SIMULATION

Potential Trade Impacts of the EU–Indonesia Comprehensive Economic Partnership Agreement

November 2026

Summary

Signed on 21 November 2026, the EU–Indonesia Comprehensive Economic Partnership Agreement (CEPA) could substantially expand trade between the two economies. This analysis uses the OECD's global trade model METRO to assess the agreement's potential effects on trade in goods and services between the EU and Indonesia, with Sweden examined separately. The simulation is based on the European Commission's analysis of the CEPA, combining tariff reductions derived from the agreed schedules with lower trade costs.

The results indicate increased trade in both directions. Swedish exports to Indonesia rise by around 20 per cent and imports by 14 per cent. For the EU as a whole, exports to Indonesia increase by around 14 per cent, while imports grow by 12 per cent. These changes are measured against a baseline without the agreement. Indonesia's higher initial tariff rates translate into larger reductions under the CEPA, which may partly explain why exports to Indonesia grow more than imports.

Swedish export growth is concentrated in manufacturing, particularly motor vehicles, machinery and electrical equipment, with further gains in the metals sector. EU exports show broadly similar patterns, alongside increases in agri-food products and chemicals. For both Sweden and the EU, imports from Indonesia increase notably in textiles and clothing, leather products and vegetable oils.

These results are model-based estimates and should be interpreted with caution, as they depend on the assumptions and baseline used in the analysis. The simulated outcome represents a medium-term equilibrium approximately 5–7 years after full implementation of the modelled commitments.

Nevertheless, the findings underline the CEPA's potential to significantly increase bilateral trade. Effective implementation of the agreement will be important for realising this potential. Although estimated gains vary across sectors, they point to new opportunities for firms in Sweden, the rest of the EU and Indonesia.

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1 Introduction

The Comprehensive Economic Partnership Agreement (CEPA) marks a significant step forward in bilateral relations between Indonesia and the European Union (EU). Accounting for around a third of the GDP of the Association of Southeast Asian Nations (ASEAN), Indonesia is the bloc's largest economy and the world's seventh largest in purchasing power parity terms.[1] With a population of more than 280 million and GDP growth averaging 6 per cent a year over the past decade, it offers a large and expanding market in the strategically important Indo-Pacific region.[2] Yet trade between the EU and Indonesia remains relatively limited given the size of their economies. By reducing trade barriers across a combined market of more than 700 million consumers, the CEPA could help realise more of this potential and create new opportunities for firms on both sides.[3]

The CEPA and a separate Investment Protection Agreement were signed on 21 November 2026, following nine years of talks that concluded in September 2025. Implementation of the CEPA is expected to begin in early 2027, subject to completion of the necessary procedures. Once fully implemented, the agreement will eliminate tariffs on more than 98 per cent of tariff lines, covering almost all bilateral goods trade by value. Beyond tariffs, it includes commitments to facilitate trade in services and address non-tariff barriers.[4]

Against this background, this analysis examines the CEPA's potential effects on trade in goods and services between Indonesia and Sweden, as well as the EU as a whole. Using the OECD's global trade model METRO, a computable general equilibrium (CGE) model for trade policy analysis, it simulates how the agreement may affect bilateral trade, overall and across sectors. The simulation is based on the European Commission's economic analysis of the negotiated outcome,[5] incorporating tariff reductions derived from the agreed schedules and lower trade costs for services and selected goods sectors.

The results are model-based estimates rather than forecasts. They represent a medium-term equilibrium after trade and production have adjusted to the modelled reductions in trade barriers. This is interpreted as approximately 5–7 years after full implementation. Moreover, the findings depend on the model's assumptions and starting conditions, including initial tariff levels and a baseline representing the global trade policy environment before recent developments. As the simulation covers only selected provisions of the agreement, its wider economic effects may extend beyond those examined here.

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1 OECD, *Indonesia*, 2026.

2 International Monetary Fund, *Indonesia and the IMF*, 2026; European Commission, *EU trade relations with Indonesia*, 2026.

3 European Commission, *EU and Indonesia conclude negotiations on free trade agreement*, 2025.

4 European Commission, *Key elements of the EU–Indonesia Trade Agreement*, 2025; European Commission, *Commission presents Council with ambitious Indonesia agreements*, 2026.

5 European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia Comprehensive Economic Partnership Agreement*, 2026.

2 Overview of trade relations

To contextualise the simulation, this section briefly outlines Indonesia's trade relations with Sweden and the EU. Despite recent growth, bilateral trade remains relatively limited, leaving considerable scope for expansion under the CEPA.

