



## Doing Business in Indonesia:

### 2015 Country Commercial Guide for U.S. Companies

**INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2015. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.**

- [Chapter 1: Doing Business In Indonesia](#)
- [Chapter 2: Political and Economic Environment](#)
- [Chapter 3: Selling U.S. Products and Services](#)
- [Chapter 4: Leading Sectors for U.S. Export and Investment](#)
- [Chapter 5: Trade Regulations, Customs and Standards](#)
- [Chapter 6: Investment Climate](#)
- [Chapter 7: Trade and Project Financing](#)
- [Chapter 8: Business Travel](#)
- [Chapter 9: Contacts, Market Research and Trade Events](#)
- [Chapter 10: Guide to Our Services](#)

[Return to table of contents](#)

## Chapter 1: Doing Business In Indonesia

- [Market Overview](#)
- [Market Challenges](#)
- [Market Opportunities](#)
- [Market Entry Strategy](#)

### Market Overview

[Return to top](#)

Indonesia is Southeast Asia's largest economy with a GDP of \$888 billion (based on ppp), ranking 10th in the world and averaging over 5% growth over the last decade. In the last 18 months, growth has slowed to below 5% and is projected by the World Bank to be 4.7% for 2015. President Joko Widodo (known as "Jokowi") took office in October 2014 and has pledged to improve infrastructure and reduce barriers to doing business in Indonesia as a means to increase the country's GDP growth rate to 7% by 2017.

Over the past decade Indonesia has enjoyed steady economic growth, though less than needed to pull the country into upper middle-income status, and the rate of growth is slowing. Sound macroeconomic policies, combined with growing domestic demand and high commodity prices, propelled economic expansion in recent years, but protectionist policies, corruption at all levels of government, poor infrastructure, weak rule of law, and labor rigidity have taken their toll.

The economy has slowed over the last year to just below 5% growth rate and the rupiah, like many other currencies, has weakened. Export revenues have fallen due to the slowdown in China and declining global commodity prices. Imports have fallen even further as non-tariff barriers and negative market sentiment dampen demand. Though markets initially responded positively to expectations that a Jokowi presidency would boost the economy, there are many urgent issues the new president will have to tackle to keep Indonesia growing. Nonetheless, the Indonesian market has many positive attributes, as well.

- Indonesia has a GDP per capita of \$3,540 (\$4,900 at PPP) exceeds many of its ASEAN neighbors such the Philippines and Vietnam, and with 253 million people (World Bank), Indonesia's economy comprises nearly half of ASEAN economic output.
- Indonesia is a thriving democracy with significant regional autonomy. It is located on one of the world's major trade routes and has extensive natural resource wealth distributed over an area the size of the United States and comprised of over 17,000 islands.
- It is a top-ten market for U.S. agricultural products.
- The number of households in Indonesia earning US\$5,000 to US\$15,000 in annual disposable income is expected to expand from 36% of the population to more than 58% by 2020.
- More than 60 million low-income Indonesian workers are expected to join the middle class in the coming decade, significantly increasing the already strong consumer demand.

- Globally, Indonesians are the fourth largest users of Facebook (60.3 million, May 2014). According to Statista, in the 4th quarter of 2014, Indonesia was found to have the highest Twitter user rate in the Asia Pacific with 84 percent of the online population having an account on the social networking site.

## Market Challenges

[Return to top](#)

The business environment in Indonesia can be challenging, with Indonesia ranked 114 out of 189 countries in the Ease of Doing Business 2015 report by the World Bank. U.S. firms can encounter complex bureaucratic and regulatory requirements which make it time-consuming to enter the market.

- Indonesian infrastructure and service networks have not been developed or maintained to keep pace with the booming consumer-led economy, causing increased transaction costs and inefficiencies that hamper exporters and investors.
- Deregulation has successfully reduced some barriers, but non-tariff barriers remain wide-spread and the bureaucracy can still be cumbersome. Laws are often opaque or conflicting. Indonesia has begun to implement local content requirements that prevent some products from being sold in Indonesia.
- Although significant anti-corruption measures have been undertaken by the Indonesian government, corruption remains a concern for many businesses looking to operate within Indonesia. Indonesia ranked 107<sup>th</sup> on Transparency International's Corruption Perceptions Index 2014 having moved up 7 spots from 2013. Companies are recommended to have a solid due diligence process in place and to consult with the U.S. Commercial Service prior to signing up agents and distributors.
- Although improving, significant rule-of-law issues persist. Formal dispute settlement mechanisms are not considered effective, and business and regulatory disputes—which would generally be considered administrative or civil matters in the United States—may be considered criminal cases in Indonesia. International arbitration is widely discouraged by the government of Indonesia.
- Competition from 3rd country firms such as Singapore, China, Japan, Australia, Korea, and other regional players is intense, and U.S. firms often have to significantly adapt their business model and pricing scheme to compete effectively.
- Official trade statistics understate market opportunities and American presence given the large numbers of US shipments that are recorded as U.S. exports to Singapore, but which ultimately enter Indonesia, and U.S. sales in Indonesia that U.S. multinationals source via third party countries.

## Market Opportunities

[Return to top](#)

- Consumer-related market opportunities continue to lead growth in the world's fourth-largest country, and expansion in the retail, health, education, telecom and financial services sector have boomed in the last few years. The Indonesian consumer is ranked as one of the most confident in the world, and 50% of Indonesia's 253 million citizens are under the age of 30.
- Indonesia's aviation market is growing at 20% per year and favors U.S. products. Aircraft replacement parts and services is a valuable and significant market. There is

also high demand for airport construction and development, air traffic control and airport logistics services and ground support equipment.

- A competitive and expanding banking market offers significant opportunities for IT and banking equipment, software and technology providers.
- Indonesia's under-developed public infrastructure remains a major national challenge and could present significant opportunities in aviation, rail, ports and land transport, as well as in municipal infrastructure projects such as water supply and wastewater systems.
- As the Indonesian military has expanded its budget, there are opportunities for U.S. defense manufacturers to sell a broad range of military aircraft, vehicles, communications systems, spare parts, and maintenance services. Monitoring and protection of sea-borne traffic also presents new opportunities.
- Important opportunities outside of Jakarta remain present in energy and agribusiness equipment and services. The Government of Indonesia has announced its intention to increase electricity generation by 35,000 MW by 2019 and growth in power generation projects, conventional and renewable, and including IPPs, is expected to continue for the next decade.
- Telecommunications equipment and services and satellites remain excellent areas for American products and services, which have a comparative advantage technologically.
- Education and professional training, medical equipment and high-quality American agricultural commodities all retain their market edge even with premium prices.
- Emerging opportunities include palm oil, biofuel processing, clean energy and technology to improve local production capacity, and green building products and services.

## **Market Entry Strategy**

[Return to top](#)

- U.S. companies must visit the Indonesian market in order to properly choose an appropriate agent or distributor from Indonesia's vibrant and experienced international business sector. Appointment of a representative requires care, since it is difficult to terminate a bad relationship. Qualified representatives will not take U.S. principals seriously unless they make a commitment to visiting the market on a regular basis. Patience, persistence and presence are three key factors for success in Indonesia.
- Important factors affecting purchasing decisions in Indonesia are pricing, financing, technical skills, and after-sales service. Firms should be prepared to invest in training for their local staff, from entry-level personnel to experienced managers.
- Indonesian non-financial firms often depend on trade financing with nearly 50% of their financing obtained from abroad via loans, bonds, and other credit. U.S. Ex-Im Bank<sup>1</sup>, OPIC, and SBA are all suitable providers of export-related trade financing for local projects.

---

<sup>1</sup> As of the publication of this Guide, ExIm is facing challenges to its reauthorization. For the most up-to-date information about the U.S. Export Import Bank, refer to its website at [www.exim.gov](http://www.exim.gov). Or call our office at +62-21-526-2850.

- Although it is possible for U.S. companies to sell directly to the government and state-owned companies, local agents or distributors are often critical (and at times, required by law) for successful project development and delivery of products or services. Many government tenders are awarded based on the proven track record of providers or long-established relationships between the government agency and an agent or distributor.

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

- [Using an Agent or Distributor](#)
- [Establishing an Office](#)
- [Franchising](#)
- [Direct Marketing](#)
- [Joint Ventures/Licensing](#)
- [Selling to the Government](#)
- [Distribution and Sales Channels](#)
- [Selling Factors/Techniques](#)
- [Electronic Commerce](#)
- [Trade Promotion and Advertising](#)
- [Pricing](#)
- [Sales Service/Customer Support](#)
- [Protecting Your Intellectual Property](#)
- [Due Diligence](#)
- [Local Professional Services](#)
- [Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

Foreign companies who wish to sell their products in the Indonesian market are required to appoint a local agent or distributor pursuant to Ministry of Trade (MOT) Regulation No. 36/1977 on Termination of Foreign Business Activities in the Trade Sector as amended and by Government Regulation No. 15/1998. Registration of an Indonesian agent or distributor with the Directorate of Business Development and Company Registration at the MOT is mandatory under Regulation of the MOT No. 11/M-DAG/PER/3/2006.

An agent is a national trading company acting as mediator to act for and on behalf of the principal on the basis of agreeing to undertake marketing without transferring rights to physical goods and/or services owned/controlled by the appointing principal. The principal may be a manufacturer or supplier, and may be located offshore or onshore. The agent never acquires any rights to the goods and services. A distributor is a national trading company acting for and on behalf of the company on the basis of an agreement to purchase, store, sell as well as market goods and/or services owned or controlled.

Any business operating as an agent or distributor must register with the MOT and obtain Registration Identity, hereinafter called STP (Surat Tanda Pendaftaran). STP is evidence that a company has been registered as an agent and/or distributor issued by the Director of Business Development and Corporate Registration, Ministry of Trade. If the principal is offshore, the agreement must be notarized and certified by an Indonesian trade attaché and submitted to the Ministry of Trade. These agreements may adopt the law of any country, but if they are written in a language other than Indonesian, they must be translated by a sworn translator. Depending on the type of goods being imported, certain other memberships, recommendations and/or licenses must be obtained and produced.

The appointment of an agent or distributor can be realized by: a producer principal; a supplier principal on the basis of approval from producer principal; foreign investment

companies operating in the trading field as distributors or wholesalers; or representative offices of foreign trade companies. Many Indonesian importers represent multiple foreign manufacturers and product lines. Large conglomerates often establish discrete company units to specialize around a product category. Medium and smaller importers tend to specialize in a narrower range of goods, but are open to adding an unrelated product line if it appears to be profitable.

In many cases, foreign companies have established close connections with Indonesian importers, allowing the two companies to function as one. The Indonesian company acts as the importer and distributor, and the foreign company promotes its products, sometimes seconding expatriate staff to its Indonesian distributor/partner. A more active role for the foreign firm can be arranged through a management contract, which can take many forms, such as technical assistance agreements; management agreements; or combined management/financial agreements.

## Establishing an Office

[Return to top](#)

The Indonesian Investment Coordinating Board (BKPM) provides “**One Stop Services**” for certain types of direct investment approvals from both domestic and foreign investors. A Foreign Company must establish an Indonesian legal entity and it is so-called a Foreign Investment Company or “*PT. Penanaman Modal Asing (PT. PMA)*.” A Foreign Company who wishes to access the Indonesian market may establish a Representative Office and not a branch office. Some business sectors require a foreign company to establish a local partner and are allowed up to a certain percentage of ownership depending on the sector. U.S. companies who are interested in establishing a legal entity in Indonesia should first refer to Presidential Regulation Number 39 of 2014 (more commonly known as “Negative Investment Link”) to learn about businesses that are closed or conditionally open for investment. ([www.bkpm.go.id](http://www.bkpm.go.id))

Before establishing an office in Indonesia, investors need to think whether using a local partner would be more effective in penetrating the local market. A foreign company can also establish a representative office. Three of the most common types of representative offices in Indonesia are: (1) Foreign Representative Office (Kantor Perwakilan Perusahaan Asing); (2) Foreign Trade Representative Office (Perwakilan Perusahaan Perdagangan Asing); and (3) Foreign Construction Services Representative Office.

To establish a representative office, an Application for the Establishment of a Representative Office must be filled out. According to BKPM Decree No.1/2008, applicants must submit several documents that have been notarized by Indonesian Embassy or an Indonesian Consulate in the U.S. These documents are: (1) Letter of Intent to set up a representative office from the company; (2) Letter of Appointment in regards to the individual who will be the chief representative in Indonesia; and (3) Letter of Statement in regards to compliance with Indonesian regulations. These documents must be submitted to the relevant ministry or to BKPM depending on the business sector. For a Foreign Construction Representative Office, the company also requires a license from the Institution of Construction Services Development.

The notarized letters, along with the resume of the appointed company representative and his or her Indonesian work permit (KIMS Card), must be submitted. If the appointed

company representative is an Indonesian citizen, a copy of his/her Personal Identity Card (KTP) needs to be submitted instead. Documents are submitted to:

Ir. Fetnayeti, MM.  
Director  
Directorate of Trade Development  
Directorate General for Domestic Trade  
Ministry of Trade  
Gedung II Lt. 5  
Jl. M.I. Ridwan Rais No. 5  
Jakarta Pusat 10110  
Tel: (62-21) 2352-8531/385-8171 Ex: 1138  
Fax: (62-21) 385-8188  
E-mail: [ditbinusdag@kemendag.go.id](mailto:ditbinusdag@kemendag.go.id) /  
Website: [www.kemendag.go.id](http://www.kemendag.go.id)

Regional representative offices, classified as serving two or more other ASEAN nations, can also be established in Indonesia. The regional representative office is limited to more of a liaison role and is restricted from participating in many business transactions. Interested firms should contact the BKPM for registration information:

Indonesia Investment Coordinating Board (BKPM)  
Jl. Jend. Gatot Subroto No. 44, Jakarta 12190  
P.O. Box 3186, Indonesia  
Tel:(62-21) 525-2008Fax:(62-21)520-2050  
Website: <http://www7.bkpm.go.id/>

## Franchising

[Return to top](#)

Franchises facilitate the transfer of know-how and managerial expertise to the franchisee companies while simultaneously allowing the franchiser to quickly establish a presence in the country. Under a typical franchising agreement, the franchiser receives royalties and fees as stipulated in the contract. In exchange, the franchisee has the right to use and manufacture copyrighted, patented or service-marked materials identifying the enterprise. The franchiser typically provides training and organizational guidance in return for a guarantee that the franchisee will follow these operational directions.

In particular, there are two regulations that are of interest to U.S. firms interested in establishing or expanding a franchise in Indonesia. Ministry of Trade Regulations No. 57 and 58 define the requirements and procedures for a franchisor to obtain a STPW (Surat Tanda Pendaftaran Waralaba or Franchise Registration Certificate). Before entering an agreement with a franchisee, a franchisor in Indonesia must register a franchise prospectus with the Ministry of Trade to obtain the STPW. According to this new regulation, instead of directly registering the franchise prospectus, a franchisor must first submit a copy of its draft master franchise agreement

These regulations also prohibit franchisors from appointing franchisees with whom they already have a relationship in order to provide opportunities for new franchisees and to prevent one group from gaining a monopoly. In the event a franchise agreement is terminated unilaterally by the franchisor before the expiration of the agreement term, the

franchisor cannot appoint a new franchisee for the same area until both parties reach an agreement or until there is a legally binding court verdict.

**IMPORTANT: Under the new regulation, franchisors and franchisees may only engage in business activities as specified in their business licenses. The regulations require franchises to use local components for at least 80% of their raw materials, business equipment and merchandise.**

In certain cases, the Ministry of Trade may issue a permit to a company to use domestically-produced goods and/or services equating to less than 80% of the raw materials, business equipment and merchandise based upon a recommendation by the ministry's appointed "assessment team." The regulation also states that franchisors should select local small- and medium-sized businesses as franchisees or suppliers if they fulfill the requirements established by the franchisors. The regulation limits the number of company-owned outlets operated by franchisors to 150 outlets for "modern stores" such as minimarkets, supermarkets, department stores, hypermarkets and wholesalers, and 250 outlets for restaurants and cafes. Enforcement has proven difficult and exceptions are frequently made.

For more information on franchising regulations in Indonesia, please contact:

Directorate of Trade Development  
Directorate General for Domestic Trade  
Ministry of Industry and Trade  
Jl. M.I. Ridwan Rais No. 5  
Jakarta 10110  
Tel: (62-21) 3858171 Ext. 1137  
Fax: (62-21) 23528531  
Website: [www.kemendag.go.id/en](http://www.kemendag.go.id/en)

## **Direct Marketing**

[Return to top](#)

Direct marketing is used in Indonesia to sell many kinds of products, from insurance to sewing machines. Companies such as Amway, Herbalife and Tupperware have built up large businesses by conducting direct marketing through local distributors. Independent Indonesian companies have had success emulating these methods.

## **Joint Ventures/Licensing**

[Return to top](#)

Indonesia continues to maintain a Negative Investment List which includes some sectors, that are closed entirely and some open with conditions. Apart from the Negative Investment List industries, 100 percent foreign ownership is allowed. Since 2013, foreign firms entering Indonesia are allowed 100 percent ownership without divestment. As a practical matter, a local joint venture partner is often essential for success in this market, for the same reason that an active Indonesian agent or distributor has advantages over a foreign trade representative office. The choice of an Indonesian joint venture partner is critical for many reasons, especially for knowledge of the local environment and contacts, which are important for successful operations in Indonesia. The common approach is working with Indonesians as the local partners that provide

foreign entities with access to local management and also the advantage of providing immediate access to valuable local networks and connections. A few experienced firms provide background and credit-type reports on Indonesian entrepreneurs and firms.

A partnership in Indonesia is difficult to dissolve. Consequently, the first choice has to be the right choice. Business sense is as crucial to any commercial endeavor in Indonesia as it is anywhere else; contacts alone, while important, cannot substitute for business skills in an Indonesian partner.

Because Indonesians place great importance on personal relationships and mutual understanding, partnerships tend to be based primarily on genuine accord, with the written contract playing a less significant role. It is therefore important that any agreement be well understood by both sides. A contract over which there are conflicting interpretations is certain to cause future problems. In any case, a soundly written legal agreement is strongly encouraged, despite the weakness of the Indonesian legal system for enforcing contracts.

In some cases, licensing arrangements for products and services are more cost-effective options for U.S. companies doing business in Indonesia, but firms should apply the same cautions recommended for joint venture partners.

For more information please visit: [www.bkpm.go.id](http://www.bkpm.go.id)

## **Selling to the Government**

[Return to top](#)

Although it may be possible in some cases to sell directly to the government, there is good reason to use the services of an agent or distributor for the early stages of project development, delivery, installation and service needs. Traditionally, most government procurement decisions have been based on long-established relationships and may exclude those participants who are not well known in the market.

New-to-market U.S. firms need the careful advice of local representatives to avoid wasting time and money participating in a tender. U.S. firms also need to be aware of the cultural differences of communicating in Indonesia. An agent may find it difficult to share bad news with a partner or may not be completely candid about the company's chances of winning a tender. A close relationship with one's agent is the best way to ensure open communication.

In February 2009, through Presidential Instruction (Inpres) No. 2/2009, the GOI issued new regulations which stipulate the use of 456 kinds of local products (in 21 categories such as agriculture equipment, defense equipment, chemical, EPC services for electrical, electronics and telecommunication equipment) for projects owned by the government, state-owned companies, and production sharing contractors. The Ministry of Industry has tasked the Finance and Development Supervisory Agency (BPKP) to oversee implementation of programs that support the Inpres in hopes of strengthening domestic manufacturing.

The Presidential Decree No.70/2012 regulates the procurement process for government agencies, including the state-owned companies, the Indonesian military and the Indonesian Police in Indonesia's efforts to become a global provider of defense

technology and value-added services. Although it may be possible in some cases to sell directly to the government, we recommend that U.S. companies work with an agent or distributor in the early stages of project development, delivery, installation and service needs.

For other sales to the Indonesian government, U.S. firms should become familiar with the "Blue Book" and the "Green Book", which list major projects identified by the government as essential to national development priorities. Both are published annually by the National Planning Agency (BAPPENAS) and constitute the official list of projects open to foreign government assistance and other sources of external financing. Most projects listed in these books require "soft loan" (low-interest rate) financing. While the U.S. government does not offer soft-loan financing, the U.S. Ex-Im Bank may be able to match tied-aid offers that fall within OECD guidelines. Indonesia has rarely accepted offers that would displace other donor commitments made through the annual World Bank-sponsored Consultative Group on Indonesia (CGI). Ad-hoc soft loans offered outside the CGI may offer opportunities to use Ex-Im Bank balancing provisions.

U.S. firms should also familiarize themselves with opportunities available through the Asian Development Bank, or World Bank-funded projects. For more information, visit [www.bappenas.go.id](http://www.bappenas.go.id).

## **Distribution and Sales Channels**

[Return to top](#)

Indonesia's businesses are organized along classic lines, with the full spectrum of agents, distributors and other intermediaries represented in the economy. Finding a stocking distributor can be a problem due to a general unwillingness to assume the carrying charges involved with warehousing. In addition, pervasive corruption, especially among customs officials, makes the use of offshore warehouses, especially in Singapore, attractive. Traffic congestion, weak infrastructure and corruption often make it very expensive to ship product long distances within Indonesia from a central warehouse.

## **Selling Factors/Techniques**

[Return to top](#)

American products are perceived by Indonesians as expensive but durable with limited after sales service. Therefore, in addition to pricing, U.S. companies should compete on after sales service which includes providing access to customer service and spare parts.

## **Electronic Commerce**

[Return to top](#)

E-commerce in Indonesia is growing by leaps and bounds and is expected to continue to grow in the coming years. Its consumer base is predicted to rise to 135 million by 2023, making it the third largest consumer base in the world and the seventh largest economy. On top of the fast-growing economy, a variety of push factors such as increasing internet and mobile penetration, rapid developments in both direct selling websites and marketplaces, as well as increased social media usage and greater spending power by the middle class and by Indonesia's predominantly young population who are rapid adopters of technology.

The e-commerce industry is thriving in Indonesia despite limitations posed by inadequate infrastructure, poor payment systems, and logistics. Based on eMarketer's research, there were 4.6 million Indonesians shopping online in 2013. The number is expected to increase to 8.7 million people by 2016. In 2014, the country's e-commerce sales accounted for 0.6 percent (\$2.6 billion) of all Indonesia's \$412 billion retail market. That figure is expected to reach \$3.56 billion in 2015. There is a growing number of e-commerce startup sites in Indonesia such as Tokopedia, Bukalapak, Qoo10 Indonesia, Elevenia, Lamindo Indonesia, Rakuten Belanja Online, Blibli. Indonesia's e-commerce sales have plenty of room to grow. A developing market such as Indonesia has low credit card penetration of only 5 to 6 percent. Therefore, the market offers opportunities for e-commerce technology, applications, and products and services.

While there is potential for e-commerce to grow quickly, several relevant laws and regulations should be considered:

- Law No. 11/2008 on electronic information and transactions which was intended to promote open and fair electronic commerce has been abused to limit free speech and created investor uncertainty by failing to define key terms.
- Law No. 7 /2014 deals with all the aspects related to the trading sector.
- Bank Indonesia Regulation No. 11/12/PBI/2009, as amended by Bank Indonesia Regulation No. 16/8/PBI 2014 regarding E-money.
- Circulation Letter of Bank Indonesia No. 16/11/DKSP Year 2014 regarding E-money operations.
- Minister of Communications and Information Regulation No. 23 of 2013 regarding Domain Name Management.
- Law No. 8/1999 regarding Consumer Protection

## Trade Promotion and Advertising

[Return to top](#)

Advertising in local media and newspapers is recommended for introducing new products, particularly in areas of purchasing power concentration, such as Jakarta and West Java. In January 2015, the prices quoted in five prestigious daily newspapers for a regular full color ad (184 mm x 270 mm) was decreasing with current prices ranging from \$2,800 to \$17,000. In those same newspapers, the cost for black and white ads ranged from \$2,300 to \$12,700.

A listing of the major and recommended newspapers and business journals (in the Indonesian language, except where noted) follow below. Website addresses are provided when available.

### Newspapers (dailies):

Bisnis Indonesia ([www.bisnis.com](http://www.bisnis.com))

Jakarta Globe (English) (<http://thejakartaglobe.beritasatu.com/>)

Jakarta Post (English) (<http://www.thejakartapost.com/>)

International Herald Tribune (English) (<http://www.iht.com/>)

Kompas (<http://www.kompas.com/>)

Kontan (<http://www.kontan.co.id/>)

Media Indonesia (<http://www.mediaindonesia.com/>)

Republika (<http://www.republika.co.id/>)  
Seputar Indonesia (<http://www.koran-sindo.com/>)  
Suara Pembaruan (<http://sp.beritasatu.com/home/>)  
Tempo (<http://koran.tempo.co/>)  
The Wall Street Journal Asia (English) ([www.wsj-asia.com](http://www.wsj-asia.com))

News magazines:

Gatra (Weekly) (<http://www.gatra.com/>)  
Tempo (Weekly) (Indonesian: <http://majalah.tempo.co/>)  
Tempo (Weekly) (English: <http://magz.tempo.co/>)  
Warta Ekonomi (Twice a week) (<http://www.wartaekonomi.co.id/>)

Business Journals:

Financial Times (Daily, English) (<http://www.ft.com/home/uk>)  
Eksekutif (Monthly) (<http://eksekutif.co.id/>)  
The Economist (Weekly, English) (<http://www.economist.com/>)  
Info Bank (Monthly) (<http://www.infobanknews.com/>)  
Swasembada (Monthly) (<http://swa.co.id/>)

In most cases, direct mail advertising is efficient and effective, if the mailing lists are properly prepared and updated. Local advertising agencies can also assist in arranging films, slides, and posters and signboards for bus exteriors, bus stop shelters, and bridges.

