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Free Trade Agreement between the EU and Indonesia

08 I 2025

On 13 July 2025, after more than ten years of negotiations, the EU and Indonesia agreed on a free trade agreement. The Comprehensive Economic Partnership Agreement (CEPA) is to be signed by representatives of both parties in September 2025. This marks the conclusion of negotiations with Southeast Asia's second-largest economy. Negotiations on an agreement with India, Southeast Asia's largest economy, are still ongoing. The current German government committed itself, in its coalition agreement, to providing special support for efforts to conclude the agreement (KMLZ Customs Newsletter 01 | 2025). The free trade agreement opens up new opportunities for companies in both contracting states.

The final version of the free trade agreement is not yet known. However, the information published so far provides a general overview.

1 Course of negotiations

The contents of the free trade agreement was negotiated by the EU and Indonesia over the course of 19 rounds of negotiations. Points of contention included, in particular, commitments to sustainability goals. The EU demanded a clear commitment to environmental and social standards. These include the ILO Convention on Labour and Social Standards and the Paris Climate Agreement. The publications to date suggest that the EU's demands have been largely incorporated into the agreement. This is particularly relevant for EU taxable persons from an ESG perspective. The agreement on high sustainability standards will simplify trade within the (future) scope of the CSRD and CSDDD.

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2 Preferential measures

One general focus of negotiations in any free trade agreement is the complex issue of preferential measures. The EU grants preferential conditions for the importation of goods that originate in Indonesia. Conversely, Indonesia grants preferential conditions for the importation of goods of preferential origin in the EU. The conditions, under which individual goods are considered preferential origin goods, will be regulated in the final agreement. Usually, goods that have been wholly obtained or produced in the country of one of the contracting parties have preferential origin. If a third country, that is not a party to the agreement is involved in the manufacture, the goods must be sufficiently processed or manufactured in the country of one of the parties for them to attain preferential origin status. Often, the value of the non-preferential raw materials may only account for a certain percentage of the ex-works price of the goods. If this value is exceeded, the goods do not have preferential origin.

It is noteworthy, in this regard, that the agreement apparently allows for simplified proof of preferential origin. Many free trade agreements require a movement certificate from the national customs authority or a declaration of origin on the commercial invoice, as proof of preferential origin. In individual agreements, however, it is sufficient for the importer to have "certainty" about the preferential origin of the goods (as is currently the case in the agreements with the UK, New Zealand and Japan). The importer must be in a position to prove this certainty by making available suitable documents of his choice. This system of evidence is also provided for in the agreement between the EU and Indonesia.

3 Options for EU taxable persons

In order to benefit from preferential treatment in the movement of goods, the conditions for preferential origin must be met. For goods that do not (yet) meet the conditions, a change in the supply chain or production may be considered.

In order to be able to issue declarations of origin on the commercial invoice as proof of preference, exporters in the EU require a customs authorisation as an "approved exporter". Although the application requires a certain amount of initial effort, once authorisation has been granted, the preferential origin will only be questioned in justified cases. If the preferential origin can be proven by other means, careful documentation is still advisable. Most free trade agreements do not provide for proof of origin other than a movement certificate or the declaration of origin on the invoice. There is currently no definitive jurisprudence on the recognition of alternative evidence. In this case, the administrative practice grants a period of three weeks to respond to enquiries regarding preferential origin (service regulation "subsequent verification of proof of preference and certainty of the importer", Z 42 15, para. 100 ff.).

The "approved exporter" authorisation provides greater legal certainty for companies and is the more convenient long-term alternative for proving the preferential origin of goods.