



US-ASEAN
BUSINESS COUNCIL, INC.



8 Recommendations for Indonesia's 8% Economic Growth

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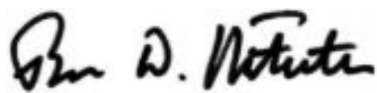
Foreword

Indonesia's objective of 8% economic growth in 2029, set by President Prabowo Subianto and reflected in the National Medium-Term Development Plan (RPJMN) 2025–2029, gives the country a clear and shared reference point. It is demanding, but not unprecedented. Indonesia grew 9.9% in 1980, during the oil boom. Growth later settled lower, yet it averaged about 6.8% a year from 1986 to 1996, led by investment and exports. Because the target is an average over many years, reaching it will take sustained commitment from government and business, rather than one strong year.

Looking ahead, investment is the component with the most room to lift growth, and the companies already operating in Indonesia are its most dependable source. Many of them are US-ASEAN Business Council (USABC)'s members. In their experience, the decision to reinvest rests on how the rules work in practice. Three conditions matter most: rules and procedures that are clear and consistently applied, requirements that fit the risk and the capacity to carry them out, and a working partnership between government and established investors. Because investment decisions are made years ahead, predictability matters.

The Government has already taken important steps toward this goal. In support of that work, our members, across a broad range of industries, offer the eight recommendations in this paper, drawn from their experience in Indonesia. These recommendations cover import processes, standards, digital capability, regulatory predictability, investor relations, local partnerships, export proceeds and trade agreements. Each sets out actions the Government may wish to consider, offered in a spirit of partnership and in support of the Government's own agenda.

We hope this whitepaper serves as a useful reference for policymakers and other stakeholders. USABC and its members stand ready to support the implementation of these recommendations, through shared operating data, regulator exchanges and study visits, and joint training. We, including leading representatives of our member companies, would be glad to discuss these ideas with interested parties in Indonesia, and we look forward to continuing our engagement with the Government of Indonesia.



Amb. Brian McFeeters (Ret.)
President & CEO
US-ASEAN Business Council

Executive Summary

Indonesia's 8% target depends on investment, and investment depends on confidence in how rules work in practice

President Prabowo Subianto has set 8% annual growth target. This paper presents eight recommendations from USABC members, who operate in Indonesia, employ Indonesian workers and work with Indonesian suppliers, distributors and customers. It builds on USABC's 2025 Critical Catalysts to Competitiveness¹ and draws on a member questionnaire, USABC's engagement with members and stakeholders, and independent international evidence.

USABC -- as a trade association with 180-plus members, mostly Fortune 500, across all major economic sectors -- sees Indonesia as a leading member of ASEAN whose continued economic growth and development is essential.

Indonesia grew 5.45% in the first half of 2026, which is solid but below the 6.3% milestone for 2026 in the 2025–2029 RPJMN.^{2,3} In the second quarter, investment added 2.06 percentage points to growth and household consumption added 2.67. Government spending rose 15.97%, but the budget limits how long fiscal spending can carry growth.⁴ Conditions outside government control add to the squeeze. Imports grew faster than exports, so net exports reduced growth, and mining output fell 1.64%. Higher oil prices after the conflict that began in February 2026 have added pressure to the budget and the rupiah, because Indonesia is a net oil importer that still subsidizes retail fuel.⁵ Global conditions offer little lift. The IMF projects world growth of 3.0% in 2026 and 3.4% in 2027, and notes that the war shock is weighing on energy importers.⁶ Despite that, investment is already responding. Direct investment realization grew 7.1% year on year in the second quarter, led by foreign direct investment, which rose 25.7%.⁷ The question is whether that capital stays and expands. Investment is therefore the main lever for lifting growth toward 8%.

Much of that investment is already in Indonesia. Businesses operating here pay taxes and non-tax revenue to the state. They deliver goods and services that support the Government's public policy agenda, from medicines and medical equipment to digital services, energy and manufactured goods. Through everyday commercial activity, they also strengthen the wider ecosystem. They hire and train Indonesians, buy from local suppliers and distributors, and bring technology and know-how. Foreign firms in Indonesia bought about 83% of their inputs by value from domestic producers in 2019.⁸ These contributions grow when businesses can operate and reinvest with confidence, so the state has a direct stake in how rules work in practice.

From our discussion with USABC members, many investment decisions now depend less on incentives and more on fundamental competitive factor advantages, including whether policies, regulations, rules, approvals and timelines can be relied on. Their commercial activities' sustainability will most be traced back to three conditions: rules and procedures that are clear and applied consistently, requirements that fit the risk and the capacity to carry them out, and a working partnership between government and established investors.

The paper therefore groups the challenges into **eight recommendations** that respond to these conditions. They are not ranked. They are offered in a spirit of partnership and support the Government's own agenda, which includes the RPJMN 2025–2029, the Asta Cita priorities on downstreaming, industrialization and bureaucratic reform, and investment mobilization through Danantara. Indonesian households, workers, businesses and the Government gain from more reliable access to goods and services, more investment and more jobs. USABC members gain the predictability they need to keep operating and to expand. Governments across ASEAN, including Vietnam, the Philippines and Malaysia, are working on the same questions, and each recommendation notes relevant experience.

The eight recommendations

1. Modernizing import processes

Consolidate requirements and authorities, set workable timelines with tracking and escalation, and apply proportionate requirements to the inputs, equipment and technology that domestic producers need. Some members reported annual impacts above USD 1 million from import-licensing and import-duty barriers.

2. Deepening mutual trust in standards

Build confidence in standards and certification through dialogue and knowledge exchange among government, industry and overseas counterparts. Publish clear equivalence criteria, recognize credible overseas assessments, clarify the role of local stakeholders in approvals, and expand accredited testing capacity, including for exports.

3. Building government technical capability for digital growth

Strengthen officials' skills, budgets, procurement and audit arrangements, and use pilots and sandboxes before major digital requirements. Distinguish B2C, B2B and B2G services so that Indonesia can adopt AI, cloud and cybersecurity tools safely and productively.

4. Improving regulatory predictability

Publish forward plans, assess implementation readiness, consult meaningfully, and provide clear guidance and transition periods. Coordinate across national, regional and community-facing processes, give written reasons for decisions, offer accessible review, and implement final court decisions consistently.

5. Positioning government as a long-term investment partner

Strengthen the BKPM aftercare function as a focal point and helpdesk for established investors, with case management and escalation. Use investor feedback to keep aftercare matched to industry needs, and use recurring issues to identify wider reforms.

6. Leveraging commercial partnerships for knowledge transfer and local capacity

Build on the knowledge transfer that already happens through commercial partnerships. Map domestic capability, align local-content requirements with demonstrated capacity, and use incentives and supplier-development programs to help Indonesian firms become long-term partners of global companies.

7. Balancing reserve stability with reinvestment flexibility

Conduct a government-led review with structured industry and banking participation, assess the financial system's readiness, issue clear implementation guidance and review the framework periodically against published indicators.

8. Strengthening trade-agreement implementation

Assign clear responsibility for each commitment, publish implementation roadmaps, involve affected industries, provide problem-resolution channels and measure legal, administrative and commercial results. Raise awareness of trade commitments and lower the cost of using them, particularly for SMEs.

Moving Forward

USABC can help turn these recommendations into practice. Its members operate across many sectors in Indonesia, and the Council has offices in several ASEAN countries and in Washington, DC. This enables the Council to bring experiences from Vietnam, the Philippines, Malaysia and others to Indonesian counterparts, and bring Indonesian experience back to its members. In practice, members can share operating data and case detail so that rules are tested against how products and supply chains work.

USABC can support regulator exchanges, dialogue on standards recognition and trade-agreement implementation, joint training for officials, assessors and suppliers, and links between Indonesian suppliers and member procurement networks. It will report back on how changes work in practice and refine the recommendations as implementation proceeds. The recommendations are offered as a basis for continued discussion with the Government, and USABC and its members look forward to working together to turn them into practical improvements that support national growth and serve Indonesian society. Together, these steps aim to keep existing investment productive and to spread the benefits of growth to Indonesian households, workers and businesses.

Growth and Business Confidence to Enable **8%** Economic Growth

Indonesia can reach 8%, but it will take sustained effort

The Government of Indonesia has set a target of 8% economic growth. It is demanding but not unprecedented, because Indonesia grew 9.9% in 1980 during the oil boom. Growth later settled lower, but it averaged about 6.8% a year in 1986–96, led by investment and exports rather than consumption.⁹ The target is an average over many years, so it needs a long-term commitment and not one strong year. USABC’s engagement in other countries in ASEAN, such as Vietnam, suggests that a growth target held consistently at the top, carried through policy and shared across ministries and provinces, helps investors plan and builds their confidence. USABC members believe the potential for this growth remains available.

Indonesia also does not need to start from zero. The policy infrastructure built gradually since Reformasi gives a base that can be strengthened. In support of President Prabowo Subianto, USABC members offer the recommendations in this paper for the Government’s consideration. To see where those recommendations should focus, it helps to look at how growth is built.



Investment is the component with the most room to lift growth

Growth measured by GDP follows the identity $GDP = C + I + G + (X-M)$. Household consumption (C) is the largest component. It grew 5.06% in the second quarter of 2026 and contributed 2.67 percentage points to growth, but it depends on people's incomes, and incomes depend on jobs that new and expanded investment helps create.¹⁰ Government spending (G) is limited by the budget, which caps its contribution. Net exports (X-M) depend on demand at home and abroad, so trade does not create growth independently of consumption and production. That leaves investment (I) as the component with the most room to lift growth toward 8%. Direct investment realization reached Rp1,010.6 trillion in the first half of 2026, 49.5% of the annual target.¹¹

Companies already in Indonesia are the most dependable source of more investment

Existing operations hold the capital, the workforce and the supplier relationships, and they already contribute in three ways. They pay taxes and non-tax revenue to the state. They deliver the goods and services that support the Government's agenda. And through ordinary commercial activity they strengthen the Indonesian ecosystem, as customers of local suppliers, employers and trainers of Indonesian workers, and carriers of technology. The World Bank found that foreign firms in Indonesia bought about 83% of their inputs by value from domestic producers in 2019.¹²

When these businesses can operate reliably, they reinvest, and when they cannot, expansion waits. Many business associations make the same point, including AmCham Indonesia and the U.S. Chamber of Commerce in their 2026 report. These two chambers find that the main issue for multinational companies is less the formal ability to invest than the lack of regulatory predictability and consistent implementation, a point the OECD's 2026 assessment also raises.¹³ Indonesia's OECD accession review, which began in July 2026, will test the same qualities, including regulatory quality and public governance.¹⁴



Three conditions shape the decision to reinvest, and every recommendation returns to them

Whether existing investors reinvest depends on how rules work in practice. The table sets out what investors need under each of three conditions and what it means for their decisions.