Television remains the best medium for national coverage and the one that remains most popular with consumers. Television advertising has grown rapidly and surpassed newspaper advertising in dollars spent since 1992. It is predicted that in 2015, 66 percent of total advertising spending went to television, followed by newspapers (30 percent), and radio/digital (4 percent). Currently, Indonesia has 394 national television stations (i.e. antv, Global TV, Indosiar, MetroTV, MNCTV, RCTI, RTV, Kompas TV, SCTV, Trans TV, Trans7, and TVOne), local television stations (i.e. Elshinta TV, Radar TV Banten, Baraya TV, DAAI TV, etc.), and one state-owned station (TVRI). Products that contributed most significantly to the increase of advertising spending on television were hair care products (which grew 19 percent to IDR 3.5 trillion), telecommunication (which grew 11 percent to IDR 2.5 trillion), and skincare products (which grew 13 percent to IDR 2.3 trillion).

The total ad spending in Indonesia is predicted to reach US\$12.94 billion (around Rp 163 trillion) in 2015, going up 16 percent from last year's figure. Despite this positive trend, overall growth has slowed and expected to decline over the next three years. Sectors that contributed most to overall advertising spending in Indonesia in 2015 were telecommunications, fast moving consumer goods and banking.

## Pricing

[Return to top](#)

Given the competition that U.S. suppliers face from foreign competitors, product pricing must take into account the costs of delivery, distribution, advertising, and brand image. Since product pricing is a critical factor in determining a company's success in the Indonesian market, market research is useful for understanding both consumer preferences and competitive practices. Pricing is best developed with advice from

experienced, local distributors who attuned to the price sensitivity of target market segments. U.S. companies may conduct their own market research, obtain information from the U.S. Commercial Service, or contract with private research firms.

## **Sales Service/Customer Support**

[Return to top](#)

One critical aspect of a product's successful launch and sustainability is customer support and after-sales service. Some U.S. firms face difficulties providing this support due to distance from the U.S. and the costs of maintaining product support facilities.

Although some local distributor partners may have their own sales and customer service networks, U.S. firms should be prepared to invest substantial amounts of capital and manpower into making their local partner a first-class service provider. Regardless of a company's international reputation, Indonesian consumers value a firm that can provide on-the-ground customer support. They expect to have their customer service needs addressed locally with quick turnaround times.

## **Protecting Your Intellectual Property**

[Return to top](#)

The United States is concerned about rampant piracy and counterfeiting in Indonesia, particularly with respect to the lack of enforcement against dangerous products. In 2014, the Indonesian National Police (INP) only investigated 97 criminal IPR cases and the Attorney General's Office (AGO) only brought twelve IPR cases to trial. Given these challenges, intellectual property rights should be considered carefully by U.S. firms as they seek market opportunities in Indonesia.

Ultimately, the course taken by companies to protect their intellectual property rights will depend on their product. As an example, a U.S. company might first identify the counterfeiters of its products. They then may choose to proceed to develop them as legal licensees of its products. Some computer software companies provide free training and/or sell their software at competitive prices, while warning that copies of their product may contain damaging viruses. Also, companies with well-known trademarks seek to defend them by registering them early or seeking the cancellation of an unauthorized registration through the courts. In general, a strong local partner or agent can help in defending trademarks and intellectual property. (See also Chapter VI - "Investment Climate" - for background on Indonesian laws and regulations regarding the protection of intellectual property rights).

### **Protecting Your Intellectual Property in Indonesia:**

Several general principles are important for effective management of intellectual property ("IP") rights in Indonesia. Develop an overall strategy to protect your IP; recognize that your IP is protected differently in Indonesia than in the U.S.; register your IP locally so that it can be enforced in Indonesia, under local laws. Your U.S. trademark and patent registrations will not protect you in Indonesia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer

copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Indonesian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Indonesia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Indonesian law. A list of local attorneys can be found on the U.S. Embassy Jakarta website at: <http://jakarta.usembassy.gov/us-service/attorneys.html>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Indonesia require constant attention. Work with legal counsel familiar with Indonesian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Indonesia- or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)
- Indonesia Anti-Counterfeiting Society (MIAP)

## IP Resources:

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. The IP Attaché responsible for Indonesia is: Peter N. Fowler, Regional IP Attaché – Southeast Asia, U.S. Patent and Trademark Office, American Embassy Bangkok, Thailand Tel: (662) 205-5913 Email: [Peter.Fowler@trade.gov](mailto:Peter.Fowler@trade.gov).

## Due Diligence

[Return to top](#)

In general the business sector in Indonesia operates in a somewhat opaque environment. For this reason, it is very difficult to get accurate financial and business reputation information about prospective customers or partners. U.S. Commercial Service in Jakarta offers the International Company Profile (ICP) service to assist American companies in vetting potential business associates. Note that ICP’s can only be done on companies and not on individuals. Contact the U.S. Commercial Service office in Jakarta for details on price and availability, or visit our website at [www.export.gov/indonesia](http://www.export.gov/indonesia)

## Local Professional Services

[Return to top](#)

The government and professional lawyers are working to improve the Indonesian legal system so that it can offer better protection for businesses. To handle their business matters in Indonesia, U.S. companies should consider hiring a local attorney who

understands the business environment and corresponding laws. Should a commercial dispute arise, a first step is to attempt to settle the dispute through negotiation, using a mediator acceptable to both parties if necessary. If negotiation fails, then companies may seek arbitration, which should be included as a clause in commercial contract agreements and with Indonesia as the site of arbitration. Badan Arbitrase Nasional Indonesia (BANI) or Indonesian National Board of Arbitration is an independent agency that was formed by the government. Companies may retain BANI, International Chamber of Commerce (ICC) or United Nations Commission on International Trade Law (UNICTRAL) to conduct their arbitration proceedings. If negotiation, mediation, and arbitration fail to resolve the dispute, then litigation is the next course of action.

Foreign law firms cannot operate in Indonesia unless they partner with a local firm. U.S. lawyers may act as advisors, not as lawyers, to Indonesian law firms. It is common for an American attorneys retained by a U.S. firm to consult with a local law firm.

## Web Resources

[Return to top](#)

The Indonesian Investment Coordinating Board (BKPM): [www.bkpm.go.id](http://www.bkpm.go.id)

Ministry of Trade: [www.kemendag.go.id](http://www.kemendag.go.id)

Ministry of Public Works: [www.pu.go.id](http://www.pu.go.id)

Indonesian Ministry of Justice: [www.kemenkumham.go.id](http://www.kemenkumham.go.id)

Indonesian Ministry of Communications and Information Technology: [www.kominfo.go.id](http://www.kominfo.go.id)

Indonesian Internet Service Provider Association: [www.apjii.or.id](http://www.apjii.or.id)

Indonesian Bureau Statistics: [www.bps.go.id](http://www.bps.go.id)

Indonesian National Board of Arbitration: [www.bani-arb.org](http://www.bani-arb.org)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

### Commercial Sectors

- [Medical Equipment](#)
- [Education and Training](#)
- [Franchises](#)
- [Aviation](#)
- [Power Generation](#)
- [Telecommunications](#)
- [Defense Equipment](#)
- [Oil and Gas](#)

### Agricultural Sectors

- [Cotton](#)
- [Soybeans](#)
- [Consumer Ready Made Products](#)
- [Wheat](#)

## Medical Equipment & Supplies

### Overview

[Return to top](#)

Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	765	793	872	914
Total Local Production	65	65	70	70
Total Exports	35	35	40	40
Total Imports	735	763	842	884
Imports from the U.S.	76	76	80	84

Data Source: *Indonesian Association of Medical Device Industries, Central Bureau of Statistics*

Indonesia is the fourth most populous country in the world and it relies heavily on imported medical equipment and supplies. This sector continues to present excellent opportunities for U.S. companies. Healthcare is a priority in the national development agenda. The central and regional governments continue to build and upgrade healthcare facilities. They are planning to equip community health centers with inpatient facilities and improve their quality of services in the 33 provinces. In a bid to stem the flow of patients seeking medical care abroad, the government continues to upgrade its state-owned hospitals to qualify for international accreditation. The government continues to encourage private sector involvement in developing hospitals. In the next five years, the private sector plans to develop over 30 hospitals. The Jakarta Health Agency announced plans to build a cancer treatment hospital in West Jakarta. The

hospital will cover 3.7 hectares of land and be 30 stories tall, with construction expected to begin in late 2015.

Indonesia began implementing its National Health Insurance Plan this year with the goal of universal coverage of the country's population of 257 million people by 2019. The initial phase is targeted at covering approximately 90 million citizens, which includes mostly the market segment that the government calls "the poor and near-poor."

Total imports of medical equipment grew from \$735 million in 2013 to \$763 million in 2014 (an increase of 3.8 percent), with the U.S. imports accounting for 10 percent of imports in the sector. Continued strong growth for this market is predicted over the next two years. Other countries vying for market share in the medical equipment and supplies sector include Singapore, Japan, Germany, China, and Korea. Companies from China and Korea provide the greatest challenge to U.S. firms as they offer low-priced equipment.

#### **Sub-Sector Best Prospects**

[Return to top](#)

ICU, ICCU, Life support equipment such as ventilators, anesthesia equipment, patient monitoring equipment, electro-medical equipment, ultrasonic scanning machines, diagnostic equipment, and disposable products

#### **Opportunities**

[Return to top](#)

Given the large population and the implementation of the universal social health insurance coverage, Indonesia is potentially a good market for healthcare products. Indonesia relies heavily on the import of medical equipment and supplies and offers an excellent opportunity for U.S. manufacturers. Over the next few years, U.S. companies should expect significant opportunities but recognize the challenges, including from regional competition. Therefore, while quality and after-sales service are essential elements, U.S. companies need to aggressively pursue the Indonesian market with an eye towards competitive pricing. Financing options for distributors and end purchasers will also assist in accessing the market and increasing market share.

#### **Web Resources**

[Return to top](#)

Ministry of Health, website: [www.depkes.go.id](http://www.depkes.go.id)

For questions or more information, please contact Pepsi Maryarini:  
E. [Pepsi.Maryarini@trade.gov](mailto:Pepsi.Maryarini@trade.gov)

## Education and Training

### Overview

[Return to top](#)

	2013	2014	2015 (estimated)	2016 (estimated)
Number of University Students	5,400,000	5,800,000	6,229,630	6,691,084
Going Abroad	43,200	51,840	62,208	74,650
Going to U.S.	7,670	7,920	8,178	8,445

Data Source: *Indonesian Central Bureau of Statistics; Institute of International Education (IIE); and Directorate General of Higher Education.*

Note: The above statistics are unofficial estimates.

Indonesia is a huge potential market for U.S. providers of secondary, tertiary, and vocational education. The number of university students is about six million, and it is predicted that the number of Indonesians in higher education will grow to 7.8 million students by 2020, making it the fifth largest system in the world after China, India, the United States and Brazil. The new government has given early indications that education, skill development and improvements in education and technical training is a priority. This bodes well for continued growth in opportunities for U.S. community colleges, universities and other technical training programs.

Indonesia has made a clear commitment to education, passing a constitutional mandate to allocate at least 20 percent of the total government budget to education, mostly for primary education. More focus will be needed on improving teachers' qualification, vocational training, and tertiary education.

For the past ten years, U.S. institutions have been losing significant market share to rivals from other countries, especially Australia, due to the perception that the visa process is difficult and approval rates low, as well as the high cost of tuitions/fees at U.S. institutions.

However, 96 percent of all student visas are accepted and, there are currently 7,900 Indonesian students studying in the United States. This ranks Indonesia 19<sup>th</sup> as a market for students coming to the United States, and the second most important student market in Southeast Asia after Vietnam. Currently, there are more than 50,000 Indonesians studying abroad and this flow of students is predicted to grow 7 to 10% annually.

Ninety-five percent of Indonesians studying abroad are self-funded. This group of students finances their education privately with financial support from their parents or assistance from overseas relatives. The remaining five percent of students are financed by local universities, companies, government, and scholarships through different grants. The main contributors of the grants are World Bank and The Asian Development Bank (ADB). Other educational grants available in Indonesia are Fulbright and East-West Center Fellowship.

### **Sub-Sector Best Prospects**

[Return to top](#)

The majority of students from Indonesia study at the undergraduate level (68.4%), followed by the graduate level (19.3%), other level (2.9%), and OPT (Optional Practical Training) level (9.4%). Fields of interest include: business, technology and science, social science and computer science

### **Opportunities**

[Return to top](#)

A recent survey conducted by a leading Indonesian newspaper shows that most students perceive academic institutions in the United States as offering the highest quality of education compared to academic institutions in other countries. The U.S. has consistently been a desired destination for Indonesian students seeking to study overseas. U.S. universities and community colleges can become more visible in the Indonesian market through participation in education fairs and/or by working with student recruitment agencies. Recruitment agencies are popular with prospective Indonesian students and their parents as they serve as “one-stop-shops” for applying to schools and provide services such as assisting with visa applications and arranging travel and accommodations.

To compete with other countries which offer lower tuition fees, universities are participating in “1+1” or “1+3” or “2+2” programs which enable students to apply credits from the years of study at a local university towards an undergraduate degree at a U.S. university.

Studying at U.S. community colleges has also become an increasingly popular option for Indonesian students. Some 40 percent of Indonesians applying for student visas to the U.S. have been accepted at a community college, and half of the top 10 school destinations are community colleges.

### **Web Resources**

[Return to top](#)

EducationUSA – Public Affairs Section  
The U.S. Embassy Annex  
Sarana Jaya Building, 8<sup>th</sup> Floor  
Jalan Budi Kemuliaan I No. 1, Jakarta 10110  
Tel: 62-21-3435-9572  
Fax: 62-21-352-0144  
Website: <http://jakarta.usembassy.gov>

Directorate General of Higher Education  
Ministry of National Education  
Gedung D Lt.10  
Jln. Raya Jend Sudirman Pintu I, Senayan Jakarta 10270  
Tel: 62-21- 57946105  
Email: dikti@dikti.go.id  
Website: <http://www.dikti.go.id>; <http://www.kemdiknas.go.id>

The Indonesian International Education Consultants Association  
(Ikatan Konsultan Pendidikan International Indonesia - IKPII)  
Senayan Trade Center (STC) Lt.1  
No. 97-98 Jl. Asia Afrika Jakarta 10270  
Phone/Fax: 62-21-57936484  
P.O. Box 1379 JKB 11013  
Website: <http://www.ikpii.com>

Indonesian International Education Foundation  
Menara Imperium, 28th Floor, Suite. B,  
Metropolitan Kuningan Superblok, Kav1 Jl. H.R.  
Rasuna Said  
Jakarta Selatan, 12980 Indonesia  
Tel: 62-21 831-7330  
Fax: 62-21 831-7331  
<http://www.iie.org/Offices/Jakarta>  
<http://www.iie.org/Research-and-Publications/Open-Doors/Data/Fact-Sheets-by-Country/2014>

For questions or more information, please contact Pepsi Maryarini:  
E. [Pepsi.Maryarini@trade.gov](mailto:Pepsi.Maryarini@trade.gov)

## Franchises

[Return to top](#)

## Overview

[Return to top](#)

	2012	2013	2014 (estimated)	2015 (estimated)
Total franchises	800	900	1,000	1,100
Local	450	500	540	580
Foreign	350	400	460	520

Data Source: *Indonesian Franchise Association*

Indonesia has strong long-term potential for franchise businesses. The local industry started with three franchises in the 1970s and grew to some 35 franchises with 308 outlets by the early 1990s. The franchise industry began to gain widespread popularity in the early 1990s when many well-known American franchises arrived in Indonesia.

Presently, there are more than 460 foreign franchises, and 540 local franchises and 1,400 non-franchised business opportunities operating in Indonesia covering a wide

range of franchise sectors. Until recently, estimated future growth in the franchise industry was considered to be around 8 percent per year for local franchises and 14 percent per year for foreign franchises.

### **Sub-Sector Best Prospects**

[Return to top](#)

Most Indonesian franchise seekers are interested in well-established and innovative food and beverage business concepts such as fine-dining restaurants, Quick Service Restaurants (QSR), coffee shop chains, ice cream shops, and others. Other best prospects include education, especially children's education, and retail or specialty convenience stores.

### **Opportunities**

[Return to top](#)

Local investors are very receptive to U.S. franchises. Indonesia's rising disposable incomes and large young population make it an attractive opportunity. Although the Indonesian franchise market is very competitive, the high demand for U.S. franchises, especially in the food and beverage sector, presents significant opportunities for U.S. franchisors. The demand for cafes, restaurants and bars continues to increase in the major Indonesian cities. Indonesia's growing middle class is earning higher incomes, and middle class communities are seeking food and after-hours venues for socializing. U.S. franchises are generally well received by Indonesian consumers and compete successfully with franchisors from other countries. Quality, brand name recognition, and innovation all play a big part in the success of U.S. franchises with Indonesian investors. In addition to product pricing, U.S. franchisors must consider adapting to local tastes to guarantee success in the Indonesian market.

For questions or more information, please contact Fidhiza Purisma:  
E. [Fidhiza.Pursima@trade.gov](mailto:Fidhiza.Pursima@trade.gov)

### **Web Resources**

[Return to top](#)

Indonesian Franchise Association (AFI)  
Jl. Dharmawangsa X No. A.19, Kebayoran Baru  
Jakarta Selatan 12150  
Phone: +62-21-739-5577  
Fax: +62-21-723-4761  
Website: [www.franchiseindonesia.org](http://www.franchiseindonesia.org)

Indonesian Committee for Franchises and Licenses (WALI)  
Komplek D'Best Fatmawati Blok A-14  
Jl. Fatmawati No 15  
Jakarta Selatan  
Phone: +62-21-7590-5803  
Fax: +62-21-7590-5803  
Website: [www.perhimpunanwali.org](http://www.perhimpunanwali.org)

## Aviation

### Overview

[Return to top](#)

Unit: USD millions

	2012	2013	2014	2015 (estimated)
Total Market Size	4,584	1,717	536	590
Total Local Production	300	350	450	495
Total Exports	210	164	95	105
Total Imports	4,494	1,531	581	639
Imports from the U.S.	2,943	270	176	194

Data Sources: *Central Bureau of Statistics Indonesia, Trade Stats Express USA*

Because Indonesia is comprised of an archipelago with over 17,000 islands and large population, it is an enormous aviation opportunity. Its air domestic traffic market is the fastest-growing in the world and many believe the ASEAN Open Skies Agreement will further increase demand.

According to Ministry of Transportation data, from 2010 until 2015 total air transport passengers have grown more than 12% annually. The number of domestic passengers reached 51.8 million in 2010, 84.4 million in 2015 and is expected to double by 2020.



Data Source: *Ministry of Transportation*

In 2014 Airport Council International (ACI) ranked Soekarno Hatta Airport as the 10th busiest airport in the world servicing 60.1 million passengers annually. Soekarno Hatta falls slightly below the Dallas Airport (rank 9 with 60.4 million passengers) and Charles de Gaulle Airport (rank 8 with 62 million passengers). Since 2014, Soekarno Hatta

Airport has exceeded its capacity by 260%. State-Owned enterprise PT Angkasa Pura II (AP II), which manages airport services in western Indonesia, is developing a third terminal with an expected investment of US\$461.5 million (Rp 6 trillion). The project is targeted to be completed in May 2016. In addition, this year AP II also plans to develop airports in other cities such as Medan, Pekanbaru, Palembang and Pontianak to increase the combined capacity of those facilities to more than 25 million passengers.

The Directorate General of Civil Aviation (DGCA) has issued permits for 266 routes connecting 125 cities in Indonesia, served by 20 airlines (18 for passengers and 2 for cargo). While for international routes, DGCA has issued permits for 56 routes which connect 11 cities in Indonesia and 29 cities abroad. These routes are served by 10 domestic airlines (8 for passenger and 2 for cargo). The Indonesian aerospace industry offers excellent market prospects for U.S. products since the current commercial and defense aircraft fleet consists largely of American products. Aircraft leasing services, commercial and military spare-parts and maintenance services offer the best opportunities for U.S. firms. The total market for aircraft and parts was estimated at US\$5.22 billion in 2013, with U.S. products accounting for 40% of the total market. End-users--primarily the 20 scheduled airlines, approximately 47 non-scheduled airlines, police and the military--prefer to purchase directly from original equipment manufacturers, however, it is still advisable that U.S. suppliers partner with Indonesian companies.

In 2015, Garuda placed orders for 90 new aircraft to handle new long-haul and mid-range routes and replace its aging fleet. The carrier committed to buying 60 planes from Boeing — 30 787-9 aircraft and as many as 30 737 MAX 8 planes — valued at US\$10.9 billion and 30 Airbus A350 XWB aircraft valued at US\$9.1 billion. Garuda Indonesia plans to use the A350 XWB to enhance its network by offering the ability to fly non-stop from Jakarta or Bali to Europe.

In 2014, Lion Group, the parent of Indonesian low-cost carrier Lion Air, placed a US\$1 billion order with European aircraft maker ATR for 40 additional planes ATR72-600s, raising the company's total order for the turboprop planes to 100. Lion Group reportedly said the additional 40 planes will be used to meet the growing demand of the group's airlines in Asia and to develop markets world-wide. Deliveries of the aircraft will start in 2017 and run into 2019.

With increasing numbers of passengers and commercial aircraft, it is estimated the total Indonesian market for aircraft and parts will increase by 15%, and the share of US products in that market will grow in keeping.

### **Sub-Sector Best Prospects**

[Return to top](#)

Imports from U.S. suppliers are particularly desired in the following areas: airplanes and other aircraft, helicopters, parts, aircraft launch gear and parts, engines, engine parts, instruments and appliances for aeronautical use, and avionics. U.S. companies offer desirable opportunities in the areas of training, engine repairs, aviation safety technology, and maintenance services.

In order to expand routes, additional aircraft will be needed by new and existing airlines. Although not all of these firms intend to buy new aircraft, there are excellent opportunities for U.S. aircraft leasing companies to lease their aircraft to Indonesian airlines. In addition, with more aircraft in operation in Indonesia, there will be a greater need for aircraft parts and maintenance services. Similarly, there are growing opportunities for U.S. firms to lease and sell helicopters for use by mining and petroleum companies.

In particular, aircraft maintenance services offer promising business opportunities. According to the Indonesian Aircraft Maintenance Service Association (IAMSA), the potential market for Maintenance, Repair and Overhaul (MRO) is predicted to reach \$65.3 million in 2020. Currently, around 70% of the total aircraft operating in Indonesia are sent for maintenance overseas since few MRO companies in Indonesia hold a license from the FAA and EASA, while many aircraft owned by airlines originate from the leasing companies that typically require a license from FAA and/or EASA. Of the 27 companies that are members of IAMSA, only 5 companies have approval from FAA and/or EASA--Garuda Maintenance Facility Aero Asia (GMF Aero Asia), Merpati Maintenance Facility (MMF), Nusantara Turbin Propulsi (NTP), Muladatu and JAS Aero engineering. The Indonesian government is offering foreign investors the opportunity to partner to establish aircraft maintenance facilities, aircraft leasing, and training companies. By establishing these businesses in Indonesia, the government hopes to reduce the need for aircraft repair and training on foreign soil.

### **Aviation Working Group**

Indonesia Minister of Transportation Ignatius Jonan and U.S. Ambassador Robert O. Blake recently signed an MOU establishing the U.S. Indonesia Aviation Working Group (AWG) with the support of the U.S. Commerce Department and the FAA. Currently there are 25 U.S. members.

AWG is a platform for the U.S. Government and private sector to engage Indonesian aviation stakeholders within government, state-owned enterprises, and the private sector, to share best practices from around the world, and to propose and provide innovative solutions and services to support Indonesia's aviation sector growth. The AWG's activities will focus on policy and technical issues facing the Indonesian aviation sector, including:

- 1) Air Traffic Management Modernization
- 2) Airport Infrastructure
- 3) Aviation Safety and Security
- 4) Development and Growth of Aviation Support Services
- 5) Airspace and Airport Capacity Analysis, Development, and Planning
- 6) General Aviation Access and Integration
- 7) Cargo Security

To apply, please send an email to Meiyi Tjugito, E: [Meiyi.Tjugito@trade.gov](mailto:Meiyi.Tjugito@trade.gov)

For questions or more information, please contact Melissa Wijaya,  
E: [Melissa.Wijaya@trade.gov](mailto:Melissa.Wijaya@trade.gov)

## Web Resources

[Return to top](#)

Directorate General of Civil Aviation: <http://hubud.dephub.go.id/>

AirNav Indonesia: [www.airnavindonesia.co.id](http://www.airnavindonesia.co.id)

PT Garuda Indonesia: [www.garuda-indonesia.com](http://www.garuda-indonesia.com)

PT Lion Mentari Airlines: [www.lionair.co.id](http://www.lionair.co.id)

PT Mandala Airlines: [www.cto-mandalaair.com](http://www.cto-mandalaair.com)

PT Citilink Airlines: [www.citilink.co.id](http://www.citilink.co.id)

PT Sriwijaya Air: [www.sriwijayaair.co.id](http://www.sriwijayaair.co.id)

Garuda Maintenance Facility AeroAsia, GMF AeroAsia: [www.gmf-aeroasia.co.id](http://www.gmf-aeroasia.co.id)

For questions or more information, please contact Melissa Wijaya:  
E. [Melissa.Wijaya@trade.gov](mailto:Melissa.Wijaya@trade.gov)

## Oil & Gas

### Overview

[Return to top](#)

Unit: USD millions

	2013	2014	2015 (estimated)	2016 (estimated)
Total Market Size	1,546	1,469	1,278	1,111
Total Local Production	458	435	378	328
Total Exports	252	239	207	180
Total Imports	1,340	1,273	1,107	963
Imports from the U.S.	423	402	350	304
Exchange Rate: 1 USD	11,500	12,000	13,600	13,600

Data Source: *Central Bureau of Statistics, Ministry of Trade Indonesia, industry and media resources*

In 2013 and 2014, investment in the oil and gas industry was \$20.3 billion and \$19.3 billion respectively. This downward trend is likely to continue as crude oil prices continue to decline resulting in a subsequent decline in oil production. In response, the Indonesian government has begun to further develop its gas sector for greater domestic use. This includes seeking increased investment in unconventional gas (coal bed methane, shale gas, oil sand, tight gas, and biogenic gas) and exploring ways to expand domestic gas distribution infrastructure.

