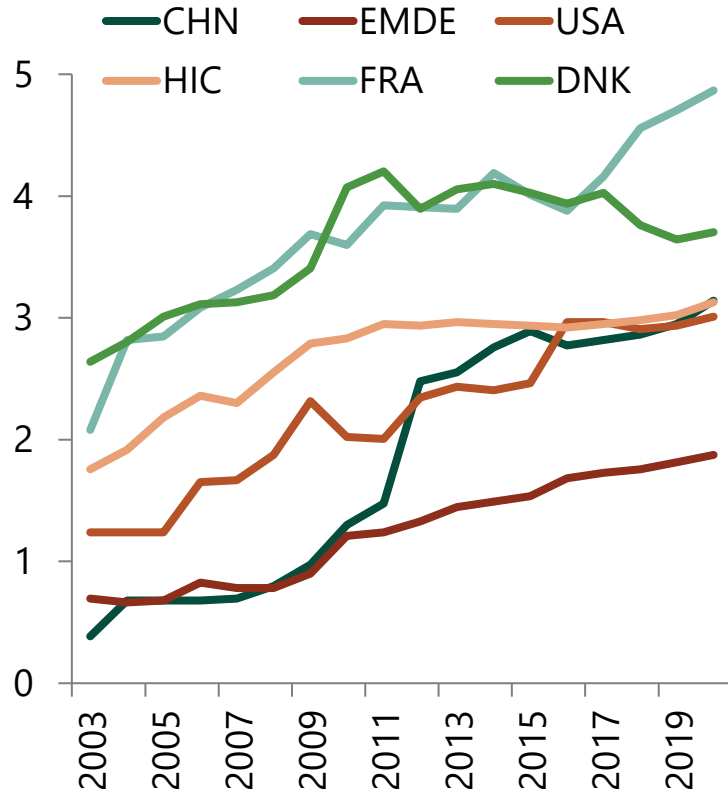


1

The Case for the Role of Trade and Environmental Goods (green goods) in Climate Action and Mitigation

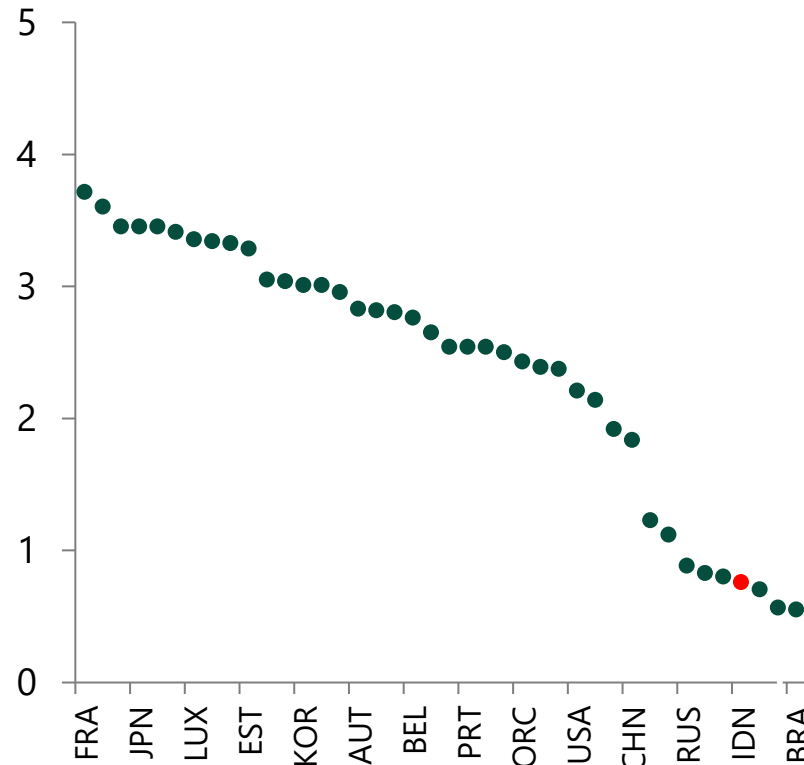
Worldwide climate actions have been increasing with implications on growth and trade for Indonesia

Trends in Environmental Policy Stringency (EPS)
Index values of selected countries
(2003 and 2020, EPS value)



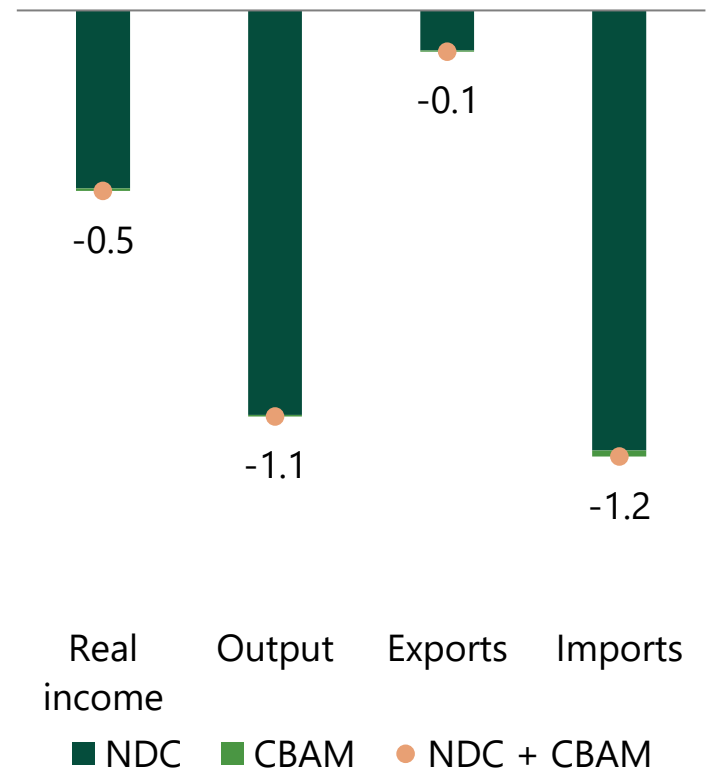
Source: Türkcan et al. (forthcoming)-calculations from OECD Stat database.