	Clarity and consistency	Capability and proportionality	Partnership
Condition needed	Businesses can comply when requirements, responsible authorities, and timelines are clear and applied consistently.	Rules work best when they answer identifiable risks and match the people, systems and domestic capacity available to carry them out.	Regular consultation with industry makes policy more workable and gives government early notice of practical problems.
Effect on the investor	Investors need to estimate costs, returns and timelines before they commit capital. Members report unclear procedures, overlapping obligations and uncertain transition periods, and some link them to deferred decisions.	Investors need requirements sized to the risk and to the capacity of the bodies that apply them, so they can plan compliance and launch dates. Members report rules that run ahead of testing, staffing or systems. Products then arrive late and cost more, and some investors postpone launches or expansion.	Approval is the start of the investment lifecycle. Investors need a government counterpart who can resolve problems that cross agencies and hear about issues early. Members point to the board-of-investment models in Thailand and the Philippines. Where no such counterpart exists, problems linger and expansion plans wait.

What members raised, and what each recommendation would deliver

These conditions are where the challenges members raised come from. Members raised more than eight. In the 2025 USABC report, local content requirements, import restrictions, import duties, SNI, data regulations and halal certification requirements were raised most often.¹⁵ The eight recommendations respond to them, and the exhibit shows which recommendation addresses each challenge and the value it would bring to Indonesia.

Recommendation	Challenges members raised	Value for Indonesia	Relevant regulations
1. Modernizing import processes	Import restrictions related to import permit, quotas and technical approvals. Border inspection. Commodity balance. Import duties and inconsistent tariff treatment due to inconsistent HS classification.	Businesses gain predictable access to essential inputs, equipment and technology, supporting domestic manufacturing, investment, productivity and job creation. More transparent and efficient import processes reduce administrative costs, strengthen supply chains, and help ensure goods remain available and affordable for Indonesian businesses and consumers, while maintaining effective regulatory oversight.	• MoT 16/2025, as lastly amended by MoT 18/2026, and sector regulations (i.e., MoT 17/2025 to 24/2025) (import policy); • PR 61/2024 (commodity balance); • BPJPH 4/2026 (pre-shipment halal inspection); • MoF 190/2022 (release of imported goods); • WTO Information Technology Agreement (duties on network equipment); • MoF 26/2022, as lastly amended by MoF 68/2026; • Indonesian Customs Tariff Book & ASEAN Harmonized Tariff Nomenclature (AHTN)
2. Deepening mutual trust in standards	SNI enforcement. Halal certification. Local testing and repeated certification.	Trusted products, inputs and technology reach businesses and end users sooner, and testing resources focus on higher-risk products. Safety standards stay as they are. Indonesian laboratories and exporters gain trust abroad.	• MoI 45/2022 and MoI 8/2025 (SNI); • Law 33/2014 and GR 42/2024 (halal product assurance); • MCDA 5/2024 (testing centers for telecommunications equipment);

Recommendation	Challenges members raised	Value for Indonesia	Relevant regulations
3. Building government technical capability for digital growth	Data regulations. AI governance. Payment systems. Government digital capability.	AI, cloud and cybersecurity tools can be adopted safely across manufacturing, finance, logistics, healthcare and public services. Officials can tell material risk from routine technical activity.	- GR 71/2019 and MCDA 5/2020, as lastly amended by MCDA 10/2021 (electronic systems and data location); - Law 27/2022 and GR 33/2026 (personal data protection); - MCDA Letter 9/2023 (AI ethics); - PBI 18/40/2016 and PBI 19/08/2017 (payment systems);
4. Improving regulatory predictability	Incomplete implementing rules and short transition periods. Unanswered implementation questions. Consultation. Tax refund and retail-requirement timelines.	Businesses can estimate costs and returns more accurately and compare investment options. The extra risk premium they add under uncertainty falls.	- GR 28/2025 (risk-based business licensing); - MoF 34/2017 (Income Tax Article 22); - Constitutional Court Decision 168/PUU-XXI/2023 and the Manpower Protection Bill (approved by the DPR on 6 October 2026); - Law 13/2022 and Constitutional Court Decision 91/2020 (meaningful participation).
5. Positioning government as a long-term investment partner	Investment barriers, including foreign ownership limits. Support for established investors across agencies.	Existing investment stays operating and can expand. That protects the capital, jobs, supplier relationships and tax revenue already in Indonesia.	- BPS 7/2025 (KBLI 53100, postal activities); - PBI 18/40/2016 and PBI 19/08/2017 (payment processing);

Recommendation	Challenges members raised	Value for Indonesia	Relevant regulations
6. Leveraging commercial partnerships for knowledge transfer and local capacity	Local content requirements. Coordination between sector ministries on local-content rules.	Indonesian suppliers gain technology, know-how and quality standards through commercial relationships and move into higher-value work in regional and global supply chains.	• MoI 35/2025 (TKDN and BMP certification); • MoI 22/2020 (TKDN for electronics); • PR 16/2018, as lastly amended by PR 46/2025 (government procurement); • MEMR 15/2013 (domestic products in upstream oil and gas);
7. Balancing reserve stability with reinvestment flexibility	Export proceeds retention (DHE SDA). Energy availability for industry.	Reserves are strengthened without interrupting the operations, maintenance and reinvestment that generate exports, jobs and revenue. Domestic banks gain deeper deposit, hedging and financing business.	• GR 36/2023, as lastly amended by GR 21/2026 (export proceeds); • PBI 7/2023, as lastly amended by PBI 5/2026, and BI PADG 4/2023, as lastly amended by BI PADG 16/2026; • GR 22/2024 (tax treatment of placements); • GR 24/2026 (strategic commodity exports);
8. Strengthening trade-agreement implementation	Delivery of trade commitments.	Commitments turn into market access that exporters, suppliers and investors can use, and Indonesia shows partners it is a reliable, growth-oriented economic partner.	• Agreement on Reciprocal Trade between Indonesia and the United States (signed 19 February 2026; enters into force 90 days after both sides complete their domestic procedures); • Regional Comprehensive Economic Partnership; • Indonesia-EU Comprehensive Economic Partnership Agreement;

* Abbreviations are defined in Annex 2

Several members said their expansion plans for the next 24 months depend on these three conditions, so reinvestment is a decision that policy can influence. The eight recommendations that follow are built around them. Recommendations 1, 4 and 8 are about clarity and consistency in import approvals, rulemaking, and trade commitments. Recommendations 2, 3 and 6 are about matching rules to capability, in standards and certification, in government and in local industry. Recommendations 5 and 7 rest on partnership, through a government counterpart after approval and a financial framework shaped with exporters and banks. Investors who have had a good experience also tend to bring others, so demonstrated success supports new inflows. Together the recommendations aim to keep existing investment productive, support its expansion and make Indonesia a credible destination for new capital. The benefit is shared by Indonesian households, workers and businesses, including USABC members.

Recommendations

1st Recommendation: Modernizing Import Processes to Increase Indonesia's Economic Productivity

WHAT IT WOULD DELIVER

Predictable access to essential inputs, spare parts, equipment and technology would help Indonesian businesses maintain their commercial activities, improve productivity and expand investment. Modernizing import processes would therefore reduce avoidable delays and costs while preserving legitimate protections for domestic industry and consumers.



Overview

Many businesses in Indonesia depend on a reliable flow of raw materials, spare parts, capital equipment and technology. This is not a case for imports over domestic goods. Foreign firms bought about 83% of their inputs by value from Indonesian producers in 2019.¹⁶ Meanwhile, a 2015 World Bank study of Indonesian manufacturing found that firms using imported inputs outperform other firms on output, value added, employment, productivity and wages.¹⁷ This means that reliable access to imported inputs supports domestic value addition, particularly where the materials or technology are not available domestically.

Governments elsewhere in ASEAN are moving checks from the border to the trader's record.

Country	What it did
 Vietnam	• An amended Customs Law, passed in August 2026, shifts customs from heavy reliance on pre-clearance inspections to stronger post-clearance inspections.¹⁸ • Paper documents are being replaced by shared national databases.¹⁹
 Philippines	• Importer accreditation was extended from one year to three in 2026, with automatic renewal for qualified importers.²⁰ • Customs has published operating guidelines for its Authorized Economic Operator program and established a Top Importers Office under CMO No. 06-2026 as its primary point of contact for top importers.²¹ • The customs commissioner has said that customs-broker accreditation will also be included.²²

Indonesia already has several of the same building blocks. Ministry of Finance Regulation 132/2020 lets ministries and agencies list post-border trade rules in the Indonesia National Single Window (INSW), which supports a shift of import compliance checks from inside the customs area to after goods have cleared.²³ Customs also operates an Authorized Economic Operator (AEO) program, which gives qualifying companies fewer inspections and priority clearance.²⁴ The opportunity is to build on these: integrate more cross-agency processes, expand risk-based controls where appropriate, and review whether accreditation, renewal and compliance requirements can be simplified further for eligible importers. That would reduce duplicate submissions and unnecessary pre-release checks.