Sweden's goods trade with Indonesia amounted to approximately €790 million in 2025, comprising exports of €462 million and imports of €327 million. Each country accounts for around 0.2 per cent of the other's total goods trade. Swedish exports are concentrated in motor vehicles, machinery and electrical equipment, paper products, and chemicals. Clothing, vegetable oils, footwear and other metal products are among the main product groups Sweden imports from Indonesia.[6] Moreover, nearly 100 Swedish firms are represented in Indonesia, highlighting the existing commercial ties between the two countries.[7]

EU–Indonesia trade in goods increased by around a quarter over the past decade, reaching €29 billion in 2025, with growth driven mainly by EU imports. The EU is Indonesia's fourth-largest trading partner in goods, accounting for around 6 per cent of its total trade. Indonesia, in turn, is the Union's 30th-largest trading partner, with a share of around 0.6 per cent of total EU external goods trade. EU goods exports to Indonesia consist primarily of machinery and electrical equipment, chemicals and transport equipment. Major imports include metals, chemicals, machinery and electrical equipment, vegetable oils and footwear.[8] While the EU runs a deficit in goods trade, it records a surplus in services. Exports of services to Indonesia reached €5.8 billion in 2024, compared with imports of €3.5 billion.[9]

Tariffs remain a barrier to bilateral trade, with average rates higher in Indonesia than in the EU. In 2025, trade-weighted tariffs averaged 6.3 per cent on EU goods entering Indonesia, compared with 3.1 per cent in the opposite direction. Indonesian tariffs were higher for both agricultural and non-agricultural goods, particularly the latter, where they were more than twice the EU level (6.1 versus 2.4 per cent).[10] Some product groups face considerably higher rates, including Indonesian duties of up to 50 per cent on motor vehicles and 30 per cent on processed foods.[11]

Higher initial tariffs in Indonesia mean that their removal represents a greater absolute reduction in tariff rates. This may partly explain why the simulation shows a larger increase in EU exports to Indonesia than in imports from Indonesia.

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6 Statistics Sweden, *Trade in goods between Sweden and Indonesia (dataset)*, 2025; United Nations, *UN Comtrade Database*, 2025. Own calculations using Sveriges Riksbank's annual average exchange rate for 2025.

7 Embassy of Sweden in Jakarta, *Handel mellan Sverige och Indonesien*, 2026.

8 European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia CEPA*, 2026.

9 European Commission, *Fact sheet: EU trade in goods with Indonesia*, 2026; European Commission, *EU trade relations with Indonesia*, 2026.

10 WTO, *Tariff and Trade Data: European Union–Indonesia bilateral trade relations*, 2025. EU tariff averages include preferences available to Indonesia under the Generalised Scheme of Preferences.

11 European Commission, *Key elements of the EU–Indonesia Trade Agreement*, 2025.

3 Model framework and simulation design

This analysis uses the OECD's METRO model, a computable general equilibrium (CGE) model designed for trade policy analysis, to simulate the potential impact of the EU–Indonesia CEPA on bilateral trade. The model links countries and sectors through trade and input–output relationships, capturing how tariff reductions and lower trade costs affect production, consumption, and income throughout the economy. It estimates how these adjustments reshape economic activity and trade flows in a new equilibrium.[12]

In the simulation, bilateral trade flows under the modelled agreement are compared with those in a baseline without the CEPA, with results expressed as relative changes. The baseline builds on the standard METRO database, based on GTAP 11 with 2017 as the base year. Trade policy developments since then are not included in the baseline, meaning the results rest on the assumption that trade policies outside the agreement remain at their baseline levels. For this analysis, data are aggregated into 19 regions and 36 sectors, with Sweden represented separately from the rest of the EU to identify its bilateral trade effects.

The results indicate how trade could adjust to the agreement within the model framework, rather than predicting actual future trade flows. They can be interpreted as a medium-term equilibrium approximately 5–7 years after liberalisation. As such, the analysis captures structural adjustment rather than short-term dynamics or the transition to a new equilibrium. Appendix A provides further methodological details, including the regional and sectoral groupings.

3.1 Modelled scenario

The scenario modelled in this analysis combines bilateral tariff reductions with lower trade costs for services and selected goods sectors. These simulated reductions are based on the European Commission's economic analysis of the negotiated EU–Indonesia CEPA.[13]

Tariff reductions are applied as percentage cuts to the initial tariff rates in the model baseline. They are derived from the Commission's initial and final trade-weighted sectoral rates, calculated using the agreement's tariff schedules.[14] This approach enables a relatively detailed sector-by-sector assessment of the negotiated outcome on tariff liberalisation. However, it also means that the size of the tariff cuts depends on initial rates in METRO. In several sectors, these are lower than in the Commission's analysis, implying smaller absolute reductions even where tariffs are fully eliminated. This could lead to comparatively smaller estimated trade effects in these sectors.

The scenario captures the broad tariff liberalisation undertaken by the EU and Indonesia, although its extent differs across sectors and between the two parties. EU

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12 OECD, *METRO version 4 documentation*, 2023.

13 European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia CEPA,* 2026.

14 These calculations also account for ad valorem equivalents of specific duties and tariff-rate quotas.

tariffs are eliminated in almost all goods sectors. Indonesia also eliminates tariffs across most sectors, including several with relatively high initial tariffs. Limited protection remains for sensitive products, in agriculture on the EU side and across both agriculture and manufacturing in Indonesia (including machinery, pharmaceuticals, and iron and steel).

