

## Indonesia's Bogor Goals Progress Report (as at 8 August 2014)\*

### Highlights of Achievements and Areas for Improvement

- Indonesia's simple average MFN tariff rate is equal to 7.8 per cent. However, MFN tariff peaks for some agricultural products above 40 per cent still remain.
- Quantitative restrictions for imports and exports are in place for certain goods. In some cases, the restrictions are implemented to protect the domestic industry.
- Permits or licenses are needed to import several products. Some imports can only be processed in certain ports of entry.
- Measures to allow greater participation of foreign companies in some services sectors.
- Investment procedures have been simplified. Current reviews to reduce restrictions on foreign investors in nine sectors.
- Efforts to continue to align domestic standards to international standards, but increasing concerns on the number of technical regulations that may restrict trade.
- Efforts to facilitate trade towards easier customs procedures. An Authorized Economic Operator program was implemented. Indonesia continues with the gradual implementation of the National Single Window.
- An electronic procurement system has been implemented by several public agencies. By 2014, all agencies have to set up Procurement Service Units.
- Regulatory reform efforts are ongoing, with the implementation of ex-ante assessments and public consultation for bills and drafts of regulations.
- Improvements to facilitate foreign investors to stay in Indonesia. More flexible requirements to obtain a Permanent Stay Permit.

### Summary of Topics

#### Tariffs

Indonesia has implemented a tariff system based on the HS 2012 nomenclature. As at 2012, the simple average MFN tariff rate was equal to 7.8 per cent, which includes ad valorem equivalent duties. 65 tariff lines were subject to non-ad valorem duties.

Indonesia still maintains 3.4 per cent of the tariff lines at levels above 15 per cent. Some agricultural products had MFN tariff peaks above 40 per cent, such as alcoholic beverages, some food preparations and mixtures of odoriferous substances used in food and drinks.

#### Non-Tariff Measures

Quantitative restrictions are imposed to some imports, through the implementation of licenses. Nearly one-fifth of Indonesia's tariff lines are subject to licenses. These licenses are imposed for legitimate reasons, for example, due to health, safety, security or environmental reasons, and to implement international commitments. Nevertheless, they are also being implemented to protect the domestic industry, such as the cases of some agricultural products, textiles, oil and gas, used capital goods, and chemical products.

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\* This brief report was prepared with information from Indonesia's submission of 2014 APEC Individual Action Plan (IAP) template; the 2013 WTO Trade Policy Review – Report by the Secretariat – Indonesia; the WTO SPS and TBT Information Systems; and the Indonesia Investment Coordinating Board (BKPM).

In some cases, these regulations include additional restrictions, by restricting the points of entry to import certain products.

Export prohibitions are applied to specific products. In some cases, the measure has been implemented for legitimate reasons such as environmental reasons or the implementation of international commitments. However, in some other cases, it is not clear whether the imposition of export restrictions follow a legitimate reason, such as the cases of the raw rubber, fish eggs and fry, and mineral ore products (to export minerals, they have to be refined in Indonesia). Export restrictions are applicable via licenses, in particular to some mineral and chemical products. Export taxes are applied to some products, such as palm oil, raw cocoa, leather and wood and mineral ore products, in order to encourage value-added activities within Indonesia.

### Services

In the banking sector, new regulation on ownership was issued in 2012, with the intention of minimizing capital ownership in banks to improve resilience. For commercial banks, the maximum capital ownership is set out as follows: 1) 40 per cent bank capital for financial and non-bank financial entities; 2) 30 per cent for non-financial entities; 3) 20 per cent for individual stakeholders. Foreign investors can account for up to 99 per cent of the ownership.

Foreign ownership in telecommunications is allowed for up to 95 per cent in data communication services, 65 per cent for mobile telecommunications services, and 49 per cent for fixed networks. Many foreign companies are operating in Indonesia, in particular in mobile telecommunication services.

According to the 2014 IAP update, Indonesia reported several new regulations in recent years in the areas of distribution, road transport and energy services, concerning competition, ownership and participation of foreigners. However, based on the 2014 IAP update information, it is not possible to determine if these new regulations were facilitating or restricting those services.

### Investment

Indonesia has simplified the investment application procedures by eliminating the registration step. Now, investors only need to apply for the principal and business licenses. FDI must be higher than IDR 10 billion or its equivalent in USD; the issued/subscribed capital as paid-up capital must be at least IDR 2.5 billion or its equivalent in USD; and each shareholder should have at least IDR 10 million of share subscription.