What stands in the way

Members describe obstacles at each stage of an import. The common thread is that one shipment passes through several approvals, each issued, filed and tracked separately.

Type	Industry reflections	Impact
Fragmented approvals and limited transparency	Businesses may need to navigate multiple import permits, technical approvals (Pertek), quota allocations and sector-specific requirements administered by different agencies. Separate processing timelines, limited application tracking and unclear escalation mechanisms can make approval outcomes and import lead times difficult to predict. The USABC 2025 report cites quota approval rates of roughly 10% to 50% and vehicle quota processing times of 30 to 60 days. ²⁵	Longer and less predictable lead times increase administrative costs, complicate production planning and inventory management, and may delay manufacturing, investment and business expansion. Members most affected report annual impacts above USD 1 million.
Requirements that may not reflect actual risk or supply conditions	Commodity-balance restrictions may impose additional requirements even when the actual regulatory risk is limited or domestic supply cannot meet the volume, quality or technical specifications required by industrial users.	Businesses may face unnecessary compliance costs, production delays and input shortages. Manufacturers may be unable to source specialized materials, spare parts or components on time, potentially affecting productivity, product quality and supply-chain resilience.

Type	Industry reflections	Impact
Requirements that may not reflect actual risk or supply conditions	AmCham Indonesia and the U.S. Chamber of Commerce report that in 2026 import approvals under the commodity balance were delayed for sugar, salt and corn, and in some cases this threatened to stall production. They add that the domestic availability, quality or consistency of certain industrial salts and refined corn may not adequately match manufacturing requirements, and that industrial-grade refined sugar is needed for pharmaceuticals and some food producers. ²⁷	Businesses may face unnecessary compliance costs, production delays and input shortages. Manufacturers may be unable to source specialized materials, spare parts or components on time, potentially affecting productivity, product quality and supply-chain resilience.
Balancing domestic industry objectives with competitiveness	Measures intended to protect domestic producers and support MSMEs are legitimate policy objectives. However, import controls may need to distinguish between finished consumer goods that compete directly with domestic products and essential industrial inputs, capital equipment and technology that support domestic production. The USABC 2025 report noted that the e-commerce import restriction under Minister of Trade Regulation 31/2023 gave short-term benefits to local MSMEs but limited consumer choice and did not support sustainable growth. ²⁸	Inappropriately calibrated restrictions can raise input costs for local manufacturers, discourage investment and weaken the competitiveness of Indonesian producers. A more differentiated approach could support domestic industry while preserving access to inputs needed for productivity and industrial upgrading.

Type	Industry reflections	Impact
Tariff classification and international commitments	Inconsistent interpretation of Harmonized System (HS) codes or tariff provisions can lead to different duty treatment for similar goods. Industry has also raised concerns about whether certain network equipment receives tariff treatment consistent with Indonesia's applicable international commitments. The USABC 2025 report cites one example: a 10% import duty on HS 8517 equipment, such as switching and routing equipment, where the WTO-bound rate under the WTO Information Technology Agreement (ITA) is 0%. ²⁹ These cases require verification against the relevant Indonesian tariff regulations, product classification and specific ITA coverage.	Uncertainty over tariff classification and duty liability increases landed costs, complicates customs compliance and creates risks of disputes or retrospective adjustments. Inconsistent implementation of applicable commitments may also undermine predictability for importers and technology investment.

Recommended actions

To modernize import processes, the Government could take these actions:

1. Combine the technical approval and the import permit into one submission with one set of criteria, coordinated by the Coordinating Ministry for Economic Affairs, and link the Ministry of Industry's SIINas system, the Ministry of Trade's INATRADE system and the Indonesia National Single Window so that applicants file once and track one record.
2. Establish a maximum processing time for each step, give applicants a clear way to track their import process and written reasons for any delay or rejection, and provide an escalation route for cases that stall.

3. Make the commodity balance transparent and responsive by publishing its methodology and update schedule, taking verified industry demand and technical specifications into account, allowing in-year revision when domestic supply falls short, and giving notice and transition time before more commodities are added.
4. Apply requirements to inputs, equipment and technology in proportion to risk, particularly where adequate domestic alternatives are not available, and make sure approvals respond to actual industry needs. This includes inspection before shipment, which fits best where an identified risk calls for it.
5. Give importers with a good compliance history lighter handling, clearing goods with fewer checks at the border and verifying after arrival through risk-based, proportionate controls, without weakening necessary safety, security, or product-compliance controls.

Benefit for Indonesia

- **For the public:** When businesses can get what they need on time, the goods and services people rely on stay available, from food and household goods to medicines and digital services. Prices stay steadier, and the jobs these businesses provide continue.
- **For businesses and workers:** Indonesian manufacturers, retailers, service providers and small businesses that rely on imported inputs, equipment and technology could plan operations and orders with confidence, keep their workers and take on new work, which builds their capacity to grow. USABC members would gain reliable lead times to plan inventory, keep commitments to customers and decide on expansion.
- **For the Government:** When trade flows are predictable, customs, tax and non-tax revenue stay steady, and approval staff can concentrate on higher-risk cases. Downstream plants that depend on imported equipment and inputs could also plan their commissioning dates, which supports the Asta Cita priority on downstreaming.



2ND RECOMMENDATION: DEEPENING MUTUAL TRUST TO ENABLE BUSINESSES TO REACH THE MARKET FASTER

WHAT IT WOULD DELIVER

Allowing credible overseas test, certification and approval results be used in Indonesia, under clear criteria for recognizing them, would help safe products and technology reach Indonesian businesses and consumers sooner. It may also help Indonesian exporters build the credibility they need to gain the same acceptance abroad. The result would be more trade without compromising safety standards.

Overview

Product standards and certification protect consumers and allow products from different suppliers to work together. Trust does not require a formal mutual recognition agreement in every case. Governments can accept overseas results through accreditation, equivalence decisions or recognized laboratories. An OECD study of non-tariff measures in agro-food trade found that conformity-assessment requirements significantly raised the cost of trade and had almost exclusively trade-hampering effects, while certain sanitary, phytosanitary and technical regulations had a strong positive effect on trade flows.³⁰

A product that has been tested to an international standard by an accredited body ideally does not need a second certification process in Indonesia. Accepting international standards is already common practice in the region. ASEAN has regional arrangements for electrical and electronic equipment, cosmetics and inspection of medicine manufacturers.³¹ In 2026 Indonesia agreed, in its reciprocal trade agreement with the United States, to accept specified overseas standards and certifications for pharmaceuticals and medical devices.³² Two regional peers show how acceptance works in practice.

Country	What it did
 Singapore	- Low-risk household electrical and gas products can be registered with a supplier's declaration of conformity, backed by test reports. - Test reports from laboratories accredited by the Singapore Accreditation Council or its mutual recognition partners are accepted, as are reports with IECEE CB certificates.³³
 Vietnam	- The updated Law on Product and Goods Quality (Law 78/2025/QH15, effective 1 January 2026) moves to risk-based classification. - Supervision expands after products reach the market.³⁴

What stands in the way

Members describe obstacles at each step between a tested product and the customer. These include closed recognition routes, and layered certification requirements.

Type	Industry reflections	Impact
Institutional	In some sectors, such as telecommunications equipment, overseas test reports used to be accepted directly. Members report that this route has closed and recognition now needs a government-to-government arrangement.	Each recognition has to be negotiated between governments before the product can be certified. This adds bureaucracy and uncertainty, and products wait.
Regulatory	SNI, and local testing rules can apply to the same product, often one after another. A typical SNI certification takes at least six months and costs at least USD 20,000. ³⁵	New products reach customers later and cost more. Smaller suppliers find it hardest to qualify, and some products that meet higher international standards cannot meet SNI as written.
Halal recognition	In 2025 some foreign halal certification bodies waited more than three months for recognition, and for some standards the implementing guidance was not yet in place, so local certifiers could not issue certificates. ³⁹	Imported raw materials and finished goods, including chemicals and medicines, wait at the border, and Indonesian manufacturers that depend on them wait too.

Type	Industry reflections	Impact
Capacity	Laboratories and assessors can be stretched. In some sectors the input of a recognized local stakeholder has become a practical step in approval without published criteria or timelines.	Bottlenecks arise even where the aim is to bring in local expertise. A government-led alternative is not always clear when a step cannot be completed in time.
Public concern	Halal assurance matters deeply to Indonesian consumers, who expect imported products to meet the same standard as local ones. Members also raised blanket “non-halal” labels on medicines.	A slow process does not make products more trustworthy. It can delay patients’ access to quality medicines, including some life-saving treatments, and a label that names the specific ingredient would inform patients without stigma. ⁴⁰

Recommended actions

To deepen mutual trust in standards, the Government could take these actions:

1. Allow accredited overseas test, certification and approval results to be accepted as a standard route in every sector, without needing a government-to-government arrangement for each product group first, and restore routes that existed before where they have been closed. This builds on KAN’s participation in international accreditation arrangements.
2. Publish equivalence criteria that set out the evidence required, the processing time and the pathway for recognizing overseas results, starting with one lower-risk product group and using pilot recognition arrangements to build confidence.
3. Hold regular technical dialogue and practical cooperation, bringing regulators, overseas counterparts, accreditation bodies, laboratories and industry together for joint training, assessor exchanges, workshops and proficiency testing.

4. Give local assessors a clearer role by publishing the criteria and timelines for any local stakeholder's input, with a government-led route when a step is not completed in time.
5. Add local testing only where there is an identified risk or a material difference in Indonesian conditions and expand accredited laboratory capacity in line with demand.
6. Support Indonesian assessors and laboratories in seeking recognition at regional and international level, so that they can serve ASEAN, Australia and New Zealand and other markets. Local capability then grows alongside imported products and not against them, and it helps Indonesian exporters win the same acceptance abroad.