EPS index values for the sample
(2003-20, EPS value)



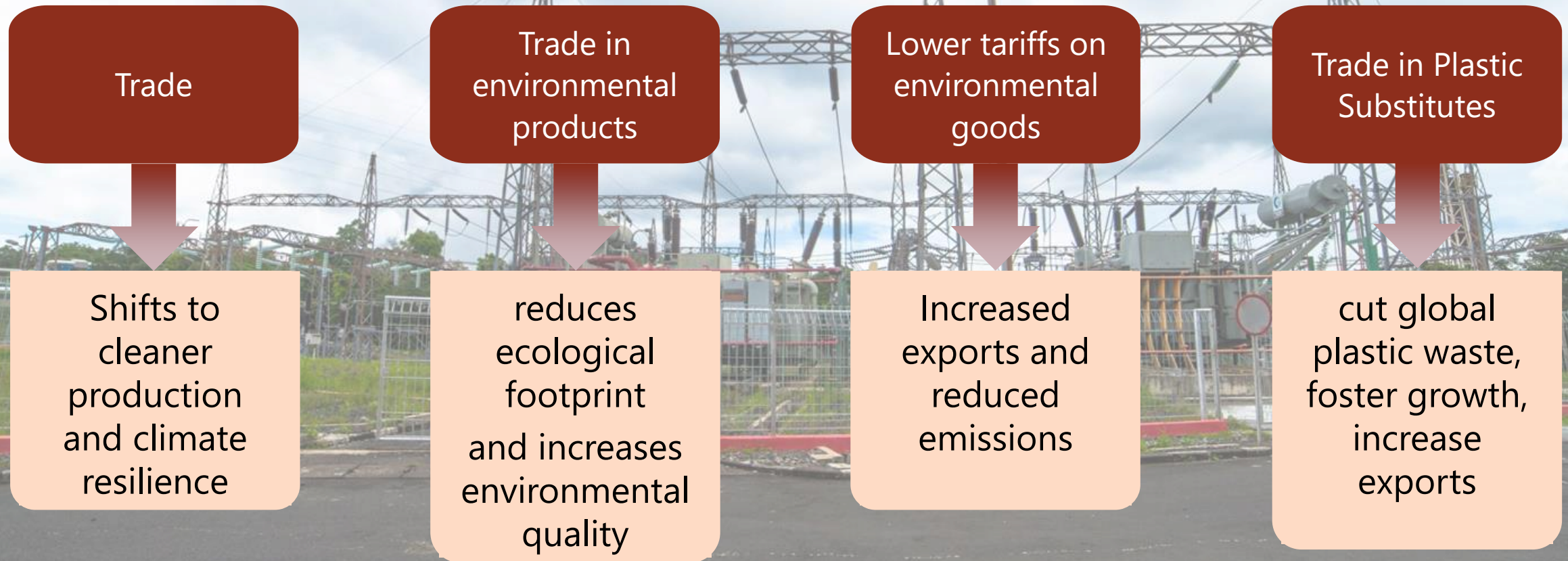
Source: Türkcan et al. (forthcoming)-calculations from OECD Stat database.

Impact of NDCs and CBAM on aggregate macro indicators
(percentage change in 2030 relative to baseline)



Source: World Bank staff calculations.
 NDC = Nationally Determined Contributions
 CBAM = Carbon Border Adjustment Mechanism

Although trade flows facilitate emissions, they are also a critical part of the solution, including through trade in environmental goods (green goods) and plastic substitutes—with important economic spillovers due to their high-tech intensity



Energy Transition (Mitigation)

- Air Pollution Control
- Cleaner or More Resource Efficient Technologies and Products
- Efficient Consumption of Energy Technologies and Carbon Capture and Storage
- Energy Efficiency
- Gas Flaring Emission Reduction
- Heat and Energy Management
- Renewable Energy

Agriculture And Land Use Transition/NRM (Mitigation)

- Clean Up or Remediation of Soil and Water
- Natural Resource Protection
- Resources and Pollution Management
- Water Supply

Waste Management (Mitigation)

- Management of Solid and Hazardous Waste and Recycling Systems
- Waste Management, Recycling and Remediation

Adaptation

- Clean Up or Remediation of Soil and Water
- Natural Risk Management

Broader Environmental Protection

- Environmental Monitoring, Analysis, and Assessment Equipment
- Environmentally Preferable Products based on End-Use or Disposal Characteristics
- Noise and Vibration Abatement
- Others
- Wastewater Management and Potable Water Treatment
- Water Supply