Indonesia has some of the largest natural gas resources, especially coal bed methane, in the Asia Pacific region. The GOI has conducted limited assessments of shale gas potential in Indonesia, but development is slowed by high costs and infrastructure constraints. Conventional gas development will consequently continue to dominate.

The market for oil and gas equipment and services in Indonesia has been challenging, as the global oil prices fall and companies face increasingly stringent domestic content or local content requirements.

### **Sub-Sector Best Prospects**

[Return to top](#)

U.S. companies are strong suppliers of parts for boring/sinking machinery, drill pipes for oil and gas, pumps, compressor/pump parts, and floating or submersible drilling production platforms.

Although many drilling activities, in Indonesia have been put on hold, based on market observations and discussions with local agents and distributors, drilling and production equipment still has potential for U.S. companies. With a total value of more than 60 percent of the total expenditure, this category includes drilling, machinery, mud equipment and accessories; production surface equipment; drilling tools and retrievable production tools; casing, tubing and accessories; cementing equipment and liner hanger systems; fishing and repair tools (drilling); drilling and mud control instruments; production well test and monitoring instruments; wellhead equipment and accessories; production string components and subsurface pumps; derricks and accessories; and geological and geophysical operating equipment.

### **Opportunities**

[Return to top](#)

As per January 2015, the GOI intends to offer eight oil and gas exploration blocks for 2015 as the government hopes to increase oil and gas output. Four blocks will be offered through direct negotiations and the other four will be offered via regular tenders.

The four blocks offered through direct negotiations are:

- Rupat (Offshore Riau and North Sumatera)
- North Jabung (Onshore Riau and Jambi)
- Southwest Bengara ( Onshore Kalimantan)
- West Berau (Offshore Papua)

The four blocks offered through regular tenders are:

- West Asri (Offshore Lampung)
- Oti (Offshore East Kalimantan)
- North Adang (Offshore West Sulawesi)
- Kasuri II (Onshore Papua)

Most of the oil and gas production (90%) in Indonesia comes from mature production fields, which are continuing to decline. The GOI will give the opportunity to local cooperatives and state-owned regional companies to operate old wells. In its efforts to increase oil and gas production, the GOI will optimize the existing production fields using technologies such as infill drilling and Enhanced Oil Recovery (EOR) technology.

Construction of additional oil and gas facilities in Indonesia may bring significant commercial opportunities for U.S. companies that supply engineering services and equipment such as compressors, metering systems, and pumps.

### **Web Resources**

[Return to top](#)

PT. Perusahaan Gas Negara (PT PGN), website: [www.pgn.co.id](http://www.pgn.co.id)  
 PT. Pertamina (Persero), website: [www.pertamina.co.id](http://www.pertamina.co.id)  
 Ministry of Energy and Mineral Resources, website: [www.esdm.go.id](http://www.esdm.go.id)  
 SKK Migas, website: [www.skkmigas.co.id](http://www.skkmigas.co.id)  
 Indonesian Petroleum Association, website: [www.ipa.go.id](http://www.ipa.go.id)

## Trade Shows

[Return to top](#)

Indonesia Petroleum Association (IPA) Convention & Exhibition 2016  
 May, 2016 The Jakarta Convention Center (JHCC), Jakarta  
 Website: [www.ipaconvex.com/](http://www.ipaconvex.com/)

Oil and Gas Indonesia, 2015  
 7-10 October, 2015  
 The Jakarta International Expo, Kemayoran, Jakarta  
 Website: [www.pamerindo.com/events/6](http://www.pamerindo.com/events/6)

For questions or more information, please contact Mario Simanjuntak:  
 E. [Mario.Simanjuntak@trade.gov](mailto:Mario.Simanjuntak@trade.gov)

## Telecommunications

### Overview

[Return to top](#)

Unit: USD millions

	2013	2014	2015	2016
Total Market Size	9,600	10,600	11,500	12,500
Total Local Production	960	1,378	1,725	2,125
Total Exports	38	42	55	60
Total Imports	9,260	9,264	9,833	10,438
Imports from the U.S.	768	954	1,035	1,125

Data Sources: *Ministry of Communications and Information, telecommunications operators, industry sources. The above figures are estimated*

Telecommunications providers face myriad investment restrictions. Foreign ownership is capped at 65 percent for suppliers of value-added and mobile telecommunications services and 49 percent for suppliers of fixed network services.

U.S. stakeholders have raised concerns about a spate of local content requirements in the telecommunications sector. Recent Ministry of Communication and Information Technology regulations, Regulation 07/2009 and Regulation 19/2011, require that equipment used in wireless broadband services should contain local content of at least 30 percent for subscriber stations and 40 percent for base stations, and that all wireless equipment should contain 50 percent local content within 5 years. Indonesian telecommunication operators are also required, pursuant to Decree 41/2009, to expend a minimum of 50 percent of their total capital expenditures for network development on locally sourced components or services.

Indonesia is the fourth largest cellular market in the world with around 278 million subscribers in 2014. The country is also the world's top ten 3G markets where broadband users skipping fixed connections and going straight to mobile. Even though the 3G services market is already sizeable, the 2.5G mobile market is still remarkably widespread across the country. Prepaid subscriptions overwhelmingly reached as high as 98% of subscribers. The three largest cellular operators – Telkomsel, Indosat, and XL Axiata - accounted for 85% of the Indonesia's total number of cellular subscribers.

According to the Indonesia Internet Service Providers Association, the internet penetration rate is 34.9% or 88.1 million internet users in 2014. Development of the fixed broadband infrastructure has been hampered by the country's complex geography terrain consisting of islands and rural regions. As a result, many cellular operators are offering wireless broadband services to provide affordable access to the Internet.

### Sub-Sector Best Prospects

[Return to top](#)

Base transceiver stations, switching, ancillary and transmission equipment, and cellular handsets, content providers, broadband wireless access, 3G/UMTS base stations, Wimax and LTE equipment, value-added/data services.

### Opportunities

[Return to top](#)

Indonesia's telecommunications infrastructure market has good potential for wireless equipment, services and content provider companies. The rapid expansion of the country's cellular and fixed-wireless networks has driven increased spending on the telecommunications infrastructure. The entry of international firms as investors, offers opportunities for U.S. companies to improve the equipment and infrastructure in Indonesia. New options to own and operate the networks, new services, functionality (applications), and the enhancement of older technology, on top of existing infrastructure, are attractive to both operators and subscribers.

### Web Resources

[Return to top](#)

Indonesian State Ministry of Communication and Information: [www.kominfo.go.id](http://www.kominfo.go.id)

For questions or more information, please contact Kalung Riang:  
E. [Kalung.Riang@trade.gov](mailto:Kalung.Riang@trade.gov)

## Defense Equipment

### Overview

[Return to top](#)

Unit: USD millions

	2012	2013	2014	2015 (estimated)
Total Market Size	125	152	385	424
Total Local Production	8	9	10	11

Total Exports	7	1	4	4.4
Total Imports	124	144	379	417
Imports from the U.S.	4	5	18	20

Data Sources: *Central Bureau of Statistics Indonesia, Trade Stats Express USA*

Note: The above statistics are unofficial estimates.

Indonesia's defense budget has increased by 300% in the last ten years and will continue to increase as the Indonesian military aims to modernize and expand its operations. The 2015 defense budget is US\$7.3 billion representing a 14 % over 2014 (US\$6.4 billion). Indonesia's defense procurement from the U.S. through Direct Commercial Sales (DCS) from 2004-2015 is \$0.9 billion.

Indonesia's weapons systems for the period 2015-2020 will be dominated by the arrival of equipment purchased during the reign of President Susilo Bambang Yudhoyono (2009-2014) such as 24 units of F-16 and 8 units of helicopters AH-65 Apache Longbow from the United States, and 8 fighter aircraft EMB-314 Super Tucano from Brazil.

During the President Joko Widodo administration many believe there will be an increase in maritime patrol aircraft purchases to strengthen the Indonesian maritime territory. This also includes patrol boat purchases. In addition, the Indonesian Army plans to buy multiple rocket launcher systems, howitzers, air defense missiles, assault and attack helicopters, and Anoa armored personnel carriers.

Indonesian Presidential Decree No.70/2012 regulates the procurement process for government agencies, including state-owned companies, the Indonesian military and police. Indonesia is also working to be a global provider of defense technology and value-added services. The Defense Industry Policy Committee (KKIP) was established to develop domestic defense industry capabilities for equipment and armaments.

There are numbers of state-owned companies involved in strategic defense industries including PT Dirgantara Indonesia (PTDI), PT PINDAD (tactical and combat vehicles, weapons, and ammunitions), PT LEN Industri (defense electronic component) and PT PAL (ships). PTDI is one of the major military suppliers and is the only aircraft design and manufacturing company in Indonesia. The company manufactures the CN-235 (including CN235-220 MPA), CASA 212 (under license CASA Spain), NBO 105 (product under license MBB Germany), Bell 412 (under license Bell Textron), AS 330&332 SP (product under license Aerospatial France), N250 (prototype), and N219. With Airbus Military, PT DI has expanded its cooperation to manufacture CN295 in Bandung, Indonesia.

Other local companies that also contribute to the defense sector are PT INTI (video surveillance), PT Dahana (explosives), PT Krakatau Steel (bullet-proof steel KSW 500), PT Bharata Indonesia (bombs), and PT Boma Bisma Indra (ammonia and chemical products).

### **Sub-Sector Best Prospects**

[Return to top](#)

U.S. companies are strong competitors in military aircraft and helicopters, radars, missiles, various guns, tactical gear, unmanned aerial vehicle (UAV) or drone and tactical communication systems.

## Opportunities

[Return to top](#)

On November 16, 2005 the Executive Branch, in accordance with the provisions of Section 599(b) of the Fiscal Year 2006 Foreign Operations, Export Financing, and Related Programs Appropriation Act, waived restrictions placed on the export of lethal defense articles and related defense services for end use by the Indonesian Armed Forces. Applications are processed on a case-by-case basis, in accordance with standard practice. With U.S. government policy allowing the export of defense equipment to Indonesia, there are also opportunities for U.S. defense manufacturers to export fighter aircraft and attack/assault helicopters, including spare parts, and other defense-related equipment to the Indonesian military.

Detailed information are available at:

DDTC Website

<http://www.pmdtcc.state.gov>

(See “Reports and Official Statements” – “End-use Reports”)

DDTC General Questions

DDTC Response Team, 202-663-1282 [DDTCResponseTeam@state.gov](mailto:DDTCResponseTeam@state.gov)

Regional Security and Transfers Website

<http://www.state.gov/t/pm/rsat>

(For Foreign Military Sales retransfer and re-export requests)

## Web Resources

[Return to top](#)

Ministry of Defense

Website: <http://www.kemhan.go.id/>

PT Dirgantara Indonesia, [www.indonesian-aerospace.com](http://www.indonesian-aerospace.com)

PT PINDAD, [www.pindad.com](http://www.pindad.com)

PT PAL, [www.pal.co.id](http://www.pal.co.id)

PT LEN Industri [www.len.co.id](http://www.len.co.id)

## Trade Show

[Return to top](#)

INDODEFENSE 2016, November 2-5, 2016

The Jakarta International Expo (PRJ) Kemayoran, Jakarta

Website: [www.indodefense.com](http://www.indodefense.com)

For questions or more information, please contact Melissa Wijaya:

E. [Melissa.Wijaya@trade.gov](mailto:Melissa.Wijaya@trade.gov)

## Power Generation

### Overview

[Return to top](#)

Unit: USD millions

	2012	2013	2014 (estimated)	2015 (estimated)
Total Market Size	3,056	3,560	4,055	4,652
Total Local Production	750	938	1,075	1,225
Total Exports	600	720	864	993
Total Imports	2,906	3,342	3,844	4,420
Imports from the U.S.	750	865	995	1,144

Data Sources: Central Bureau of Statistics Indonesia, Trade Stats Express

USA Note: The above statistics are unofficial estimates.

The power industry in Indonesia has experienced a large growth in demand, averaging seven to nine percent per annum in the last five years. According to the Ministry of Energy and Mineral Resources, per September 2013, the electrification ratio of Indonesia reached 80%, Papua and East Nusa Tenggara are the two regions with the lowest electrifications of 35% and 58%, respectively, according to recent data.

In 2013, the installed generation capacity was 47,108 MW, of which the state-owned PLN generates 74% (34,874 MW), 22% by Independent Power Producers (IPPs), and 3.7% by Private Power Utility (PPU). The national transmission line is approximately 38,937 km long and 77,514 MVA of transmission transformer capacity. The distribution line is approximately 777,962 km long and 41,987 MVA of distribution transformer capacity.

On September 23, 2009, the Indonesian government enacted Electricity Law No 30, 2009. Under the new law, PT PLN no longer will hold the monopoly on supplying and distributing to end customers. A license to provide electricity for public use may be granted to private business entities subject to a "right of first refusal" provided to state-owned companies. Recently, the government issued an implementation regulation of the Electricity Law, Government Regulation (PP) Number 12/2012, which allows private companies to participate in the transmission and distribution business. Private companies are allowed to provide electricity from their generation plants for 30 years.

Indonesia imported \$3.8 billion of electrical power equipment in 2014 and U.S. products constituted 26 percent of that market. The other major suppliers in Indonesia are from China, Singapore, Japan, France and Germany. Indonesian companies typically import U.S. products directly or through an agent/distributor in Singapore.

President Jokowi announced last year an infrastructure project of 35 GW power generation capacity with power transmission infrastructure lines for 50,000 km. The 35 GW power project is set to be completed by 2019 and worth US\$ 83.5 billion.

### **Power Working Group**

U.S. Embassy Jakarta has established the U.S. Power Working Group (USPWG), in part, as an American platform for firms supporting President Jokowi's "35 GW" power development plan. In addition, the working group will provide a forum for U.S. firms to engage with the Indonesian government on how their products and services would

contribute to Indonesia's power infrastructure. Working group members include relevant power industry partners and associations who together can share best practices and formulate strategies to address the expansion of Indonesia's energy infrastructure.

To apply, please send an email to Meiyi Tjugito, E: [Meiyi.Tjugito@trade.gov](mailto:Meiyi.Tjugito@trade.gov)

For questions or more information, please contact Mario Simanjutak:  
E. [Mario.Simanjutak@trade.gov](mailto:Mario.Simanjutak@trade.gov)

### **Sub-Sector Best Prospects**

[Return to top](#)

U.S. companies are strong competitors in boilers, boiler parts, turbines, turbine parts, electrical generating equipment, transformers, lightning arresters, junction boxes, panel boards, and electrical conduits.

### **Opportunities**

[Return to top](#)

The new National Electric Generation Plan (RUPTL) 2012-2021 predicts that electricity demand in Indonesia will grow 8.65% annually. By 2021, the electricity demand will reach 358 TWh (terrawatthours), the electrification ratio 92.3%, and 70.6 million customers.

During 2012-2021, it is estimated that the total investment needed for electricity development will reach US\$ 107.1 billion. Development of power plants will require an investment of US\$77.3 billion, transmission networks US\$15.9 billion and distribution networks US\$13.9 billion. Of the total investment, PT PLN is expected to invest US\$64.9 billion with the remainder coming from IPPs. In the same period, Indonesia will need additional power plant capacity of 57.3 GW, of which 30.1 GW will be developed by PT PLN. Coal power plants will dominate the energy mix (65.9%), followed by gas (4.4%), geothermal (11.1%), and hydro (10%).

Construction of power plants, transmission and distribution lines in Indonesia should bring significant commercial opportunities for U.S. companies that supply engineering services and equipment such as turbines, substations, transmission, transformers and distribution equipment.

### **Web Resources**

[Return to top](#)

Directorate General of Electricity, Ministry of Energy and Mineral Resources:

<http://www.djlpe.esdm.go.id/>

PT Perusahaan Listrik Negara (PT PLN): <http://www.pln.co.id>

For questions or more information, please contact Mario Simanjutak:

E. [Mario.Simanjuntak@trade.gov](mailto:Mario.Simanjuntak@trade.gov)

### **Agricultural Sectors**

[Return to top](#)

### **Cotton**

[Return to top](#)

The Indonesian Rupiah continues to decline, reaching Rp. 13,205/\$1 on May 29, 2015. This trend is expected to continue through CY2015, creating export opportunities for Indonesian textiles. The Indonesian Textile Association (API, *Asosiasi Pertekstilan Indonesia*) reports that Indonesian textile exports increased by 0.6 percent to \$12.85 trillion during calendar year (CY) 2014, (compared to \$12.78 trillion in CY 2013). This includes an export increase of cotton fabrics from 29,000 metric tons (MT) in CY 2013 to 188,000 MT in CY 2014. Japan, Belgium, Italy, and the United States are Indonesia's major export destinations for cotton fabric. The increase in cotton fabric exports has more than offset the slight decline in cotton yarn exports.

During the first five months of MY 2014/15 Brazil overtook the United States as the largest cotton supplier to Indonesia with a total market share of 45 percent. The United States and Australia followed with 22 percent and 13 percent market share respectively. Despite quality issues, Indian, Brazilian, and African cotton are considered adequate by Indonesian industry standards. Indonesia's primary yarn export destinations were China (68 percent), Japan (15 percent), South Korea (5 percent), and Hong Kong (4 percent) in CY 2014.

#### **Exports of U.S. Cotton to Indonesia (\$US Million)**

2009	2010	2011	2012	2013	2014	2015*
235.4	293.8	524.1	193.3	287.1	325.7	119.9

Note: \* as of Jan – Mar 2015

#### **Exports of U.S. Cotton to Indonesia (Thousand Tons)**

2009	2010	2011	2012	2013	2014	2015*
186.3	151.8	157.1	78.4	138.5	167.0	76.6

Note: \* as of Jan – Mar 2015

## **Soybeans**

[Return to top](#)

Indonesia is the world's second-largest consumer of soybeans for direct human consumption. FAS Jakarta expects that soybean consumption will continue to keep pace with population growth, while the annual production growth of tempeh and tofu – which accounts for a large majority of Indonesian soybean consumption – stands at roughly 2.5 percent. Smaller food sectors such as soymilk and soy sauce are growing at a higher rate, reportedly up to eight percent. Tempe and tofu manufacturers prefer U.S. soybeans because of a preference for U.S. soybeans' texture and quality.

Tempe and tofu makers remain the largest soybean end users in Indonesia, accounting for nearly 90 percent of total domestic soybean consumption. Tempe and tofu are staple foods and consumption growth trends in parallel with population growth. FAS Jakarta expects Indonesia will consume 2.78 MMT soybeans in MY 2014/15, an 11 percent increase over the previous MY. Indonesian imported 2.24 MMT of soybeans in MY 2013/14, and is expected to continue to grow, as local production remains stagnant.

**Exports of U.S. Soybeans to Indonesia (\$U.S. Million)**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
302.2	288.3	401.5	589.7	618.1	805.8	861.5	996.6	984	1041.7

**Exports of U.S. Soybeans to Indonesia (million MT)**

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1.16	1.18	1.26	1.26	1.49	1.85	1.7	1.78	1.75	1.98

**Consumer Ready Foods Products**[Return to top](#)

The expansion of modern retail outlets with refrigeration and storage facilities throughout Indonesia's major urban areas provides good prospects for imported U.S. consumer-ready food products. The growth of franchise restaurants specializing in Western and other non-Indonesian foods, food courts, and four and five-star hotels are also increasing demand for imported food products. The introduction of new domestic-produced food products, aggressive promotional activities, growing customer purchasing power, and growing health consciousness is driving food-processing sector growth. This progress provides a potential market for U.S. food and agricultural ingredients, especially dairy products.

More consumers are expected to make purchasing decisions based on health and wellness concerns. Dairy and fresh fruit products are considered healthy, and dairy-based children's foods lead this category. Snacking is a part of the Indonesian culture. With exposure to western-style foods and increases in snacking, U.S. snack food exports to Indonesia are expected to continue increasing.

**Exports of U.S. Consumer Ready Food to Indonesia (\$US Million)**

	2010	2011	2012	2013	2014
Dairy Products	161.0	212.7	190.6	315.8	277.2
Fresh Fruit	96.0	110.0	112.0	70.7	93.2
Prepared Food	32.0	61.1	67.4	78.1	73.9
Processed Vegetables	25.0	27.5	31.7	35.8	36.9
Beef & Beef Products	25.0	28.4	8.5	16.8	26.8
Processed Fruit	7.0	10.9	11.9	12.8	10.3
Non-Alcoholic Bev + Juices	7.0	12.2	11.6	8.1	9.5

Tree Nut	5.0	3.9	5.4	9.4	8.4
Chocolate & Cocoa Products	2.0	4.0	3.6	10.4	7.3
Dog & Cat Food	3.0	4.0	4.5	7.7	7.2
TOTAL	363	474.7	447.2	565.6	550.7

## Wheat

[Return to top](#)

Post estimates that total Indonesian wheat imports will grow by 4.2 percent from 7.329 MMT in MY 2013/14 to 7.7 MMT in MY 2014/15. Imports are expected to continue growing to 8.1 MMT in MY 2015/16, in line with higher demand from the domestic wheat flour-based food industry. Post expects that U.S. origin wheat exports to Indonesia will decrease to 600,000 MT in MY 2014/15 due to stronger competition with traditional suppliers such as Australia and Canada.

### Exports of U.S. Wheat to Indonesia (\$US Million)

2009	2010	2011	2012	2013	2014	2015*
152.7	129.8	268.5	229.5	213.5	261.8	53.6

Note: \* as of Jan – Mar 2015

### Exports of U.S. Wheat to Indonesia (Thousand Tons)

2009	2010	2011	2012	2013	2014	2015*
669.7	563.9	816.0	730.0	722.2	924.7	196.3

Note: \* as of Jan – Mar 2015

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 5: Trade Regulations, Customs and Standards

- [Import Tariffs](#)
- [Trade Barriers](#)
- [Import Requirements and Documentation](#)
- [U.S. Export Controls](#)
- [Temporary Entry](#)
- [Labeling and Marking Requirements](#)
- [Prohibited and Restricted Imports](#)
- [Customs Regulations and Contact Information](#)
- [Standards](#)
- [Trade Agreements](#)
- [Web Resources](#)

### Import Tariffs

[Return to top](#)

In 2013 Indonesia's average most-favored-nation *applied* tariff was 5.2 percent. Indonesia periodically changes its applied rates thereby causing some unpredictability in the market.

Indonesia has a simple average bound tariff rate of 37 percent across products, which is much higher than its average applied tariff (see above). Bound tariff rates (as determined by Indonesia's WTO obligations) on most Indonesian imports stand at 40 percent, although bound tariff levels exceed 40 percent or remain unbound on automobiles, iron, steel, and some chemical products. In the agricultural sector, tariffs on more than 1,300 products have bindings at or above 40 percent. These high bound tariff rates, combined with unexpected changes in applied rates, create uncertainty for foreign companies seeking to enter the Indonesian market.

Indonesia has extensive preferential trade relationships with other countries. Under the ASEAN Free Trade Agreement, duties on imports from ASEAN countries generally range from zero percent to 5 percent, except for products specified on exclusion lists. Indonesia also provides preferential market access to Australia, China, Japan, Korea, India, Pakistan, and New Zealand under regional ASEAN agreements and to Japan under a bilateral agreement.

Indonesia is currently negotiating bilateral agreements with Iran, India, Australia, New Zealand, South Korea, and the European Free Trade Association. In addition, Indonesia is studying potential FTAs with Chile, Turkey, Tunisia, Mexico, South Africa, and Egypt. Indonesia is also participating in negotiations for the Regional Comprehensive Economic Partnership, which includes the ten ASEAN members and six additional countries (Australia, China, India, Japan, Korea, and New Zealand).

### Luxury Taxes

Luxury goods (defined as goods not considered necessities), imported or locally produced, may be subject to a luxury tax or Sales Tax on Luxury Goods (locally known as PPnBM), of up to 200 percent, although the current range is 10 percent to 75 percent for goods listed in the implementing regulations as subject to the luxury tax. In May 2013, Indonesia introduced regulation GR-41, which lowers the Luxury Goods Sales Tax

base rates for automobiles that meet certain environmental requirements. This tax is now 75 percent for motor vehicles using advanced diesel/petrol engine technology, dual petrol gas engines, biofuel engines, or hybrid technology, and with fuel consumption of 20 km/liter to 28 km/liter; 50 percent for those same motor vehicles with fuel consumption of more than 28 km/liter; and zero percent for motor vehicles under the government's Low Carbon Emission programs that have spark ignition under 1,200 cc or compression ignition under 1,500 cc (excluding sedans and station wagons).

Recently, in June 2015, Indonesia government issued a new policy on eliminating Sales Tax on Luxury Goods for electronic appliances (air conditioner, water heater, television, video recording, microwave "oven", etc.), sports equipment (fishing, golf, diving, surfing, etc.), music instruments (piano and music electrical equipment), branded goods (perfumes, bags, clothing, jewelry and shoes) and housing & office equipment (carpet, crystal glass, chair, lights, etc.) Although the Indonesian government has eliminated its luxury tax on imported distilled spirits, the current excise tax regime imposes higher excise taxes on imported spirits than on domestic spirits.

### **U.S. Commercial Service Contact Information**

Name: Mario M. Simanjuntak

Title: Commercial Specialist

Email: Mario.Simanjuntak@trade.gov

Web: <http://www.export.gov/indonesia/>

## **Trade Barriers**

[Return to top](#)

### **Tariffs**

In accordance with the WTO Agreement on Agriculture, Indonesia agreed to eliminate non-tariff barriers on agricultural products, and replace them with tariffs but many barriers still remain. In the agricultural sector, 1,341 tariff lines have bindings at or above 40 percent, including the most sensitive and heavily protected sectors. Local content regulations on dairy products were eliminated.

Domestic agricultural interests pressure the GOI for protection from international competition. However, with some notable exceptions, the GOI has resisted such pressure. Since December 2007, rice imports have been subject to a specific tariff of Rp450 per kilogram. The Ministry of Agriculture (MOA) continues to propose increasing the tariff further in order to protect local farmers, but the GOI has not implemented this measure. Local agricultural interests also have lobbied the government to increase bound tariff rates on sensitive agricultural products, such as sugar and soybeans. In the case of soybeans, the tariff was increased to five percent in 2013, but this was dropped within a few months following supply shortages and increased prices. Soybean import tariffs remain at zero.