Area	What the actions would look like
Halal	Once the mandatory obligations apply, the focus moves to keeping them workable. That means a published time for recognizing foreign halal certification bodies (the 2025 report asked for five working days after complete documents) ⁴¹ , a halal registration system that works reliably, one per-shipment report aligned with other import checks, and a clear rule for goods that were in transit or in distribution when the obligations began. A joint review with industry after the first year would show what needs adjusting.
SNI	Accredited overseas testing against equivalent standards is accepted, and certification is shortened from the six months and at least USD 20,000 the 2025 report described. ⁴²
Local testing	Reports from accredited overseas laboratories are accepted instead of repeating tests in Indonesia, and Indonesian laboratories seek recognition abroad in return.

Benefit for Indonesia

- **For the public:** When trusted products and technology reach businesses sooner, people across Indonesia get a wider choice of goods, from food and consumer products to medicines and equipment, with the same safety assurance.
- **For businesses and workers:** Indonesian laboratories, certifiers and technical professionals would gain work and a route to serve regional markets. Manufacturers, service providers and smaller firms could bring products and technology to market sooner and grow, and exporters would gain trust abroad. Companies would gain faster market entry for equipment, technology, food, healthcare, and consumer products, without repeated testing.
- **For the Government:** Testing and certification resources can concentrate on products that carry higher risk, and wider trade adds to customs and tax revenue. The Government's own consumer-protection and halal-assurance objectives stay as they are, because none of the actions would change them.

3rd Recommendation: Building the Government's Technical Capability to Support Indonesia's Digital Growth

WHAT IT WOULD DELIVER

Officials with the skills, budgets and procedures to govern digital technology could give businesses clear rules and give the public safe digital services. The result would be more digital investment, higher productivity and more skilled jobs.

Overview

Digital capability supports almost every part of the economy. US evidence suggests that firms mostly use AI to support their workers. An NBER working paper based on 2026 Census Bureau survey data reports that most firms (66%) use AI for task augmentation and that employment reductions are rare (2%).⁴³ The opportunity for Indonesia is to build the government and workforce capability to use these tools well, and the World Bank points to staffing, funding and clear institutional responsibility as the foundations.⁴⁴ The Government's own initial estimate is that AI could add up to USD 366 billion to the economy by 2030.⁴⁵

Other governments have adjusted both their data rules and the way they buy and run government technology.



Country	What it did
 Malaysia	It replaced its list of approved countries for personal-data transfers with a risk-based framework in 2025 and issued guidelines on how to apply it.⁴⁶
 Philippines	- After consulting industry, the government issued Executive Order No. 119 in July 2026, which applies to government data only and sets storage requirements by classification level rather than blanket localization. Implementing guidelines are being drafted and are due by mid-November 2026.⁴⁷ - It adopted a cloud-first policy for national and local government, under which cloud computing is the preferred deployment strategy and the type of cloud depends on data sensitivity.⁴⁸
 Singapore	- Its government technology agency introduced staged “spiral” contracts, in which a project moves from prototype to pilot to deployment only if the earlier phase succeeds. - It also set up a fast lane for accredited local start-ups and clarified that unclassified government data can be hosted on commercial cloud.⁴⁹

The World Bank’s GovTech Maturity Index tracks core government systems, public services, citizen engagement and the enablers behind them, and calls for adequate resources for shared digital infrastructure.⁵⁰

What stands in the way

Members describe rules and capacity gaps that slow the adoption of global cloud, security and AI tools. The table also records the legitimate aims behind these rules.

Type	Industry reflections	Impact
Regulatory	Financial-sector rules on where systems and data may sit do not separate stored data from momentary processing such as encryption, cybersecurity screening and AI inference. Offshore placement needs prior approval with a lead time of about three months.	Banks and insurers must wait for approval before using global cloud, security and AI tools, so customers see new services later and institutions adopt them more slowly.

Type	Industry reflections	Impact
Institutional	AI, personal data and cybersecurity are handled by several bodies. Implementing rules for the PDP Law and the cybersecurity bill are still pending, and the draft Presidential Regulations on the national AI roadmap and AI ethics were finalized at technical level in May 2026 and await approval. ⁵¹	Members report limited visibility on public consultation for several AI-related rules, including the AI roadmap, AI ethics, copyright, cybersecurity and the One Data Indonesia Law, which the House of Representatives passed on 6 October 2026. ⁵² Companies cannot plan their compliance. Investment in data centers and cloud services is deferred, and Indonesian customers have fewer providers to choose from.
Capacity	Many agencies need more technical specialists, and budgeting, procurement and audit processes are yet to be designed for fast-changing technology.	Public digital projects take longer and cost more than planned, and regulators find it harder to tell high-risk activity from routine technical work.
Policy intent	Protecting personal data, national security and domestic payment capability are legitimate aims behind localization and domestic-processing rules.	Rules built for these aims can have side effects. Domestic debit-processing rules can block newer features such as contactless and tokenized payments for international cards, ⁵³ and local certification for cloud providers is easier for local firms to meet, so public buyers have fewer choices.

Recommended actions

To build technical capability for digital growth, the Government could take these actions:

1. Help officials in policy, licensing, procurement, supervision, cybersecurity, audit and public services understand how digital supply chains differ from conventional products and processes, so that each can propose an approach suited to their own duties, such as how a license, tender, audit or supervision rule should work for cloud, AI and data.
2. Build sustained capability through specialized recruitment, continuous training and professional certification, and structured cooperation with industry, universities and technical institutions.
3. Make data rules clearer by distinguishing stored data, data in transit and momentary processing in financial-sector and digital rules, and by using notification instead of prior approval for lower-risk cases.
4. Test major digital requirements through pilots and sandboxes with independent technical evaluation before they take effect, apply a risk-based approach to AI that builds on existing laws, and give workers, consumers and businesses affected by technological change a channel to be heard.
5. Align mandates, budgets, procurement and audit so that they reflect the full lifecycle cost of digital systems, with clear treatment of B2C, B2B and B2G services. Publish procurement requirements for cloud, AI and data services on INAPROC before tenders open, so that suppliers know in advance what is required.
6. Design for interoperability by setting standards so that international and domestic digital systems can work together in payments, cloud and data transfers. In payments, this means that international debit features such as contactless and tokenized payments can operate alongside domestic systems.

Benefit for Indonesia

- **For the public:** When businesses and public agencies adopt digital tools safely, people get safer banking, digital and public services and new payment features sooner, and more of them can take part in the digital economy.
- **For businesses and workers:** Indonesian technology firms and SMEs could build, sell and scale in a larger market. Banks, manufacturers, logistics firms and other businesses could adopt AI, cloud and cybersecurity tools with confidence, and workers would have a voice and chances to reskill as technology changes. Companies would gain clearer rules for investing in cloud, AI and cybersecurity services and for serving Indonesian customers.
- **For the Government:** A more active digital sector adds to tax revenue and skilled jobs, and officials with the right skills help public services improve and public spending on digital systems go further. This also supports the RPJMN digital transformation agenda.

4th Recommendation: Improving Regulatory Predictability to Support Long-Term Economic Growth

WHAT IT WOULD DELIVER

Investors who can see which rules are coming and how they will be applied can price risk and commit capital. The result would be more investment and expansion that lasts beyond a single policy cycle.

Overview

Predictability lets businesses estimate costs, returns and timelines before they commit capital. It does not mean rules never change. It means changes follow a clear process, reflect the capacity to carry them out and allow time to prepare. Research from Columbia's Center on Sustainable Investment describes regulatory uncertainty as a key concern for investors and sets out ways to reduce regulatory risk through transparency, investment protection and effective recourse.⁵⁴ AmCham Indonesia and the U.S. Chamber of Commerce reach a similar view in 2026, finding that Indonesia's rules can be complex, sector-specific and subject to relatively frequent change.⁵⁵

Others in the region are building ways to adjust rules without losing predictability.



Country	What it did
 Vietnam	- Resolution 66.18/NQ-CP (18 May 2026) lets the Government temporarily cut and simplify procedures while laws are amended. It applies from 1 July 2026 to 28 February 2027.⁵⁶ - The time needed for administrative procedures is reported down 53% and compliance costs down 54.6% against 2024.^{57, 58} - Vietnam has kept a consistent growth direction across leadership changes since its Doi Moi reforms in 1986. - Vietnam is also streamlining its administration, reducing provincial-level units from 63 to 34 and, since 1 July 2025, moving to two tiers of local government.⁵⁹
 Malaysia	The National Geo-Economic Command Centre includes an industry working group, and USABC has been invited to take part.⁶⁰
 Philippines	The trade department made registration for the e-commerce Trustmark voluntary and extended the voluntary period after consultation.⁶¹

What stands in the way

Members say the difficulty is less the content of rules than the timing and clarity of how they are implemented. The table sets out where predictability breaks down.

Type	Industry reflections	Impact
Regulatory	Implementing rules arrive late or incomplete, and transition periods are short. Even when rules exist, they often do not answer the questions that arise in practice, and there is no formal, published statement of which way of implementing a rule is correct. Examples in 2026 include the halal obligations that apply from 18 October 2026 while technical guidance is outstanding; a manpower protection bill that the House of Representatives (DPR) approved on 6 October 2026, shortly before the Constitutional Court's deadline of 31 October 2026;⁶² and the absence of a Data Protection Authority to implement GR No. 33/2026, the implementing regulation of the PDP Law, which prolongs uncertainty over the PDP Law's implementation.	Companies and officials read the same rule differently, so businesses cannot tell which practice is right. They delay decisions, pay more to comply or risk sanctions, and operation and distribution slow down.

Type	Industry reflections	Impact
Institutional	National, regional and community-level processes are not always aligned. Some respondents reported requests or contributions involving local community groups. Most described the effect as minor and two as material.	Plans made at national level may not hold on the ground, which adds cost and uncertainty to project timelines.
Policy continuity	Investment horizons run longer than administrative and electoral cycles.	Where continuity is uncertain, investors shorten their horizon and favor projects that pay back quickly over those that build lasting capability.
Process	Members cite unclear timelines for tax refunds and uncertainty where new tax interpretations or accounting changes affect established sectoral treatment, including in financial services. An example in insurance is the tax treatment arising from the implementation of the insurance contracts accounting standard (PSAK 117) and from investment-linked insurance products (PAYDI), including transitional arrangements, VAT treatment, and the deductibility of reserves and related expenses.	Cash and capital may be tied up, compliance costs increase, and businesses become less able to plan investment, pricing and long-term obligations.