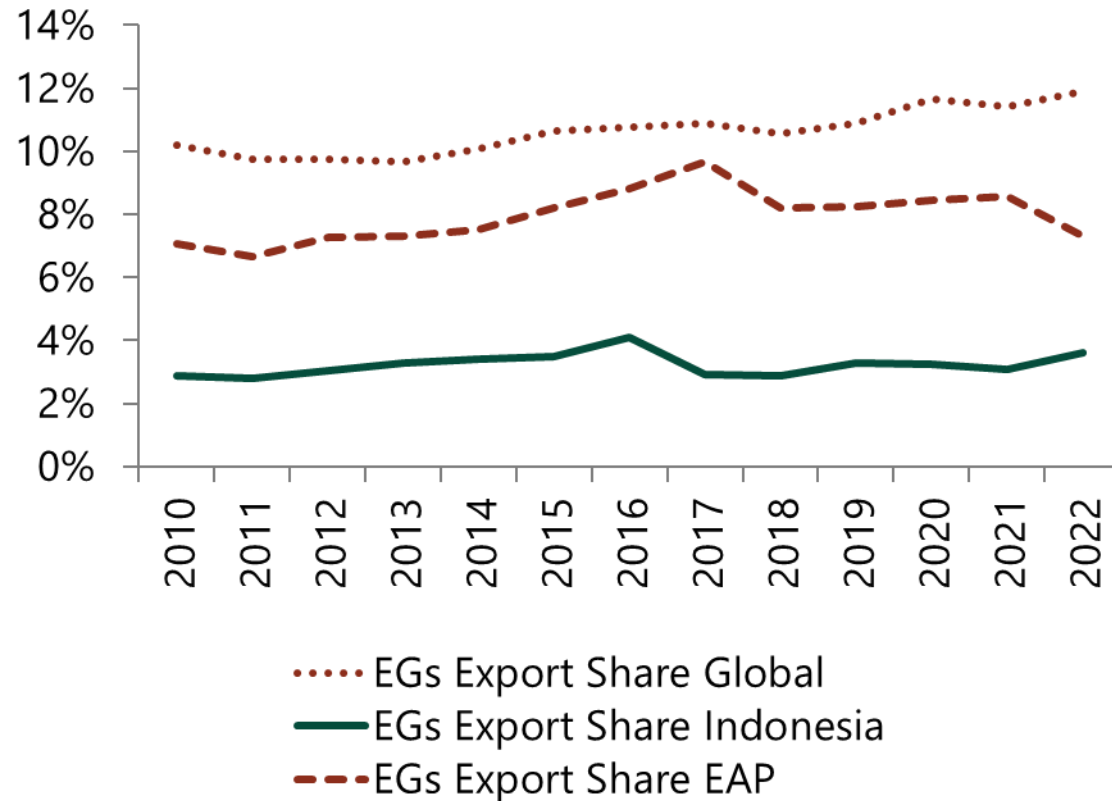


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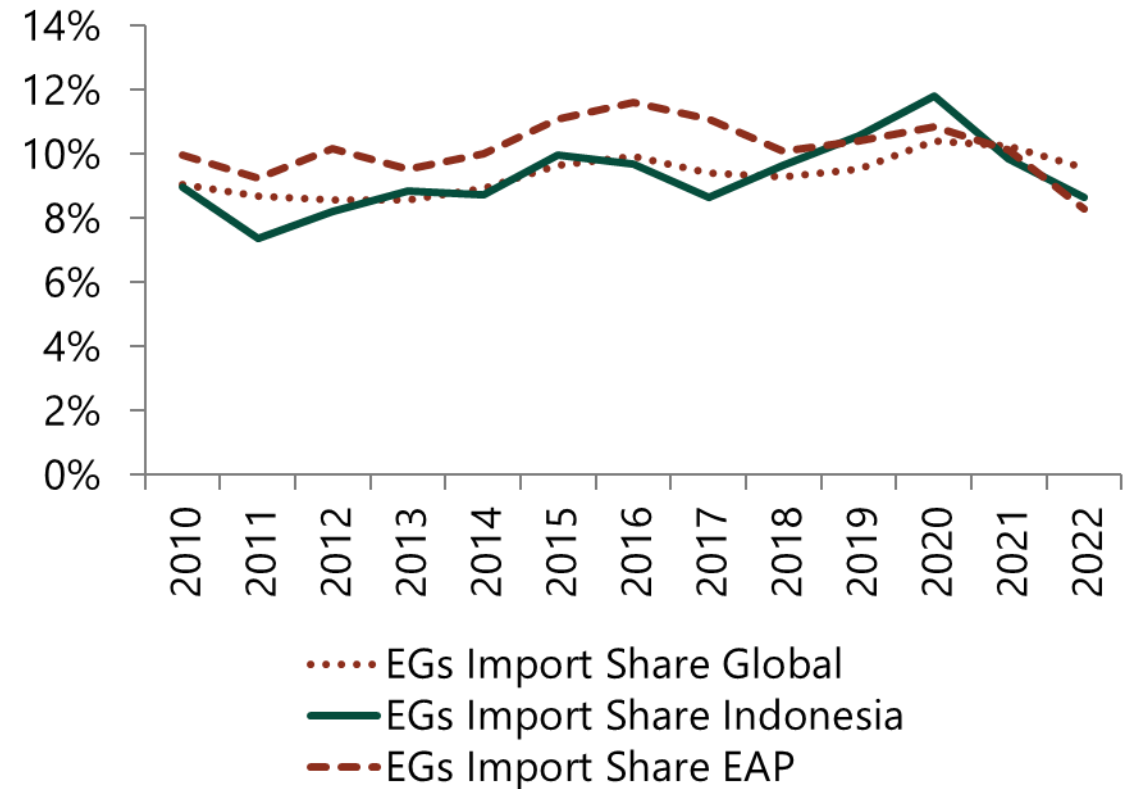
How Much Does Indonesia Trade in Environmental Goods and Plastic Substitutes?

