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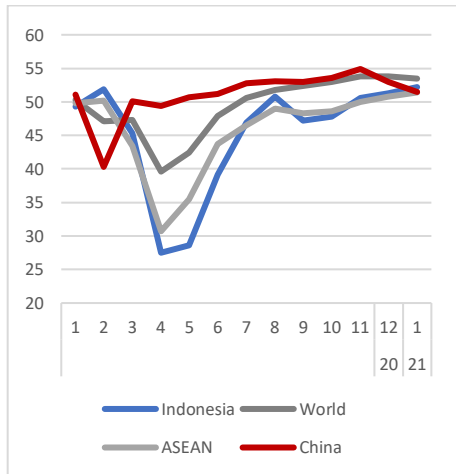
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### Key Highlights:

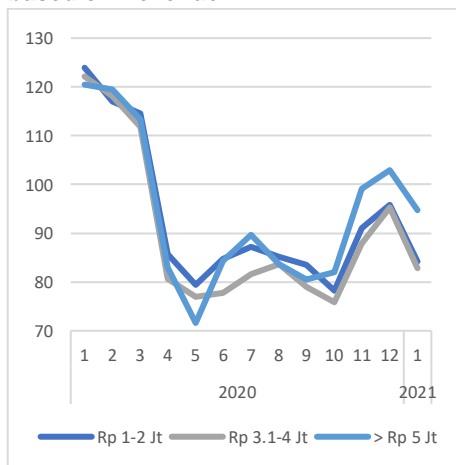
- Manufacturing is recovering incrementally, albeit pandemic management is still the main obstacle and determine future growth.
- The Indonesian Chamber of Commerce and Industry initiates independent vaccination program with thousands of businesses, though employees are at risk of carrying the cost.
- The high growth mining export shows a promising recovery of the Indonesian mining industry.
- The implementation of monetary and fiscal instruments on a passenger vehicle is set to drives growth, yet the increase in consumption is likely to be premature.
- The newly confirmed Director-General of WTO, Ngozi Okonjo-Iweala, in hope to reduce trade barriers for COVID-19 pandemic management and improve the dispute settlement system in a near future.
- After deciding to build a manufacturing plant in India, Tesla ended the rumor to invest in Indonesia, justifying ESG and human resources are still the primary concerns.

**Figure 1. Purchasing Manufacturing Index**



Source: IHS Markit (2021)

**Figure 2. Consumer Confidence Index based on Revenue**



Source: Bank Indonesia (2021)

### The Early Year Recovering Industry and Independent Vaccination Program

PMI survey shows manufacturing sector is recovering with the increase in positive trend of purchasing manager, though supply on raw materials is still hampered. The recovering economy of China and the increase of domestic demands are the key reasons for the improvement.

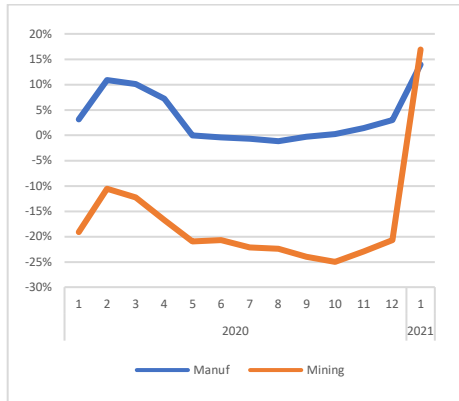
The challenges of stagnation will still be a threat, looking from the increase in daily cases of COVID-19 infection and the ineffective management of the pandemic. The decrease in testing will likely follow the drop of COVID-19 daily cases amid the testing, tracing, and treatment (3T) campaign by the Ministry of Health. The latter is inflicted by long holiday seasons that caused COVID-19 testing to be ineffective. As a result, the condition created uncertainty in suppressing the increase in cases of infection in the time of enforcement in public activity restrictions (PPKM).

Ministry of Health hinted at private entities and state-owned enterprises to conduct independent vaccination program. The Indonesian Chamber of Commerce and Industry (Kadin) has announced 3000 businesses to involve in the program. Currently, the Chamber is still under negotiation with numbers of global vaccine producers, differ from the vaccine used by the government, Sinovac. The target of inoculation is set to 40 per cent, or around 52 million employees. We observe that the independent vaccination program is an approach to assist the government's vaccination plan. Nevertheless, if regulation is loose on the independent vaccination, it is like for businesses to levy the cost through the employee's income.