Recommended actions

To improve regulatory predictability, the Government could take these actions:

1. Publish a forward calendar of sector roadmaps for significant requirements to be introduced, reviewed or replaced, including the outstanding rules on AI, personal data and cybersecurity, coordinated by the Coordinating Ministry for Economic Affairs.
2. Check readiness before a major requirement starts, by assessing economic impact and whether the responsible institutions have the people, budget and systems.
3. Publish drafts early enough for meaningful comment, explain the objective and show how input was considered. Also improve the implementation of the meaningful participation obligation by formalizing the right of people to be heard, to have their views considered, and to receive an explanation, in the formulation of implementing regulations.
4. Name the responsible authority, issue implementation guidance and set proportionate transition periods across national, regional and community-facing processes.
5. Where an implementation question arises, including where tax, accounting and sectoral regulations interact, issue a formal, published interpretation that confirms the correct treatment and ensures consistent application across offices and regions.
6. Provide written reasons for material decisions, offer accessible objection and review routes, and apply final court decisions on time.
7. Establish the Personal Data Protection Institution before GR No. 33/2026 takes effect on 16 January 2027, with a clear mandate, adequate technical resources and a published implementation roadmap. Pending its establishment, designate an interim authority to issue guidance, receive notifications and clarify how obligations that depend on the Institution should be implemented.

Benefit for Indonesia

- **For the public:** When businesses can plan, the jobs and services tied to long-term projects become more stable, and local engagement processes become clearer and fairer for the communities involved.
- **For businesses and workers:** Indonesian firms and their workers could plan with more confidence, and firms could put more of their resources into operations, hiring and growth and less into managing uncertainty. USABC members would be better able to estimate costs and returns when allocating capital to Indonesia.
- **For the Government:** Businesses that can plan invest and comply more reliably, which keeps revenue steadier. Clear processes and capable institutions also build trust with investors, workers and communities. This also supports the Asta Cita priority on bureaucratic reform and the RPJMN investment target.

5th Recommendation: Positioning the Indonesian Government as a Long-Term Investment Partner to Support Productive Growth

WHAT IT WOULD DELIVER

Investors with a clear government counterpart to turn to when a problem crosses agencies are more likely to resolve the problem quickly, reinvest and recommend Indonesia to others, which helps retain more jobs.

Overview

Approval is the start of the investment lifecycle. Aftercare is not preferential treatment and does not shield investors from legitimate requirements. It gives responsible investors a clear counterpart who can explain the rules, coordinate with other authorities and resolve problems before they affect operations or expansion. The World Bank describes aftercare as a tool for retaining and expanding foreign investment and recommends a designated lead agency that can track, coordinate and escalate issues.⁶³ Indonesia already has a base to build on. Currently BKPM is authorized helps investors resolve obstacles and advises them on problems they face while carrying out their investment, which is what this paper calls aftercare. Some members, however, say they would welcome BKPM being empowered to support them when they deal with technical ministries and regional governments.⁶⁴

Investment agencies elsewhere in ASEAN already treat established investors as a continuing relationship.



Country	What it did
 Philippines	The Board of Investments runs a helpdesk that covers permits and aftercare.⁶⁵
 Thailand	The Board of Investment brings staff from several agencies into one center.⁶⁶
 Malaysia	It operates the Invest Malaysia Facilitation Centre in Johor, backed by over 30 agencies and with a Land Taskforce for land and development approvals.⁶⁷
 Vietnam	It has established an Investment Support Fund (Decree 182/2024) that provides cash grants and subsidies to qualifying high-technology and research investors.⁶⁸

What stands in the way

Members say investors often struggle to find the right counterpart once an investment is under way. The table separates the gaps in coordination and mandate from the ownership limits that serve a policy aim.

Type	Industry reflections	Impact
Institutional	Investors find it hard to identify the right counterpart. Technical ministries and regional authorities often handle the same matter separately.	Problems with licenses, operation, production, infrastructure or employment can stay unresolved across several institutions. Workers, suppliers and local communities connected to the investment feel the delay too.

Type	Industry reflections	Impact
Capacity	BKPM's aftercare function already assists investors. Some members would welcome BKPM being empowered to support them in cases that involve technical ministries and regional governments.	Investors cannot tell how long it will take to solve their problems, so expansion plans must wait.
Policy intent	Foreign ownership limits apply in some sectors, such as 49% in postal services and 20% in payment processing and switching. ⁶⁹ They reflect a decision to protect domestic participation and fair competition.	Where domestic capital and expertise are limited, limits can reduce the investment, products and services available to Indonesian businesses and consumers. Partnership structures can keep local participation while adding capital.

Recommended actions

To position itself as a long-term investment partner, the Government could take these actions:

1. Strengthen BKPM's aftercare as a service available throughout the investment lifecycle, with the authority to act as the government focal point, to convene the agencies involved in a case, and to run a single helpdesk for established investors. This may be done by strengthening BKPM's authority and agency.
2. Set response times, assign responsible authorities, track progress and provide a route to resolve cases involving technical ministries, regulators and regional governments.
3. Engage regularly with established investors on barriers, planned expansions and local supplier needs.
4. Publish service performance, including resolution times, investor satisfaction and investments retained or expanded.

5. Apply objective service criteria, so that aftercare stays accountable and supports investment that contributes to productive activity, employment, local procurement and skills development.
6. Use repeated cases to identify wider changes that help domestic and foreign firms alike.
7. Review ownership limits in sectors where partnership structures could protect domestic participation while adding capital and capability.

Benefit for Indonesia

- **For the public:** When existing operations stay and expand, communities keep the jobs and services tied to them, and more people gain access to new financial, logistics and other services where investment is welcomed.
- **For businesses and workers:** Workers, suppliers and distributors would keep their contracts and grow with expansion, and Indonesian partners would gain new work. USABC members would gain one place to take cross-agency problems, which shortens resolution time and supports expansion decisions.
- **For the Government:** Existing capital stays in place and grows, which keeps tax revenue, jobs and supplier networks in Indonesia, and satisfied investors tell affiliates and new investors about Indonesia. This also supports the RPJMN investment target, since about half of the 2026 direct-investment target was realized in the first half,⁷⁰ and the Asta Cita priority on bureaucratic reform. Projects backed by Danantara and their private co-investors would gain from the same single counterpart.



6th Recommendation: Leveraging Commercial Partnerships to Accelerate Knowledge Transfer and Build Local Industrial Capacity

WHAT IT WOULD DELIVER

Commercial partnerships that carry know-how, technology and orders to Indonesian firms, with local-content requirements that reflect what domestic suppliers can deliver today, would help Indonesian firms move into higher-value work in global supply chains while keeping costs competitive. The result would be more investment in domestic capability and more exports.

Overview

Knowledge transfer already happens through supply chains, licensing, training and partnerships. Foreign firms bought about 83% of their inputs from Indonesian producers in 2019, and the World Bank found that foreign investment raised employment, productivity and profitability among upstream domestic firms.⁷¹ The OECD finds that rigid local-content requirements can raise costs, limit access to advanced inputs and weaken the incentive to innovate, and it recommends skills, infrastructure and business-environment policies as less distortive ways to build capability.⁷² Indonesia has already moved in this direction, with a reform that lowers the minimum to 25% when no domestic product is available⁷³ and a new framework that gives credit for contributions such as jobs, SME engagement, domestic capital and research.⁷⁴ Flexibility is already part of the approach. In 2026 Indonesia agreed, under its reciprocal trade agreement with the United States, to exempt some goods and companies from certain local-content requirements.⁷⁵

The same objective, building domestic capability, is being pursued across the region.

Country	What it did
 Malaysia	In Malaysia, the Malaysian Investment Development Authority (MIDA) runs supply chain programs that match selected local firms with the procurement requirements of multinational buyers and support them with vendor development. In May 2026 MIDA and MARA (Majlis Amanah Rakyat) agreed on a talent hub in which participating companies define the skills they need and MARA's training adjusts to match, with eight anchor companies committed to it.⁷⁶
 Vietnam	- It has established an Investment Support Fund (Decree 182/2024) that provides cash grants and subsidies to qualifying high-technology and research investors.⁷⁷ - Vietnam's Resolution 68 sets a goal of supporting at least 20 large private firms able to join global value chains and encourages links among private firms, foreign-invested companies and state enterprises.^{78, 79}

What stands in the way

Members do not object to the government's objective of building domestic capability. The obstacles they describe concern how local-content rules are calculated and coordinated, and whether goods/service meeting their standard for commercial operations are available locally.

Type	Industry reflections	Impact
Regulatory	Calculation methods and tax refund periods differ by sector and product. Rules for goods, electronics, phones, pharmaceuticals, medical devices and public procurement sit in separate instruments.	Companies spend time and money proving compliance. Some find it hard to reach the minimum even after investing in local plants, because the calculation counts each product separately and not the whole business. ⁸⁰
Capacity	Some inputs and technologies are not yet produced in Indonesia at the quality or scale required.	Requirements that run ahead of capacity raise costs and delay projects, including in oil and gas, where specialized materials are not available locally. They also slow technology adoption.
Institutional	The ministry responsible for each sector and the bodies responsible for procurement do not always coordinate closely on local-content rules.	Businesses and public buyers wait longer for approved equipment, technology and inputs. The clearest example is healthcare, where the 2025 report cited Indonesia as having the lowest availability of new drugs in Asia-Pacific, at 9%. ⁸¹
Policy intent	Local-content rules aim to build domestic industry and jobs, an aim members share.	A rigid one-size approach can limit access to advanced technology and weaken the incentive to invest in training and R&D that would build capability.