There are large differences in how regulations are written and applied. Domestic interests often take advantage of the non-transparency of the legal and judicial systems to undermine regulations to the detriment of foreign parties. New laws on regional autonomy and fiscal decentralization have granted significant powers to provincial and sub-provincial governments. The potential exists that local governments will impose tax or non-tax barriers on inter-regional trade as they seek new sources of local revenue.

## **Non-Tariff Barriers**

The National Food Logistics Agency's (Bulog) main duties are procuring domestic husked paddy rice during the harvest period at the Government Purchasing Price (HPP = Harga Pembelian Pemerintah). BULOG distributes rice during emergencies, natural disasters, and managing government rice reserves as well as managing the Rice for the Poor program. Bulog can also import rice to meet the government rice reserve secure level, and to maintain price stability if domestic rice production does not meet demand.

In April 2008, the Indonesian government announced that the National Logistics Agency (BULOG) would have exclusive authority to import rice for purposes of food security and price management. Imports are not permitted before, during, and immediately after the main harvest period, effectively the first quarter of the year. Private firms can import rice for special purposes only, such as for seed and specialty rice, but they must obtain a special importer identification number issued by the MOA.

Domestic rice producers continue to receive government protection from imports through a quota and licensing scheme. This effectively limits rice imports to remote markets and has the effect of keeping rice prices artificially high for domestic producers.

Indonesia continues to enforce a ban on imports of poultry parts, which has been in place since 2000. U.S. industry estimates the value of lost exports at \$10 million or more per year. The GOI controls imports through the issuance of import permits. Import permits for whole chickens have never been issued. While duck and turkey permits have been issued previously, they were denied in 2014. Additionally, an Indonesian Ministry of Agriculture regulation states that poultry exports are only permitted from countries where halal slaughter is implanted in all slaughter facilities, not just export-oriented facilities.

Following the outbreak of HPAI sub-type H5N8 and H5N2 in the United States, the Indonesian Government is taking urgent measures to prohibit importation of live poultry and poultry products which might transmit HPAI H5N8 and H5N2. The prohibited commodities are day-old chickens (DOC), all kinds of live poultry, fresh poultry products, except SPF egg and Hatching Egg (HE). This prohibition applies to live poultry and poultry products dispatched after 16 December 2014.

The GOI allows imports of some U.S. beef and beef products. The GOI requires pre-approval of every U.S.-based exporter's halal processes prior to exporting to Indonesia. U.S. exporters complain Indonesia's halal approval process is slow, burdensome and lacking in transparency. The United States continues to work with Indonesia to ensure that the approval process is conducted in a fair, indiscriminate and transparent manner. The GOI also requires individual plant approvals, limiting the number of establishments eligible to export to Indonesia.

The GOI also imposes de facto quantitative restrictions on imports of meat and poultry products by requiring an Letter of Recommendation ("Surat Rekomendasi Impor ") and an Import Permit . In approving requests for such letters the GOI can arbitrarily alter the quantity allowed to enter, raising concerns that Letters of Recommendation and Import Permit are being used to limit imports. Since January 2015, the GOI prohibits the import of some beef cuts and offals from all sources, and reserves the right to import these products for state-owned enterprises.

An Indonesian Ministry of Finance regulation imposed import duties on alcoholic beverages containing ethyl alcohol on April 7, 2010. This regulation changed the tariff from an ad valorem tariff to a specific tariff. The new tariff ranges from Indonesian rupiah (Rp.) 14,000/liter to Rp. 125,000/liter. The Indonesian Ministry of Finance also eliminated the luxury tax on alcoholic beverages and increased the excise tax. The excise tax ranges from Rp 13,000 to Rp. 139,000 per liter.

The Indonesian Ministry of Trade permits registered importers of alcoholic beverages to import duty-paid alcoholic beverage products. Previously, duty-paid and duty-free alcoholic beverages were only imported through a state-owned company, as directed by the Ministry of Trade. The Ministry of Trade regulation states that the companies that import duty paid alcoholic beverages must apply for an imported-alcoholic beverages permit (IT-MB) through the Directorate General of Foreign Trade. To apply for an IT-MB, each importer must obtain an appointment letter from at least 20 manufacturers or brands, and purchase a minimum of 3,000 carton/brand/year. This letter of appointment must be notarized by public notary of the country of origin. The permit is valid for three years and can be extended.

The Indonesian Customs Service uses a schedule of arbitrary “price checks” rather than actual transaction prices on importation documents for assessing duties on food product imports. While Indonesian government officials defend this practice on the basis of combating “under invoicing,” they do not publicize the list or the methods used to arrive at those prices. As a result, although most food product import tariffs remain at five percent, the effective level of duties can be much higher. In addition, the USG has received complaints from importers about costly delays in customs processing and requests for unofficial payments to customs officers. The United States will continue to raise its concerns on these issues with the GOI.

As of November 19, 2009, the Ministry of Agriculture’s Quarantine Agency recognized the U.S. Fresh Food of Plant Origin (FFPO) Safety Control, per the requirement under Ministry of Agriculture Regulation No. 27/2009 and 38/2009. The GOI is currently evaluating the U.S. application for FFPO recognition renewal. The renewal, when completed, will extend recognition through 2017 as per the terms established in MOA regulation No. 88/2011. Through this recognition, eligible FFPO products do not require certificates of analysis documents to be able to enter Indonesian points of entry.

Indonesia’s biotechnology policies do not include a unified science-based framework to implement its regulations. While some field testing is underway, there are no transgenic seed crops approved for release and Indonesia does not produce any biotech crops. With the exception of certain soybean products (soy flour and soy oil), no trade constraints based on biotechnology content have been -enforced. The Indonesian government’s Biosafety Commission for Transgenic Products is responsible for implementing regulations for biotechnology and initiating assessments for product approvals. The committee has completed –food safety assessments for biotech corn, soybeans, and sugarcane. These products cannot be released into the market until environmental and feed safety assessments are completed. - After a year of inactivity, the Biosafety Commission was reauthorized by the President in the second half of 2014. Although the new administration has been slow to take action on biotechnology, Post remains optimistic that biotech sugarcane and corn will be commercialized shortly.

In May 2005, Indonesia notified the WTO of its intention to establish fresh fruit and vegetable import requirements. Implemented in 2006, this decree fails to recognize pest-free areas in the United States for all fruits with the exception of grapes. The GOI currently recognizes in-transit cold treatment for apples, cherries, pears, stone fruit, and other U.S. fresh fruits.

### **Other Barriers**

U.S. industry reports that illegal logging activity in Indonesia results in lost trade opportunities for U.S. producers in Indonesia and third-country markets. In addition, the illegal activity results in lost revenue to the Indonesian government and significant environmental damage. Indonesia recognizes the seriousness of the issue and is taking steps to address it, including work with the United States through the 2006 Memorandum of Understanding "Combating Illegal Logging and Associated Trade." Under this agreement, the two governments are developing a multi-year action plan to address the trade aspects of the illegal logging problem.

Please see the Indonesia section of the United States Trade Representative's National Trade Estimate on Foreign Trade Barriers: <http://www.ustr.gov/about-us/press-office/reports-and-publications/2014-NTE-Report>.

### **Import Requirements and Documentation**

[Return to top](#)

The GOI requires extensive documentation prior to allowing the importation of goods. Local customs brokers are acquainted with the procedures and required format of the documentation. At a minimum, the U.S. exporter or his agent must provide a pro-forma invoice, commercial invoice, certificate of origin, bill of lading, packing list, and insurance certificate. In addition to those documents additional certificates are often required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

The process of providing the documentation includes a requirement that the importer notifies the customs office prior to the arrival of goods and submits import documents electronically through the electronic data interchange (EDI) in a standardized format placed on flash drives. In addition to providing the import documentation, the Custom Office will conduct physical inspection of imported goods.

There is an import fee applicable for incoming goods which is based on the goods classification from Indonesian Customs Tariff Book or Harmonized System Code.

The Indonesian National Agency of Drug and Food Control (BPOM) announced on September 1, 2010, that it would modify enforcement of its labeling policies and require that all processed food products entering Indonesia be fully labeled in the Bahasa language. The Ministry of Trade (MOT) followed this announcement by issuing a press release indicating that BPOM and MOT were working together to harmonize their regulations on mandatory labeling. As of January 2013, the supplementary label should be affixed prior to customs clearance (before arriving at the Indonesian territory).

For questions or more information, please contact Mario Simanjuntak:  
E. [Mario.Simanjuntak@trade.gov](mailto:Mario.Simanjuntak@trade.gov)

## U.S. Export Controls

[Return to top](#)

On November 16, 2005 the Executive Branch, in accordance with the provisions of Section 599(b) of the Fiscal Year 2006 Foreign Operations, Export Financing, and Related Programs Appropriation Act, waived restrictions placed on the export of lethal defense articles and related defense services for end use by the Indonesian Armed Forces. Applications are processed on a case-by-case basis, in accordance with standard practice. Detailed information is available at: [www.pmdtc.org](http://www.pmdtc.org)

## Temporary Entry

[Return to top](#)

The GOI encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are a number of EPZs in Indonesia, the most well-known being Batam Island, located 20 kilometers south of Singapore. There are also several bonded zones or export processing zones near Jakarta such as Tanjung Priok, Cakung and Marunda, which are very close to international ports and international harbors. Products can be imported into a bonded zone and re-exported without paying tariffs, unless the products are sent into Indonesian customs area. A recent Ministry of Finance Regulation in 2013, stipulates that the delivery of products outside of bonded zones into the domestic market is set at a maximum of 50% (up from 25%)

Foreign and domestic investors wishing to establish projects in a bonded area near Jakarta can contact PT Kawasan Berikat Nusantara (Persero), which is a state owned company, detailed information is available at [www.kbn.co.id](http://www.kbn.co.id)

Additionally, for the bonded zone in Batam Island, you may contact BIFZA (Batam Indonesia Free Zone Authority) thru <http://www.bpbatam.go.id/eng/index.jsp>

## U.S. Commercial Service Contact Information

Name: Mario M. Simanjuntak

Title: Commercial Specialist

Email: [Mario.Simanjuntak@trade.gov](mailto:Mario.Simanjuntak@trade.gov)

Web: <http://www.export.gov/indonesia/>

## Labeling and Marking Requirements

[Return to top](#)

All imported consumer goods must identify the importing agents. The GOI requires that information on product labels be distinctly and clearly written or printed or shown so that it can be seen easily and understood. The information on product labels should be written or printed in the Indonesian language, Arabic numbers, and Latin letters. The use of language, numbers, and letters other than the Indonesian language will only be permitted when there are no matching terms, or in the event of trading abroad.

Labeling should not contain the following: claims on the effect of the product on health, whether preventative and/or curative; incorrect or misleading information; comparisons to other products; promotion of certain similar products; and any additional information that has not yet been approved.

**Import Licensing**

Exporters to Indonesia must comply with numerous and overlapping import licensing requirements that impede access to Indonesia's market. In 2009, the Indonesian government implemented a sweeping regulation imposing non-automatic import licensing procedures on a broad range of products, including electronics, household appliances, textiles and footwear, toys, and food and beverage products. The measure, known as Decree 56, was extended most recently through Ministry of Trade Regulation (MOT) 83/M-DAG/PER/12/2012 (updated with MOT NO 61/2013, NO 36/2014 and No 73/2014), which remains in effect until December 31, 2015. Previous extensions expanded the scope of licensing restrictions to additional products, including cosmetics. The amended decree also retains a requirement for pre-shipment verification by designated companies (known in Indonesia as "surveyors") at the importers' expense and a restriction that limits the entry of imports to designated ports and airports. Indonesia has informally limited application of the decree to "final consumer goods." The Indonesian government also appears to exempt select registered importers from certain requirements of this decree. Still, the approval process to qualify as a registered importer is opaque, ill-defined, and potentially discriminatory.

Ministry of Trade Regulation No. 45/M-DAG/PER/9/2009, as amended and clarified by Regulation No.17/M-DAG/PER/3/2010, introduced a requirement that companies can only import goods for further distribution or for their own manufacturing, but not for both. Under these regulations, companies are permitted only one kind of license, and those that need both kinds of licenses need to separate into manufacturing and trading businesses. In May 2012 the Ministry of Trade issued Decree 27/MDAG/PER/5/2012 and amended it with Decree 59/MDAG/PER/9/2012 in September 2012. Under the 2012 decrees, companies that operate under an import license for their own manufacturing are allowed to import finished products provided they are market test products or complementary goods. The regulations again limit companies to only one kind of license. The decrees also require companies to demonstrate a "special relationship" with the foreign company. The "special relationship" must be authenticated by the Indonesian Embassy located in the country in which the foreign company is located. Only then may the companies import products from more than one section of the HS tariff code.

**Import Licensing for Agricultural Products**

Import licensing requirements also apply to horticultural products. In August 2013, Indonesia adopted two ministerial regulations on the importation of horticultural products. Ministry of Agriculture Regulation 86/2013 (replacing Regulation No 47/2013, 60/2012, and 3/2012) and Ministry of Trade Regulation 47/2013 (amending Regulation No 16/2013 as a replacement of regulation No. 60/2012 and 30/2012) regulate the importation of horticultural products into Indonesia. Ministry of Agriculture Regulation 86/2013 requires Indonesian importers to obtain an Import Recommendation of Horticulture Products (RIPH) as a prerequisite for applying for an Import Permit (SPI) from the Ministry of Trade. One RIPH application is valid for all HS codes country of origin, and ports of entry. The Ministry of Agriculture has discretion on whether to issue an RIPH and makes decisions based on an evaluation of multiple considerations. After securing an RIPH from the Ministry of Agriculture, Ministry of Trade Regulation 47/2013

requires the importer to obtain an SPI from the Ministry of Trade before horticultural products can be imported into Indonesia. Pre-shipment inspections are not required under these regulations. RIPHs and SPIs will be issued on a biannual basis with a six-month duration. No quantitative restrictions will be imposed, although importers are obligated to import up to 80 percent of the quantity requested, or lose the right to import in the future. Since July 2014, the Ministry of Agriculture has limited RIPHs to the holding capacity of an importer's cold storage facility. This limit does not consider turnover capacity. Additionally, the Ministry of Agriculture will not issue RIPHs for several horticultural products for the July-December 2015 period, as imports correspond with local harvest dates. Products affected include citrus (July, August, and September only), shallot, chili, potato, carrot, mango, banana, melon, papaya, pineapple and durian. Lemons are not included in this ban.

Before applying for a RIPH, an Indonesian importer must be recognized by the Ministry of Trade as a Registered Importer (IT) and/or a Producer Importer (IP). Before applying to the Ministry of Trade for recognition as an IT or IP, importers must first apply for and receive an API-U (Importer Identification Number – General) or API-P (Importer Identification Number – Producer), and must also prove they meet certain criteria. For example, IT importers (which import for retail) must prove they own “appropriate” cold storage facilities.

Indonesia imposes a similar non-automatic import licensing regime for animals and animal products imports. An importer must first receive an Import Approval Recommendation from the Ministry of Agriculture to import animals and animal products. The importer then must seek an import license from the Ministry of Trade, who grants the licenses based on domestic production and supply considerations.

These licensing regimes for horticulture and animal and animal products have significant trade restrictive effects on imports. As a result in May 2014 the United States requested further WTO consultations challenging the regimes' consistency with obligations under the WTO.

Additional opaque, complex, and prohibitive product-specific import licensing and registration requirements apply to other agricultural products, including animal and animal products, sugar, and dairy.

### **Other Import Licensing Requirements**

Indonesia maintains other additional non-automatic licensing requirements on textiles, clothing, and other “made-up goods” such as curtains and blankets, which limit market access for a wide range of products. Only approved local producers are authorized to import products, and these products are permitted for use only as inputs in domestic production, not for resale or transfer. Approval must be obtained for both the quantity and timing of imports. The United States continues to press Indonesia to eliminate these requirements.

Ministry of Trade Regulation 82 and Ministry of Industry Regulation 108, in effect since January 2013, impose burdensome import licensing requirements may prevent U.S. hardware companies from becoming importers of record. Under Regulation 82, importers of cell phones, handheld computers, and tablets can no longer sell directly to retailers or consumers, must have at least three years of experience, and must use at least three distributors to qualify for a Ministry of Trade importer license. Under

Regulation 108, importers must provide product identification numbers for each imported item in order to receive a Ministry of Industry importer license. Companies are unable to provide identification numbers months in advance and, as such, may need to apply for both licenses on a per shipment basis.

### **Pharmaceutical Market Access**

The United States continues to have serious concerns about barriers to Indonesia's market for pharmaceutical products. Ministry of Health Decree No. 1010/MENKES/PER/XI/2008 requires foreign pharmaceutical companies either to manufacture locally or to entrust another company that is already registered as a manufacturer in Indonesia to obtain drug approvals on its behalf. Under this policy, foreign companies can be barred from the Indonesian market even if they are market leaders in globally recognized good manufacturing and distribution practices and provide high quality pharmaceutical products to Indonesian patients. Among its requirements, Decree 1010 requires local manufacturing in Indonesia of all pharmaceutical products that are five years past patent expiration. It also contains a technology transfer requirement. A subsequent regulation, Regulation 1799 and BPOM's (Indonesian Food and Drug Regulatory Agency) updated regulation on drug registration, provided additional information about the application of the local manufacturing requirements and lays out several exceptions to local manufacturing and technology transfer requirements. In September 2012, Indonesia issued Presidential Regulation 76/2012 granting compulsory licensing for seven HIV/AIDS and Hepatitis B treatment drugs. The United States will continue to monitor the implementation of these regulations.

After years of debate, the Indonesian Parliament passed Halal Product Assurance Law in September 2014. The law is applicable to goods and/or services that are related to food, beverages, pharmaceuticals, cosmetics, chemical products, biological products, genetically-engineered products, as well as goods that are worn, used or utilized by the public. All entities are expected to comply with the law in the next 2-5 years. The legislation creates a new government agency (BPJPH) under the umbrella of the Ministry of Religious Affairs. Therefore, the Indonesian Council of Ulama (MUI) which was previously the sole entity responsible for halal matters, will no longer have full control. This law also requires all products (both domestic and imported) to be halal certified and labeled in 2019. Such a policy could have significant adverse consequences on U.S. and other foreign companies, as well as Indonesian micro and small scale industries.

Indonesia began implementation of universal health care coverage ("UHC") in January 2014. Routine purchases of pharmaceuticals and medical devices covered under UHC must be made from e-catalogs developed by the Ministry of Health, which focused on price, not quality, when choosing products for inclusion. Consequently, there are reportedly fewer products from U.S. companies included in the e-catalogs. U.S. companies will thus be competing for sales of their products primarily in the reimbursement (private insurance) market.

### **Quantitative Restrictions**

Indonesia removed quantitative restrictions on most agricultural products in August 2013 (MOA regulations 84/2013, 86/2013 and MOT regulations 46/2013 and 47/2013). Under current regulations, agricultural importers are required to request a quantity on SPI applications to the Ministry of Trade. The GOI has stated that they will approve any

quantity requested, with the caveat that an importer must import at least 80 percent of the approved amount, or lose the right to import in the future. The GOI has also stipulated that the import of many agricultural products, including meat and some horticultural products will be subject to a reference price system, whereby imports will be permitted as long as domestic prices fall above a set reference prices. In the event that prices fall, the GOI reserves the right to stop imports. The Ministry of Agriculture has reserved exclusive rights for import of some beef cuts for state-owned companies, and has also refused to allow imports for some horticultural products during Indonesian harvest periods.

While the removal of quantitative restrictions is a welcome change, the new system has not yet been tested, and the GOI has not yet demonstrated how the new SPI and RIPH will be issued. Exporters have expressed concern that if imports are permitted on a quarterly basis (for meat and cattle), that the limited validity of SPIs (three months), will prevent the United States from shipping to Indonesia or drive up costs. Importers have also reported that the SPI and RIPH application process lacks transparency.

Indonesia imposes an “unofficial” restriction on corn imports. Unofficially, only feed millers can import corn as of December 2012. They must apply for an import permit from the Ministry of Agriculture. The import permit will specify the volume of corn that can be imported. The volume will be set based on the levels of domestic feed production.

Indonesia bans salt imports during the harvest season. It requires salt importers to be registered and to purchase domestic supplies as well as imports. Indonesia also maintains a seasonal ban on imports of sugar, in addition to limiting the annual quantity of sugar imports based on domestic production and consumption forecasts.

Indonesia applies quantitative limits on the importation of wines and distilled spirits. Companies seeking to import these products must apply to be designated as registered importers authorized to import alcoholic beverages with an annual company-specific quota set by the Ministry of Trade.

Mining firms operating in Indonesia may not export unprocessed ore unless they have the government’s prior approval to do so via a contract of work or plans to build a smelter in Indonesia to process that ore. A 2009 mining law requires companies to process ore locally before shipping it abroad. Although scheduled to enter into force in 2014, Indonesia started implementing the law in 2012. Indonesia asserts the earlier implementation was necessary to prevent what it described as accelerated exporting of raw mineral ore to avoid the 2014 effective date. The policy is intended to support the expansion of value-added activities, including the smelting industry. A Supreme Court ruling made public in January 2013, which struck down the unprocessed ore export ban provisions of the Ministry of Energy and Mineral Resources regulation, as well as a Ministry promise to continue with the ban, have further confused the situation. Indonesia also effectively bans the export of steel scrap. In late 2011, Indonesia banned exports of raw and semi-processed rattan. This ban is still in effect.

**Customs Barriers**

U.S. firms continue to report that Indonesian customs relies on a schedule of reference prices to assess duties on some imports, rather than using actual transactions as required by the WTO Agreement on Customs Valuation. Indonesian customs makes a valuation assessment based on the perceived risk status of the importer and the average price of a same or similar product imported during the previous 90 days.

U.S. horticulture exports can use the Tanjung Priok port, despite an earlier Ministry of Agriculture announcement that the port would be closed to imports, because of U.S.-country recognition status for fresh foods of plant origin. Australia, New Zealand, and Canada have also been allowed to continue using Tanjung Priok. In January 2013, the Ministry of Agriculture renewed the U.S.-country recognition status for two years.

The United States submitted an application for another renewal in December 2014. In February 2015, Indonesia suspended the renewal process in an overreaction to the *Listeria* outbreak on caramel covered apples in the United States. Furthermore, Indonesia is requiring additional certificates of analysis for U.S. apple products. The United States will continue to work with the Indonesian government to ensure that it completes the renewal of the country recognition paperwork in a timely manner and that U.S. exports continue to have access to Indonesia through the Port of Jakarta in the interim.

Director General for Customs & Excise  
Ministry of Finance  
Jl. Jend. A. Yani 108, 2nd Floor  
Jakarta 13230  
Indonesia  
Tel: (62-21) 489-0308, 483-2520  
Fax: (62-21) 489-7512  
Web site: [www.beacukai.go.id](http://www.beacukai.go.id)

**Standards**

- [Overview](#)
- [Standards Organizations](#)
- [Conformity Assessment](#)
- [Product Certification](#)
- [Accreditation](#)
- [Publication of Technical Regulations](#)
- [Trade Agreements](#)
- [Contacts](#)

**Overview**

Rapid growth of international trade has resulted in the development of product and service standardization in all industrial sectors. Products and services exported to a foreign market must meet standard requirements in order to be successful. Standards could also be used as a non-tariff barrier to protect a country's domestic economy from the flow of foreign products and services.

At present, standards are commonly used in most Indonesian industries. The Indonesian government and related industrial players have been very active in formulating standards for products and services, which are either locally manufactured or imported and exported.

## **Standards Organizations**

[Return to top](#)

The Indonesian Standardization Agency is

The National Standardization Agency  
Badan Standardisasi Nasional (BSN)  
Gedung I BPPT  
Jl. MH Thamrin No. 8  
Jakarta 10340  
Tel (62-21) 392-7422  
(62-21) 392-7528  
Web [www.bsn.or.id](http://www.bsn.or.id)  
Email [bsn@bsn.go.id](mailto:bsn@bsn.go.id)

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries.

**Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

## **Conformity Assessment**

[Return to top](#)

In line with the economic globalization and the WTO's "Standard Code" on Technical Barriers to Trade (TBT), the role of standards and conformity assessment has become very crucial. In order to successfully compete in the global market, the Indonesian government formulates its national standards with reference to regional and/or international standards.

In order to ensure that certain standards have been complied with a conformity assessment mechanism is required. Moreover, the available scheme of Mutual Recognition Arrangements (MRAs) in the area of standard and conformity assessment should be used as the basis of recognition on product certificates and/or test reports when trade transaction cross inter-country territories.

## **Product Certification**

[Return to top](#)

At present, product certification is required. According to the Government Regulation on National Standardization, the only national standards are Indonesian National Standards (SNIs). Institutionally, BSN is responsible for the formulation of the SNIs, whereas the task on accreditation is given to the National Accreditation Committee (KAN). SNIs are formulated in accordance with the nationally agreed mechanism of standard formulation and normally aligned with similar regional or international standards whenever possible.

## Accreditation

[Return to top](#)

The National Accreditation Committee (KAN) is the formal accreditation body. The main function of KAN is to establish an accreditation system in Indonesia and to grant accreditation in certain fields including testing and calibration laboratories, certification bodies and inspection bodies.

Currently, KAN has been operating an accreditation system for testing and calibration laboratories, certification bodies that consist of ISO 9000 quality system certification bodies, ISO 14000 series environmental quality system certification bodies, personnel certification bodies, product certification bodies, HACCP certification bodies, and inspection bodies.

## Publication of Technical Regulations

[Return to top](#)

There are publications issued by BSN on technical regulation. Those publications are available at the BSN Library at the following address: <http://lib.bsn.go.id/>

## Trade Agreements

[Return to top](#)

Indonesia is a member of the World Trade Organization (WTO) and the Association of Southeast Asian Nations Free Trade Agreement (AFTA). As a member of AFTA, Indonesia committed to reduce tariff and non-tariff barriers and investment restrictions. Under AFTA, the six original ASEAN members (Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei) agreed to reduce import duties to five percent or less by 2010, and by 2015 for the four newer members (Vietnam, Laos, Burma and Cambodia).