Indonesia has untapped potential in exports of green goods, while imports represent an important source of access and transmission of new green technologies

Significant Potential to Expand Environmental Goods Exports
(Percent of total exports)

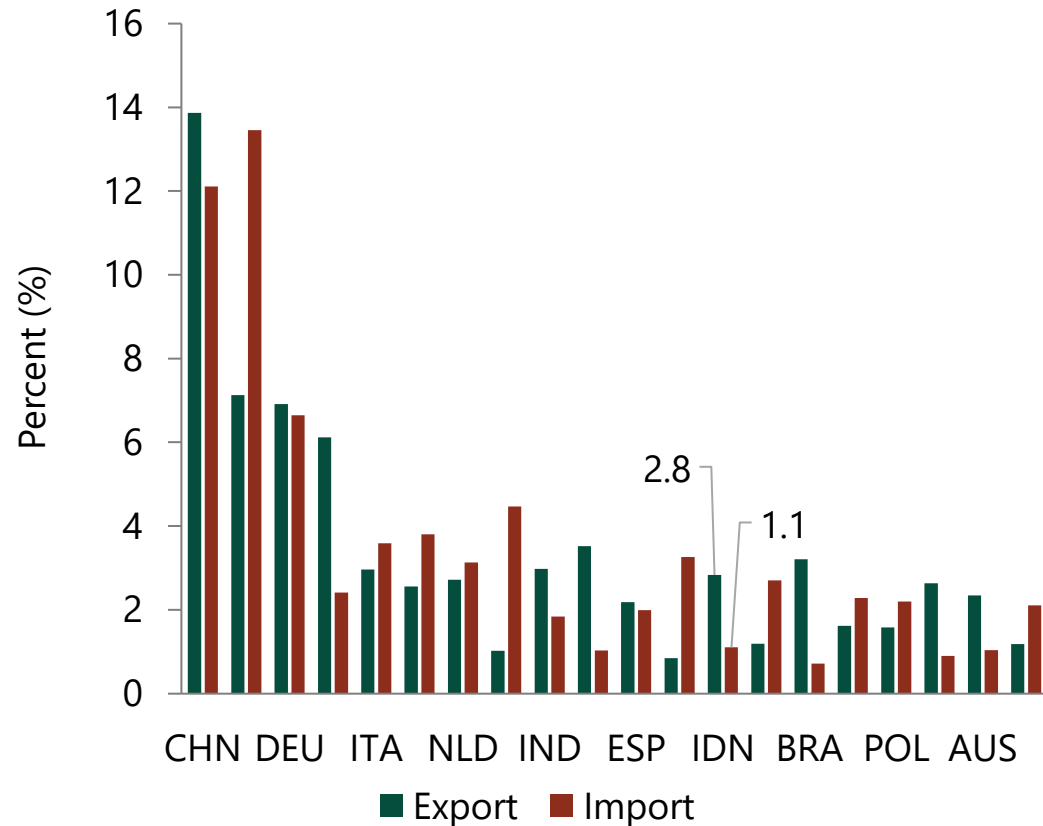


While Indonesia's Environmental Goods Imports are Aligned with the Global Average
(Percent of total imports)



Indonesia is a net exporter of plastic substitutes, but still lags behind the world's top performers in this field and is decreasing

Share of Global Trade of Plastics Substitutes by Top 20 Countries (2021)