Recommended actions

To turn commercial partnerships into knowledge transfer and local capacity, the Government could take these actions:

1. Map capability sector by sector, covering supplier readiness, workforce skills and technology gaps, with input from Indonesian and international companies and universities, and use the results for phased capability roadmaps.
2. Match local-content requirements to demonstrated availability, quality, scale and delivery, with clear calculation methods, realistic timelines, periodic review and flexibility where goods or services are not yet available locally.
3. Optimize the company contribution as scored in MoI 35/2025 to encourage activities that help local companies join global supply chains, such as co-financing and training and research partnerships.
4. Link Indonesian suppliers and service providers with multinationals and regional value chains so that they can progress to higher-value work.
5. Run joint working groups between industry authorities and sector ministries, such as health, communications and energy, to keep local-content rules aligned with access and investment goals in each sector.
6. Provide alternative compliance routes in oil and gas where critical inputs are not available locally.

Benefit for Indonesia

- **For the public:** When local-content rules match what suppliers can deliver, the goods and services people use, from electronics and energy equipment to medicines and medical devices, stay available, and more people find skilled jobs with Indonesian suppliers.
- **For businesses and workers:** Indonesian suppliers would gain technical skills and move into higher-value work, workers would gain training and better jobs, and SMEs would find more openings to supply larger buyers. USABC members would gain rules they can meet and certify, and a pipeline of qualified Indonesian suppliers to buy from.
- **For the Government:** As suppliers grow and investors expand, more of the value from foreign investment stays in Indonesia, and domestic capability grows in step with the industries it is meant to serve. This also supports the Asta Cita priorities on downstreaming and industrialization, which are the closest link, the RPJMN industrial and export targets and, for medicines and medical devices, the health transformation priorities. Danantara could also act as a co-financing partner for supplier development.

7th Recommendation: Balancing Reserve Stability with Reinvestment Flexibility to Sustain Productive Growth

WHAT IT WOULD DELIVER

A review that includes exporters and banks, and clear guidance on how retained proceeds can be used, could protect reserves while letting companies pay for maintenance, equipment and expansion on time. The result would be more upstream investment and more feedstock for downstream industry and energy supply.

Overview

Natural-resource sectors earn export revenue, contribute tax and non-tax revenue and supply materials for energy and downstream industry. The Ministry of Energy and Mineral Resources reported Rp138.40 trillion in non-tax revenue in 2025, above its target.⁸² These sectors are capital-intensive and run long project cycles, so they need foreign currency for equipment, technical services, financing, insurance and risk management. USABC recognizes the purpose of the export-proceeds framework, which is to strengthen domestic foreign-exchange liquidity and reserve resilience.

The framework has changed several times in a short period. Government Regulation 36 of 2023 was amended in March 2025, February 2026 and June 2026,⁸³ and Bank Indonesia issued matching rules that took effect on 1 June 2026. Under the current rules, non-oil and gas exporters keep 100% of proceeds in special accounts at state-owned banks for 12 months, with conversion to rupiah capped at 50%, while oil and gas exporters keep 30% for at least three months.^{84,85} The Government has also offered a lower income-tax rate on returns from placement instruments, down to 0% depending on the placement period,⁸⁶ and the June 2026 amendment gives eligible mining exporters from countries with bilateral trade arrangements a lighter rule of 30% for three months with placement in designated foreign-exchange banks.⁸⁷ The IMF advises that capital-flow measures be targeted, transparent and temporary, and the OECD Code of Liberalisation of Capital Movements commits adhering countries to progressively abolish restrictions on capital movements.^{88,89} Separately, Government Regulation 24 of 2026 creates a state-owned exporter, PT Danantara Sumberdaya Indonesia, for strategic commodities, initially coal, palm oil and ferro-alloy. Government clarifications say it will first monitor and register transactions, and it is expected to take over export arrangements later.^{90,91} Exporters and banks will need clear transition arrangements as this change takes effect.



What stands in the way

Members do not object to the government's objective of strengthening foreign-exchange reserves. The obstacles they describe concern how the export-proceeds rules work in practice and how often they have changed.

Type	Industry reflections	Impact
Regulatory	Rules on the timing, placement and use of export proceeds restrict cash, and they have been amended three times since March 2025. One member rated the impact severe, at more than USD 1 million a year. Other members saw slight improvement, no change and worsening, so effects differ by sector and financing structure.	Even where use of proceeds is allowed, documents, banking steps and processing time can delay working capital, equipment purchases, debt service, maintenance and reinvestment. Frequent changes make multi-year budgets harder to set.
Institutional	Placement is mostly in special accounts at state-owned banks. Domestic banking capacity for cross-border payments, hedging, collateral and cash management is not always comparable to that of global banks.	Financing and operating costs can rise. Over time this can weaken project returns and reduce new investment in capital-intensive projects.
Energy link	Oil and gas projects run under production sharing contracts agreed on defined terms, so changes to retention affect project economics directly. ⁹² Domestic gas demand is rising. Members also ask that existing contract terms be honored when rules change.	Delayed maintenance or new projects can reduce the energy supply available to domestic users and the feedstock available to downstream plants. Returns also become harder to forecast when terms change after approval.
Policy intent	Strengthening domestic foreign-exchange liquidity and reserves is a legitimate aim that members support.	The practical question is how to reach that aim without interrupting the activity that generates the proceeds.

Recommended actions

To balance reserve stability with reinvestment flexibility, the Government could take these actions:

1. Set up one accountable review mechanism, led by the Coordinating Ministry for Economic Affairs with the Ministry of Finance, Bank Indonesia, the Financial Services Authority and sector ministries, with structured participation by affected industries and by domestic and international banks, before any change to coverage, retention, placement, permitted uses or implementation.
2. Assess the likely effects of any proposed change to the export-proceeds rules before it takes effect, covering production, exports, maintenance, financing cost, capital spending, government revenue, downstream supply, future investment and domestic institutions' capacity to supply foreign-currency services. For upstream oil and gas projects, the assessment should also cover the terms of existing production sharing contracts, including cost recovery, tax refunds and pricing arrangements, because changes to retention or to these arrangements affect project economics directly.
3. Consider extending to other sectors the lighter arrangement that eligible mining exporters already have under bilateral trade arrangements (30% retained for three months, with placement in designated foreign-exchange banks).
4. Allow exporters and banks time to adjust between changes to the export-proceeds rules, and announce each change with a clear transition period that businesses can work with, including for any new export mechanism.
5. Issue consolidated guidance that sets out eligibility, permitted uses, documents, responsible institutions, timelines and escalation, so that retained proceeds can be used promptly for verified operating costs and productive reinvestment.
6. Review the export-proceeds framework periodically against published indicators, including reserve resilience, the cost of compliance for exporters and banks, financing conditions, exports, operating continuity and reinvestment.

Benefit for Indonesia

- **For the public:** When these operations keep running, the people who work in them and live around them keep their jobs and incomes, local shops and suppliers keep their customers, and households and industry elsewhere keep receiving the energy and materials produced.
- **For businesses and workers:** Exporters could pay for maintenance, equipment and expansion on time, and that flows to Indonesian employees, contractors and suppliers. Indonesian banks could build deposit, hedging and cross-border services around exporters' needs. USABC members would gain working capital and treasury flexibility when payments fall due, and a basis for long-term project decisions.
- **For the Government:** Operating projects keep generating tax and non-tax revenue and feedstock for downstream industry, so reserves can be strengthened without cutting off the activity that funds the state. This also supports the Asta Cita priorities on downstreaming and energy, and the RPJMN goals for macroeconomic stability and investment.

8th Recommendation: Strengthening Trade-Agreement Implementation to Support Indonesia's Economic Growth

WHAT IT WOULD DELIVER

When each trade commitment has an accountable owner, a public timeline and a channel for solving problems, exporters, especially SMEs, and investors can plan around it. The result would be more trade and more investment.

Overview

Trade agreements add value only when commitments become rules and procedures that businesses can use. Modern agreements cover services, investment, standards and digital trade, and these need continuing cooperation to produce commercial results.^{93,94,95} Implementation should deliver three connected outcomes. First, Indonesia's rules, agencies and businesses need to be ready. Second, Indonesia and its partners need to keep talking. Third, exporters, suppliers and investors need to use the agreement in practice.

On the trade commitments, Indonesia has a broad set of commitments, including the ASEAN agreements, RCEP, its Comprehensive Economic Partnership Agreement with the EU and its Agreement on Reciprocal Trade with the United States, which was signed on 19 February 2026 and enters into force 90 days when both sides complete their domestic procedures.⁹⁶ It facilitated nearly 68% of Indonesia's 2025 exports to partner countries covered by its 25 trade agreements. Ministry of Trade has described fuller use of the agreements as "a strategic agenda that must be consistently promoted."⁹⁷ Governments elsewhere in the region face the same task of turning commitments into practice.



Country	What it did
 Singapore	Data from Vietnam's Ministry of Industry and Trade show that exporters use only part of the tariff preferences available under its agreements: about 35% under the EU agreement and about 16% under CPTPP.⁹⁸
 Malaysia	In June 2026, its trade ministry said that the lower US tariff rate proposed for Malaysia (10%, against 12.5% for countries without such a commitment) recognized its commitment under its reciprocal trade agreement with the United States to adopt a forced labor import prohibition, and that it was working to close a gap, as it did not yet have a specific law prohibiting imports made with forced labor.⁹⁹

What stands in the way

Members describe a gap between what trade agreements promise and what businesses can use. The table shows where that gap arises, from public information to eligibility rules and business capacity.

Type	Industry reflections	Impact
Institutional	Responsibility for each commitment is spread across ministries, and milestones and effective dates are not always public.	Businesses cannot include expected benefits in their plans.
Process	A commitment written into law can still be hard to use if eligibility rules, procedures and guidance are unclear.	Exporters cannot claim preferences and partner-country requirements go unmet, so access agreed on paper goes unused.
Capacity	Smaller businesses may lack the information, staff and funds to use trade agreements.	Smaller exporters can miss out, and the SMEs and workers that agreements are meant to help may see little change.
Policy intent	Trade commitments are balanced against domestic priorities in industry and agriculture.	Implementation can be cautious and sequenced. A public roadmap lets stakeholders see the reasons and the timing.

