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| **Indonesia’s Bogor Goals Progress Report (as at 30 September 2016)**[[1]](#footnote-1)\* | |
|  | **Highlights of Achievements and Areas for Improvement** |

* Indonesia’s simple average MFN tariff rate is equal to 6.9%. However, MFN tariff peaks for some agricultural products above 40% still remain.
* Quantitative restrictions for imports and exports remain in place for some products in order to protect domestic industry.
* Mixed measures in liberalizing services with more open policies in some communications and informatics sub-sectors. Less favorable policies in construction, and insurance services.
* Relaxed restrictions on foreign investments. However, investment licenses could take a year to be approved. Efforts in setting up special economic zones.
* Concerns on technical regulations remain.
* Efforts to facilitate customs procedures. An Authorized Economic Operator program was implemented and the National Single Window was launched.
* New integrated system was established to protect a wider range of intellectual properties include patents, trademarks and industrial designs.
* More coordination among regulators and ministries to integrate competition policy principles to regional policies.
* Government procurement policies still largely favor domestic suppliers.
* Visitors from more countries have been granted visa-free entry to Indonesia.

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|  | **Summary of Topics** |

**Tariffs**

In 2014, the simple average MFN tariff rate was equal to 6.9%. 12.7% of MFN applied tariff lines are duty-free and more than half of the lines are subject to tariffs equal to 5% or lower. However, some agricultural products classified as beverages and tobacco still reported MFN tariffs of more than 40%.

In July 2015, import duties on food, consumer goods and vehicles were raised aiming to support local industries. Likewise, tariffs on steel products were also raised in June 2015.

**Non-Tariff Measures**

Indonesia imposes imports restrictions on a range of products such as cellulose nitrates, corn, cloves and specific fishery products, among others. Import quotas are also applied to some commodities such as cattle, alcoholic beverages and sugar. Nevertheless, some import restrictions were relaxed in 2014 and 2015. For instance, importers of goods with cooling systems, printers and photocopying machines, and textile products are no longer required to have specialized import licenses. Certain products such as food and beverages, traditional medicines and health supplements no longer require additional import licenses. The ban of sugar imports outside the milling season has been scrapped.

Export prohibitions are applied to specific products. In December 2014, licensing requirements were introduced on exports of industrial forestry products. First introduced in January 2014, the export ban on bauxite was relaxed in March 2015 when bauxite exports were allowed until 2017. Export levies on crude palm oil and palm oil products were introduced in July 2015. Tin exports were further restricted with only three types of tin products allowed for export. Exports of refined sugar have been banned since December 2014.

The New Trade Law was passed by the Parliament in February 2014 which enables the government to restrict food imports and commodity exports in order to protect local industries.

**Services**

Investment conditions for foreign investors in communications and informatics sectors were revised in 2014. The maximum foreign capital ownership was reduced to 49% for data communications system services, international interconnection services, content services and other value added telephony services. In contrast, foreign capital ceilings were raised to 65% for internet, public internet, telephony and wired telecommunications services. The Amendment on the Implementation of Mineral and Coal Mining Business Activities was issued in October 2014 with new provisions added concerning foreign ownership ceilings in mining companies. Under this Amendment, the foreign ownership ceilings were increased from 49% to 70% for underground mining and 60% for processing and refining. On freight forwarding, capital requirements for foreign investors who wish to engage in freight forwarding is at least 10 million USD since April 2014. At least 25% must be in the form of equity.

In June 2014, new registration rules were introduced for integrated construction service companies. Foreign construction companies can only register if they have a net worth for at least INR 50 billion (USD 4 million), experience for at least 10 years and projects for a cumulative value of at least INR 250 billion (USD 20 million).

In September 2014, the Insurance Law was passed with tightened policies towards foreign investors, who can only acquire ownership of insurance companies through publicly traded stocks. The Amendment also imposed strict Indonesian shareholder requirements where insurance companies need to be incorporated as Indonesian corporate entities.

**Investment**

New regulations on investment were issued by the Investment Coordinating Board (BKPM) in 2015. The Guideline and Procedure of Investment Principal License includes shortened timeframes for license applications and new provisions to facilitate investment in industrial zones. Also, foreign businesses in consultancy and import trading are now required to realize their investment prior to obtaining a business license from BKPM. BKPM also issued regulations to expedite the issuance of tax incentives, as well as granted fiscal facilities to qualified investors in the forms of import duty exemptions in 2015.

Despite the implementation of a one-stop service for investment licensing in 2015, it could still take more than one year to obtain required licenses for businesses in agriculture, manufacturing, logistics and tourism industries.