Beyond tariff reductions, the simulation also incorporates the Commission's estimates of trade cost reductions related to technical barriers to trade (TBT) and sanitary and phytosanitary (SPS) provisions in the CEPA. These limited reductions apply only to EU goods exports to Indonesia, as no corresponding changes are envisaged for trade in the other direction.[15]

Following the Commission, a 3 per cent reduction in trade costs is applied across all services sectors in both directions to reflect reduced uncertainty from binding existing levels of services trade barriers.

It should be noted that, while the agreement provides for tariff reductions to be phased in over a period of up to 15 years,[16] the simulation applies the final reductions simultaneously. The results therefore represent an equilibrium interpreted as approximately 5–7 years after all modelled tariff and trade cost reductions have been implemented, not after the agreement's entry into force. This assumes full implementation of the agreement's commitments by both parties.

Appendix B provides additional information on the tariff and trade cost reductions modelled in the scenario.

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15 European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia CEPA*, 2026.

16 European Commission, *Text of the EU–Indonesia Comprehensive Economic Partnership Agreement (Annex 2-A: Elimination of Customs Duties),* 2025.

4 Simulation results

This section examines the simulated effects of the CEPA on trade between Indonesia and Sweden, as well as the EU as a whole. All results show percentage changes following full implementation of the modelled reductions in tariffs and non-tariff barriers, compared with a baseline without the agreement. They should be interpreted as model-based estimates of the agreement's potential effects.

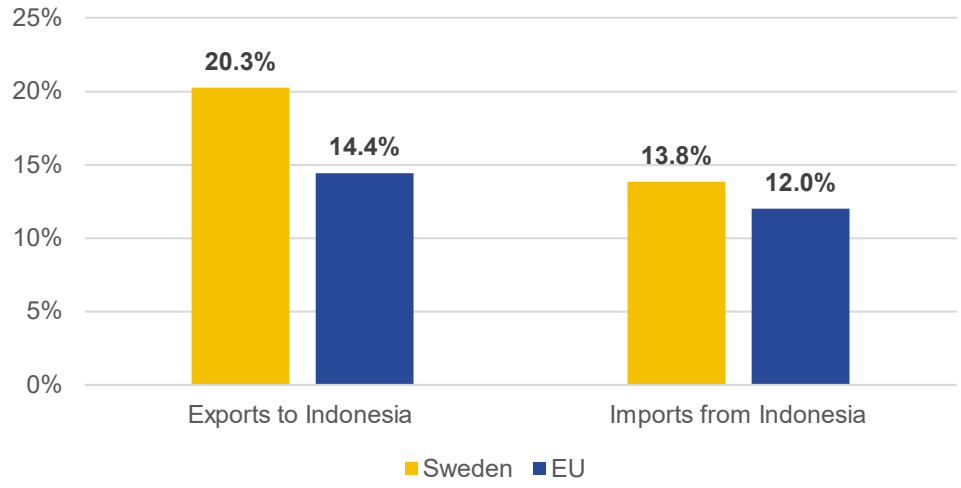
4.1 Effects on total bilateral trade

Figure 1 below shows simulated changes in total trade in goods and services between Indonesia and both Sweden (yellow bars) and the EU (blue bars). The simulation shows increased trade in both directions. Swedish exports to Indonesia increase by 20 per cent, while imports from Indonesia rise by 14 per cent. For the EU, exports increase by 14 per cent and imports from Indonesia by 12 per cent. The percentage increases are considerably larger for trade in goods than for trade in services.[17]

Exports to Indonesia increase more than trade in the opposite direction, for both Sweden and the EU. This may be driven, at least in part, by differences in initial trade barriers. Since Indonesia generally applies higher tariff rates than the EU, with some exceptions, reciprocal tariff reductions may lower trade costs more for Swedish and other EU exporters. Moreover, Swedish trade flows increase more than those of the EU as a whole, particularly for exports.

Figure 1. Impact on total bilateral trade in goods and services

Percentage change relative to baseline



Source: OECD METRO Model simulations by the National Board of Trade Sweden.

Note: Estimates show percentage changes in total trade (goods and services) in a new medium-term equilibrium following full implementation of the CEPA, compared with a baseline without the agreement.

[17] For example, goods exports increase by around 24 per cent for Sweden and 19 per cent for the EU, compared with around 4 per cent for services in both cases.