Recommended actions

To turn trade commitments into practical outcomes, the Government could take these actions:

1. Appoint a central coordinating authority and an accountable institution for each commitment, with a public roadmap of legal measures, administrative actions, milestones and target dates.
2. Set up an implementation forum with affected industries to test readiness and find practical barriers.
3. Publish eligibility rules, effective dates, procedures, progress updates and reasons for delay, and provide an escalation route for unresolved issues.
4. Hold regular dialogue with partner governments and business communities to resolve cross-border barriers.
5. Review legal, administrative and commercial outcomes, including whether SMEs know about the commitments and can afford to use them.
6. Fund awareness work for SMEs and reduce the cost and effort of using trade opportunities.

Benefit for Indonesia

- **For the public:** As exporters and suppliers grow, more people find work linked to exports and investment, and consumers gain a wider choice of goods and steadier prices.
- **For businesses and workers:** Exporters and suppliers, especially SMEs, could reach larger markets and join regional supply chains, and grow with them. USABC members could build expected changes into their planning and use their procurement networks and standards knowledge to help Indonesian suppliers reach global value chains.
- **For the Government:** Growing trade and investment add to export earnings and tax revenue, and Indonesia builds a reputation as a reliable, capable and growth-oriented partner, which attracts further investment and cooperation. This also supports the RPJMN export and investment targets and the Asta Cita priority on industrialization.

Moving Forward

Reliable rules and practical delivery would turn existing investment into the next round of growth

Reliable commerce depends on timely access to inputs, technology and products and on rules that businesses can understand and follow. Faster import approvals, greater trust in standards and stronger government capability in digital governance would help goods, services and knowledge reach Indonesian businesses and consumers. Companies could then keep operating, serve their customers and work with Indonesian partners, and the Government could focus its attention where risk is real.

Much of Indonesia's near-term growth will come from businesses already here. Predictable regulation, a government counterpart that can resolve problems after approval, and an export-proceeds framework that balances reserves with reinvestment would help them keep operating and plan expansion. That protects jobs, supplier relationships and the revenue they pay to the state.

Confidence builds over time. It comes from rules applied consistently, commitments honored and a government that works with investors as a long-term partner. A capability-based approach to local content and practical delivery of trade commitments would show that Indonesia is open to the goods, services and technology that raise productivity, and would help Indonesian suppliers and professionals become partners of global companies. Governments across ASEAN are making reforms to cut the time and cost of doing business, and Indonesia has the scale and momentum to move at its own pace and in its own way.

The purpose of growth is wider benefit for Indonesian society. Workers and local communities gain stable, higher-skilled jobs, including in industrial and resource regions. Consumers and businesses gain reliable access to trusted goods and services. Suppliers and smaller businesses gain new orders, partnerships and a larger role in value chains. The Government gains investment, trade and revenue, and USABC members gain the predictability to invest and grow. These outcomes depend on policy and on implementation.

What USABC and its members can do

USABC can help turn these recommendations into practice. Its members are companies from many sectors that operate in Indonesia, and the Council has offices in several ASEAN countries and in Washington, DC. That gives it a view of how Vietnam, the Philippines, Malaysia and others handle the same questions, and a way to bring that experience to Indonesian counterparts and bring Indonesian experience back to its members.

- Share how other ASEAN governments have handled similar questions, and support regulator exchanges and study visits.
- Share operating data and case detail with the responsible agencies, so that rules can be tested against how products, systems and supply chains work.
- **Enable a channel between counterparts.** Use USABC's links with US and ASEAN institutions to support dialogue on recognition of standards, implementation of trade agreements and investment.
- **Conducting joint training and capability programmes,** Work with agencies, universities and laboratories on training for officials, assessors and suppliers.
- Connect Indonesian suppliers and service providers with member procurement networks and regional value chains.
- Report back on how changes work in practice and refine the recommendations as implementation proceeds.

These recommendations are offered as a basis for continued policy discussion between the Government of Indonesia and the business community on how economic policy can be strengthened further. They build on the issues and recommendations in USABC's 2025 Critical Catalysts to Competitiveness. USABC will keep engaging with the Government, share practical experience from members' operations and refine its recommendations as implementation progresses, so that policy objectives, once agreed, can be applied in ways that support operations, investment and public benefit. USABC and its members look forward to working with the Government of Indonesia to turn these recommendations into practical improvements that support national growth and serve Indonesian society.

Annex 1. Regulatory instruments referenced by members

Recommendation 1. Modernizing import processes

Barrier members experience	Instruments
Import quotas, permits and technical approvals	1. Minister of Trade Regulation No. 16 of 2025 on Import Policy and Arrangements, as lastly amended by Minister of Trade Regulation No. 18 of 2026 on the Second Amendment to Minister of Trade Regulation No. 16 of 2025 (MoT 16/2025) 2. Minister of Trade Regulation No. 17 of 2025 on Import Policy and Arrangements for Textiles and Textile Products (MoT 17/2025) 3. Minister of Trade Regulation No. 18 of 2025 on Agricultural and Livestock Imports, as lastly amended by Minister of Trade Regulation No. 11 of 2026 on Second Amendment to Minister of Trade Regulation No. 18 of 2025 on Agricultural and Livestock Imports (MoT 18/2025) 4. Minister of Trade Regulation No. 19 of 2025 on Import Policy and Arrangements for Salt and Fishery Commodities (MoT 19/2025) 5. Minister of Trade Regulation No. 20 of 2025 on Import Policy and Arrangements for Chemicals, Hazardous Materials and Mining Materials, as amended by Minister of Trade Regulation No. 32 of 2025 on Amendment of Minister of Trade Regulation No. 20 of 2025 on Import Policy and Arrangements for Chemicals, Hazardous Materials and Mining Materials (MoT 20/2025) 6. Minister of Trade Regulation No. 21 of 2025 on Import Policy and Arrangements for Electronic and Telematics Goods (MoT 21/2025) 7. Minister of Trade Regulation No. 22 of 2025 on Import Policy and Arrangements for Certain Industrial Goods (MoT 22/2025) 8. Minister of Trade Regulation No. 23 of 2025 on Import Policy and Arrangements for Consumer Goods (MoT 23/2025)

Barrier members experience	Instruments
	9. Minister of Trade Regulation No. 24 of 2025 on Import Policy and Arrangements for Used Goods (Not New) and Non-Hazardous Waste (MoT 24/2025) 10. Minister of Industry Regulation No. 68/M-IND/PER/9/2016 on Provisions for Issuing Recommendations for Designation as a Registered Importer of Mobile Phones, Handheld Computers, and Tablet Computers (Mol 68/2016)
Commodity balance allocations	11. Presidential Regulation No. 61 of 2024 on Commodity Balance, as amended by Presidential Regulation No. 7 of 2025 on Amendment to Presidential Regulation No. 61 of 2024 on Commodity Balance (PR 61/2024) 12. Presidential Regulation No. 17 of 2025 on Acceleration of National Salt Development (PR 17/2025) 13. Presidential Regulation No. 40 of 2023 on Accelerating National Sugar Self-Sufficiency and Bioethanol Supply as Biofuel (PR 40/2023)
Halal Certification Requirements	14. Government Regulation No. 42 of 2024 on Halal Product Assurance (GR 42/2024)
Customs release and declaration	15. Minister of Finance Regulation No. 190/PMK.04/2022 on Release of Imported Goods for Use (MoF 190/2022)
Import limits on e-commerce goods	16. Minister of Trade Regulation No. 31 of 2023 on Business Licensing, Advertising, Guidance, and Supervision of Business Actors in Trade Through Electronic Systems as replaced by Ministry of Trade Regulation No. 19 of 2026 on Electronic Systems Trading. (MoT 31/2023)

Barrier members experience	Instruments
Vehicles, restricted goods and cosmetics	17. Minister of Industry Regulation No. 34 of 2019 on the Registration of Motor Vehicle Types and Variants (MoI 34/2019) 18. BAPETEN Regulation No. 1 of 2025 on Assessment of X-ray Equipment Compliance in Diagnostic and Interventional Radiology (Bapeten 1/2025) 19. BAPETEN Regulation No. 5 of 2025 on Standards for Business Activity and/or Product/Service Standards in the Implementation of Risk-Based Business Licensing in the Nuclear Energy Sector (Bapeten 5/2025) 20. BAPETEN Regulation No. 3 of 2024 Restrictions on the Import and Export of Consumer Goods, Sources of Ionizing Radiation, and Nuclear Materials (Bapeten 3/2024)
Duties on network equipment and digital products	22. WTO Information Technology Agreement, as applied in Indonesia's tariff schedule 23. Minister of Finance Regulation No. 26/PMK.010/2022 on the Classification System of Goods and the Imposition of Import Duty Tariffs on Imported Goods, as lastly amended by Minister of Finance Regulation No. 68 of 2026 (MoF 26/2022)



Recommendation 2. Deepening mutual trust in standards

Barrier members experience	Instruments
SNI and product standards	24. Minister of Industry Regulation No. 45 of 2022 on Industrial Standardization (MoI 45/2022) 25. Minister of Industry Regulation No. 8 of 2025 on Mandatory Implementation of Indonesian National Standards for Lubricating Oils (MoI 8/2025) 26. Minister of Trade Regulation No. 33 of 2025 on Standards for Business Activities and/or Product/Service Standards in the Implementation of Risk-Based Business Licensing in the Trade and Legal Metrology Sectors (MoT 33/2025)
Halal certification, labelling and import checks	27. Law No. 33 of 2014 on Halal Product Assurance as lastly amended by Law No. 6 of 2023 on the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation become a Law (Law 33/2014) 28. Government Regulation No. 42 of 2024 on Implementation of Halal Product Assurance (GR 42/2024) 29. Minister of Religious Affairs Decree No. 748 of 2021 on Product Categories Subject to Mandatory Halal Certification (MRA Decree 748/2021) 30. BPJPH Regulation No. 2 of 2026 on Imposition of Administrative Sanctions for Violations in the Implementation of Halal Product Assurance (BPJPH 2/2026) 31. BPJPH Regulation No. 3 of 2026 on Format and Procedures for Displaying Non-Halal Information (BPJPH 3/2026) 32. BPJPH 4/2026
Recognition of overseas test results	33. Minister of Communications and Digital Affairs Regulation No. 5 of 2024 on Designation of Testing Centers for Telecommunications Equipment and/or Telecommunications Devices (MCDA 5/2024)