The United States and Indonesia signed a Trade and Investment Framework Agreement (TIFA) in 1996, which was designed to build stronger economic ties. Indonesia signed an Economic Partnership Agreement (EPA) with Japan in July 2008. Under EPA, Indonesia will be exempted from 90 percent of Japan's 9,275 import duties, and Japan will be exempted from 93 percent of Indonesia's 11,163 import duties.

As a member of ASEAN, Indonesia signed trade agreements with China and South Korea. ASEAN is negotiating FTAs with the European Union, India, and Australia and New Zealand. Indonesia is also exploring the feasibility of having a trade agreement with Chile, Turkey, South Korea, Tunisia, Mexico, South Africa, and Egypt.

## Web Resources

[Return to top](#)

ASEAN Free Trade Area (AFTA): <http://www.aseansec.org/19585.htm>

ASEAN Tariff database: <http://www.us-asean.org/asean/aftatariffs.asp>

Agency for Drug and Food Control (BPOM): <http://www.pom.go.id>

Directorate General of Custom and Excise: <http://www.beacukai.go.id>

The Indonesian Standardization Agency (BSN): <http://www.bsn.or.id>

The National Accreditation Committee (KAN): <http://www.kan.or.id>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 6: Investment Climate

- [Openness to Foreign Investment](#)
- [Conversion and Transfer Policies](#)
- [Expropriation and Compensation](#)
- [Dispute Settlement](#)
- [Performance Requirements and Incentives](#)
- [Right to Private Ownership and Establishment](#)
- [Protection of Property Rights](#)
- [Transparency of Regulatory System](#)
- [Efficient Capital Markets and Portfolio Investment](#)
- [Competition from State Owned Enterprises](#)
- [Corporate Social Responsibility](#)
- [Political Violence](#)
- [Corruption](#)
- [Bilateral Investment Agreements](#)
- [OPIC and Other Investment Insurance Programs](#)
- [Labor](#)
- [Foreign-Trade Zones/Free Ports](#)
- [Foreign Direct Investment Statistics](#)
- [Web Resources](#)

While Indonesia's population of 245 million, growing middle class, and stable economy remain attractive to U.S. investors, investing in Indonesia remains challenging. This report focuses on challenges foreign investors face rather than the range of investment opportunities.

Since October 2014, the Indonesian government under President Joko Widodo has prioritized boosting investment, including foreign investment, to support Indonesia's economic growth goals, and has committed to reducing bureaucratic barriers to investment, including announcing the creation of a "one stop shop" for permits and licenses at the Investment Coordination Board. However, factors such as a decentralized decision-making process, legal uncertainty, economic nationalism, and powerful domestic vested interests create a complex and difficult investment climate. The Indonesian government's requirements, both formal and informal, to partner with Indonesian companies and purchase goods and services locally, restrictions on some imports and exports, and pressure to make substantial, long-term investment commitments, also factor into foreign investors' plans. While the Indonesian Corruption Eradication Commission continues to investigate and prosecute high-profile corruption cases, a recent case involving the National Police has led some to question the Commission's future influence. Investors continue to cite corruption as an obstacle to pursuing opportunities in Indonesia.

Other barriers include poor government coordination, the slow rate of land acquisition for infrastructure projects, poor enforcement of contracts, an uncertain regulatory environment, and lack of transparency in the development of laws and regulations. New regulations are at times difficult to decipher and often lack sufficient notice and socialization for those impacted. The lack of coordination among ministries creates

redundant and slow processes, such as for securing business licenses and import permits, and at times, conflicting regulations.

Indonesia restricts foreign investment in some sectors with a negative investment list. The latest version, issued in 2014, details the sectors in which foreign investment is restricted and outlines the foreign equity limits in a number of sectors. Some of the restricted sectors include: telecommunications, pharmaceuticals, e-commerce, film and creative industries, and construction. Of note, the energy and mining sector face significant investment barriers.

Indonesia began to abrogate its more than 60 existing Bilateral Investment Treaty agreements (BITs) in February 2014, allowing the agreements to expire as soon as they allow. While the United States does not have a BIT with Indonesia, the Indonesian government's action reminds foreign investors of the unpredictability of Indonesia's investment climate.

Despite these challenges, Indonesia continues to attract foreign investment. Private consumption is the backbone of the economy and the middle class is growing, making Indonesia a promising place for consumer product companies. Indonesia has ambitious plans to improve its infrastructure with a focus on strengthening its maritime transport corridors, which includes building roads, ports, railways and airports, as well as improving agricultural production, telecommunications, and broadband networks throughout the country. Indonesia continues to attract U.S. franchises and consumer product manufacturers. For many companies, Indonesia's investment grade rating, growing middle class, and young population make the country an attractive destination for long term investment.

## **Openness to Foreign Investment**

[Return to top](#)

### **Attitude toward Foreign Direct Investment**

While Indonesia's GDP growth slowed to just over 5 percent in 2014, Indonesia's growing middle class, strong domestic demand, stable political situation, and conservative macroeconomic policy make Indonesia an attractive destination for Foreign Direct Investment (FDI). Indonesian government officials welcome increased FDI, aiming to create jobs and spur economic growth, and court foreign investors, notably focusing on infrastructure development and export-oriented manufacturing. However, vague and conflicting regulations, poor existing infrastructure, rigid labor laws, and corruption continued to be significant concerns for foreign investors. U.S. firms have expressed hope that better coordination under Indonesia's new Administration will help to improve the investment climate.

### **Other Investment Policy Reviews**

The April 2013 World Trade Organization (WTO) Investment Policy Review (IPR) of Indonesia can be found here:

[http://www.wto.org/english/tratop\\_e/tpr\\_e/tp378\\_e.htm](http://www.wto.org/english/tratop_e/tpr_e/tp378_e.htm)

The most recent OECD Investment Policy Review (IPR) of Indonesia can be found here:

<http://www.oecd.org/daf/inv/investmentfordevelopment/indonesia-investmentpolicyreview-oecd.htm>

## **Laws/Regulations of Foreign Direct Investment**

Foreign Direct Investment in Indonesia is regulated by Law 25/2007 (The Investment Law). Under the law, any form of Foreign Direct Investment in Indonesia must be in the form of a limited liability company, with the foreign investor holding shares in the company. In addition, the government outlines restrictions on FDI in presidential decree 39/2014, commonly referred to as the Negative List. The Negative List aims to consolidate FDI restrictions in certain sectors from numerous decrees and regulations to create greater certainty for foreign and domestic investors.

## **Industrial Promotion**

### Natural Resources

Indonesia's vast natural resource wealth has attracted significant foreign investment over the last century and continues to offer significant prospects. But a variety of government regulations have made doing business in the resources sector increasingly difficult, and Indonesia now ranks near the bottom (112th) among the world's 122 mining countries in the Fraser Institute's Mining Policy Perception Index. In 2012, the Government of Indonesia (GOI) banned the export of raw minerals, dramatically increased the divestment requirements for foreign mining companies, and required major mining companies to renegotiate their contracts of work with the government. The ban on exportation of raw minerals went into effect in January 2014. The 2009 mining law devolved mining license issuing authority to local governments, who have responded by issuing more than 10,000 licenses, many of which overlap or are unclearly mapped. In the oil and gas sector, Indonesia's Constitutional Court disbanded the upstream regulator, injecting confusion and more uncertainty into the natural resources sector.

### Infrastructure

Since taking office in October 2014, President Jokowi and his Administration have made infrastructure development a top priority. The government announced plans to add 35,000 megawatts of electricity capacity and create a maritime nexus, to include the development and/or expansion of 24 ports and other transportation infrastructure. Indonesia's 15-year, USD 1 trillion Master Plan for Acceleration and Economic Development (MP3EI), launched in 2011, remains active but has received less public attention since the new Administration took office. Through August 2014, 383 projects valued at USD 69.4 billion have been launched under the MP3EI.

## **Limits on Foreign Control**

Restrictions on FDI are, for the most part, outlined in presidential decree 39/2014, commonly referred to as the Negative List. The Negative List aims to consolidate FDI restrictions from numerous decrees and regulations to create greater certainty for foreign and domestic investors. In 2014, the share of foreign ownership permitted was increased in pharmaceutical manufacturing, venture capital companies, land transportation facilities, certain agricultural activities larger than 25 hectares, and certain power sector investments, but decreased in warehousing, distribution and cold storage, certain oil & gas services, e-commerce, telecommunication network services, certain retail sales, and power plants with less than 10 megawatts of installed capacity. For

investment in certain sectors, such as mining and higher education, the Negative List is useful only as a starting point, as additional licenses and permits are required by individual ministries. Foreign capital investment, through the stock market, is not governed by the Negative List. Foreigners may purchase equity in state-owned firms through initial public offerings. Capital investments in publicly listed companies through the stock exchange are not subject to Indonesia's Negative List unless an investor is buying a controlling interest.

### **Privatization Program**

While some state-owned enterprises have offered shares on the stock market, Indonesia does not have an active privatization program.

### **Screening of FDI**

The Investment Coordinating Board (BKPM) is responsible for issuing investment licenses to foreign entities and has taken steps to simplify the application process through better coordination between various government institutions. BKPM has launched an online portal for its National Single Window for Investment which allows foreign investors to apply for and track the status of licenses and other services online. In an effort to streamline the investment licensing and permitting process, BKPM launched a national one-stop shop to coordinate many of the permits issued by more than a dozen ministries and agencies required for investment approval. While the BKPM one-stop shop's goal is to help ease investment approvals, investments in the mining, oil and gas, plantation, and most other sectors still require multiple licenses from related ministries and authorities. Likewise, certain tax and land permits, among others, typically must be obtained from local government authorities. Though Indonesian companies only require one approval at the local level, businesses report that foreign companies often must obtain both administrative and de facto legislative approval in order to establish a business.

The Coordinating Ministry of Home Affairs, Ministry of Administrative Reform and Bureaucracy Reform, and BKPM issued a circulating letter on September 15, 2010, to clarify investment that crosses provincial and regional boundaries. Investment in a regency is managed by the regency government; investment that lies in two or more regencies is managed by the provincial government; and investment that lies in two or more provinces is managed by central government, or central BKPM. BKPM has plans to roll out its one-stop shop structure to the provincial and regency level to streamline local permitting processes at more than 500 sites around the country.

### **Competition Law**

The Indonesian Competition Authority (KPPU) implements and enforces the 1999 Indonesia Competition Law. The KPPU reviews agreements, business practices and mergers that may be deemed anti-competitive, advises the government on policies that may affect competition, and issues guidelines relating to the Competition Law.

### **Investment Trends**

Not applicable/information not available.

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	107 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2014	114 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	87 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 3,580	data.worldbank.org/indicator/NY.GNP.PCAP.CD

Data Source: *Millennium Challenge Corporation Country Scorecard*

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a per capita gross national income (GNI) or USD 4,125 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here: <http://www.mcc.gov/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015>.

## Conversion and Transfer Policies

[Return to top](#)

### Foreign Exchange

The rupiah (IDR), the local currency, is freely convertible. Currently, banks must report all foreign exchange transactions and foreign obligations to the Bank of Indonesia (BI). With respect to the physical movement of currency, any person taking cash into or out of Indonesia in the amount of IDR 100 million (USD 8,700) or more, or the equivalent in another currency, must report the amount to the Director General of Customs and Excise.

Banks on their own behalf or for customers may conduct derivative transactions related to derivatives of foreign currency rates, interest rates, and/or a combination thereof. BI requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

Under the 2007 Investment Law, the GOI gives assurance to investors relating to the transfer and repatriation of funds, in foreign currency, on capital, profit, interest, dividends and other income, funds required for (i) purchasing raw material, intermediate goods or final goods, and (ii) replacing capital goods for continuation of business operations, additional funds required for investment, funds for debt payment, royalties, income of foreign individuals working on the investment, earnings from selling or liquidation of the invested company, compensation for losses, and compensation for expropriation. U.S. firms report no difficulties in obtaining foreign exchange.

Bank Indonesia began in 2012 to require exporters to repatriate their export earnings through domestic banks within three months of the date of the export declaration form. Once repatriated, there are currently no restrictions on re-transferring export earnings abroad. Some companies report this requirement is not enforced.

### **Remittance Policies**

The Indonesian government places no restrictions or time limitations on investment remittances. However, certain reporting requirements exist. Any transfer of funds in excess of USD 10,000, whether incoming or outgoing, must be reported to Bank Indonesia (BI) along with the reason for the transfer.

Carrying more than IDR 100 million in cash out of Indonesia requires prior approval from Bank BI, while any person carrying IDR 100 million or more into the country must verify the funds with Indonesian Customs upon arrival. Indonesia does not engage in currency manipulation.

The Financial Action Task Force (FATF) upgraded Indonesia to the Improved Compliance-Ongoing Monitoring or gray list at the February 2015 plenary meeting, though Indonesia remains a State Of Concern. The GOI is working towards the goal of an International Cooperation Review Group (ICRG) process exit this June.

### **Expropriation and Compensation**

[Return to top](#)

The GOI generally recognizes and upholds property rights of foreign and domestic investors, and the 2007 Investment Law opened major sectors of the economy to foreign investment while assuring investors' protection from nationalization, except where corporate crime is involved. However, Indonesia's rising economic nationalism has manifested itself through negotiations, policies, regulations, and laws that erode investor value. These include local content requirements, requirements to divest equity shares to Indonesia stakeholders, and requirements to set up manufacturing or processing facilities in Indonesia.

In 2012, the GOI issued a regulation requiring foreign-owned mining operations to divest majority equity to Indonesian shareholders within 10 years of operational startup. That regulation relies upon cost of investment incurred, rather than market value, for purposes of divestment valuation. In October 2014, with Regulation 77/2014, the Indonesian government eased the foreign ownership restrictions to 60 percent for companies that smelt domestically (40 percent divestment) and 70 percent for companies that operate underground mines (30 percent divestment). The GOI is requiring that mining contracts of work be renegotiated to alter terms in favor of the GOI, including royalty and tax rates, local content levels, domestic processing of minerals, and reduced mine areas. Some mining companies have had to reduce the size of their original mining work area without compensation.

In general, Indonesia's rising resource nationalism supports the idea that domestic interests should not have to pay prevailing market prices for domestic resources. In the oil and gas sector, the GOI is increasingly explicit in its policy that expiring production sharing contracts operated by foreign companies be transferred to domestic interests

rather than extended. While there is no obligation of compensation under the production sharing contract, this policy has begun to affect the Indonesian business interests of foreign companies.

The Law on Land Acquisition Procedures for Public Interest Development passed in December 2011 sought to streamline GOI acquisition of land for much-needed infrastructure projects. The law seeks to clarify roles, reduce the time frame for each phase of the land acquisition process, deter land speculation, and curtail obstructionist litigation, while still ensuring safeguards for land-right holders. The implementing regulations, first approved in 2012, went into effect on January 1 2015. The law has neither led to significantly reduced land acquisition timelines nor resulted in accusations of GOI expropriation of land.

## **Dispute Settlement**

[Return to top](#)

### **Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts**

Indonesia's legal system is based on civil law. The court system consists of District Courts (primary courts of original jurisdiction), High Courts (courts of appeal), and the Supreme Court (the court of last resort). Indonesia also has a Constitutional Court. The Constitutional Court has the same legal standing as the Supreme Court, and its role is to review the constitutionality of legislation. Both the Supreme and Constitutional Courts have authority to conduct judicial review.

The court system often does not provide effective recourse for resolving property and contractual disputes. Cases that would be adjudicated in civil courts in other jurisdictions sometimes result in criminal charges in Indonesia. Judges are not bound by precedent and many laws are open to various interpretations.

A lack of clear land titles has plagued Indonesia for decades, although the land acquisition law enacted in December 2011 included legal mechanisms designed to resolve some past land ownership issues. Indonesia also has a poor track record on contract sanctity. Government Regulation 79 of 2010 opened the door for the GOI to remove recoverable costs from production sharing contracts. The GOI is also requiring mining companies to renegotiate their contracts of work to require higher royalties, more divestment, more local content, and domestic processing of mineral ore.

Indonesia's commercial code, grounded in colonial Dutch law, has been updated to include provisions on bankruptcy, intellectual property rights, incorporation and dissolution of businesses, banking, and capital markets. Application of the commercial code, including the bankruptcy provisions, remains uneven, in large part due to corruption and training deficits for judges, prosecutors, and defense lawyers.

### **Bankruptcy**

The bankruptcy law is decidedly pro-creditor and the law makes no distinction between domestic and foreign creditors. As a result, foreign creditors have the same rights as all potential creditors in a bankruptcy case, as long as foreign claims are submitted in compliance with underlying regulations and procedures. Monetary judgments in Indonesia are made in local currency.

## **Investment Disputes**

Judicial handling of investment disputes remains mixed. Indonesia's legal code recognizes the right of parties to apply agreed upon rules of arbitration. Some arbitration but not all is handled by Indonesia's domestic arbitration agency, the Indonesian National Arbitration Body.

Companies have resorted to ad hoc arbitrations in Indonesia using the UN Commission on International Trade Laws (UNCITRAL model law) arbitration rules. Though doing business in Indonesia remains challenging, there is not a clear pattern of investment disputes involving U.S. or other foreign investors.

## **International Arbitration**

In early 2014, Indonesia began to terminate its Bilateral Investment Treaty agreements (BITs) by allowing more than 60 outstanding agreements to expire. Indonesia is developing its own model Bilateral Investment Treaty (BIT) but has not yet announced when it would be finalized. The United States does not have a BIT with Indonesia. On-going international arbitration cases involving Indonesia may have played a role in Indonesia's decision to abrogate its BITs.

### *ICSID Convention and New York Convention*

Indonesia is a Member of the International Center for Settlement of Investment Disputes (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Thus, foreign arbitral awards are legally recognized and enforceable in the Indonesian courts, but, in practice, are not always enforced. The 2012 ICSID arbitration case of British firm Churchill Mining vs. Indonesia is on-going as of April 2015.

## **Duration of Dispute Resolution**

The court system in Indonesia works slowly. International arbitration awards, when enforced, may take years from original judgment to payment.

## **Performance Requirements and Incentives**

[Return to top](#)

### **WTO/TRIMS**

The Indonesian government notified the WTO of its compliance with Trade-Related Investment Measures (TRIMS) on August 26, 1998. The 2007 Investment Law states that the GOI shall provide the same treatment to both domestic and foreign investors originating from any country. The Indonesian government pursues policies to promote local manufacturing that could be inconsistent with TRIMS requirements, such as linking import approvals to investment pledges and local content requirements in some sectors.

### **Investment Incentives**

The GOI offers a tax holiday scheme to exempt certain businesses from paying corporate income taxes for up to ten years under Ministry of Finance Decree No. 130/PMK.011/2011. Businesses must have operated as a legal entity in Indonesia for at

least 12 months prior to the issuance of the tax holiday regulation, among other requirements. Priority is given to investment in resource extraction, resource refinement, industrial machinery, renewable resources, telecommunications equipment, or pioneer sectors. Government Regulation No. 62 of 2008 provides a tax incentive program for projects conducted in national high-priority sectors which encompass 128 different fields. Businesses may only apply for one tax incentive: either the tax holiday or the tax incentive program.

### **Research and Development**

At present, Indonesia does not have formal regulations granting national treatment to U.S. and other foreign firms participating in Government-financed or subsidized research and development programs. The State Ministry for Research and Technology handles applications on a case-by-case basis.

### **Performance Requirements**

The GOI expects foreign investors to contribute to the training and development of Indonesian nationals, allowing the transfer of skills and technology required for their effective participation in the management of foreign companies. As a general rule, a company can hire foreigners only for positions that the government has deemed open to non-Indonesians. Employers must have manpower-training programs aimed at replacing foreign workers with Indonesians. If a direct investment enterprise wants to employ foreigners, the enterprise should submit an Expatriate Placement Plan to BKPM to get a Limited Stay Visa or Semi-Permanent Residence Visa (VITAS/VBS). Expatriates are issued a Limited Stay Permit (KITAS) and a blue book, valid for two years and renewable for up to two extensions without leaving the country. The foreign worker must meet education, work experience, and Indonesian language requirements and commit to transfer knowledge to an Indonesian counterpart. Under Ministry of Manpower regulations, any expatriate who holds a work and residence permit must contribute USD 1,200 per year to a fund for local manpower training at regional manpower offices. Some U.S. firms report difficulty in renewing KITASs for their foreign executives. In 2013, the government issued new regulations on the employment of foreigners, including an age cap of 55 years on foreign executives for oil and gas firms. In December 2013, the Ministry of Manpower and Transmigration issued Regulation 12 on Procedures for Employing Foreign Manpower. The new regulation made some changes to the previous 2008 regulation, including the introduction of a new mechanism to hire temporary foreign workers and simplification of the permit process for foreigners married to Indonesians.

With the passage of the defense law in October 2012 and subsequent implementing regulations in October 2014, the GOI established a policy that imposes offset requirements for procurements from foreign defense suppliers. Currently, U.S. defense equipment suppliers are still competing for contracts with local partners on the basis of an exception in the law that indicates that purchases may be made from non-state owned enterprise (SOE) sources if not readily available on the local market. The 2014 implementing regulations did little to clarify how offsets would be applied. According to the legislation and subsequent implementing regulations, an initial 35 percent of any foreign defense procurement or contract must be offset through local content, counter-trade agreements, transfer of technology agreements, or a variety of other mechanisms. The offset amount must increase by 10 percent every five years until a maximum of 85

percent of a contract or procurement value is reached. The implementing regulations also refer to a “multiplier factor” that can be applied to increase a given offset valuation depending on “the impact on the development of the national economy.” Decisions regarding multiplier values, authorized local content, and other key aspects of the new law are in the hands of the Defense Industry Policy Committee (KKIP), an entity comprising GOI interagency representatives and defense industry leadership, further increasing issues with transparency and predictability of how the regulations will be applied.

## **Data Storage**

The Indonesian government issued Government Regulation 82 in 2012 requiring certain “public service providers” to establish data storage and disaster recovery centers on Indonesian soil. The government continues to contemplate how broadly to apply the definition of “public service providers” under Regulation 82/2012, but it is possible that data localization rules will affect financial and other service delivery companies.

## **Right to Private Ownership and Establishment**

[Return to top](#)

The Ministry of Law and Human Rights’ implementation of an electronic business registration filing and notification system has dramatically reduced the number of days needed to register a company. Foreign firms are not required to disclose proprietary information to the government before investing.

To establish a business, one must: obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company’s name at the Ministry of Law and Human Rights; notarize company documents; obtain a certificate of company domicile from the local municipality; pay the State Treasury for the non-tax state revenue fees for legal services; apply to the Ministry of Law and Human Rights for approval of the deed of establishment; apply at the one stop service for the permanent business trading license and company registration certificate; register with the Ministry of Manpower; apply for the workers’ social security and health program; and, obtain a taxpayer registration number and a value added tax (VAT) collector number. The process takes an average of 52 days.

## **Protection of Property Rights**

[Return to top](#)

### **Real Property**

The Basic Agrarian Law of 1960, the predominant body of law governing land rights, recognizes the right of private ownership. Indonesia’s 1945 Constitution states that all natural resources are owned by the GOI for the benefit of the people. This principle was augmented by the passage of a land acquisition bill in December 2011 that enshrined the concept of eminent domain and established mechanisms for fair market value compensation and appeals. The National Land Agency registers property under Regulation No. 24 of 1997, though the Ministry of Forestry administers all ‘forest land’. Registration is sometimes complicated by local government requirements and claims as a result of decentralization. Registration is also not conclusive evidence of ownership, but rather strong evidence of such. Foreigners are not allowed to own land in Indonesia, but can acquire the rights to use, sell, lease, and mortgage land through an Indonesian

entity. Indonesia ranks 117th on the World Bank's, Ease of Registering Property ranking.

### **Intellectual Property Rights**

Indonesia is currently on the Special 301 priority watch list for intellectual property rights (IPR) protection. Indonesia's failure to effectively protect intellectual property and enforce IPR laws has resulted in high levels of physical and online piracy. The International Intellectual Property Alliance estimates that 86 percent of business software is unlicensed, while retail piracy rates are likely even higher. Harco Glodok, Indonesia's largest trade center for consumer electronics and related goods, remains on the Notorious Markets list in 2015.

Indonesia's intellectual property laws provide a solid foundation for enforcement efforts. In September 2014 Parliament amended Indonesia's 2002 Copyright Law. Changes to the law include extending copyright protection for most works to lifetime plus 70 years for individuals or 50 years for copyrights held by legal entities, strengthens the role of collective management organizations to streamline royalty collections, including for foreign copyrights through bilateral or multilateral agreement, criminalizing illegal upload or download of copyrighted material for commercial use, and creating landlord liability for "deliberately and knowingly" allowing the sale or duplication of copyright infringing material. Draft amendments to Indonesia's Trademark and Patent laws are on the 2015 legislative calendar and are scheduled to be submitted to Parliament this year. Currently, a standard trademark application process can take up to 24 months, and trademark holders report that claiming well-known mark status can be difficult. Patent applications can take up to 48 months.

Despite adequate intellectual property laws, enforcement remains limited. The Directorate General for Intellectual Property (DGIP) reported limited seizures in 2014, although BPOM, Indonesia's food and drug administration, reported the seizure of more than USD 7 million in counterfeit medicine during the year. Trademark and Copyright legislation requires a rights-holder complaint for investigations, and DGIP and BPOM investigators lack the authority to make arrests so must rely on police cooperation for any enforcement action. In 2012, the Supreme Court ruled that Customs may obtain rights for temporary injunctions to suspected counterfeit shipments at the border. However, Customs still cannot exercise ex officio powers, as intended in the 2006 amended customs law. The Indonesian Government is responsible for the storage and destruction of seized counterfeit goods, although rights-holders have contributed to the cost of destroying IP-infringing goods in the past.