4.2 Trade effects by sector

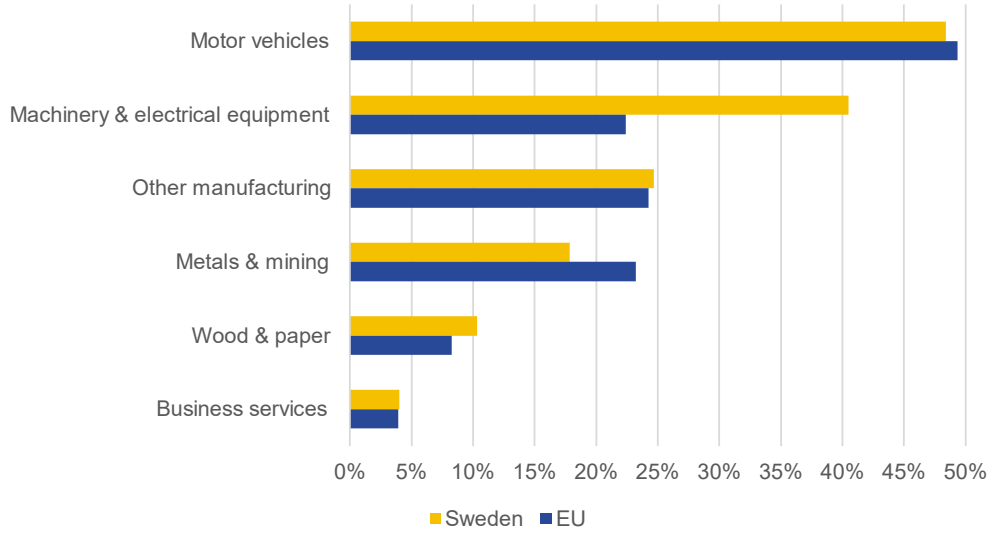
Figures 2 and 3 show simulated changes in exports to and imports from Indonesia, respectively, for sectors highlighted because of the size of the estimated effects and their importance in bilateral trade.

Manufacturing sectors account for most of the increase in Swedish exports to Indonesia in the simulation. Motor vehicles and machinery and electrical equipment stand out, with increases of 48 and 41 per cent respectively (Figure 2). Relatively large Indonesian tariff reductions in these sectors benefit already substantial Swedish export flows. The relative change in EU motor vehicle exports is of a similar magnitude, while machinery and electrical equipment rise by 22 per cent. Sweden's stronger response in the latter likely reflects its export specialisation.

Figure 2 also reports sizeable export gains in other manufacturing and in metals and mining for both Sweden and the EU. The relative change in wood and paper stands at 10 and 8 per cent respectively. For Sweden, this mainly reflects higher exports of paper products, an important component of its trade with Indonesia. Business services exports increase by around 4 per cent in both cases, while other service categories show similar gains although they represent smaller baseline flows. Detailed export results for all sectors are presented in Table 4 in the appendix.[18]

Figure 2. Impact on Swedish and EU exports to Indonesia, selected sectors

Percentage change relative to baseline



Source: OECD METRO Model simulations by the National Board of Trade Sweden.

Note: Estimates show percentage changes in selected sectors in a new medium-term equilibrium following full implementation of the CEPA, compared with a baseline without the agreement. Some sectors from the model aggregation are grouped together for presentation: *Metals & mining* comprises mining, non-ferrous metals and other metal products. See Appendix C for complete sectoral results.

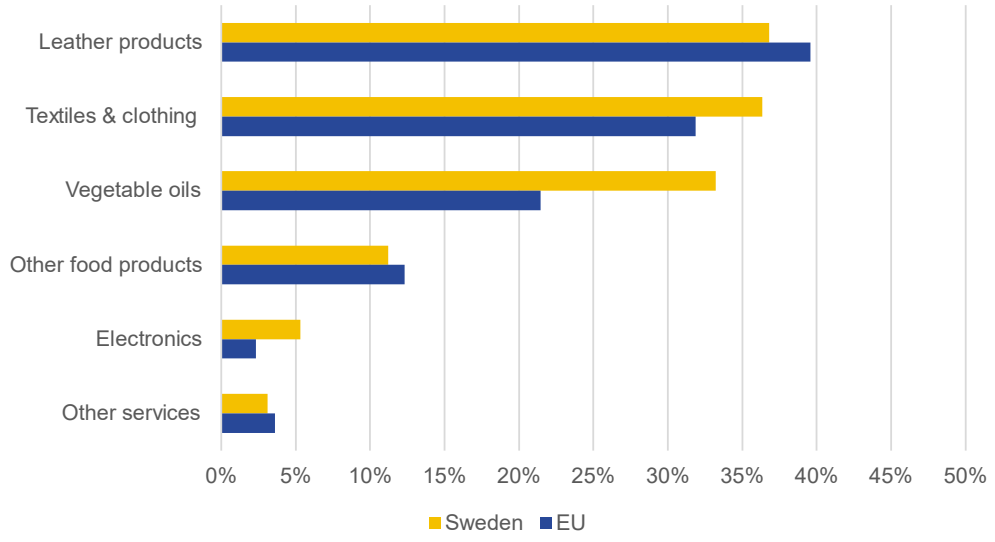
[18] Notably, these also include relative increases of around 8 per cent in Swedish electronics exports and 17 per cent in EU chemicals exports. Combined EU agri-food exports rise by around 18 per cent but account for a relatively small share of EU exports in the model baseline.

Turning to imports from Indonesia, Figure 3 shows large increases in leather products and textiles and clothing, at around 32–40 per cent for Sweden and the EU. Vegetable oils, another major Indonesian export, increase by 33 per cent to Sweden and 21 per cent to the EU. The removal of comparatively high initial EU tariffs substantially improves market access for these Indonesian industries.

Other food products record increases of around 11–12 per cent, followed by smaller but positive changes in Indonesian exports of electronics and other services. Note that the latter covers a broad range of service activities (see Table 2).