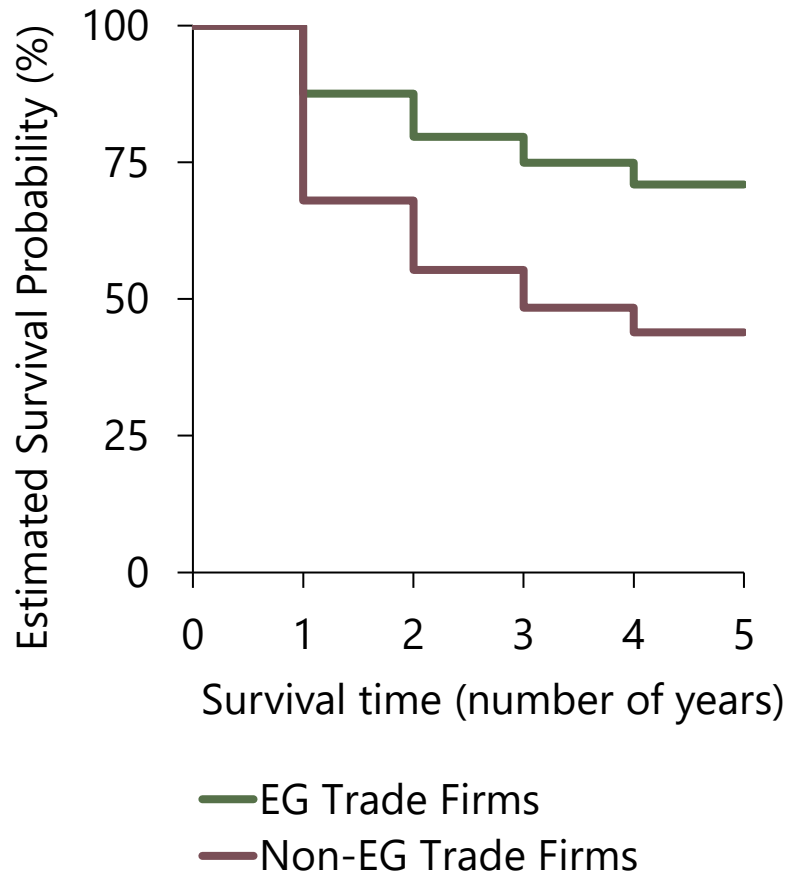


Share of Indonesia's Plastic Substitutes Trade

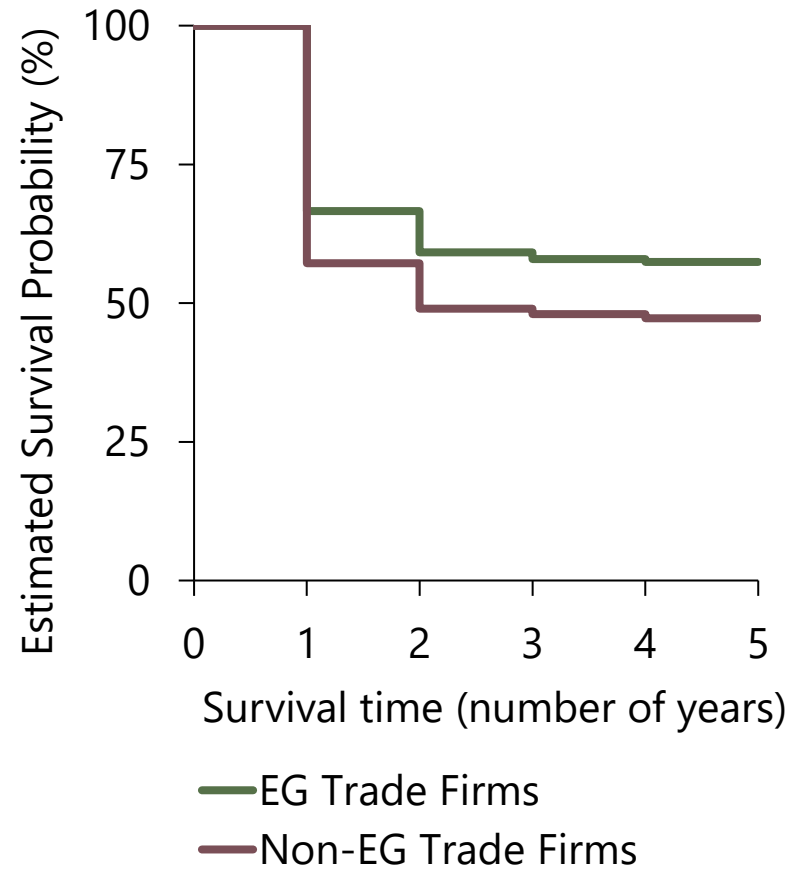


The private sector, especially firms involved in global value chains, will be key to realizing Indonesia's potential in trade in green goods given most green goods are intermediate and capital goods