### **Resources for Rights Holders**

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

For a list of local lawyers, see: <http://jakarta.usembassy.gov/us-service/attorneys.html>

AmCham Indonesia: <http://www.amcham.or.id/>

## Transparency of Regulatory System

[Return to top](#)

Indonesia continues to bring its legal, regulatory, and accounting systems into compliance with international norms, but progress is slow. Recent successes include passage of a comprehensive anti-money laundering law in late 2010 and a land acquisition law in December 2011, both of which could have positive implications for foreign investment. Although Indonesia continues to move forward with regulatory system reforms, these efforts have not yet created a level playing field for foreign investors nor does the current regulatory system establish clear and transparent rules for all actors. Certain laws and policies, including the Negative List, establish sectors that are either fully off-limits to foreign investors or are subject to substantive conditions.

Bureaucratic reforms have slowed, and decentralization has introduced another layer of bureaucracy for firms to navigate, resulting in costly red tape. Ineffective management and corruption are among the challenges faced by the GOI in launching bureaucratic reform. U.S. businesses cite regulatory and transparency problems as ongoing factors hindering operations. Government ministries and agencies, including the Indonesian Parliament, continue to publish many proposed laws and regulations in draft form for public comment; however, not all draft laws and regulations are made available in public fora. Laws and regulations are often vague and require substantial interpretation by the implementers, leading to business uncertainty and rent-seeking opportunities. In short, investors remain interested but wary, as Indonesia is not currently making the longer-term regulatory changes to generate greater domestic or foreign investment.

## Efficient Capital Markets and Portfolio Investment

[Return to top](#)

The Indonesia Stock Exchange (IDX) index closed at 5226.9 on December 30, 2014, up 24 percent for the calendar year. In 2014, IDX had 503 listed companies and reached capitalization as high as (USD 512.82 billion) in May. There were 23 initial public offerings in 2014. Foreigners conducted more than half of total IDX stock trades in the last quarter of 2014 (65 percent in Q4 2014). In 2011, the IDX launched the Indonesian Sharia Stock Index (ISSI), its first index of sharia-compliant companies, primarily to attract greater investment from Middle East companies and investors. As of 2014 the ISSI is composed of 313 stocks listed on IDX's Jakarta Composite Index.

Government treasury bonds are the most liquid bonds offered by the GOI. Treasury bills are less liquid due to their small issue size. Liquidity in BI-issued Sertifikat Bank Indonesia (SBI) is also limited due to the three-month required holding period. The GOI also issued its first sukuk treasury bills as part of efforts to diversify Islamic debt instruments and increase their liquidity. Indonesia's sovereign debt is currently graded as BBB- by Fitch Ratings and baa3 grade by Moody's.

The Financial Services Supervisory Authority (OJK) assumed BI's supervisory role over commercial banks as of January 1, 2014 and began overseeing the capital markets and non-banking institutions on January 1, 2013, replacing the Capital Market and Financial Institution Supervisory Board.

Foreigners have good access to the Indonesian securities market and are a major source (33 percent in government securities) of portfolio investment. Foreign ownership

of Indonesian companies may be limited in certain industries as determined by the Negative List.

### **Money and Banking System, Hostile Takeovers**

Although there is some concern regarding the operations of the many small and medium family-owned banks, the banking system is generally considered sound with banks enjoying some of the widest interest rate margins in the region. The ten largest banks, with IDR 3,361 trillion for December 2014 (USD 272.6 billion) in total assets or 65.2 percent of the total, dominate the banking sector. Loans grew 12 percent as of December 31, 2014, (vis-à-vis 21.4 percent in 2013) while gross non-performing loans stood at 2.1 percent, up from 1.7 percent a year earlier.

Foreigners may purchase up to 99 percent of the total shares of a domestic bank through private placement or on the stock exchange. Purchases of 25 percent or more require BI approval. Foreign banks may establish branches if the foreign bank is ranked in the top 200 global banks by assets. To establish a representative office, the foreign bank must be ranked in the top 300 global banks by assets. A special operating license is required from BI in order to establish a foreign branch.

BI has limited bank ownership to no more than 40 percent by any single shareholder, applicable to foreign and domestic shareholders, and requiring foreign bank branches to become subsidiaries.

### **Competition from State Owned Enterprises**

[Return to top](#)

Indonesia had 119 SOEs at the end of 2014, 26 of which contributed more than 90 percent of the total SOE profit. Twenty are listed on the Indonesian stock exchange and 14 are special purpose entities under the SOE ministry with one under the Ministry of Finance (the Indonesian Infrastructure Guarantee Fund). SOEs are present in almost all sectors/industries including banking (finance), tourism (travel), agriculture, forestry, mining, construction, fishing, energy, and telecommunications (information and communications). In 2014, the profits fell by 3.5 percent YOY to IDR 148.6 trillion (USD 11.4 billion) compared to 2013. As of the end of 2014, SOEs employ around 781,760 people and contribute an estimated 40 percent of the country's gross domestic product. As of December 30, 2014, there are 20 state-owned companies with a market capitalization amounting to IDR 1,381 trillion or 26.41 percent of the total capitalization of shares listed on the Stock Exchange. Indonesian SOE R&D spending varies by sector.

Private enterprises can compete with SOEs under the same terms and conditions with respect to access to markets, credit, and other business operations. However, many sectors report that, in reality, SOEs receive strong preference for GOI projects. SOEs publish an annual report and are audited by the Supreme Audit Agency (BPK), the Financial and Development Supervisory Agency (BPKP), and external and internal auditors.

Indonesian SOEs adopt a two-tier Board structure with a Board of Commissioners (similar to an American company's board of directors) and a Board and Directors (similar to an American company's executive management team). Depending on the type of SOE, either the President or the Minister of SOEs has the right to make appointments

and to dismiss members of either the Board of Commissioners or Board of Directors. With such control, board member appointments are subject to government interference. Hence, it is not uncommon for SOEs to have ministers, high-ranking bureaucrats, military generals, or member of political parties, either retired or still active, sitting as Board members. Some SOEs suffer from poor management, which has led to several cases of graft and corruption against former Commissioners and Directors.

### **OECD Guidelines on Corporate Governance of SOEs**

State Owned Enterprises (SOEs) in Indonesia generally do not adhere to the OECD Guidelines on Corporate Governance for SOEs.

### **Sovereign Wealth Funds**

The GOI established the Pusat Investasi Pemerintah (PIP) to act as a special purpose investment entity and eventually as a sovereign wealth fund. To date, it has limited its investments to the domestic market in strategic sectors with the goal of stimulating national economic growth. PIP can invest in a variety of asset classes such as equity, debt, infrastructure, and direct investments. PIP is in addition to other GOI SOEs that invest in domestic markets such as PT Sarana Multi Infrastructure, PT Indonesia Infrastructure Guarantee Facility, and Indonesia Infrastructure Finance.

## **Corporate Social Responsibility**

[Return to top](#)

While international organizations like the OECD and UN envision corporate social responsibility (CSR) as a comprehensive management paradigm that includes concepts like human rights, employee relations, environment and science, bribery and corruption, consumer interests, and taxation, understanding of CSR in Indonesia tends to focus on community and economic development, and educational projects and programs. This is at least in part caused by the fact that such projects are often required in the environmental impact permits (“Amdal”) of resource extraction companies, which undergo a good deal of domestic and international scrutiny of their operations. Because much resource extraction activity occurs in remote and rural areas where government services are limited or absent, these companies face very high community expectations to provide such services themselves. Despite significant investments – especially by large multinational firms – in CSR projects, there is limited general awareness of those projects, even among government regulators and officials.

### **OECD Guidelines for Multinational Enterprises**

Indonesia is not an adherent to the OECD Guidelines for Multinational Enterprises.

## **Political Violence**

[Return to top](#)

As in other democracies, politically motivated demonstrations occasionally occur throughout Indonesia, but are not a major ongoing concern for most foreign investors.

Fighting terrorism remains a top priority for the Indonesian government, and President Jokowi Widodo has demonstrated a continued strong commitment to combating

terrorism. Since the 2009 bombings of two international hotels in Jakarta, Indonesian police and security forces have disrupted a number of terrorist cells, including some affiliated with Jemaah Islamiyah (JI), a U.S. government-designated terrorist organization that carried out several bombings at various times since 2000. In response to terrorist threats and attacks, Indonesia has effectively pursued counterterrorism efforts through legislation and law enforcement. In 2014, the Attorney General's Office handled nearly 50 terrorism related cases. Though the Indonesian government's sustained counterterrorism campaign has significantly degraded the operational capabilities of violent extremist organizations in Indonesia, these groups continue to demonstrate a willingness and ability to carry out attacks with little or no warning. Although U.S. and Western-affiliated interests remain potential targets of terrorists, the focus of terrorists is increasingly on attacks against local governments and law enforcement entities, especially the police. There is also concern about Indonesians traveling to Syria or Iraq as foreign terrorist fighters; several hundred Indonesians are estimated to have traveled to the Middle East to join violent groups operating there.

Foreign investors in Papua face certain unique challenges. Indonesian security forces occasionally conduct operations against the Free Papua Movement, a small armed separatist group that is most active in the Central Highlands region. Low-intensity communal, tribal, and political conflict also exists in Papua and has caused deaths and injuries. Anti-government protests have resulted in deaths and injuries, and violence has been committed against employees and contractors of a U.S. company there.

## **Corruption**

[Return to top](#)

President Jokowi was elected in 2014 on a strong good-governance platform. However, corruption remains a serious problem, preventing increased FDI, according to some U.S. companies. Although the government has issued detailed directions on combating corruption in targeted ministries and agencies, there has not been a concerted government-led effort to encourage or require companies to establish internal codes of conduct, or effective internal controls, ethics, and compliance programs to detect and prevent bribery of public officials.

Indonesia's ranking in Transparency International's Corruption Perceptions Index in 2014 is 107 out of 175 countries. Corruption remains pervasive despite laws to combat it. The independence and authority of the Corruption Eradication Commission (KPK) has been called into question following its announcement and subsequent deferral of its investigation into a candidate for National Police Chief. The KPK's purview in corruption cases is typically limited to law enforcement and other public officials, cases that exceed USD 100,000 in value and/or that represent significant loss to the state. Corruption cases are also handled by the Indonesian National Police and Attorney General's Office, neither of which have the same organizational capacity to investigate or prosecute corruption cases. Giving or accepting a bribe is a criminal act, with possible fines ranging from USD 3,850 to USD 77,000 and imprisonment up to a maximum of 20 years or life imprisonment, depending on the severity of the charge.

### **UN Anticorruption Convention, OECD Convention on Combatting Bribery**

Indonesia ratified the UN Convention against Corruption in September 2006. Indonesia has not yet acceded to the OECD Anti-Bribery Convention, but attends meetings of the

OECD Anti-Corruption Working Group. In 2014 Indonesia chaired the Open Government Partnership, a multilateral platform to promote transparency, empower citizens, fight corruption, and strengthen governance. Several civil society organizations function as vocal and competent corruption watchdogs, including Transparency International Indonesia and Indonesia Corruption Watch.

## **Resources to Report Corruption**

Jln. HR Rasuna Said Kav. C1 Kuningan  
Jakarta Selatan 12920  
informasi@kpk.go.id

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official in international business, for example to secure a contract, should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which generally makes it unlawful for U.S. persons and businesses (domestic concerns), and U.S. and foreign public companies listed on stock exchanges in the United States or which must file periodic reports with the Securities and Exchange Commission (issuers), to offer, promise or make a corrupt payment or anything of value to foreign officials to obtain or retain business. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. In addition to the anti-bribery provisions, the FCPA contains accounting provisions applicable to public companies. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books or records or knowingly circumventing or failing to implement a system of internal controls. In order to provide more information and guidance on the statute, the Department of Justice and the Securities and Exchange Commission published *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, available in PDF at:

<http://www.justice.gov/criminal/fraud/fcpa/guidance/>. For more detailed information on the FCPA generally, see the Department of Justice FCPA website at: <http://www.justice.gov/criminal/fraud/fcpa/>.

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (negotiated under the auspices of the OECD), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party].

**OECD Antibribery Convention:** The Antibribery Convention entered into force in February 1999. As of January 2015, there are 41 parties to the Convention, including the United States (see <http://www.oecd.org/corruption/oecdantibriberyconvention.htm>). Major exporters China and India are not parties, although the U.S. Government strongly endorses their eventual accession to the Antibribery Convention. The Antibribery Convention obligates the Parties to criminalize bribery of foreign public officials in international business transactions, which the United States has done under U.S. FCPA. [Insert information as to whether your country is a party to the Antibribery Convention and has a foreign bribery law.]

**UN Convention:** The UN Convention entered into force on December 14, 2005, and there are 174 parties to it as of March 2015 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption, from basic forms of corruption such as bribery and solicitation, embezzlement, and trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. [Insert information as to whether your country is a party to the UN Convention.]

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of January 2015, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>) and the follow-up mechanism created in 2001 (MESICIC) has 31 members (see [http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)). [Insert information as to whether your country is a party to the OAS Convention.]

**Council of Europe Criminal Law and Civil Law Conventions on Corruption:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention on Corruption, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and accounting offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on whistleblower protection, compensation for damage relating to corrupt acts, and nullification of a contract providing for or influenced by corruption, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). See [http://www.coe.int/t/dghl/monitoring/greco/general/about\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/general/about_en.asp). As of January 2015, the Criminal Law Convention has 44 parties and the Civil Law Convention has 35 (see <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=173>; <http://conventions.coe.int/Treaty/Commun/QueVoulezVous.asp?CL=ENG&NT=174>). [Insert information as to whether your country is a party to the Council of Europe Conventions.]

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and transnationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States. The [name of FTA] came into force in [date].]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas. The U.S. and Foreign Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its website at [www.trade.gov/cs](http://www.trade.gov/cs).

The United States provides commercial advocacy on behalf of exporters of U.S. goods and services bidding on public sector contracts with foreign governments and government agencies. An applicant for advocacy must complete a questionnaire concerning its background, the relevant contract, and the requested U.S. Government assistance. The applicant must also certify that it is in compliance with applicable U.S. law, that it and its affiliates have not and will not engage in bribery of foreign public

officials in connection with the foreign project, and that it and its affiliates maintain and enforce a policy that prohibits bribery of foreign public officials. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel, and reported through the Department of Commerce Trade Compliance Center “Report a Trade Barrier” Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp). Potential violations of the FCPA can be reported to the Department of Justice via email to [FCPA.Fraud@usdoj.gov](mailto:FCPA.Fraud@usdoj.gov).

**Guidance on the U.S. FCPA:** The Department of Justice’s (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals and issuers to request a statement of the Justice Department’s present enforcement intentions under the anti-bribery provisions of the FCPA regarding actual, prospective business conduct. The details of the opinion procedure are available on DOJ’s Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa) and general information is contained in Chapter 9 of the publication *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, at <http://www.justice.gov/criminal/fraud/fcpa/guidance/>. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general information to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the General Counsel, U.S. Department of Commerce, website, at <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>. More general information on the FCPA is available at the websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

*POST INPUT: Public sector corruption, including bribery of public officials, [remains a major/minor challenge for U.S. firms operating in xxx xxx. Insert country specific corruption climate, enforcement, commitment and information about relevant anticorruption legislation.*

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including *A Resource Guide to the U.S. Foreign Corrupt Practices Act*, translations of the statute into numerous languages, documents from FCPA related prosecutions and resolutions, and press releases are available at the U.S. Department of Justice’s Website at: <http://www.justice.gov/criminal/fraud/fcpa> and <http://www.justice.gov/criminal/fraud/fcpa/guidance/>
- The U.S. Securities and Exchange Commission FCPA Unit also maintains an FCPA website, at: <https://www.sec.gov/spotlight/fcpa.shtml>. The website, which is updated

regularly, provides general information about the FCPA, links to all SEC enforcement actions involving the FCPA, and contains other useful information.

- General information about anticorruption and transparency initiatives, relevant conventions and the FCPA, is available at the Department of Commerce Office of the General Counsel website: <http://www.commerce.gov/os/ogc/transparency-and-anti-bribery-initiatives>
- The Trade Compliance Center hosts a website with anti-bribery resources, at <http://tcc.export.gov/Bribery>. This website contains an online form through which U.S. companies can report allegations of foreign bribery by foreign competitors in international business transactions
- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: <http://www.oecd.org/corruption/oecdantibriberyconvention.htm> See also Antibribery Recommendation <http://www.oecd.org/daf/anti-bribery/oecdantibriberyrecommendation2009.htm> and Good Practice Guidance Annex for companies: <http://www.oecd.org/daf/anti-bribery/44884389.pdf>.
- GRECO monitoring reports can be found at: [http://www.coe.int/t/dghl/monitoring/greco/evaluations/index\\_en.asp](http://www.coe.int/t/dghl/monitoring/greco/evaluations/index_en.asp)
- MESICIC monitoring reports can be found at: [http://www.oas.org/juridico/english/mesicic\\_intro\\_en.htm](http://www.oas.org/juridico/english/mesicic_intro_en.htm)
- The Asia Pacific Economic Cooperation (APEC) Leaders have also recognized the problem of corruption and APEC Member Economies have developed anticorruption and ethics resources in several working groups, including the Small and Medium Enterprises Working Group, at <http://businessethics.apec.org/>, and the APEC Anti-Corruption and Transparency Working Group, at <http://www.apec.org/Groups/SOM-Steering-Committee-on-Economic-and-Technical-Cooperation/Working-Groups/Anti-Corruption-and-Transparency.aspx>. For more information on APEC generally, <http://www.apec.org/>.

There are many other publicly available anticorruption resources which may be useful, some of which are listed below without prejudice to other sources of information that have not been included. (The listing of resources below does not necessarily constitute U.S. Government endorsement of their findings.)

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in approximately 180 countries and territories around the world. The CPI is available at: <http://www.transparency.org/research/cpi/overview>. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and

developments from all continents, and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/research/gcr>.

- The World Bank Institute's Worldwide Governance Indicators (WGI) project reports aggregate and individual governance indicators for 215 economies over the period 1996-2013, for six dimensions of governance (Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption). See <http://info.worldbank.org/governance/wgi/index.aspx#home>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>. See also the World Bank Group *Doing Business* reports, a series of annual reports measuring regulations affecting business activity, available at: <http://www.doingbusiness.org/>
- The World Economic Forum publishes every two years the *Global Enabling Trade Report*, which assesses the quality of institutions, policies and services facilitating the free flow of goods over borders and to their destinations. At the core of the report, the Enabling Trade Index benchmarks the performance of 138 economies in four areas: market access; border administration; transport and communications infrastructure; and regulatory and business environment. See <http://www.weforum.org/reports/global-enabling-trade-report-2014>.
- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which typically assesses anti-corruption and good governance mechanisms in diverse countries. (The 2012 and 2013 reports covered a small number of countries as the organization focused on re-launching a modernized methodology in mid-2014.) For more information on the report, see <https://www.globalintegrity.org/global-report/what-is-gi-report/>.

## Bilateral Investment Agreements

[Return to top](#)

Indonesia has signed investment agreements with 60 countries, including: Algeria, Argentina, Australia, Bangladesh, Belgium, Bulgaria, Cambodia, Chile, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, India, Iran, Italy, Jamaica, Jordan, Kyrgyzstan, Laos, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, North Korea, Norway, Pakistan, People's Republic of China, Peru, Philippines, Poland, Qatar, Romania, Saudi Arabia, Singapore, Slovak Republic, South Korea, Spain, Sri Lanka, Sudan, Suriname, Syria, Sweden, Switzerland, Thailand, The Netherlands, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan, Vietnam, Yemen, and Zimbabwe. Indonesia does not have a bilateral investment treaty with the United States.

Since 2014, Indonesia began to abrogate its existing BITs, by allowing the agreements to expire. An updated Indonesian model BIT has been in development for some time, which the government could use in the future to renegotiate expiring agreements or negotiate new BITs.

Under the ASEAN Free Trade Agreement, duties on imports from ASEAN countries generally range from 0 percent to 5 percent, except for products specified on exclusion lists. Indonesia also provides preferential market access to Australia, China, Japan, Korea, India, Pakistan, and New Zealand under regional ASEAN agreements and to Japan under a bilateral agreement. In accordance with the ASEAN-China FTA, in August 2012 Indonesia increased the number of goods from China receiving duty-free access to 10,012 tariff lines. Indonesia is currently negotiating bilateral agreements with Iran, India, Australia, New Zealand, South Korea, and European Free Trade Association, studying potential FTAs with Chile, Turkey, Tunisia, Mexico, South Africa, and Egypt. The ASEAN Economic Community arrangement will come into effect on January 1, 2016, and is expected to reduce barriers for goods, services and some skilled employees across ASEAN. Indonesia is also participating in negotiations for the Regional Comprehensive Economic Partnership (RCEP), which includes the 10 ASEAN Member States and 6 additional countries (Australia, China, India, Japan, Korea and New Zealand).

### **Bilateral Taxation Treaties**

Non double income taxation between the United States and Indonesia is granted in accordance with the Convention between the Government of the Republic of Indonesia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of the Fiscal Evasion with Respect to Taxes on Income, signed at Jakarta July 11, 1988, and its amending Protocol, signed at Jakarta July 24, 1996.

### **OPIC and Other Investment Insurance Programs**

[Return to top](#)

In 2010, the Overseas Private Investment Corporation (OPIC) updated its 1967 investment support agreement between the United States and Indonesia by adding OPIC products such as direct loans, coinsurance, and reinsurance to the means of OPIC support which U.S. companies may use to invest in Indonesia.

Indonesia has joined the Multilateral Investment Guarantee Agency (MIGA). MIGA, a part of the World Bank Group, is an investment guarantee agency to insure investors and lenders against losses relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

### **Labor**

[Return to top](#)

The Indonesian labor market is generally open and flexible, although there are significant restrictions on the use of contract workers. Recent significant increases in the minimum wage for many provinces have made unskilled and semi-skilled labor more costly including a 44 percent increase in Jakarta in 2012.. Increases in the 2014 minimum wage were less dramatic, with a relatively modest 12.5 percent gain in the bellwether Jakarta area. Unions staged largely peaceful protests across Indonesia in December 2014 claiming that the wage increases are insufficient to offset the recent rise in fuel prices caused by the Jokowi administration's partial removal of fuel subsidies. While restrictions on the use of contract workers remain in place, continued labor protests focusing on this issue suggest that government enforcement continues to be

lax. Unemployment has been declining in recent years and in 2014 was 5.9 percent. Unemployment tends to be higher than the national average among young people.

Indonesian labor is relatively low cost by world standards, but lack of adequate skills training and complicated labor laws combine to make Indonesia's competitiveness lag behind other Asian competitors. Investors frequently cite high severance payments to dismissed employees, restrictions on outsourcing and contract workers, and limitations on expatriate workers as significant obstacles to new investment in Indonesia. Employers also note that the skill base provided by the education system is lower than that of neighboring countries, and successive Labor Ministers have listed improved vocational training as a top priority. Labor contracts are relatively straightforward to negotiate but are subject to renegotiation, despite the existence of written agreements. Local courts often side with citizens in labor disputes, contracts notwithstanding. On the other hand, some foreign investors view Indonesia's labor regulatory framework, respect for freedom of association, and the right to unionize as an advantage to investing in the country. [The GOI established in 2006 a new Labor Court as part of a broader labor dispute resolution system. U.S. companies expressed disappointment in the GOI's lack of mediation between labor groups and industry during 2012 minimum wage discussions]. Expert local human resources advice is essential for American companies doing business in Indonesia, even those only opening representative offices. Labor Minister Hanif Dhakiri announced in 2015 that he would like to make proficiency in the Indonesian language a requirement for expatriate employment, but it is not clear how or whether this will be implemented.

Minimum wages vary throughout the country as provincial governors set an annual minimum wage floor and district heads have the authority to set a higher rate. Indonesia's highly fractured and historically weak labor movement has gained strength in recent years, evidenced by significant increases in the minimum wage. Labor unions are independent of the government. The law, with some restrictions, protects the rights of workers to join independent unions, conduct legal strikes, and bargain collectively. Indonesia has ratified all eight of the core ILO conventions underpinning internationally accepted labor norms. The Ministry of Labor maintains an inspectorate to monitor labor norms, but enforcement is stronger in the formal than in the informal sector. In January 2014, Indonesia launched a national insurance plan. In October 2011, the Indonesian government passed a revised Social Security Law which took effect in January 2014 in which all formal sector workers must participate. Subject to a wage ceiling, employers' must contribute an amount equal to 4 percent of workers' salaries to this plan. Further, Indonesia is working toward establishing a national agency to support workers in the event of work accident, death, retirement, or old age.

A proposed revision to Indonesia's 2003 labor law may establish more stringent restrictions on outsourcing, currently used by many firms to circumvent some formal-sector job benefits.

## **Foreign-Trade Zones/Free Ports**

[Return to top](#)

The GOI offers incentives to over 1,500 foreign and domestic industrial companies that operate in bonded zones throughout Indonesia. The largest bonded zone is the free trade zone island of Batam, located just south of Singapore. Neighboring Bintan island and Karimun island also enjoy free trade zone areas. Investors in bonded zones are not required to apply for additional implementation licenses (location, construction, and

nuisance act permits and land titles), and foreign companies are allowed 100 percent ownership. These companies do not pay import duty, income tax, VAT, and sales tax on imported capital goods, equipment, and raw materials until the portion of production destined for the domestic market is "exported" to Indonesia, in which case fees are owed only on that portion. Companies operating in bonded zones may lend machinery and equipment to subcontractors located outside of the bonded zone for a maximum two-year period.

Ministry of Finance Regulation No. 147/2011 stipulates that the delivery of products outside of bonded zones into the domestic market is set at a maximum of 25 percent (down from 50 percent) of export realization value of the previous year. If a bonded zone company exceeds the 25 percent limitation, its domestic quota for the next year will be reduced. The new regulation also restricts subcontract work and requires bonded zones less than 10,000 square meters in size to relocate to industrial estates.

As stipulated by the 2007 Investment Law, the Indonesian Legislature (DPR) passed regulations on special economic zones (SEZ) in 2009. At least 20 areas have submitted applications for SEZ status, but to date only two have been created -- Sei Mangke in North Sumatra and Tanjung Lesung in Banten. The new Administration has announced it will create 10 more zones by 2019 as a part of its economic growth strategy.