Figure 3. Impact on Swedish and EU imports from Indonesia, selected sectors

Percentage change relative to baseline



Source: OECD METRO Model simulations by the National Board of Trade Sweden.

Note: Estimates show percentage changes in selected sectors in a new medium-term equilibrium following full implementation of the CEPA, compared with a baseline without the agreement. Some sectors from the model aggregation are grouped together for presentation. See Appendix C for complete sectoral results.

Further results for Indonesian exports to Sweden and the EU are reported in Table 5 in the appendix. Some of the largest increases concern small baseline trade flows, including Swedish imports of transport equipment and certain EU agricultural imports, such as sugar. Moreover, trade does not increase across all sectors. For instance, EU imports remain roughly unchanged or decline slightly in rubber and plastics, electrical equipment, and some metal sectors.[19] While these outcomes may partly reflect adjustments in production and demand across sectors and countries, they should also be interpreted in light of the modelling assumptions and limitations discussed in Section 3.1.

[19] Some of these results differ from estimates in the Commission's CEPA analysis, notably those for iron and steel and other metal products. Possible explanations include differences in baseline trade patterns, initial tariffs and simulation design.

5 Conclusion

This analysis assesses the potential medium-term trade effects of the EU–Indonesia CEPA. Using the OECD METRO model, it simulates changes in total and sectoral trade between Indonesia and the EU, with a particular focus on Sweden. The modelled scenario combines bilateral tariff reductions with lower trade costs for services and selected goods sectors, based on the European Commission's 2026 economic analysis of the negotiated agreement.

The simulation indicates increased trade in both directions. Swedish exports to Indonesia rise by around 20 per cent and imports from Indonesia by 14 per cent. For the EU as a whole, exports to Indonesia increase by around 14 per cent, while imports grow by 12 per cent. The stronger export response may partly reflect higher initial tariffs in several Indonesian sectors, implying larger tariff reductions than on the EU side.

Swedish export growth is concentrated in established manufacturing sectors, particularly motor vehicles, machinery and electrical equipment, but also in the metals sector. In general, EU exports show similar increases, with gains also in chemicals and agri-food products. Imports from Indonesia increase notably in textiles and clothing, leather products, and vegetable oils.

The analysis complements the Commission's assessment of the CEPA primarily by providing a more detailed Swedish sectoral perspective, using a different modelling framework. The findings are broadly consistent, with differences mainly in the size and sectoral distribution of the estimated effects. Differences in model baselines and assumptions may help explain these variations. Lower initial tariffs in parts of the METRO baseline may, in particular, contribute to an underestimation of trade effects in the sectors concerned. A baseline incorporating more recent trade patterns and policies could also alter the size and distribution of the estimated effects. Moreover, the simulation covers only part of the agreement, leaving potential effects relating to, for instance, investment, digital trade and intellectual property protection unquantified. The CEPA's wider economic effects may therefore extend beyond those examined here.

These considerations call for caution in interpreting the results, which describe simulated effects of liberalisation rather than predictions of future trade.

Nevertheless, the analysis illustrates the CEPA's potential to significantly expand trade between the partners. Effective implementation by both parties will be important for realising this potential. The agreement can lower trade barriers and provide more predictable trading conditions, making it easier for firms to establish and expand commercial ties. More broadly, it offers scope for closer economic cooperation and supports Sweden's and the EU's trade diversification amid geopolitical uncertainty.

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Appendix A: Methodological considerations and model coverage

The simulation employs the standard closure and parameter settings of the METRO model. This includes a fixed external balance, flexible government expenditure, and fixed tax rates other than the tariffs changed in the scenario. Moreover, aggregate employment is held fixed within each model region. Adjustment instead occurs through wages and the allocation of labour across sectors.

As mentioned in Section 3, the analysis assesses the effects of the modelled agreement against the trade and production structure in the GTAP 11 database, with 2017 as the base year. This means several significant trade policy developments since then are not accounted for in the simulation, including US–China bilateral tariff escalations, sanctions against Russia and Belarus, and more recent US tariff measures. Likewise, subsequent trade liberalisation, including free trade agreements implemented since 2017, is also excluded. Although incorporating these developments would align the baseline more closely with current trading conditions and capture their interaction with the CEPA, selective updates could also introduce inconsistencies and shift the focus towards broader changes in global trade policy. Nevertheless, changes in trade policy since the base year may affect the size and distribution of the simulated effects, without necessarily altering the broad patterns identified.

The regional and sectoral aggregations used in the analysis are presented in Tables 1 and 2, respectively. Sweden is modelled separately to identify its bilateral trade effects, while results for Sweden, Germany, and the remaining member states are combined when presenting results for the EU as a whole in Section 4. Sectors are aggregated in line with the European Commission's analysis,[20] allowing its sector-specific liberalisation assumptions to be applied directly in this simulation. It should be noted that sectoral results illustrate the combined response within each sector and may therefore conceal differences between individual product groups.

[20] European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia CEPA*, 2026.