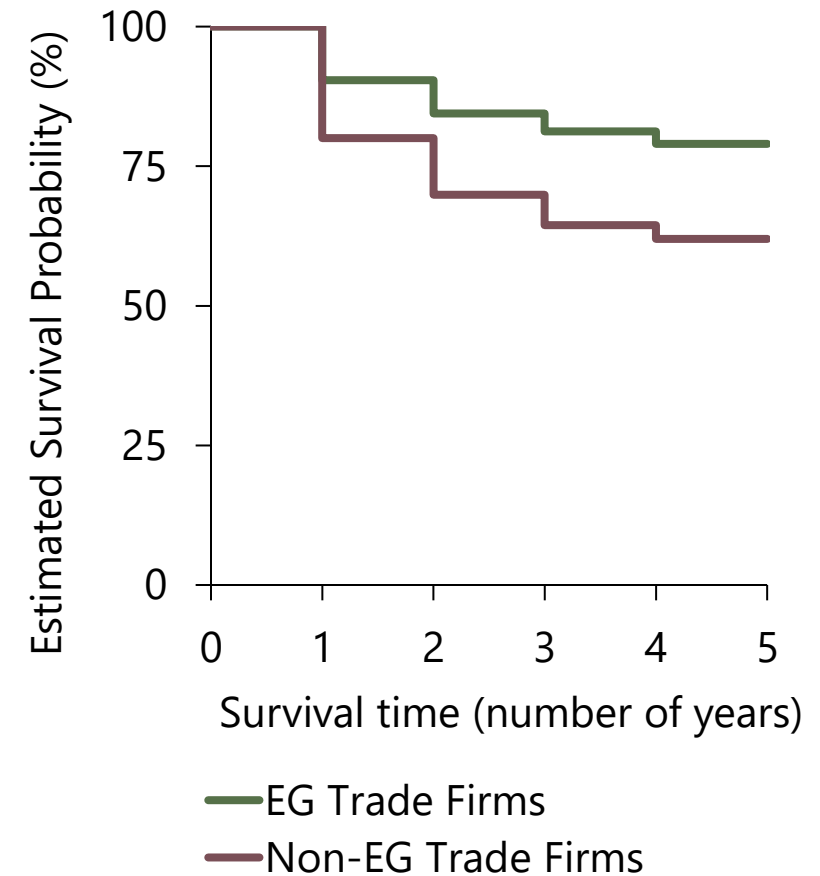
Importing Firms



Exporting Firms



Importing-Exporting Firms



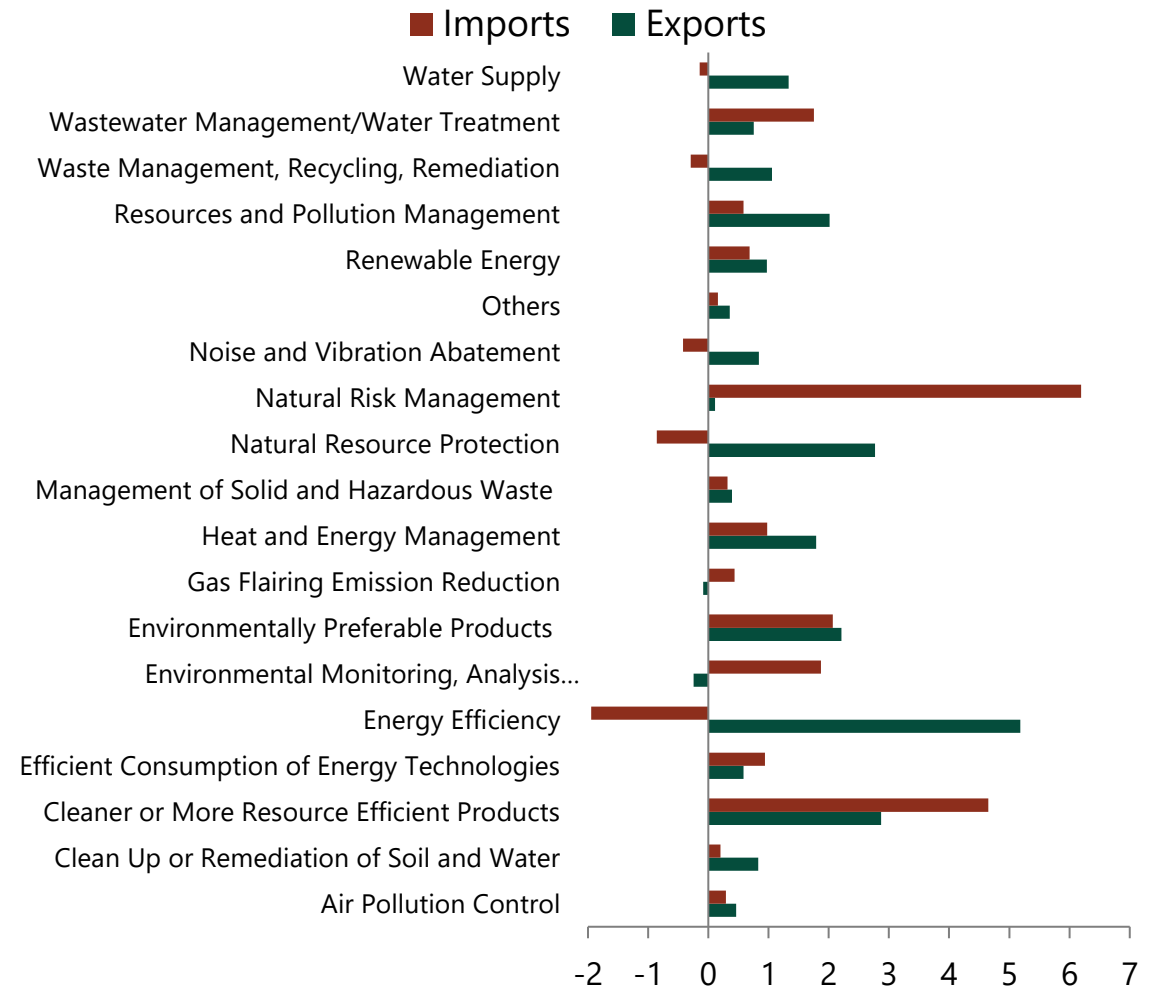


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Trade Policies for Indonesia's Green Transformation

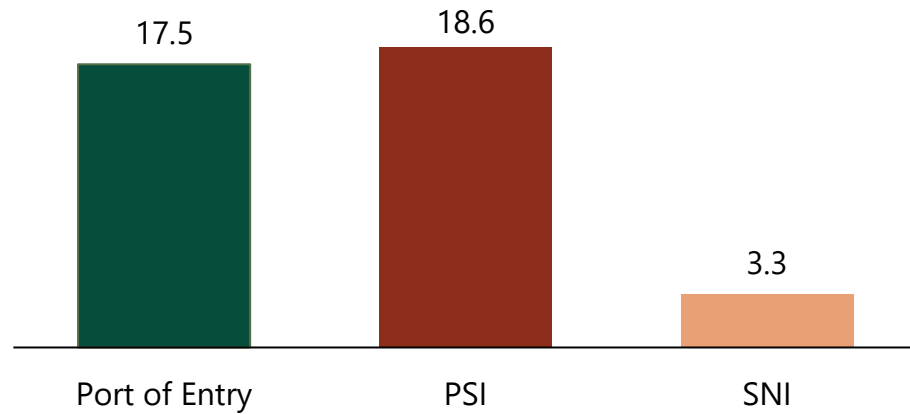
Reduce remaining tariffs on imports of green goods and plastic substitutes—including through multilateral participation