Unveiled in November 2015, the sixth economic stimulus package entitles investors to income tax discounts for up to 25 years and foreign investors are allowed to own property in the special economic zones (SEZs). Currently there are eight SEZs open to investors qualifying for various incentives.

In April 2014, a revised Negative Investment List was adopted, which in general marked a liberalizing trend. Foreign ownership restrictions were relaxed in advertising, broadcasting, telecommunications, transport, pharmaceuticals and venture capital. However, greater foreign investment restrictions in energy, mineral resources and trade remain. In February 2016, plans for further investment liberalization were announced with 35 industries removed from the latest Negative Investment List.

Currently Indonesia has 47 Bilateral Investment Treaty (BITs) and other Investment Agreements (IIAs) in force. However, Indonesia terminated the BIT with the Netherlands in July 2015.

**Standards and Conformance**

As of December 2015, Indonesia National Standards (SNIs) has developed 8,716 active standards (8,518 of them are voluntary). The National Standardization Agency of Indonesia (BSN) is continuing its work to align national standards to international standards.

In October 2015, the Ministry of Trade relaxed the regulation on labeling of imported goods in Bahasa Indonesia – the labels can be stamped or inserted instead of being embossed, printed or glued as required previously.

Recent new specific trade concerns (STCs) raised against Indonesia include local content requirements for LTE devices and importation of carcass, meat and processed meat products. As of February 2016, 20 STCs against Indonesia remain unresolved at the WTO Technical Barriers to Trade (TBT) Committee. 13 STCs remain unresolved at the WTO Sanitary and Phytosanitary (SPS) Committee.

**Customs Procedures**

Indonesia’s accession to the revised International Convention on the Simplification and Harmonization of Customs procedures (Kyoto Convention) entered into force in November 2014. A national Authorized Economic Operator (AEO) program was also launched in Jakarta in March 2015. In addition, the government relaunched the Indonesia National Single Window (INSW) in October 2015 with new services aiming to unify data. Among the new features, the INSW includes the National Trade Repository and the ASEAN Single Window.

**Intellectual Property Rights**

In April 2015, a new integrated Intellectual Property Data and Information Service System (LADIHKI) was launched covering patents, trademarks and industrial designs. Also, a new regulation was issued in March 2016 stipulating the procedures for recording license agreements, which helps license holders to enforce the licensed intellectual property rights.

**Competition Policy**

In June 2014, the regulation on introducing more competition to the retail sector came into effect.

The regulation aims at balancing the needs of traditional markets and small businesses against modern shopping developments. Key provisions include a cap on the number of modern store outlets a single company can own and maximum selling area.

In 2015, the Competition Commission stepped up efforts in supervising and enforcing partnership agreements between small and medium enterprises (SMEs) and large enterprises to formally look into complaints and alleged violations. Furthermore, coordination between regulators, ministries and other stakeholders have been enhanced, the Competition Commission, the Ministry of Home Affairs and East Kalimantan Government integrated competition principles into regional policies.

**Government Procurement**

In January 2014, the Ministry of Industry issued regulation restricting public procurement, as suppliers are classified depending on the domestic component level and the investments of the suppliers in Indonesia. In March 2016, Indonesia established a minimum local content of 40% in the procurement of transmission towers and steel-reinforced conductors.

**Deregulation/ Regulatory Review**

The Ministry of Development Planning launched the National Strategy on Regulatory Reform in October 2015. This mainly consists of four sets of policies: regulatory simplification, re-conceptualizing procedure of policy and regulatory making, restructuring policy and law making institutions, and capacity building for policy makers.

**Mobility of Business People**

A Presidential Decree was issued in October 2015 granting visa-free entry to citizens from 90 countries with a maximum stay of 30 days. By the end of 2015, the government waived visa requirements for another 84 more countries.

Nine immigration offices started to issue e-passports to Indonesians. Automated gates for e-passport immigration clearance have been installed at additional airports such as those in Bali, Medan and Surabaya.

**RTAs/FTAs**

Indonesia has reported eight RTA/FTAs in force[[2]](#footnote-2). Currently, Indonesia is involved in negotiations with the Regional Comprehensive Economic Partnership (RCEP), European Free Trade Association, Australia and Korea, among others.

1. \* This brief report was prepared with information from Indonesia’s submission of 2016 APEC Individual Action Plan (IAP) template; the WTO SPS and TBT Information Systems; UNCTAD Investment Policy Hub; the Ministry of Trade; and the Ministry of Finance [↑](#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), Indonesia-Pakistan (2013). [↑](#footnote-ref-2)