Table 1. Geographical aggregation used in the simulation

Model region (19)	Included countries
Sweden	Sweden
Germany	Germany
Rest of the EU	Other 25 European Union Member States
Indonesia	Indonesia
China and Hong Kong	China and Hong Kong
United States	United States
Japan	Japan
South Korea	South Korea
India	India
Singapore	Singapore
Malaysia	Malaysia
Vietnam	Vietnam
Rest of Southeast Asia	Thailand, Philippines, Brunei, Cambodia, Laos, Myanmar, Timor-Leste
Rest of East and South Asia	Mongolia, Taiwan, Afghanistan, Bangladesh, Pakistan, Nepal, Sri Lanka, Macao, North Korea, Bhutan, Maldives
Australia and New Zealand	Australia, New Zealand
United Kingdom	United Kingdom
EFTA	Norway, Switzerland, Iceland, Liechtenstein
Russia and Belarus	Russia, Belarus
Rest of the world	All remaining economies

Table 2. Sectoral aggregation used in the simulation

Model sector (36)	Coverage
Rice	Paddy rice, processed rice
Sugar	Sugar cane and beet, processed sugar
Cereals	Wheat, maize, other cereal grains
Crops	Vegetables, fruit and nuts, oil seeds, plant-based fibres, other crops
Vegetable oils	Vegetable oils and fats
Other agriculture	Other agricultural and animal products
Livestock	Cattle, sheep, goats, other livestock
Fishing	Fishing, aquaculture, fishery products
Mining	Mining, extraction of metal ores and non-energy minerals
Red meat	Beef, sheep, goat and other red meat
White meat	Pork, poultry, other white meat
Dairy	Raw milk and processed dairy products
Other food	Other processed foods
Beverages and tobacco	Alcoholic and other beverages, tobacco products
Textiles	Yarn, fabrics, other textiles, raw wool and silk
Wearing apparel	Clothing, garments
Leather products	Leather, footwear, other leather products
Wood products	Wood and forestry products
Paper products	Paper, paper products, printing and reproduction of recorded media
Chemicals	Industrial chemicals, fertilisers, petrochemicals and other chemical products
Pharmaceuticals	Medicines and other pharmaceutical preparations
Rubber and plastics	Rubber and plastic products, tyres, plastic materials
Iron and steel	Iron, steel and related products
Non-ferrous metals	Aluminium, copper and other non-ferrous metals
Other metal products	Fabricated metal products
Electronics	Computers, electronics, optical equipment, consumer electronics
Electrical equipment	Electrical machinery, appliances and other equipment
Machinery	Industrial and other machinery, mechanical equipment
Motor vehicles	Passenger vehicles, commercial vehicles, trailers and vehicle parts
Other transport equipment	Ships, aircraft, rail and other transport equipment
Other manufacturing	Other manufactures not classified elsewhere
Energy goods	Coal, crude oil, natural gas, petroleum and coal products
Transport services	Land, water and air transport, warehousing and support activities
Financial services	Financial services, insurance
Business services	Other business services, communications
Other services	Utilities, construction, wholesale and retail trade, accommodation and food services, real estate, recreation and other services, public services, education, health and social work, dwellings

Note: Based on the sectoral aggregation in the European Commission's 2026 CEPA analysis. Sector definitions follow the GTAP classification: *GTAP Data Bases: Detailed Sectoral List,* 2026.

Appendix B: Tariff and trade cost assumptions

Table 3 presents the sectoral tariff and trade cost reductions used in the simulation, based on the European Commission's economic analysis of the negotiated CEPA.[21] As explained in Section 3.1, these are applied to the model baseline. Sweden is modelled separately but receives the same proportional tariff reductions as the rest of the EU.

Tariff reductions below 100 per cent in Table 3 reflect protection remaining after implementation of the agreement. The Commission's trade-weighted sectoral rates combine products with different initial tariffs and commitments. Consequently, a sector with remaining protection may include many products whose tariffs are fully eliminated. For sectors with a zero initial tariff in the Commission's calculations, no tariff reduction is simulated. This is the case for EU imports of paper products, iron and steel, electrical equipment, and machinery.

The reductions in initial trade costs for goods reported in Table 3 draw on the Commission's assessment of non-tariff measures (NTMs). This combines qualitative assessments of TBT and SPS provisions in the CEPA with existing estimates of ad-valorem equivalents of NTMs, then aggregates the estimated cost reductions to sectors.[22]

Applying the Commission's proportional tariff reductions to initial rates in METRO may influence the estimated trade effects to the extent that these rates differ. This should be considered when interpreting the results. A comparison of the two baselines indicates lower initial tariffs in METRO, notably for some EU agri-food imports from Indonesia and for Indonesian imports of machinery and other metal products from the EU. Absolute tariff reductions are consequently smaller in these sectors. Moreover, a zero initial tariff in the model remains unchanged when a proportional reduction is applied. The importance of these differences depends, among other things, on the size of the affected trade flows and wider economic adjustments.

The simulation does not quantify all provisions of the agreement, such as those on foreign direct investment, digital trade and intellectual property protection. The CEPA's overall economic effects could therefore be greater than those captured by this analysis.

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21 European Commission, *Economic analysis of the negotiated outcome of the EU–Indonesia CEPA*, 2026.