#### Foreign Direct Investment Statistics

[Return to top](#)

	Host Country Statistical source*		USG international statistical source		or USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	908,300	2013	868,345	<a href="http://www.worldbank.org/en/country">www.worldbank.org/en/country</a>
Foreign Direct Investment	Host Country Statistical source*		USG international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	1,060	2013	12,777	<a href="http://www.bea.gov/international/factsheet/factsheet.cfm?Area=613">http://www.bea.gov/international/factsheet/factsheet.cfm?Area=613</a>

<b>Host country's FDI in the United States (\$M USD, stock positions)</b>	N/A	N/A	2013	-55	<a href="http://www.bea.gov/international/factsheet/factsheet.cfm?Area=613">http://www.bea.gov/international/factsheet/factsheet.cfm?Area=613</a>
<b>Total inbound stock of FDI as % host GDP</b>	2013	2.0%	N/A	N/A	

\*Bank of Indonesia

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Indonesia has two main sources for FDI statistics: BKPM, which issues permanent business licenses to domestic and foreign investors, and BI, which records international capital flows as part of balance of payments statistics. BKPM records FDI figures based on issued business licenses. Since licenses for oil and gas, mining, banking, non-bank financial institutions, insurance and leasing are issued by other government bodies, these sectors are not covered under the BKPM statistics. BKPM is expected to increase the sectorial coverage gradually while BI statistics cover all sectors.

BKPM categorizes all investments made into a foreign capital investment company as FDI, even if it is a joint venture with a local partner. This practice tends to inflate BKPM's FDI figures, which may additionally include equity contributions from domestic partners and investments financed from domestic sources. BI instead follows the standard FDI categorization of equity investment, retained earnings and other capital inflows.

<b>Direct Investment from/in Counterpart Economy Data</b>					
<b>From Top Five Sources/To Top Five Destinations (US Dollars, Millions)</b>					
<b>Inward Direct Investment</b>			<b>Outward Direct Investment</b>		
Total Inward	230,439	100%	Total Outward	N/A	100%
Singapore	53,367	23%			
Netherlands	45,731	20%			
Japan	25,983	11%			
Mauritius	15,746	7%			
United Kingdom	10,641	5%			
"0" reflects amounts rounded to +/- USD 500,000.					

Data Source: IMF Coordinated Direct Investment Survey

Table 3: Sources and Destination of FDI

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	15,285	100%	All Countries	2,871	100%	All Countries	12,413	100%
United States	3,276	21%	Singapore	1,080	38%	United States	3,208	26%
China (PR Mainland)	1,501	10%	China (PR Mainland)	746	26%	Netherlands	1,101	9%
Singapore	1,358	9%	China (PR Hong Kong)	343	12%	Luxembourg	876	7%
Netherlands	1,101	7%	Cayman Islands	338	12%	China (PR Mainland)	756	6%
Luxembourg	876	6%	United States	69	2%	Singapore	278	2%

Data Source: *IMF Coordinated Portfolio Investment Survey*  
Table 4: *Sources of Portfolio Investment*

**Contact Point at Post**

[Return to top](#)

Phil Nervig  
First Secretary and Economic Officer  
U.S. Embassy Jakarta  
+62-21-3435-9000

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

- [How Do I Get Paid \(Methods of Payment\)](#)
- [How Does the Banking System Operate](#)
- [Foreign-Exchange Controls](#)
- [U.S. Banks and Local Correspondent Banks](#)
- [Project Financing](#)
- [Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

U.S. firms exporting to Indonesia use a variety of payment methods depending on their relationship with the purchaser. Payment options for export transactions include letters of credit (L/C), cash in advance, wire transfer, cash on delivery and open account.

Confirmed, irrevocable letters of credit, while imposing additional costs, minimize risks faced by the exporter. On June 24, 2010, the Ministry of Trade issued 27/M-DAG/PER/6/2010, cancelling regulation No.1/M-DAG/PER/1/2009, which required the use of a letter of credit through a domestic foreign exchange bank for exports of specified commodity exports, including coffee, CPO, cocoa, rubber, and mining products.

### How Does the Banking System Operate

[Return to top](#)

The Indonesian banking system has consolidated significantly in the wake of the Asian financial crisis. As of mid-2015, Indonesia had 119 commercial banks and more than 2,000 rural banks. The largest 10 banks hold over 60 percent of bank assets. Bank of Central Asia (BCA), a private bank, is ranked 3<sup>rd</sup> largest bank overall and Bank Tabungan Negara (BNT) is 10<sup>th</sup>. As ranked by assets, the following are the four largest state-owned banks: Bank Mandiri, Bank Rakyat Indonesia, Bank Negara Indonesia, and BNT. Bank Indonesia (BI), the central bank of Indonesia and an independent state institution, and the Financial Services Authority (“Otoritas Jasa Keuangan” or OJK) regulates key aspects of the banking and financial system, including bank regulation and supervision.

Indonesia is encouraging the development of Islamic banking and seeks to increase its share of total banking assets to over five percent. As of end-2014, Islamic banking institutions in Indonesia comprised about 5 percent of total banking system assets. The Deposit Insurance Corp. (LPS) guarantees bank deposits to Rp.2 billion (about US\$150,000) from Rp.100 million. Only those accounts carrying interest rates equal to or below LPS maximum guaranteed reference rates are deemed eligible for LPS deposit guarantees. Those rates are 6.0 percent on rupiah deposits and 1.25 percent on foreign currency deposits.

The Indonesian Export Financing Agency (LPEI), which operates under the name of Indonesia Ex-Im Bank, provides competitive export financing and advisory and other exported related services. The export credit agency’s goal is to help promote access to worldwide markets for Indonesia’s export-related commodities, support Indonesia’s

international trade, and improve Indonesian exporter competitiveness in global markets. LPEI services include:

- **Export Working Capital Loan Guarantees:** LPEI provides Export Working Capital Loan Guarantees facility to a commercial bank on risks related to the financial default of the Exporter that has been issued the EWCL Guarantee from said Commercial Bank;
- **Letters of Credit (L/C):** LPEI provides L/C facility to Indonesians who import raw materials, spare-parts, and machinery for export production;
- **Standby Letters of Credit:** LPEI provides the Standby L/C facility to the Exporter in the form of guarantees that are issued to cover the risk faced by the Beneficiary should the Exporter fail to meet its contract/obligation that forms the basis for the issuance of the Standby L/C;
- **Export Bills or Receivables Discounting:** LPEI provides a financing scheme facility allowing exporters to receive immediate payment for their export-related receivables;
- **Export Investment Loan:** LPEI provides the Export Investment Loan facility to Exporters in order to finance investments that are undertaken to create and/or boost production capacity for exports;
- **Export Working Capital Loans:** The Export Working Capital Loan (EWCL) is a financing facility that provides working capital need to Exporter in connection with the export of goods and services;
- **Warehouse Receipt Financing:** The Warehouse Receipt Financing is a working capital financing facility that is provided by Indonesia Eximbank to Exporter, the underwriting of which is tied to the value of goods/commodities that are stored in warehouses that are operated by the Warehouse Manager;
- **Trust Receipts:** The Trust Receipt is part of the import financing facility provided by Indonesia Eximbank to Exporters for the purpose of retrieving imported goods (raw materials) from ships or ports to be processed, sold, and parts of the proceeds of which will be used to settle all liabilities related to the import;
- **Advisory Services:** in addition to providing export/import financing, LPEI also provides advisory services to exporters. These services include: trade finance training for the banking sector and exporters; provision of technical assistance in setting up trade finance systems; policy and procedures training for the banking sector and other related export players; consultations on international trade rules; and provision of international trade policy advice to policy makers.

Indonesia Eximbank is located at Gedung Bursa Efek Jakarta, Tower II 8/F, Jl. Jend. Sudirman, Kav 52-53, Jakarta. Tel: +62 21 515 4638, Fax: +62 21 515 4639.

Indonesia maintains an open capital account, but with some transaction limitations. Only authorized banks may carry out foreign trade related exchange operations. BI requires the submission of evidence of underlying transactions to support the purchase of a foreign currency against the rupiah through banks exceeding \$100,000 per month (regulation 10/28/PBI/2008). BI regulation No. 7/14/PBI/2005, dated June 14, 2005 describes prohibitions and restrictions in conducting foreign exchange transactions with foreign counterparts.

As part of a series of measures designed to strengthen the Indonesian rupiah and help reduce the current account deficit Bank Indonesia has issued a regulation (17/3/PBI/2015), mandating that, as of July 1, all domestic financial transactions must be conducted in rupiah. While this could have a serious impact on some U.S. businesses operating in Indonesia, the regulation's exemptions will help to moderate the extent to which foreign firms are affected. Additionally, some contacts are skeptical of Bank Indonesia's ability to enforce it.

The new rule stipulates the mandatory use of Rupiah for "all transactions in Indonesia that are for the purpose of payment, all transactions in Indonesia that are for the settlement of other obligations that must be fulfilled with money, and all other financial transactions in Indonesia." However, the new regulation also contains many exemptions, including:

- Certain transactions related to state budget revenue and expenditure, such as receipts from oil and gas royalties
- Acceptance or provision of grants from or to overseas entities
- Transactions for the purpose of international trade
- Bank deposits in foreign currencies
- International financial transactions where either the provider or the receiver of the financing is domiciled overseas
- Business activities in foreign exchange conducted by banks pursuant to the law that regulates banking and sharia banking
- Foreign exchange transactions involving commercial paper issued by the Government in primary markets or secondary markets pursuant to the law regulating state debentures and state sharia commercial paper
- Other foreign exchange transactions that are conducted in accordance to previous laws regarding financial sector regulation such as the Bank Indonesia Law, the Capital Investment Law and the Indonesian Export Financing Institutions Law.

The new regulation also provides that if businesses have trouble implementing the mandatory use of rupiah for non-cash transactions, Bank Indonesia may issue them exemptions. In issuing these exemptions, BI will consider the readiness of the business actor, the continuity of the business activity, as well as investment activity and the interests of national economic development.

The limit on transaction amounts for commercial banks engaging in derivative transactions with foreign counterparts is \$1 million. This limit covers all types of

transactions involving foreign exchange selling and purchasing against the rupiah, previously unrestricted. However, the restrictions will not apply if the derivative transactions are conducted for hedging purposes within the framework of an investment in Indonesia that will last for at least three months. The regulation also requires foreign or domestic currency lending to foreign counterparts to be conducted in the form of a syndicated loan that engages a prime bank (that is, commercial banks with a certain investment rating from a well know rating agency) as lead bank for the purpose of project financing in the real estate sector in Indonesia. The regulation fines a flat rate of 10 percent of the amount of the violating transaction.

This is more stringent than under the previous regulation, which provided a fluctuating rate. BI hopes that the regulation will reduce foreign exchange movement that is not related to a genuine underlying purpose.

In line with anti-money laundering laws, Indonesia tightened its restrictions on the amount of cash that may be carried across its borders. Carrying more than Rp100 million (approx. U.S. \$8500) in or out of Indonesia now requires prior approval from BI, and must be reported to the Director General of Customs and Excise (DGCE). A 10% fine up to Rp300 million may be applied for failure to report.

Exporters in Indonesia must repatriate their export earnings from offshore banks to domestic banks within 90 days from the date of the export declaration form. Once repatriated to Indonesia, there are no restrictions on exporters from re-transferring their export earnings back to an offshore bank.

BI also requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

## **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

**BANK OF AMERICA MERRILL LYNCH**  
Jakarta Stock Exchange Building, Tower II, 23<sup>th</sup> Floor  
Jl. Jendral Sudirman Kav. 52-53  
Jakarta 12190  
Tel (62-21) 2955-3723  
Web [www.bankofamerica.com](http://www.bankofamerica.com)  
Contact Person: Mr. Taufiqurachman, Country Operations Officer

**J.P. MORGAN CHASE BANK**  
The Energy Building  
Fifth and Sixth Floors  
SCBD Lot 11 A  
Jl. Jendral Sudirman Kav.52-53  
Jakarta 12190  
Tel (62-21) 5291-8181  
Fax (62-21) 5291-8511  
Web [www.jpmorgan.com](http://www.jpmorgan.com)  
Contact Person: Mr. Haryanto T. Budiman, Senior Country Officer

## CITI INDONESIA

Citibank Tower, 7th Floor

Jl. Jendral Sudirman Kav.54-55

Jakarta 12910

Tel (62-21) 5290-8301/8302

Fax (62-21) 5290-8303

Web [www.citigroup.com](http://www.citigroup.com); [www.citibank.co.id](http://www.citibank.co.id)

Contact Person: Mr. Batara Sianturi, Citi Country Officer and Country Head

### Project Financing

[Return to top](#)

Indonesia has prioritized infrastructure development in its medium-term development plan, or Rencana Pembangunan Jangka Menengah 2015-2019 (RPJM). The Government's estimate for infrastructure development during this period is USD 399.67 Billion. State and regional budget will contribute 41.25%, state-owned enterprise 22.23% and private 36.52%

### Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/ccp/default.htm>

U.S. Agency for International Development: <http://www.usaid.gov>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### **Business Customs**

[Return to top](#)

The best time for an initial business trip is September through June, as school holidays and vacation time in the summer months can impact the availability of many business people. Visitors should check the local holiday schedule before traveling to Indonesia, and in particular should try to avoid the Muslim fasting month of Ramadhan, during which appointments are often difficult to schedule. The normal business attire is a lightweight business suit or white shirt, tie and slacks for men, and a business suit or dress for women.

Indonesia is a very diverse country, with more than 300 different ethnic groups. While some Indonesians are traditional, others may be considerably "Westernized." Many Indonesians do not conduct business transactions or make decisions in the same direct fashion Americans do, so U.S. business people should be prepared to spend a good deal of time with clients before getting down to the business transaction. Traditional Javanese culture emphasizes harmony and the word "no" is rarely used. This can make it difficult for a Westerner to ascertain exactly how a business proposal is being received. Patience and the development of personal relations is the key. Because Indonesians do business with "friends," people who they know, developing a rapport is crucial. While quality and price are important, they are often secondary to the personal interaction of the business partners.

During business meetings, tea or coffee is almost always served and should be accepted. It should not be consumed until the host invites you to do so, which may not occur until the end of the meeting. Generally speaking, it is best to use the right hand in receiving or eating. Although hand shaking is a common practice, avoid hearty handshakes and other physical contact. Do not show the soles of your shoes when seated.

Business travelers to Indonesia seeking appointments with U.S. Embassy-Jakarta officials should contact the U.S. Commercial Service in advance. The U.S. Commercial Service can be reached by telephone at (62-21) 526-2850, fax at (62-21) 526-2855 or by e-mail: [office.jakarta@trade.gov](mailto:office.jakarta@trade.gov)

## Travel Advisory

[Return to top](#)

Travelers visiting Indonesia may wish to review the State Department Country Specific Information for Indonesia at:

<http://travel.state.gov/content/passports/english/country/indonesia.html>

## Visa Requirements

[Return to top](#)

U.S. citizens traveling to Indonesia are required to have a valid visa. Visas can be obtained by applying at the Indonesian Embassy in Washington or at their Consulates in New York, Los Angeles, and Chicago. Visas on arrival (30-day visa) are available at the airport in Jakarta, Surabaya, Medan, Denpasar and several other large cities for a fee of \$35. All travelers to Indonesia must have a passport valid for at least six months from the date of arrival in Indonesia as well as an onward/return ticket. Indonesian authorities regularly deny entry to Americans who arrive with less than six months validity on their passports. Travelers are strongly urged to check with their airline and with the Indonesian Embassy or the Directorate General of Immigration at the following links, as requirements can change on short notice.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/content/visas/english.html>

Consular Section, U.S. Embassy Jakarta: <http://jakarta.usembassy.gov/visas.html>

## Telecommunications

[Return to top](#)

Telephone services vary between areas in Jakarta. They depend largely on the local telephone exchange's capacity to handle traffic. Phone service is good along the main business thoroughfares and the newer residential areas, which are served by fiber optic trunk lines. In the older residential areas, service is less reliable. Extra phone lines can be costly, and obtaining them can be time consuming. International direct dial (IDD) lines are available and will allow connection to an AT&T operator, but rates are considerably higher than calling from the United States. The cellular market is in the middle of a boom with around 320 million cellular subscribers at the end of 2013. Cellular services could easily be obtained as various operators offering GSM or CDMA technologies.

When traveling throughout Indonesia, the options for cell phones are widely used. In terms of cell phone service in Indonesia, there are eleven carriers with GSM and CDMA technologies. Out of the eleven carriers, three GSM carriers - Telkomsel, Indosat, and XL - provide solid coverage across the country. Cell service in Indonesia is easy to obtain and inexpensive by U.S. standards. It is also worth noting that pre-paid SIM cards are easily purchased at many stores and kiosks. Blackberry usage is significant in Indonesia and widespread.

Wi-fi access is widely available in restaurants and cafes in the major metropolitan and tourist areas in Indonesia.

## Transportation

[Return to top](#)

Airlines flying into Jakarta include Garuda (the national airline), Qantas, Singapore Airlines, Cathay Pacific, KLM, and a number of other regional carriers. Connections can be made to all major airlines, including U.S. carriers, in Singapore, Japan or Hong Kong. No U.S. airlines currently fly to Indonesia. Internal flights are readily available, but connections not involving Jakarta are often problematic. There is a rail network, but it is generally not appropriate for business travel. Caution must be taken when traveling by car, as traffic conditions are significantly worse than in the US. Taxis in Jakarta are plentiful, but it is suggested to use only taxi services available at your hotel: Silver Bird, Blue Bird, and Express are the most reliable and safest taxi services. Golden Bird cars and drivers can be hired by the day, and cost around \$100 per day.

## Language

[Return to top](#)

The national language spoken across Indonesia is called Bahasa Indonesia, though there are also many local languages. English is widely spoken and understood in Jakarta by most business people, although much less so in other cities. Most hotels have English-speaking staff, as do the shopping centers that cater to expatriates and tourists. International telephone operators also speak English. The level of English can vary widely in all situations. Indonesian firms hoping to conduct business with foreigners generally try to employ some English speakers, but it is not expected within every company.

## Health

[Return to top](#)

Short-term visitors to Indonesia are advised to be up-to-date on their Hepatitis A, Hepatitis B, and Typhoid vaccinations, in addition to all routine childhood immunizations before arrival. The hepatitis vaccination series takes six months to complete. Those considering travel outside the major cities (Jakarta, Surabaya, Medan, southern Bali, etc.) should take anti-malaria medication; mefloquine or doxycycline is considered adequate prevention measures against malaria. Physicians in the United States should be able to answer questions pertaining to immunizations and other health concerns.

Air pollution in the larger cities causes a number of common respiratory ailments to both visitors and long-term residents. Dehydration as a result of intestinal illnesses can be a serious, even life-threatening, condition if not treated. Persons suffering from severe diarrhea may obtain an oral re-hydration solution from a local pharmacy. If vomiting makes it impossible to adequately re-hydrate, visit a clinic immediately.

Avian Influenza – Indonesia has experienced several outbreaks of Avian Influenza (AI). Economic hardship and ignorance of modern disease control methods have combined to make Indonesia's AI control efforts somewhat ineffective. Of the 196 cases confirmed from 2003 to date in Indonesia, 164 have been fatal. Americans who travel to Indonesia should obtain up to date health information before departing the U.S. The websites of the U.S. Centers for Disease Control at <http://www.cdc.gov/travel> and the World Health

Organization at <http://www.who.int> have up to date information on outbreaks of contagious and tropical diseases.

There are a few modern, well-equipped clinics and hospitals in Jakarta that are considered adequate for minor illnesses, but expatriates generally prefer to fly to Singapore or their home countries for treatment of serious illnesses and/or operations. An adequate pre-hospital emergency system, similar to the "911" system in the U.S., does not exist in any Indonesian cities. Many local hospitals operate their own ambulances, with no common standards. Response time can be prolonged. In the event of illness or emergency, the following clinics and hospitals are among those frequented by expatriates in Jakarta:

SOS Medika Klinik Cipete, South Jakarta  
Jl. Puri Sakti No. 10, Cipete  
Jakarta 12410  
Admin and Office Telephone: (62-21) 750-5973  
Fax: (62-21) 750-6002, 750-6003  
Clinic Appointment: (62-21) 750-5980  
24 Hour Emergencies: (62-21) 750-6001  
Email: [sos.indonesia@internationalsos.com](mailto:sos.indonesia@internationalsos.com)  
<http://www.sosindonesia.com>

SOS Medika Klinik Kuningan, Central Jakarta  
Menara Prima, 2<sup>nd</sup> Floor  
Jl. DR. Ide Anak Agung Gde Agung Blok 6.2  
Kawasan Mega Kuningan  
Jakarta 12950  
Telephone: (62-21) 5794-8600  
Fax: (62-21) 5794-8686

Global Doctor Indonesia  
Jl. Kemang Raya No. 87  
Jakarta 12730  
Tel: (62-21) 719-4565  
Fax: (62-21) 719-8969  
<http://www.globaldoctor.co.id/Home.html>

Food: Exercise reasonable care in food preparation at home and menu selection while eating out because of questionable sanitation practices. Imported meats, vegetables, and packaged foods are readily available from most stores in the Carrefour, Giant, Hypermart and Hero grocery stores chain (locations throughout Jakarta), at all Sogo department stores, at Kem Chicks in the Kemang district, and Ranch Market grocery stores.

Drinking tap water anywhere in Indonesia is not advised. Use commercial bottled water from your hotel or purchase from a supermarket. "Aqua" is one of the more common brands used by expatriates. Avoid buying bottled water from street vendors if possible.

Short-term visitors to Indonesia are well advised to eat only in hotels and restaurants that cater to international tourists. Caution, however, should also be exercised in such "5-star" establishments. Do not eat from street stalls. Avoid raw, unpeeled fruits and

uncooked vegetables, food that is prepared in advance and then left to stand, raw or undercooked meats, seafood, and shellfish in questionable eating venues.

## Local Time, Business Hours, and Holidays

[Return to top](#)

Indonesia has three time zones:

Eastern Indonesian time is 11 hours ahead of Eastern Standard Time (12 hours ahead of Eastern Daylight Time).

Central Indonesia (Java and Jakarta) time is 12 hours ahead of Eastern Standard Time (13 hours ahead of Eastern Daylight Time).

Western Indonesian time is 13 hours ahead of Eastern Standard Time (14 hours ahead of Eastern Daylight Time).

Business hours are generally:

### Commerce

0900 -1700 Monday - Friday (note Friday prayers at 1200-1300)

### Government

0730 – 1600 Monday – Friday

### Banks

0900 – 1500 Monday – Friday

### Shops

1000 – 2200 Monday – Sunday

## **Holiday Listing for 2015 – Local and U.S. Embassy**

Thursday, January 1	New Year's Day (U.S.)
Saturday, January 3	Mohammed's Birthday (Indonesian)
Monday, January 19	Martin Luther King, Jr.'s Birthday (U.S.)
Monday, February 16	Washington's Birthday (U.S.)
Thursday, February 19	Chinese New Year (Indonesian)
Saturday, March 21	Nyepi (Indonesian)
Friday, April 3	Good Friday (Indonesian)
Friday, May 1	International Labor Day (Indonesian)
Thursday, May 14	Ascension of Christ (Indonesian)
Saturday, May 16	Ascension of Mohammed (Indonesian)
Tuesday, June 2	Waisak (Indonesian)
Monday, May 26	Memorial Day (U.S.)
Friday, July 3	Independence Day (U.S.)
Friday - Saturday, July 17-18	Idul Fitri 1435 (Indonesian)
Monday, August 17	Independence Day (Indonesian)
Monday, September 7	Labor Day (U.S.)
Thursday, September 24	Idul Adha (Indonesian)
Monday, October 12	Columbus Day (U.S.)

Wednesday, October 14  
Wednesday, November 11  
Thursday, November 26  
Friday, December 25

Moslem New Year (Indonesian)  
Veterans' Day (U.S.)  
Thanksgiving Day (U.S.)  
Christmas Day (U.S.)

Holiday schedule: <http://jakarta.usembassy.gov/holidays.html>

### Temporary Entry of Materials and Personal Belongings

[Return to top](#)

The GOI encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are a number of EPZs in Indonesia, the most well-known being Batam Island, located 20 kilometers south of Singapore. Indonesia also has several bonded zones or areas that are designated as entry ports for export destined production (EPTE). Companies are encouraged to locate in bonded zones or industrial estates whenever possible. Other free trade zones include a facility near Tanjung Priok, Jakarta's main port, and a bonded warehouse in Cakung, also near Jakarta.

There is a duty drawback facility (BAPEKSTA) for exports located outside the zones. Foreign and domestic investors wishing to establish projects in a bonded area must apply to the Capital Investment Coordinating Board. Expatriates relocating to Indonesia should seek the advice of a qualified international relocation firm. Indonesia is a "Right Hand Drive" country and only vehicles with right hand steering wheels can be imported, even for personal use.