The Impacts of the WTO Environmental Goods Agreement (EGA) With Indonesia on green goods Trade
(percent change)

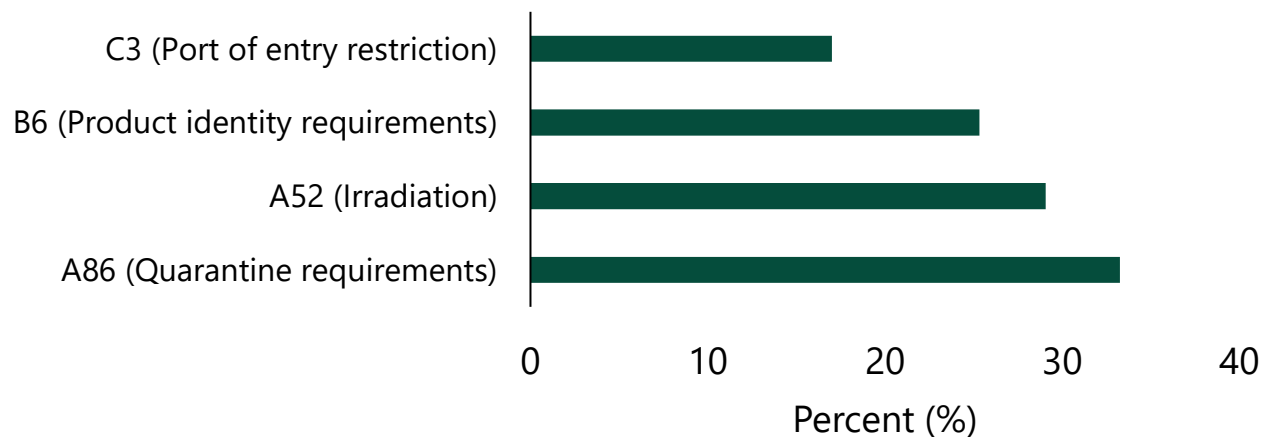


Source: World Bank staff calculations using WITS and GTN data.

Tariff Equivalent of NTMs on green goods Relative to EAP (AVE difference with ASEAN)



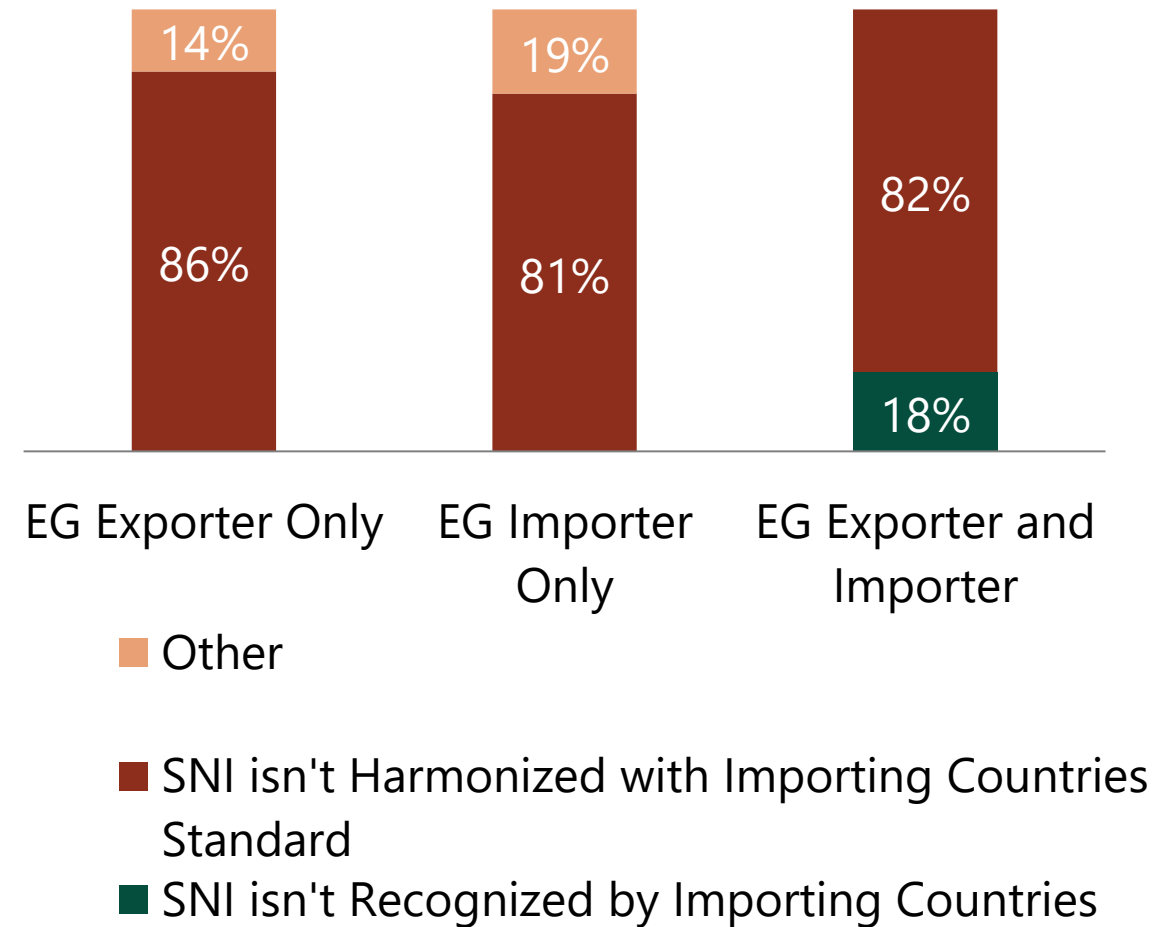
NTMs Negatively Affect Import of Plastic Substitutes