The sectors that are wholly or partially closed to foreign investors are included in the Negative Investment List. The latest revision of the list was implemented in 2010, when 40 business sectors became more open to foreign investors. Currently, the government is reviewing the list and planning to reduce restrictions in nine business sectors including the management and operation of ports, airports, land terminals and dry docks; pharmaceuticals; and eco-tourism.

### Standards and Conformance

As at October 2013, 9,624 standards (9,363 of them are voluntary) had been approved as National Standards of Indonesia, which represents an increase of 2,155 standards approved in comparison

to December 2011, reported by Indonesia in the previous 2012 IAP update. The National Standardization Agency of Indonesia (BSN) is continuing its work to align national standards to international standards.

By the end of 2013, eight specific trade concerns raised against Indonesia at the WTO SPS Committee had not reported a resolution. The most recent unresolved concerns raised in 2013 involved horticultural products. Similarly, 17 specific trade concerns against Indonesia raised at the WTO TBT Committee had not reported a resolution. Eight of them appeared during the period 2011-2013 and involved technical regulations and standards covering food, electronic and metal products, among others.

### **Customs Procedures**

Indonesia has been implemented measures to facilitate trade by improving customs procedures. In this regard, there is an improvement in the implementation of the National Single Windows (NSW). 18 government agencies are participating in the processing of imports and all agencies are participating in the processing of exports. The NSW is now available at Indonesia's five main trade ports.

The Authorized Economic Operator program was launched on 17 December 2013. Indonesia is also implementing the Auto Gate System at Temporary Storage, Integrated Customs Service Zone, Integrated Cargo Release System and Integrated Physical Examination Area to expedite the flow of goods in Tanjung Priok sea port, located in the north of Jakarta.

### **Intellectual Property Rights**

In September 2013, Indonesia became a contracting party to the Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled.

### **Competition Policy**

Indonesia is in the process of amending its competition law, which will be concluded in 2014. In terms of merger and acquisitions (M&A), Indonesia amended the regulation on M&A guidance in 2013. The amendment stipulates that the M&A assessment can only be done when all necessary data is deemed completed, including information related to market data and structure. In this sense, it is expected that notifications by the merging parties to the competition authority will take longer than usual, if they have not prepared such information.

### **Government Procurement**

Indonesia does not have a government procurement law. The Presidential Regulation No.70/2012 allows each government institution to start their tendering processes. Government agencies were obliged to implement their own electronic procurement systems. By October 2013, 503 electronic procurement systems had been implemented across Indonesia. Each institution must set up permanent Procurement Service Units by 2014.

The Presidential Regulation provides more opportunities to SMEs to participate in government procurement, by being given priority for procurement valued below IDR 2,5 billion.

### **Deregulation/ Regulatory Review**

The Law No.12/2011 on the Formulation of Laws and Regulations expands the obligation to conduct forward planning of new regulations, not just for laws and sub-national regulations, but also for government and presidential regulations. The law requires *ex-ante* assessments and public consultation for bills and drafts of regulations.

### **Implementation of WTO Obligations/ ROOs**

In 2012, Indonesia submitted 60 notifications to WTO related to the implementation of multilateral agreements concerning trade in goods. In 2013, Indonesia submitted 38 notifications.

### **Mobility of Business People**

The Government Regulation No.31/2013 stipulates improvements to facilitate foreign investors to stay in Indonesia. In particular, investors can get a Limited Stay Permit up to 2 years, renewable, which can be converted into a Permanent Stay Permit, when investors stay at least 3 years in a row in Indonesia. In the past, the government required a 5-year stay in order to proceed with the conversion.

Automated gates for e-passport immigration clearance have been installed at the Soekarno-Hatta International Airport since 2012.

### **Transparency**

The Presidential Regulation No.1/2013 requires all ministries and government institutions to provide access to public information, with the objective of increasing transparency and accountability. In addition, the government has launched the Gratification e-Module to enhance awareness among public officials and civil servants about gratuities and other illegal gifts and benefits.

### **RTAs/FTAs**

Indonesia has reported eight RTA/FTAs in force<sup>1</sup>. In January 2012, Indonesia ratified the Protocol to Implement the Eight Package of Commitments under the ASEAN Framework Agreement on Services (AFAS). Indonesia is currently involved in eight negotiations with the aim of achieving preferential trade agreements or expanding the scope of existing ones. Indonesia is one of the parties involved in the negotiation of the Regional Comprehensive Economic Partnership (RCEP).

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<sup>1</sup> 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).