### Web Resources

[Return to top](#)

Association of South East Asian Nations (ASEAN) - <http://www.asean.org/>  
Expat.or.id - <http://www.expat.or.id>  
Department of Trade - <http://www.kemendag.go.id/>  
Indonesian Investment Coordinating Board - <http://www.bkpm.go.id/>  
Indonesiatourism.com - <http://www.indonesiatourism.com>  
Indo.com - <http://www.indo.com>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### **1. Chambers of Commerce**

#### *American Chamber of Commerce in Indonesia*

Today, American Chamber of Commerce in Indonesia (AMCHAM) has more than 500 members representing more than 250 companies, including leading U.S. firms with offices in Indonesia, associate members (non-U.S. companies), individuals, and special members. The Chamber prepares a number of useful guides to doing business in Indonesia, has developed position papers on key policy issues, and maintains a useful membership directory. AMCHAM assists U.S. firms in assessing business opportunities by staging briefing breakfasts at the requester's expense. Members have access to a number of active committees addressing business issues in the areas of trade and investment, banking, telecom, energy, etc. The contact information is as follows:

#### *American Chamber of Commerce (AMCHAM)*

World Trade Center, 11th Floor,  
Jl. Jendral Sudirman Kav. 29 - 31  
Jakarta 12920, Indonesia  
Tel: (62-21) 526-2860; Fax: (62-21) 526-2861  
E-mail: [director@amcham.or.id](mailto:director@amcham.or.id)  
Website: <http://www.amcham.or.id>  
Contact: Mr. Lin Neumann, Managing Director  
Ms. Sarah Howe, Executive Director

#### *American-Indonesian Chamber of Commerce*

Based in New York City, the membership of the American-Indonesian Chamber of Commerce is comprised of over 150 companies and individuals doing business in Indonesia. It has an active program of monthly luncheons, featuring speakers knowledgeable about Indonesia and briefing programs for newly appointed American and Indonesian government officials. The Chamber also publishes "OUTLOOK INDONESIA," a quarterly publication containing interpretations of new Indonesian policies, sectoral reviews, summaries of recent Chamber activities, and an Executive Director's column. In addition, the American-Indonesian Chamber of Commerce provides business translations, either from English to Indonesian or Indonesian to English. Their contact information is as follows:

The American-Indonesian Chamber of Commerce  
317 Madison Avenue, Suite 1619  
New York, NY 10017  
Tel: (212) 687-4505; Fax: (212) 687-5844  
E-mail: [wayne@aiccusa.org](mailto:wayne@aiccusa.org)  
Website: <http://www.aiccusa.org>  
Contact: Mr. Wayne Forrest, President

*U.S. Chamber of Commerce*

The U.S. Chamber of Commerce is the most extensive nationwide chamber in the United States. The U.S. Chamber has expanded its overseas activities and is exploring a number of programs designed to assist SME exporters to the Asia Region.

U.S. Chamber of Commerce

1615 H Street, N.W.

Washington, D.C. 20062-2000

Tel: (202) 463-5359; Fax: (202) 822-2491

E-mail: [JGoyer@USChamber.com](mailto:JGoyer@USChamber.com)

Website: [www.uschamber.com](http://www.uschamber.com)

Contact: Mr. John Goyer, Senior Director, Southeast Asia

**2. Related Business Councils and Associations in the U.S.**

*U.S.-ASEAN Business Council*

1101 17th Street, N.W., Suite 411

Washington D.C. 20036

Tel: (202) 289-1911; Fax: (202) 289-0519

E-mail: [mail@usasean.org](mailto:mail@usasean.org)

Website: <http://www.us-asean.org>

Marquee Executive Offices

Mayapada Tower, 11<sup>th</sup> Floor

Jl. Jend. Sudirman Kav. 28

Jakarta 12920, Indonesia

Tel: (62-21) 5289-7368

Fax: (62-21) 5289-7357

Website: [www.usasean.org](http://www.usasean.org)

Contact: Ms. Desi Indrimayutri, Senior Country Representative - Indonesia

*California-Asia Business Council*

525 Market St., 25th Floor

San Francisco CA 94105

Tel: 415-986-8808; Fax: 415-986-3545

E-mail: [jeremy@calasia.org](mailto:jeremy@calasia.org)

Website: <http://www.calasia.org>

Contact: Mr. Jeremy Potash, Executive Director

*Pacific Basin Economic Council Limited*

Unit 2803-04, 28/F, Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

Tel: (852) 2815 6550; Fax: (852) 2545-0499

E-mail: [info@pbec.org](mailto:info@pbec.org)

Website: [www.pbec.org](http://www.pbec.org)

### **3. Indonesian Trade Associations**

#### *KADIN*

The major trade association in Indonesia is the Indonesian Chamber of Commerce and Industry (KADIN). Members include representatives from private industry, cooperatives, public corporations, utilities, as well as state-owned enterprises. In addition, there are numerous other specialized and professional organizations that represent the interests of various other sectors and trades in the economy. Contact information for KADIN is as follows:

Indonesian Chamber of Commerce & Industry (KADIN)

Menara Kadin, 29th Floor

Jl. H.R. Rasuna Said X-5 Kav. 2-3

Jakarta 12950

Tel: (62-21) 527-4484/85; Fax: (62-21) 527-4331/32

E-mail: [sekretariat@kadin-indonesia.or.id](mailto:sekretariat@kadin-indonesia.or.id) or [kadin@kadin-indonesia.or.id](mailto:kadin@kadin-indonesia.or.id)

Website: <http://www.kadin-indonesia.or.id>

Contact: Mr. Suryo Bambang Sulisto, Chairman; Mr. John Riady, Chairman of U.S.-Indonesia Committee (KIKAS)

#### *GINSI/GPEI*

Associations of importers and exporters, most of whom are organized on a commodity basis, include the Importers Association of Indonesia (GINSI) and the Indonesian Association of Exporters (GPEI). Both organizations have head offices in Jakarta. Contact information is as follows:

Importers Association of Indonesia (GINSI)

Wisma Kosgoro, 8th Floor

Jl. MH. Thamrin No.53

Jakarta 10350

Tel: (62-21) 3983-2510; Fax: (62-21) 3983-2499, 3983-2504

Contact: Mr. Roefiek Natahadibrata, Chairman

Indonesian Exporters Association (GPEI)

ITC Cempaka Mas 7th Floor No. 6

Jl. Letjen Suprpto, Cempaka Putih

Jakarta Pusat

Tel: (62-21) 4290-0549; Fax: (62-21) 4290-0546

Contact: Mr. Benny Soetrisno, Chairman; Mr. Toto Dirgantoro, Secretary General

### **4. Trade and Project Financing**

*U.S. Trade and Development Agency*

1000 Wilson Boulevard, Suite 1600

Arlington, VA 22209-3901

Tel: (703) 875-4357; Fax: (703) 875-4009

E-mail: [hsteingass@ustda.gov](mailto:hsteingass@ustda.gov)

Website: <http://www.ustda.gov>

Contact: Mr. Henry Steingass, Regional Director, South and Southeast Asia

*U.S. Trade and Development Agency (USTDA) Asia Regional Office*

U.S. Embassy, Bangkok  
GPF Witthayu Tower A, Suite 302  
93/1 Wireless Road  
Bangkok, Thailand, 10330  
Tel: (662) 205-5090/5600 (direct); Fax: (662) 255-4366  
E-mail: [mdunn@ustda.gov](mailto:mdunn@ustda.gov)  
Website: [www.ustda.gov](http://www.ustda.gov)  
Contact: Mr. Mark Dunn, Regional Manager for Asia

*Advocacy Center - Asian Development Bank Office, Manila*

U.S. Embassy - NOX 2  
1201 Roxas Boulevard, Ermita  
Manila 1000, Philippines  
Tel: 632-301 2000; 632 -516 5093; Fax: 632-516 6958  
E-mail: [Office.ManilaADB@trade.gov](mailto:Office.ManilaADB@trade.gov)  
Website: <http://export.gov/adb/>  
Contact: Ms. Margaret Keshishian, Director/Senior Commercial Officer

*Overseas Private Investment Corporation (OPIC) Asia Regional Office*

U.S. Embassy, Bangkok  
GPF Witthayu Tower A, Suite 302  
93/1 Wireless Road  
Bangkok, Thailand, 10330  
Tel: (662) 205-4028  
Email: [Geoffrey.Tan@opic.gov](mailto:Geoffrey.Tan@opic.gov)  
Contact: Mr. Geoffrey Tan, Managing Director Asia-Pacific

*Export-Import Bank of the United States (Exim Bank)*

811 Vermont Ave., N.W.  
Washington, DC 20571  
Tel: (202) 565-3946 or (800) 565-3946; Fax: (202) 565-3380  
Email: [Richard.Pearson@exim.gov](mailto:Richard.Pearson@exim.gov)  
Website: <http://www.exim.gov>  
Contact: Richard Pearson, Business Development Officer

*Islamic Development Bank*

Head Office  
P.O. Box 5925  
Jeddah 21432  
Kingdom of Saudi Arabia  
Tel: (966-2) 636-1400 (10 lines); Fax: (966-2) 636-6871  
E-mail: [idbarchives@isdb.org](mailto:idbarchives@isdb.org)  
Website: <http://www.isdb.org>

*Country Gateway Office Indonesia*

Office 8, 35C  
Sudirman Central Business District, Lot 28  
Jl. Jenderal.Sudirman Kav 52-53  
Jakarta 12190, Indonesia

*Advocacy Center - World Bank, Washington DC*  
Commercial Service Liaison Office  
Office of the U.S. Executive Director  
The World Bank  
1818 H Street, NW; MC 13-1307  
Washington, DC 20433  
Tel: (202) 458-0120 ; Fax: (202) 477-2967  
E-mail: keith.curtis@trade.gov  
Website: <http://www.buyusa.gov/worldbank/>  
Contact: Mr. Keith Curtis, Senior Commercial Officer

*The World Bank (Indonesia Office)*  
Indonesia Stock Exchange Building, Tower 2, 12th Floor  
Jl. Jendral Sudirman, Kav. 52-53  
Jakarta 12190, Indonesia  
Tel: (62-21) 5299-3000; Fax: (62-21) 5299-3111  
E-mail: [wbindonesia@worldbank.org](mailto:wbindonesia@worldbank.org)  
Website: <http://www.worldbank.org/en/country/indonesia>  
Contact: Mr. Rodrigo Chaves, Country Director for Indonesia

## **5. Indonesian Government Contacts**

The GOI established the National Agency for Export Development within the Ministry of Trade to promote the export of certain products. These products include handicrafts (i.e., jewelry, batik, hand-woven fabric, and wood carvings), agricultural and cottage industry products, and new manufactured products. The agency will also assist foreign buyers and importers in establishing contacts with Indonesian companies. Contact information is as follows:

*Directorate General of National Export Development (DGNED)*  
Ministry of Trade, Main Building 4th Floor  
Jl. M. I. Ridwan Rais No. 5  
Jakarta Pusat 10110, Indonesia  
Tel: (62-21) 2352-8640, 385-8171 ext. 37900; Fax: (62-21) 2352-8650  
Website: <http://djpen.kemendag.go.id/>  
Contact: Dra. Nus Nuzulia Ishak, Director General

*Directorate General for International Trade Cooperation*  
Ministry of Trade  
Jl. M.I. Ridwan Rais No. 5, Main Building, 8th Floor  
Jakarta 10110, Indonesia  
Tel: (62-21) 2352-8600, 385-8171 ext. 36900; Fax: (62-21) 2352-8610  
E-mail: [djkpi@kemendag.go.id](mailto:djkpi@kemendag.go.id)  
Website: <http://ditjenkpi.kemendag.go.id/>  
Contact: Mr. Drs. Partogi Pangaribuan, Director General

*Directorate General for Customs and Excise*  
Director for Customs and Excise Information  
Ministry of Finance, Building A, 1st Floor  
Jl. Jend. A. Yani 108, By Pass  
Jakarta 13230, Indonesia

Tel: (62-21) 489-1581; Fax: (62-21) 489-2859  
E-mail: [perpen@beacukai.go.id](mailto:perpen@beacukai.go.id)  
Website: <http://www.beacukai.go.id>  
Contact: Mr. Agung Kuswandono, IR., M.A., Director General

## **6. Coordinating Ministers/Cabinet**

The following is a listing of GOI's cabinet as of the time of writing. Those who wish to get in touch with these cabinet members can contact the U.S. Commercial Service in Jakarta for up-to-date contact information.

### *Coordinating Ministers:*

Political, Legal, and Security Affairs: Tedjo Edhy Purdijatno  
Economy: Sofyan Djalil  
Human Development and Culture: Puan Maharani  
Maritime Affairs: Indroyono Soesilo

### *Ministers:*

National Development Planning	: Andrinof Chaniago
Transportation	: Ignasius Johan
Maritime Affairs and Fisheries	: Susi Pudjiastuti
Energy and Mineral Resources	: Sudirman Said
Communication and Information	: Rudiantara
Administrative & Bureaucratic Reform	: Yuddy Chrisnandi
Finance	: Bambang P. S. Brodjonegoro
Owned Enterprises	: Rini Soemarno
Cooperatives and SME	: Anak Agung Gede Ngurah
Puspayoga	
Environment and Forestry	: Siti Nurbaya Bakar
Agrarian and Spatial Planning	: Ferry Mursyidan Baldan
Religious Affairs	: Lukman Hakim Saefuddin
Health	: Nila Djuwita Anfasa Moeloek
Social Affairs	: Khofifah Indar Parawansa
Tourism	: Arief Yahya
Home	: Tjahjo Kumolo
Foreign	: Retno Lestari P. Marsudi
Defense	: Gen. (ret.) Ryamizard Ryacudu
Law and Human Rights	: Yasonna H. Laoly
Industry	: Saleh Husin
Trade	: Rahmat Gobel
Agriculture	: Amran Sulaiman
Manpower	: Muhammad Hanif Dhakiri
Public Works and Public Housing	: Basuki Hadimuljono
Women's Empowerment and Child Protection	: Yohana Susana Yembise
Culture and Elementary & Secondary Education	: Anies Baswedan
Research & Technology and Higher Education	: Muhammad Nasir
Youth and Sports	: Imam Nahrawi
Villages, Disadvantaged Regions & Transmigration	: Marwan Jafar

### *Officials of Ministerial Rank:*

State Secretary : Pratikno

Attorney General

: HM Prasetyo

\* In Indonesia, DR refers to a person with a Doctorate degree; dr. refers to a person with a medical degree; Drs. refers to a male with a bachelor degree; Dra. refers to a female with a bachelor degree; SH. refers to a person with a law degree; MSC is a person with a Master of Science; Ir. refers to a person with an engineering degree.

## **7. U.S. Government Contacts**

### *U.S. Embassy Jakarta:*

International Mail:

American Embassy - Jakarta

Jl. Medan Merdeka Selatan 3-5

Jakarta 10110, Indonesia

U.S. Ambassador Robert O. Blake Jr.

Aide to Ambassador Tara Gould

Deputy Chief of Mission Kristen F. Bauer

Aide to DCM Gail Lewis

Website: <http://jakarta.usembassy.gov/>

### *U.S. Commercial Service*

Ms. Rosemary Gallant, Counselor for Commercial Affairs

World Trade Center 6, 3rd Floor

Jl. Jendral Sudirman Kav. 29-31

Jakarta 12920, Indonesia

Tel: (62-21) 526-2850; Fax: (62-21) 526-2855

E-mail: [office.jakarta@trade.gov](mailto:office.jakarta@trade.gov)

### *Foreign Agricultural Service (FAS)*

Mr. Ali Abdi, Counselor for Agricultural Affairs

Tel: (62-21) 3435-9000 (ext. 9161); Fax: (62-21) 3435-9920

### *Economic Section*

Mr. Jim Mullinax, Economic Counselor

Tel: (62-21) 3435-9000 (ext. 9073); Fax: (62-21) 3435-9971

### *Political Section*

Mr. Mark Clark, Political Counselor

Tel: (62-21) 3435-9000 (ext. 9280); Fax: (62-21) 3435-9916

### *Consular Section*

Mr. Thurmond H. Borden, Consul General

Tel: (62-21) 3435-9000 (ext. 9050); Fax: (62-21) 385-7189

### *Regional Security Office (RSO)*

Mr. James Murphy, Counselor for Regional Security

Tel: (62-21) 3435-9000 (ext. 9188); Fax: (62-21) 3435-9911

*U.S. Consulate General – Surabaya*

Mr. Joaquin Monserrate, Consul General  
*American Consulate General*  
Jl. Citra Niaga No. 2  
Surabaya 60217, Indonesia  
Tel: (62-31) 297-5300  
E-mail: [consurabaya@state.gov](mailto:consurabaya@state.gov)  
Website: <http://surabaya.usconsulate.gov/>

*U.S. Consulate General - Medan, North Sumatra*  
Mr. Y. Robert Ewing, Principal Officer  
Uni Plaza Building 4th Floor, West Tower  
Jl. Let. Jend. MT. Haryono A-1  
Medan 20231, Indonesia  
Tel: (62-61) 451-9000; Fax: (62-61) 455-9033  
E-mail: [sumatra@state.gov](mailto:sumatra@state.gov)  
Website: <http://medan.usconsulate.gov>

*U.S. Consular Agency, Denpasar, Bali*  
Mr. Joseph Curtin, Consular Agent  
Jl. Hayam Wuruk 188, Denpasar, Bali 80235, Indonesia  
Tel: (62-361) 233-605; Fax: (62-361) 222-426  
E-mail: [BaliConsularAgency@state.gov](mailto:BaliConsularAgency@state.gov)

## **8. U.S. Government – Washington D.C.**

*U.S. Department of Commerce/Global Markets*  
Ms. Wallis Yu, International Trade Specialist  
1401 Constitution Ave., N.W. Room 7025, Washington DC 20230  
Tel: (202) 482-5344; Fax: (202) 482-2925  
E-mail: [wallis.yu@trade.gov](mailto:wallis.yu@trade.gov)

*U.S. Department of Commerce/PDAS-AC: Advocacy Center*  
Mr. Jason Evans, International Trade Specialist  
1401 Constitution Ave., N.W. Room 2840, Washington DC 20230  
Tel: (202) 482-4416  
Email: [Jason.evans@trade.gov](mailto:Jason.evans@trade.gov)

## **9. Indonesian Embassy and Consulates in the United States**

*Embassy of the Republic of Indonesia*  
2020 Massachusetts Avenue, N.W.  
Washington, D.C. 20036  
Tel: (202) 775-5200  
Email: [info@kbri.org](mailto:info@kbri.org)  
Website: <http://www.embassyofindonesia.org>

*Consulate General of the Republic of Indonesia - New York*  
5 East 68th St.  
New York, NY 10065  
Tel: (212) 879-0600  
Fax: (212) 570-6206

Email: [information@indonesianewyork.org](mailto:information@indonesianewyork.org)  
Website: [www.indonesianewyork.org](http://www.indonesianewyork.org)

*Permanent Mission of the Republic of Indonesia to the United Nations*  
325 East 38th Street  
New York, N.Y. 10016  
Tel: (212) 972-8333  
Fax: (212) 972-9780  
Email: [ptri@indonesiamission-ny.org](mailto:ptri@indonesiamission-ny.org)  
Website: [www.indonesiamission-ny.org](http://www.indonesiamission-ny.org)

*Consulate General of the Republic of Indonesia - Los Angeles*  
3457 Wilshire Boulevard  
Los Angeles, CA 90010  
Tel: (213) 383-5126  
Fax: (213) 487-3971  
Email: [kjri@kjri-la.net](mailto:kjri@kjri-la.net)  
Website: [www.kjri-la.net](http://www.kjri-la.net)

*Consulate General of the Republic of Indonesia - Houston*  
10900 Richmond Avenue  
Houston, TX 77042  
Tel: (713) 785-1691  
Fax: (713) 780-9644  
Email: [kjrihouston@prodigy.net](mailto:kjrihouston@prodigy.net)  
Website: [www.indonesiahouston.net](http://www.indonesiahouston.net)

*Consulate General of the Republic of Indonesia - Chicago*  
211 West Wacker Drive 8th Floor  
Chicago, Illinois 60606  
Phone: (312) 920-1880  
Fax: (312) 920-1881  
Website: [www.indonesiachicago.org](http://www.indonesiachicago.org)

*Consulate General of the Republic of Indonesia - San Francisco*  
1111 Columbus Ave.  
San Francisco, CA 94133  
Tel: (415) 474-9571  
Fax: (415) 441-4320  
Email: [consulate@indonesia-sanfrancisco.net](mailto:consulate@indonesia-sanfrancisco.net)  
Website: [www.kjrifso.net](http://www.kjrifso.net)

## **10. Consultants and Market Research Firms**

Performing market research in Indonesia is difficult because detailed statistics on production and consumption are often not available through published sources. External trade statistics, however, are fairly detailed and additional data can be obtained for a fee from the Central Bureau of Statistics (Badan Pusat Statistik or BPS).

Unrecorded trade may distort import statistics and trends. For example, BPS figures tend to understate import values, as these figures exclude duty-free imports, including

duty-free imports for investment and certain other transactions. Although there are a growing number of Indonesian organizations active in market research, the number remains small and expertise varies. Branches of American banks will often conduct market surveys for their customers, and several U.S. consulting firms now have affiliates in Jakarta.

*Badan Pusat Statistik Republik Indonesia*  
(Central Bureau of Statistics of the Republic of Indonesia)  
Jl. Dr. Sutomo No.6-8  
Jakarta Pusat 10710  
Tel: (62-21) 384-1195, 384-2508, 381-0291  
Fax: (62-21) 385-7046  
E-mail: [bpsHQ@bps.go.id](mailto:bpsHQ@bps.go.id)  
Internet: <http://www.bps.go.id>  
Kepala BPS : Dr. Suryamin, Msc

A growing number of foreign law firms, including some from the U.S., are also entering the Indonesian business community as business consultants. Members of INKINDO, the Association of Indonesian Consultants, are able to perform a wide range of research and consulting services. INKINDO was established by Indonesian consultants based in Jakarta. The contact information for this association is as follows:

*The National Association of Indonesian Consultants (INKINDO)*  
Jl. Bendungan Hilir Raya, No. 29  
Jakarta 10210  
Tel: (62-21) 573-8577  
Fax: (62-21) 573-3474  
E-mail: [inkindo@inkindo.org](mailto:inkindo@inkindo.org)  
Internet: [www.inkindo.org](http://www.inkindo.org)  
Contact: Mr. Nugroho Pudji Rahardjo, Chairman

## Market Research

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## Trade Events

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>  
[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

Located within the World Trade Center complex in the heart of Jakarta's business and banking district, **The Commercial Service** of the U.S. Embassy Jakarta, Indonesia provides a convenient, immediate, and affordable presence in the Indonesian market. With critical trade information, personalized counseling, superior facilities, and the access it takes to do business in Indonesia, the U.S. Commercial Service is the "must" first stop for American exporters serious about selling to this rebounding market. Our professional commercial specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers.

### OUR MISSION

- To promote the export of goods and services from the United States.
- To help U.S. businesses find qualified international partners.
- To represent U.S. business interests internationally.

### OUR SERVICES

#### **Gold Key Service (GKS)**

The Gold Key Service is a custom-tailored "individual trade mission" for representatives of U.S. firms planning to visit Indonesia. The U.S. firm reaps the benefits of Department of Commerce representation and support abroad. We arrange one-on-one appointments with carefully selected potential business partners in a targeted export market.

#### **Business Facilitation Service (BFS)**

Get low-cost logistical and administrative support when you are on international business travel. The U.S. Commercial Service's Business Facilitation Service offers flexible solutions to let you do business when you are away from home.

#### **Single Company Promotion (SCP)**

We will assist a U.S. company or its local representative to organize a promotional event in Jakarta which could include seminars, luncheons, cocktail receptions, etc. The service is tailored to the specific needs of the U.S. company.

#### **International Partner Search (IPS)**

We will conduct a search of potential local partners or licensees for U.S. firms and report on up to five qualified partners—overseas agents, distributors, manufacturers, representatives, joint venture partners, licensees, franchises or strategic partners. U.S. clients must provide by email or express mail adequate product materials to allow us to conduct a thorough search. We request that the U.S. client include a letter of introduction in English (we will translate if necessary) stating its objectives in

Indonesia.

### **International Company Profile (ICP)**

Initiate and manage your international business relationships with confidence. CS Jakarta will provide U.S. clients with a customized ICP with background information on potential Indonesian business partners or entities. Researched (including a visit to company premises and interview of key officers) and prepared by our trade specialists and commercial officers, International Company Profiles enable U.S. small and medium-sized businesses to more effectively evaluate overseas companies. You will get detailed answers to your questions about the specific overseas companies in which you are interested and our opinion on the overall viability of the company in its market.

Our trade professionals in over 100 U.S. cities and in more than 75 countries help U.S. companies get started in exporting or increase sales to new global markets.

To find an Export Assistance Center nearest you, see our list of U.S. Offices, please click on the following link: <http://www.export.gov/usoffices/index.asp>

For information on a specific country see our International Offices, please click on the following link: [http://www.export.gov/worldwide\\_us/index.asp](http://www.export.gov/worldwide_us/index.asp)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also click on the following link: [www.export.gov](http://www.export.gov)

### **SelectUSA:**

SelectUSA was created by President Obama in June 2011 through Executive Order 13577, as the U.S. government-wide program to promote and facilitate business investment into the United States, including foreign direct investment (FDI) and reshoring.

The program is housed within the Commerce Department and coordinates investment-related resources across more than 20 federal agencies through the Interagency Investment Working Group (IIWG). SelectUSA provides services to two types of clients: investors and U.S. economic development organizations at the state and local level. Services include:

#### *Information Assistance:*

- SelectUSA provides information to investors on the benefits of establishing operations in the United States, as well as the information needed to move investments forward. Investors can access facts, data and local contacts for the U.S. market.
- SelectUSA also works closely with state, local and regional economic developers to provide counseling on strategy, best practices, and on-the-ground intelligence from the Foreign Commercial Service network across more than 70 foreign markets.

*Ombudsman Services:* SelectUSA coordinates federal agencies to address investor concerns relating to a wide range of federal regulatory issues – helping them to navigate an unfamiliar system.

*Investment Advocacy:* U.S. state and local governments often find themselves competing with a foreign location for a project. SelectUSA can coordinate senior U.S. government officials to advocate to the investor to bring those jobs to the United States.

*Promotional Platform:* SelectUSA brings the power of the “USA” brand to high-profile events, such as, such as the upcoming 2015 Investment Summit, to attract investors to learn about our nation’s investment opportunities. SelectUSA organizes international Road Shows and missions to trade fairs, while also offering tailored on-the-ground assistance in more than 70 markets.

Note: SelectUSA exercises strict geographic neutrality, and represents the entire United States. The program does not promote one U.S. location over another U.S. location.

For more information on SelectUSA and services provided for investors and economic development organizations please click on the following link: <http://selectusa.commerce.gov/>

### **National Export Initiative:**

The President’s National Export Initiative/NEXT marshals Federal agencies to provide customer service-driven services and actionable information resources that ensure American businesses are able to capitalize on expanded opportunities to sell their goods and services abroad.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government’s trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: (Insert link to Products and Services section of local buyusa.gov website here.)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)