22 Ibid.

Table 3. Modelled reductions of tariffs and trade costs

Trade in goods	Reduction of initial tariffs (%)		Reduction of initial trade costs (%)
	EU	Indonesia	Indonesia
Rice	100	100	—
Sugar	100	23.5	—
Cereals	100	100	—
Crops	100	100	—
Vegetable oils	100	100	—
Other agriculture	100	100	0.03
Livestock	100	100	—
Fishing	100	100	0.06
Mining	100	100	—
Red meat	100	100	3.46
White meat	79.4	100	0.57
Dairy	100	100	1.81
Other food	100	89.1	0.17
Beverages and tobacco	100	5.4	—
Textiles	100	100	—
Wearing apparel	100	100	—
Leather products	100	100	—
Wood products	100	100	—
Paper products	—	100	—
Chemicals	100	98.4	—
Pharmaceuticals	100	91.2	—
Rubber and plastics	100	100	—
Iron and steel	—	98.2	—
Non-ferrous metals	100	100	—
Other metal products	100	100	—
Electronics	100	100	0.07
Electrical equipment	—	100	0.42
Machinery	—	98.7	0.05
Motor vehicles	100	100	0.15
Other transport equipment	100	100	—
Other manufacturing	100	100	—
Energy goods	100	100	—

Trade in services	Reduction of initial trade costs (%)	
	EU	Indonesia
Financial services	3	3
Business services	3	3
Transport services	3	3
Other services	3	3

Source: European Commission's (DG Trade) economic analysis of the EU-Indonesia CEPA, 2026.

Note: Proportional tariff reductions derived from DG Trade's initial and final sectoral rates and applied to initial tariffs in METRO. "—" indicates a zero initial tariff or no goods NTM shock in the Commission's calculations. As per DG Trade, NTM cost reductions apply only to EU exports to Indonesia, while services trade costs are reduced by 3 per cent in both directions. Sweden is modelled separately but faces the same proportional tariff reductions as the rest of the EU.

Appendix C: Detailed results

Table 4. Simulated changes in exports to Indonesia, by sector

METRO baseline trade shares and percentage change relative to baseline

Sector	Sweden		EU27	
	Baseline share (%)	Change (%)	Baseline share (%)	Change (%)
Rice	<0.1	0.0	<0.1	1.9
Sugar	<0.1	0.0	<0.1	0.4
Cereals	<0.1	0.0	<0.1	0.6
Crops	<0.1	0.0	0.6	11.2
Vegetable Oils	<0.1	0.4	0.2	11.8
Other Agriculture	<0.1	0.0	0.1	4.2
Livestock	<0.1	0.0	<0.1	9.2
Fishing	<0.1	0.0	<0.1	1.6
Mining	<0.1	-0.1	0.3	3.6
Red Meat	<0.1	2.0	<0.1	35.8
White Meat	<0.1	2.2	<0.1	61.4
Dairy	<0.1	4.1	2.4	20.1
Other Food	0.5	16.4	1.9	22.1
Beverages and Tobacco	<0.1	0.7	0.4	1.6
Textiles	<0.1	0.4	0.9	34.3
Wearing Apparel	<0.1	3.0	0.3	111.7
Leather products	<0.1	-0.6	0.7	53.6
Wood Products	0.1	1.8	0.3	9.9
Paper Products	20.1	10.4	3.1	8.1
Chemicals	3.1	3.7	10.0	16.9
Pharmaceuticals	1.6	13.2	2.2	10.0
Rubber and Plastics	1.0	36.9	1.2	39.2
Iron and Steel	1.7	9.4	1.0	24.6
Non-ferrous Metals	<0.1	0.4	0.7	15.7
Other metal products	2.3	18.6	1.5	29.7
Electronics	8.9	7.6	6.0	8.7
Electrical Equipment	4.7	26.7	5.2	29.9
Machinery	23.6	43.2	16.1	20.0
Motor Vehicles	6.4	48.4	3.0	49.4
Other Transport Equipment	2.6	3.2	10.3	3.0
Other Manufacturing	2.8	24.7	2.2	24.2
Energy Goods	0.1	0.2	0.5	2.5
Transport services	1.8	4.4	3.8	4.4
Other services	4.5	4.4	11.3	4.5
Financial services	0.7	4.4	2.0	4.4
Business services	13.2	4.0	11.8	3.9
Total	**100.0**	**20.3**	**100.0**	**14.4**

Source: OECD METRO Model simulations by the National Board of Trade Sweden.

Note: Baseline export shares indicate the relative size of sectors in METRO based on model trade quantities and may differ from shares based on current trade values. Total changes are weighted by the baseline shares. Simulated percentage changes are relative to a baseline without the agreement. Positive baseline shares below 0.1 per cent are shown as <0.1.