### The Sign of Recovery in the Mining Sector

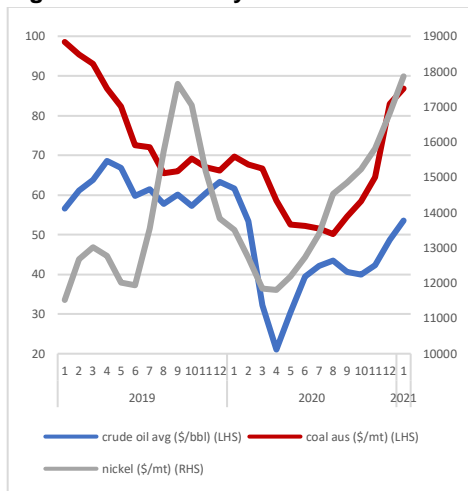
In the early year, the balance of Indonesia experienced a surplus of US\$ 1.69 billion. The surplus is due to the -6.49 per cent of contraction in imports, led by consumer goods, raw and auxiliary materials, and capital goods. The contraction indicates that the industry's activity is not fully optimized at the time of the pandemic.

**Figure 3. Manufacturing and Mining Export**



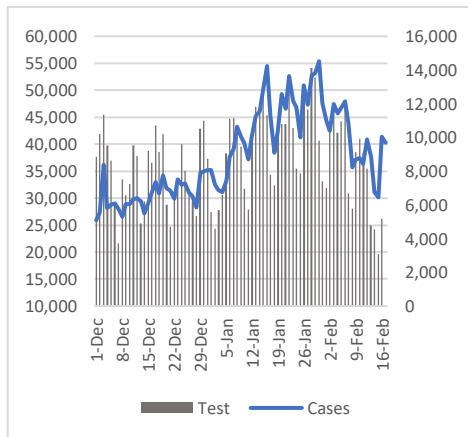
Source: BPS (2021)

**Figure 4. Commodity Prices**



Source: World Bank (2021)

**Figure 5. Indonesia Covid—19 Daily Cases and Tests**



Source: KawalCovid19 (Feb 17, 2021)

On the contrary, the export of non-energy in January has recovered 12.4 per cent with the increase of global demand, exceptionally high demand from China in the early year.

The increase in export is top by mining products, skyrocketed to 16.92 per cent. The significant growth signals gradual recovery from the mining industry amid pandemic and uncertainty of global commodity pricing.

**Do Monetary and Fiscal Incentive Effective to Increase Demand on Passenger Vehicle?**

The Ministry of Industry proposed 0 per cent of Sales Tax on Luxury Goods (PPnBM) on new sales on passenger car in September 2020, which Ministry of Finance rejected. However, this February, Coordinating Ministry of Economic Affairs supported the tax relaxation and revised Government Regulation (PP) No. 73/2019 on Sales Tax on Luxury Goods on Passenger Car. The regulation followed by a new credit regulation by Bank Indonesia with zero-down payment vehicle loan.

The Sales Tax on Luxury Good relaxation applied for a passenger car that falls under the category of 1,500 cc with 60-70 per cent of local components. In contrast, the new instalment regulation applies to all type of passenger vehicle. The goal is to induce the automotive industry to reach 1 million units of production. The Ministry of Industry predicts that the policy will generate national income of 1.4 trillion Rupiah. Nevertheless, the Ministry of Finance forecasted that there would be a decrease in tax earnings between 1 to 2,3 trillion Rupiah.

The tax relation is ineffective in stimulating consumption as the people's purchasing power has not recovered to normal. In particular, the significant increase in sales will occur only in a short while to the automotive industry. The maximum effect will last up until second quarter of 2021.

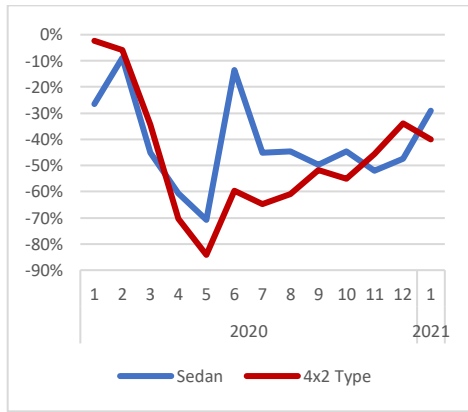
On the other hand, this policy's impact will reduce the value of second-handed car below 1.500 cc. It is predicted the decrease around 15-30 per cent.

