# Indonesia

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| **Indonesia’s Bogor Goals Progress Report (as at 3 September 2018)[[1]](#footnote-1)\*** |
|   | **Highlights of Achievements and Areas for Improvement** |

* Import duties were abolished for some products, but export duties were still maintained for a limited number of products.
* Reforms are facilitating the issuance of import licenses for some products. Export and import licensing systems remain for several products. Quantitative import and export restrictions are still in place for a number of products.
* More open services policies are allowing the employment of foreign construction workers. Nevertheless, new policies are restricting the hiring of foreigners in other services sectors.
* The 2016 Negative Investment List aims to increase foreign direct investments and competitiveness through liberalisation of sectors and streamlining investment processes. However, foreign ownership restrictions remain for several business areas.
* Passed a new Patent Law to address shortcomings of the older law and a new Trademark Law to protect a wider range of trademarks.
* A checklist was developed to review the suitability of legislations to fair competition policy principles.
* A procurement dispute settlement service was established to facilitate faster and efficient settlement of disputes by providing arbitration services or legal advice.
* 16 Economic Policy Packages have been issued since September 2015 ranging from providing tax incentives to streamlining processes.
* A Presidential Decree issued in 2016 granted visa-free entry into Indonesia to passport holders from 169 economies with a maximum stay of 30 days.

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|   | **Summary of Topics** |

Tariffs

Indonesia implemented the Harmonised System 2017, covering 10,826 tariff lines. Import duties on sports goods were abolished in 2017 to support the development of sports. In addition, the import duty exemption limit was raised from USD 50 to USD 100 on Free On Board (FOB) items to encourage e-commerce.

Export duties were introduced on some processed products, with a rate of 10% on nickel and washed bauxite. Excise tax on import of tobacco products was also amended to a higher rate. Beginning 1 January 2017, the excise tax on cigarettes was increased by an average of 10.5%.

Non-Tariff Measures

Indonesia introduced several measures like introducing a new licensing provision for steel and iron products that eliminates the need for specific product licenses, facilitating easier application for about a 100 licensing applications through an online portal, and enabling the import of beef. New restrictions were introduced on imports of tablets, phones and handheld computers. Exports of industrial forestry products have new licensing requirements. As a member of the International Tripartite Rubber Council, Indonesia, along with Malaysia and Thailand have set an export quota of 350,000 tonnes of natural rubber between January and March 2018 in an attempt to curb world supply in response to falling world prices.

Import restrictions imposed by Indonesia on agricultural and meat products continue to remain an issue, as noticed by recent rulings at the WTO Dispute Settlement Body concerning imports of chicken meat and chicken products and import controls on horticultural and animal products.

Indonesia put forth a regulation that enables the government to set reference prices for seven food commodities, including rice, sugar and chilies, and is allowed to interfere when market prices for those products fluctuate away from the aforementioned reference prices.

Services

Indonesia developed a new law on construction services replacing the old 1999 version. The new construction services law highlights that the selection of service providers for state fund projects is conducted by tender or selection, e-procurement, direct appointment, and direct procurement. It also allows the employment of foreign construction workers and provides a simplified break down of categories of construction services among other revisions.

Regulations to further limit money laundering and terrorism funding were introduced in 2017 and were applicable to non-bank financial service providers. Financial service providers are now required to conduct risk assessments related to money transfers based on the economy of origin and destination. Working with shell banks without physical offices in the established economy has been banned.

Foreign ownership restrictions were implemented on electronic payment services introducing a cap of 20 per cent. The 2016 regulation on IT-based lending services aimed to support the growth of local peer-to-peer lending platforms but limited foreign entry, ownership and customers. In addition, regulations restricting the hiring of foreigners in insurance companies and the banking sector were introduced by limiting their scope of work.

Investment

The 2016 Negative Investment List was released to increase foreign direct investments and competitiveness through further liberalisation of certain sectors, like logistics, film and health services, and streamlining investment processes. The list includes 20 business fields that are closed for foreign investors, such as air navigation services, land transportation terminals, production of spirits and wines and testing of motor vehicles, among others. In addition, 145 business fields are reserved for MSMEs or in association with MSMEs, including the production of certain crops, fish and jewellery, as well the provision of specific construction, tourism and communication services. 350 business fields in agriculture, industry and services are also facing maximum foreign ownership caps and/or special licensing requirements. However, foreign ownership caps have been increased for 64 business fields, with some of them even allowing 100% of foreign ownership.

A rapid licensing service called “Priority Licensing Service” has been implemented to boost investment in almost every sector subject to certain conditions, that is, minimum investment of 100 billion rupiah or minimum employment of 1000 domestic workers. Similarly, a regulation to simplify licensing within the minerals and coal mining sector through shorter bureaucratic processes and fewer requirements was enforced in 2017. In working towards improving their ease of business, the Indonesian Government enforced the Acceleration of Business Services to smoothen conduct of businesses and the Guideline and Procedure of Investment License and Facilitation to simplify investment licensing and facilities procedures, and enable online single submissions.