Table 5. Simulated changes in imports from Indonesia, by sector

METRO baseline trade shares and percentage change relative to baseline

Sector	Sweden		EU27	
	Baseline share (%)	Change (%)	Baseline share (%)	Change (%)
Rice	<0.1	3.0	<0.1	18.1
Sugar	<0.1	0.0	<0.1	80.9
Cereals	<0.1	0.0	<0.1	0.0
Crops	2.3	-0.3	2.6	-0.3
Vegetable Oils	6.8	33.2	15.0	21.4
Other Agriculture	<0.1	0.0	<0.1	0.0
Livestock	<0.1	0.0	<0.1	-0.2
Fishing	<0.1	0.0	<0.1	0.7
Mining	0.0	–	<0.1	0.0
Red Meat	<0.1	0.0	<0.1	0.0
White Meat	<0.1	0.0	0.2	15.8
Dairy	<0.1	0.0	<0.1	0.0
Other Food	3.3	11.2	3.4	12.3
Beverages and Tobacco	<0.1	0.0	0.8	5.3
Textiles	2.4	27.0	2.3	16.6
Wearing Apparel	16.6	37.7	6.5	37.2
Leather products	6.5	36.8	12.1	39.6
Wood Products	3.1	-0.3	2.2	1.6
Paper Products	0.2	0.0	1.1	-0.7
Chemicals	2.0	0.0	7.3	1.7
Pharmaceuticals	0.5	0.0	0.6	0.0
Rubber and Plastics	3.4	0.8	5.6	-0.6
Iron and Steel	0.4	0.1	0.7	-0.9
Non-ferrous Metals	0.0	–	1.1	-0.7
Other metal products	2.7	-0.4	0.5	0.3
Electronics	12.8	5.3	6.4	2.3
Electrical Equipment	1.0	0.0	4.6	-1.4
Machinery	0.6	0.0	1.0	-0.3
Motor Vehicles	2.0	0.1	0.4	0.0
Other Transport Equipment	1.7	46.2	0.9	9.4
Other Manufacturing	9.1	-0.8	4.5	-0.4
Energy Goods	0.2	0.0	3.0	-0.3
Transport services	3.3	2.8	3.4	3.6
Other services	8.4	3.1	9.7	3.6
Financial services	0.6	0.0	1.0	1.4
Business services	9.9	1.6	3.0	0.6
Total	**100.0**	**13.8**	**100.0**	**12.0**

Source: OECD METRO Model simulations by the National Board of Trade Sweden.

Note: Baseline import shares indicate the relative size of sectors in METRO based on model trade quantities and may differ from shares based on current trade values. Total changes are weighted by the baseline shares. Simulated percentage changes are relative to a baseline without the agreement. Positive baseline shares below 0.1 per cent are shown as <0.1. Zero baseline trade is indicated with "–".

Sammanfattning på svenska
Summary in Swedish

Den 21 november 2026 undertecknade EU och Indonesien frihandelsavtalet CEPA, som banar väg för ökad handel och nya möjligheter för företag på båda sidor. Denna analys undersöker avtalets potentiella effekter på handeln med varor och tjänster mellan EU och Indonesien, med särskilt fokus på Sverige. Analysen använder OECD:s allmänna jämviktsmodell Metro för att simulera effekterna av tullsänkningar och lägre handelskostnader. Simuleringen bygger på EU-kommissionens analys av avtalet, där tullsänkningarna har beräknats utifrån avtalets faktiska tullåtaganden.

Resultaten visar att handeln ökar i båda riktningarna. Sveriges export till Indonesien ökar med omkring 20 procent och svensk import från Indonesien ökar med 14 procent. Motsvarande ökningar för EU som helhet är 14 respektive 12 procent. Dessa resultat avser simulerade effekter jämfört med ett referensscenario utan avtalet. Att exporten till Indonesien ökar mer än importen därifrån kan till viss del förklaras av att Indonesien har högre tullar i utgångsläget, vilket innebär större absoluta tullsänkningar när avtalet genomförs.

Den svenska exportökningen sker främst inom tillverkningsindustrin, framför allt motorfordon, maskiner och elektrisk utrustning, men även inom metallsektorn. EU:s export uppvisar ett liknande mönster. Även EU:s export av jordbruks- och livsmedelsprodukter samt kemikalier ökar. Importen från Indonesien ökar särskilt för textilier och kläder, läderprodukter och vegetabiliska oljor.

Resultaten påverkas av modellens antaganden och utgångsläge och bör därför tolkas med försiktighet. Simuleringen visar hur handeln kan påverkas på medellång sikt, när de tullsänkningar och minskade handelskostnader som modelleras fått fullt genomslag och ekonomin har anpassat sig till en ny jämvikt. Dessutom omfattar analysen endast delar av avtalet.

Simuleringen visar att handeln mellan EU och Indonesien kan öka betydligt genom frihandelsavtalet. Även om de simulerade effekterna varierar mellan branscher medför avtalet nya möjligheter för företag såväl i Sverige och övriga EU som i Indonesien.

The National Board of Trade Sweden is the government agency for international trade, the EU internal market and trade policy. Our mission is to facilitate free and open trade with transparent rules as well as free movement in the EU internal market.

Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analyses, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aim to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analyses and reports aim to increase the knowledge on the importance of trade for the international economy and for the global sustainable development. Publications issued by the National Board of Trade only reflect the views of the Board.

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