**Moving Towards Better WTO**

The consensus confirmation of Ngozi Okonjo-Iweala as the new Director-General of the World Trade Organization (WTO) has to be applauded. Supported by the US, China, EU, and African countries, Ngozi has an excellent asset to start as the chief of the body. However, with the residual effect of US-China bilateral relation and the increase of vaccines nationalism and protectionism, the real litmus test for Ngozi is how the WTO can be a dealbreaker in time of the pandemic. Ngozi has to ensure the relevance of WTO by showing the organization is functional and can adapt to its time, especially in the pandemic crisis, where the member countries demanded the most. The pandemic crisis will follow effectively if the Ngozi can moderate the US and China's relation to being more cooperative.

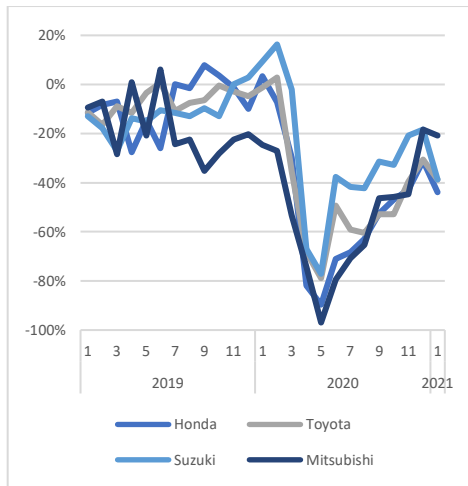
Furthermore, a new Director-General's appointment will poise a more fundamental question of whether the rule-based international order will be relevant. With the experience as Finance and Foreign Minister of Nigeria, and currently as Board Director of GAVI, Ngozi has to convince and demonstrate the organization's principles uphold fair and impartial body for the member countries. The result will not be instant, and Ngozi has to prove otherwise, starting by making WTO part of a solution in the pandemic.

**Figure 6. Car Retail Sales < 1.500cc Growth**



Source: Gaikindo (2021)

**Figure 7. Car Retail Sales Growth Based on Brand**



Source: Gaikindo (2021)

Ngozi has numbers of agenda ahead. At least two urgently needed issues required to be resolved:

First, to reduce trade restrictions, mainly for medical supplies, including vaccines. Based on the ITC report, currently, there are still 100 countries that imposed export restrictions on the latter. The WTO has to be strict on countries that display vaccine nationalism and protectionism, and uphold equal access to vaccines for all.

Second, reformation of the dispute settlement system in the WTO favors and accommodates the interests of Micro, Small, and Medium Enterprises (MSMEs) and women empowerment, particularly for developing countries. Besides that, the reformation of WTO's rulebook that Ngozi heard to called it "outdated" as the currently available terms are still insufficient to accommodate digital economy and innovation. Besides, Ngozi focuses on how the WTO can promote Sustainable Development Goals (SDGs) and circular economy.

If WTO acts accordingly, the organization will have a fresh new start for new challenges, starting with following existing procedurals while not sacrificing the people from the member countries resulting from existing and upcoming dispute settlements.

### Goodbye, Tesla

Tesla is reported to invest in Karnataka, India, the second manufacturing plant in Asia after China. After a few reported meetings between Tesla and Indonesian government officials in the early year, Tesla's decision ended the rumor of electronic vehicle (EV) plant in Indonesia that eventually ended with a Non-Disclosure Agreement.

As the chosen country, India proves that one of the consideration is not constricted to rich in raw material and environmental, social, and governance (ESG) and the ability of downstream. With the increasing consciousness of environmental issues and as an industry leader that campaign for the green transition, Tesla needs to ensure its production compliance according to environmental risk assessment. Nonetheless, Indonesia has proved unprepared for quality investment that takes ESG as one of its primary concern. From the aspects of supply chains to labour welfare, Indonesia still lacks behind to fulfil fundamental ESG standard practices.

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