Streamlining NTMs on green goods and plastic substitutes & conduct a systematic and periodic review of trade regulations

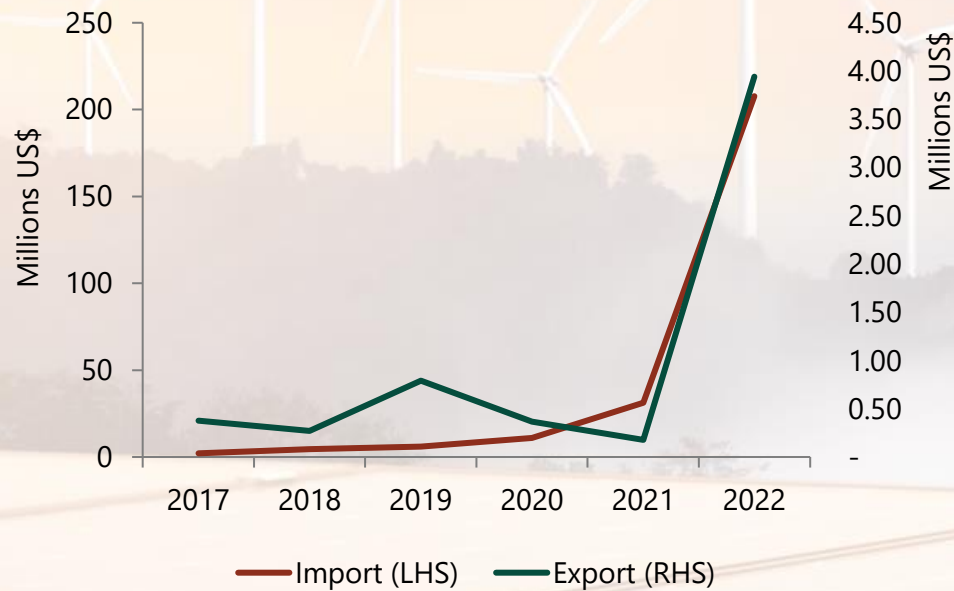
Working towards the **harmonization and mutual recognition of product standards** across markets & **coordination on climate policies** that are likely to affect trade to better enable the private sector.

Firms exporting green goods from Indonesia face challenges in meeting product standards in destination markets.

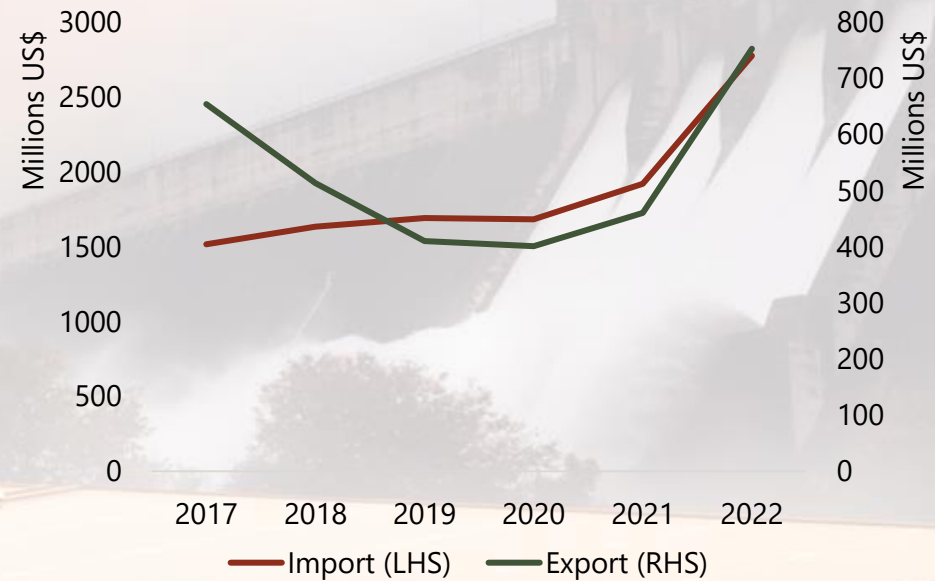


Reviewing and relaxing local content requirements (LCRs) to accelerate renewable energy (RE) sector growth through strengthening domestic supply chain and establishing demand for RE and RE enabling projects

Increased Imports and Exports of EVs



Increased Imports and Exports of SPP





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out of

14

Indonesia's trade agreements
contain environmental provisions

Only One

is strongly legally enforceable

**Including enforceable
environmental
provisions in trade
agreements and
participating in
plurilateral and
multilateral policy
initiatives on green
goods**

Source: World Bank Deep Trade Agreements Dataset



Strengthen the **complementarity** between trade and climate policies



TRADING TOWARDS SUSTAINABILITY

The Role of Trade Policies
in Indonesia's Green
Transformation

Angella Faith Montfaucon, Csilla Lakatos,
Bayu Agnimaruto, and Jana Mirjam Silberring



Thank you!

Terima kasih semuanya!

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English



Indonesia



<https://www.worldbank.org/en/country/indonesia/publication/green-trade>