

Indonesia's Bogor Goals Progress Report (as at 13 August 2012)*

Highlights of Achievements and Areas for Improvement

- Most of the tariff lines are below 10 percent. Applied tariffs have decreased in recent years.
- However, MFN tariff peaks for some agricultural products above 50 percent still remain.
- Permits or licenses still needed to import several goods. Some imports can only be processed at certain ports of destination.
- Efforts in services liberalization across many sectors. More flexibility in the participation of foreign companies in certain services sectors.
- Getting permits, licenses and investment procedures were simplified in recent years,
- 45 percent of standards approved in 2011 were aligned with international standards.
- Concerning intellectual property, patent transfers have to be registered in the General List within 30 days from the time the applicant completes the required documentation.
- Efforts to increase transparency in government procurement. Every ministry should announce its procurement on centralized government procurement website, and government sector agencies are obliged to implement the Electronic Procurement (e-Procurement) by 2012 and to set up permanent Procurement Service Units by 2014.
- Indonesia has issued a Master Plan for the Acceleration and Expansion of Economic Development of Indonesia 2011-2025 in 2011, which includes the implementation of bureaucratic, regulatory and economic reforms in many sectors.
- New measures are put in place to grant Permanent Stay Permit to foreign investors. Visa on Arrival is granted to passport holders from 65 economies.

Summary of Updates

Tariffs

Applied tariffs have decreased in recent years. 81.5 percent of the tariff lines at the HS 10-digit level had tariffs between zero and 10 percent in 2009 and the simple average tariff at the same HS level reached 7.64 percent. Indonesia has also committed to reduce tariffs according to the liberalization schedules in its Free Trade Agreements (FTAs).

However, MFN tariff peaks for some agricultural products above 50 percent still remain.

Non-Tariff Measures

Additional flexibility has been introduced in the import of used capital goods. From January 2012, the number of used capital goods that can be imported went up from 288 to 306. However, some recent regulations seem to move in the opposite direction. For example, regulations were put in place in 2012 to allow only registered importers or producers to import certain goods such as iron and steel, food and beverages products, traditional medicine and herbal products, cosmetic products, garment, footwear, electronics and children's toys, tires and sodium tripolyphosphate. In addition, these regulations mentioned that these imports could only be processed in specific ports of destination.

* This brief report was prepared with information from Indonesia's submission of 2012 APEC Individual Action Plan (IAP) template.

Some measures have been justified under legitimate reasons, such as cultural grounds (procurement, distribution, sales, supervision and control of alcoholic beverages) and concerns on the environment and public health (procurement, distribution and control of hazardous materials; and the Import Provision of Ozone Depleting Substance).

Services

In recent years, liberalization took place in many services sectors. For example, foreign companies with a minimum amount of capital of five billion INR are now allowed in distribution services. Foreign equity participation in telecommunications, postal and express delivery is allowed up to 49 percent. Foreign Accountants could provide services in Indonesia by joining a local accounting firm, subject to the firm meeting particular ratios of foreign versus domestic employees and the existence of a bilateral Mutual Recognition Agreement (MRA). Foreign investors may purchase up to 100 percent shares of publicly held Securities Company in both primary and secondary markets.

In 2010, Indonesia also allowed foreign participation up to 49 percent in four audiovisual services sub-sectors, as well as land freight, air passenger transportation, computer reservation system for air transport and certain sub-sectors in tourism, recreation and entertainment.

In terms of air transportation, Indonesia also ratified protocols of the ASEAN Multilateral Agreement on Air Services regarding unlimited third, fourth and fifth freedom traffic rights within ASEAN.

Investment

Indonesia has developed several regulations to facilitate investment. For example, Special Economic Zones receive fiscal incentives such as corporate tax allowance, import tax holidays, excise tax exemptions, and exemptions for value added tax and sales tax for luxury items and import income tax. In general, regulations and application procedures on tax exemption or reduction were put in place in 2011, which allows exemptions for corporate income tax from five to ten years, following certain requirements. Also, income tax allowances incentives were granted for high-priority business.

Getting permits and investment procedures were simplified. Retribution as requirement to obtain trade business licenses was removed. Collateral as requirement for foreign trading companies to obtain business licenses was also removed. In this context, Indonesia is also refining the implementation of a one-stop shop, including services for obtaining investment licenses, as well as non-license services.

Standards and Conformance

As of December 2011, there are 7,469 standards (7,222 voluntary standards and 247 mandatory standards) approved as National Standards of Indonesia. For the year 2011 alone, 500 standards were approved by Indonesian Government, among which 225 standards (45 percent of them) were harmonized with international standards. Indonesia is in the process of developing a program to align domestic standards to international standards.

Indonesia has given accreditation to various certification bodies and testing bodies; as of September 2011, Indonesia accredited 138 calibration laboratories, 560 testing laboratories, 26 inspection bodies, 22 medical laboratories, 31 product certification bodies, among others. Moreover, Indonesia is actively participating in international fora in accordance with international standards formulation process, such as the Codex Committees on Food Additives, Contaminants in Food and Food Labeling, the Codex Alimentarius Commission, among others.

Customs Procedures

Indonesia has conducted capacity building activities in cooperation with other customs administrations regarding the implementation of an Authorized Economic Operator (AEO) Program.

Intellectual Property Rights

In 2010, it was established that the Directorate General of Intellectual Property shall register the patent transfers in the General List within 30 days from the time the applicant completes the submission of the required documentation.

Competition Policy

In the period of 2010 – 2011, Commission for the Supervision of Business Competition (KPPU) issued 43 regulations and nine guidelines aimed at implementing laws concerning the improvement of transparency and understanding of the law, discriminatory practices, price fixing, exclusive dealing, predatory pricing, ownership sharing, re-sale price maintenance, exclusion of SMEs, merger and acquisition procedures, and monopoly practices.

Government Procurement

Under Presidential Regulation No.54/2010, from 2011, every ministry should announce its procurement on centralized government procurement website. Furthermore, government sector agencies are obliged to implement the Electronic Procurement (e-Procurement) by 2012 and to set up permanent Procurement Service Units by 2014. The Regulation also provides more opportunity to SMEs to participate in government procurement, with SME being given priority for procurement valued below 2.5 billion INR.

Deregulation/ Regulatory Review

Indonesia issued a Master Plan for the Acceleration and Expansion of Economic Development of Indonesia 2011-2025 in 2011. The Plan provides building blocks to transform Indonesia into one of the 10 major economies in the world by 2025 and includes the implementation of bureaucratic, regulatory and economic reforms in many sectors.

Implementation of WTO Obligations/ ROOs

In December 2011, Indonesia notified its acceptance to the Protocol Amending the TRIPS Agreement to the WTO Secretariat.

Mobility of Business People

Indonesia has established a new Immigration Law in May 2011 that facilitates the obtaining of Permanent Stay Permits for foreign investors. Now, foreign investors can obtain those permits after having Temporary Stay Permits for three years in a row. Previously, five years were

required. In addition, the Permanent Stay Permits are now valid for five years and can be extended on an unlimited basis.

Currently, Visa on Arrival is granted to 65 economies. In 2011, visa exemptions for short visits were granted to passport holders of Cambodia, Laos and Myanmar.

RTAs/FTAs

So far, Indonesia has signed trade agreements with ASEAN; China; Japan; Korea; Australia-New Zealand and India.