The Government also issued new regulations, namely, the Regulation on Provision of Corporate Income Tax Facility and Details of Business Field and the Type of Pioneer Industry Production to be Granted the Income Tax Reduction Facility, related to investment incentives, both fiscal and non-fiscal, to facilitate investments, including taxation and customs-related procedures for business actors, especially those operating within Special Economic Zones (SEZs). Twelve SEZs providing tax incentives have been established by the Government.

Indonesia has terminated 25 of its Bilateral Investment Treaties (BITs), leaving only 23 in force. Currently, Indonesia is involved in BIT negotiations with Singapore and Switzerland and is also finalising negotiations with United Arab Emirates.

Standards and Conformance

858 new active standards have been developed since 2016, of which 7 are mandatory. The National Standardization Agency of Indonesia continued its efforts to adopt and conform to international standards. For instance, a regulation was passed in 2017 requiring air conditioners to meet certain Indonesian National Standards (SNI) and have a Saving Energy Certificate from the National Accreditation Body or a body under the Asia Pacific Laboratory Accreditation (APLAC)/International Laboratory Accreditation (ILAC) MRA.

New specific trade concerns (STCs) raised at WTO SPS and TBT Committees in recent years include adoption and supervision of SNIs for toys, food safety measures, and halal product assurance law.

Customs Procedures

The Indonesian National Single Window (INSW) has begun exchanging preferential certificate of origins for the ASEAN Free Trade Area through the ASEAN Singe Window (ASW) portal as of January 2018. The Ministry of Finance recently passed a regulation improving the facilities and provisions for exporting or importing goods by passengers and air crew.

A new regulation for carrying banknotes across Indonesian customs was issued to monitor and control banknote traffic so that monetary policy can be more effective.

Intellectual Property Rights

Indonesia passed a new Patent Law in July 2016 addressing the shortcomings of the older law, introducing new protective provisions for traditional knowledge and local generic resources. The new law, while including computer programmes as an invention, describes a specific set of criteria of a computer programme that must be adhered to.

A new Trademark Law aiming to protect a wider range of trademarks and to make registering by trademark owners more efficient was enacted in 2016. Further provisions in line with the Madrid Protocol concerning the international registration of marks were also implemented recently.

Competition Policy

Indonesia recently developed a checklist to provide guidance on the use of competition policy by checking suitability of the different legislations to the fair competition policy principles established in the 1999 law.

Government Procurement

A procurement dispute settlement service was established in 2016 to facilitate faster and efficient settlement of disputes by providing arbitration services or legal advice. The Indonesian government issued a regulation providing guidelines on the use of the electronic catalogue and e-purchasing system for the procurement of government goods and services.

Deregulation/ Regulatory Review

The Indonesian government has issued 16 Economic Policy Packages since September 2015 ranging from providing tax incentives to streamlining processes and incentivising investments in specific areas (e.g. e-commerce). The most recent package aims to increase transparency and streamline investment procedures with the use of a single submission system.

Mobility of Business People

A regulation was issued in 2016 providing a five year validity on APEC Business Travel Cards (ABTC). A Presidential Decree issued in 2016 granted visa-free entry into Indonesia to passport holders from 169 economies with a maximum stay of 30 days.

RTA/FTAs

Indonesia has reported 8 RTA/FTAs in force[[2]](#footnote-2). Also, Indonesia has signed trade agreements with Chile, and as member of ASEAN, with Hong Kong, China.

Currently, Indonesia is involved in numerous negotiations with the European Union, European Free Trade Association, Australia, Iran, Turkey and Korea, among others. Negotiations on the Regional Comprehensive Economic Partnership are ongoing as well.

1. \* This brief report was with information from Indonesia’s submission of the 2018 APEC Individual Action Plan (IAP) template; UNCTAD Investment Policy Hub; OECD Global Forum on Competition– Contribution by Indonesia; Indonesia National Single Window; Ministry of Finance; Ministry of Trade; Ministry of Agriculture; Ministry of Energy and Mineral Resources; Bank Indonesia; Ministry of Public Works and Housing; Investment Coordinating Board; National Council for Special Economic Zone; Financial Services Authority; Ministry of Justice and Human Rights; Ministry of Foreign Affairs; National Procurement Policy Institute; Coordinating Board of Investment and Integrated Services; and Ministry of Marine Affairs and Fisheries websites. [↑](#footnote-ref-1)
2. Indonesia’s RTA/FTAs in force are the following ones: ASEAN (1992); ASEAN-China (2005); ASEAN-Korea (2007); Indonesia-Japan (2008); ASEAN-Japan (2009); ASEAN-Australia-New Zealand (2010); ASEAN-India (2010); and Indonesia-Pakistan (2013). [↑](#footnote-ref-2)