Recommendation 3. Building government technical capability for digital growth

Barrier members experience	Instruments
Rules on where data and systems may sit	34. Government Regulation No. 71 of 2019 on Electronic Systems and Transactions Provisions (GR 71/2019) 35. Minister of Communications and Informatics Regulation No. 5 of 2020 on Private Electronic System Operators as lastly amended by Minister of Communications and Informatics Regulation No. 10 of 2021 on the Amendment of Minister of Communications and Informatics Regulation No. 5 of 2020 on Private Electronic System Operators (MCI 5/2020) 36. OJK Regulation No. 11 of 2022 Implementation of Information Technology by Commercial Banks (OJK 11/2022) 37. OJK Regulation No. 4 of 2021 on Implementation of Risk Management in the Use of Information Technology by Nonbank Financial Institutions (OJK 4/2021). 38. OJK PADK No. 1 of 2026 on Implementation of Information Technology by Commercial Banks (OJK PADK 1/2026)
Personal data protection	39. Law No. 27 of 2022 on Personal Data Protection (Law 27/2022) 40. Government Regulation No. 33 of 2026 on Implementing Regulation of Law No. 27 of 2022 on Personal Data Protection (GR 33/2026)
AI governance	41. National Strategy for Artificial Intelligence 2045 42. Minister of Communications and Digital Affairs Circular Letter No. 9 of 2023 on AI Ethics (MCDA Letter 9/2023) 43. OJK guidelines on responsible AI for fintech (2023) and AI governance for banks (2025)

Barrier members experience	Instruments
AI governance	44. Draft Presidential Regulations on the National AI Roadmap 2026 to 2029 and on AI Ethics 45. Copyright Law amendment, pending
Cybersecurity	46. Cybersecurity and Resilience Bill, pending
Payments and data centres	47. Bank Indonesia Regulation No. 18/40/PBI/2016 on Payment Transaction Processing (PBI 18/40/2016) 48. Bank Indonesia Regulation No. 19/08/2017 on National Payment Gateway (PBI 19/08/2017) 49. Bank Indonesia Regulation No. 23/11/2021 on National Payment System Standards (PBI 23/11/2021) 50. Bank Indonesia Regulation No. 10 of 2025 on Payment System Industry (PBI 10/2025) 51. Minister of Communications and Informatics Decree No. 519 of 2024 on the National Data Center (MCDA Decree 519/2024)

Recommendation 4. Improving regulatory predictability

Barrier members experience	Instruments
Business licensing and implementation	52. Government Regulation No. 28 of 2025 on Implementation of Risk-Based Business Licensing (GR 28/2025)

Barrier members experience	Instruments
Tax refund timelines	53. Minister of Finance Regulations No. 34/PMK.010/2017 on Collection of Article 22 Income Tax in Connection with Payments for the Delivery of Goods and Activities in the Field of Importation or Business Activities In Other Sectors (MoF 34/2017)
Tax certainty and alignment with sectoral regulation and accounting standards	54. OJK Regulation No. 26 of 2025 on Management of Assets and Liabilities of Insurance Companies and Reinsurance Companies (OJK 26/2025) 55. Director General of Taxes Regulation No. PER-5/PJ/2026 on the Recognition of Income and Expenses and the Calculation of Taxable Income for Tax Year 2025 for Taxpayers Keeping Books under the Accounting Standard for Insurance Contracts (PER-5/PJ/2026)
Energy supply and project approvals	56. Presidential Regulation No. 22 of 2017 on the National Energy General Plan (PR 22/2017)
Pending rules and short deadlines	57. Draft Manpower Protection Bill (DPR has passed in into law on 6 October 2026) 58. Constitutional Court Decision No. 168/PUU-XXI/2023 59. Successor to Ministry of Environment and Forestry Regulation No. 75 of 2019 on Extended Producer Responsibility
Consultation on implementing rules	60. Law No. 12 of 2011 on the Formation of Laws and Regulations as amended by Law No. 13 of 2022 on the Second Amendment to (Law 12/2011) 61. Constitutional Court Decision No. 91/PUU-XVIII/2020 on the formal review of Law No. 11 of 2020 on Job Creation, on meaningful participation in lawmaking

Recommendation 5. Positioning government as a long-term investment partner

Barrier members experience	Instruments
Foreign ownership limits	62. KBLI 53100 on postal activities of Head of National Statistic Agency No. 7 of 2025 on Indonesia's Standard Business Classification (BPS 7/2025) 63. PBI 18/40/2016 64. PBI 19/08/2017

Recommendation 6. Leveraging commercial partnerships for knowledge transfer and local capacity

Barrier members experience	Instruments
Calculation and certification of local content	65. Minister of Industry Regulation No. 35 of 2025 on Provisions and Procedures for Domestic Component Level Certification and Company Benefit Weighting (Mol 35/2025), revoking Ministry of Industry Regulation No. 16 of 2011 on Provisions and Procedures for Calculating the Domestic Component Level (Mol 16/2011)
Sector-specific local content rules	66. Minister of Industry Regulation No. 22 of 2020 on Provisions and Procedures for Calculating the Domestic Component Level Value of Electronic and Telematics Products (Mol 22/2020) 67. Minister of Industry Regulation No. 29 of 2017 the Provisions and Procedures for Calculating the Domestic Component Level Value of Mobile Phones, Handheld Computers, and Tablet Computers (Mol 29/2017) 68. Minister of Industry Regulation No. 16 of 2020 on Provisions and Procedures for Calculating the Domestic Component Level Value of Pharmaceutical Products (Mol 16/2020)

Barrier members experience	Instruments
	69. Minister of Industry Regulation No. 31 of 2022 Provisions and Procedures for Calculating the Value of Domestic Component Levels for Medical Devices and In Vitro Diagnostic Medical Devices (MoI 31/2022)
Procurement preference for domestic products	70. Government Regulation No. 29 of 2018 on Industry Empowerment (GR 29/2018) 71. Presidential Instruction No. 2 of 2022 on the Acceleration of Increasing the Use of Domestic Products and Products of Micro, Small, and Cooperative Enterprises in the Context of Making the National Movement Proud of Indonesian Products a Success in the Implementation of Government Procurement of Goods/Services (PI 2/2022) 72. Presidential Regulation No. 16 of 2018 on Government Procurement of Goods/Services as lastly amended by Presidential Regulation No. 46 of 2025 on the Second Amendment to Presidential Regulation No. 16 of 2018 on Government Procurement of Goods/Services (PR 16/2018)
Upstream oil and gas	73. Ministry of Energy and Mineral Resources Regulation No. 15 of 2013 on the Use of Domestic Products in Upstream Oil and Gas Business Activities (MEMR 15/2013)

Recommendation 7. Balancing reserve stability with reinvestment flexibility

Barrier members experience	Instruments
Retention and placement of export proceeds	74. Government Regulation No. 36 of 2023 on Export Proceeds from Natural Resource Activities, as lastly amended by Government Regulation No. 21 of 2026 on the Third Amendment of Government Regulation No. 36 of 2023 on Export Proceeds from Natural Resource Activities (GR 36/2023)

Barrier members experience	Instruments
	75. Bank Indonesia Regulation No. 7 of 2023 on Foreign Export Proceeds from the Business, Management and/or Processing of Natural Resource as lastly amended by Bank Indonesia Regulation No. 5 of 2026 on the Second Amendment of Bank Indonesia Regulation No. 7 of 2023 on Foreign Export Proceeds from the Business, Management and/or Processing of Natural Resource (PBI 7/2023) 76. BI PADG No. 4 of 2023 on Foreign Export Proceeds from the Business, Management and/or Processing of Natural Resource as lastly amended by BI PADG No. 16 of 2026 on Third Amendment of Foreign Export Proceeds from the Business, Management and/or Processing of Natural Resource (BI PADG 4/2023)
Tax treatment of placements	77. Government Regulation No. 22 of 2024 on Income Tax Treatment of Income from the Placement of Foreign Exchange Proceeds from Natural Resource Exports in Certain Monetary Instruments and/or Financial Instruments in Indonesia (GR 22/2024)
Export of strategic commodities	78. Government Regulation No. 24 of 2026 on Governance of Exports of Strategic Natural Resource Commodities

Recommendation 8. Strengthening trade-agreement implementation

Barrier members experience	Instruments
Commitments without a clear owner or timeline	79. Agreement on Reciprocal Trade between Indonesia and the United States (signed 19 February 2026, awaiting ratification) 80. Regional Comprehensive Economic Partnership 81. Indonesia-EU Comprehensive Economic Partnership Agreement

Annex 2. Definitions and abbreviations

Abbreviations

Abbreviation	Meaning
AI	Artificial intelligence
ASEAN	Association of Southeast Asian Nations
B2B / B2C / B2G	Business-to-business / business-to-consumer / business-to-government
BAPETEN	Badan Pengawas Tenaga Nuklir (Nuclear Energy Regulatory Agency)
BMP	Bobot Manfaat Perusahaan (company contribution value)
BKPM	Ministry of Investment and Downstream Industry/Investment Coordinating Board
BPJPH	Badan Penyelenggara Jaminan Produk Halal (Halal Product Assurance Agency)
BPOM	Badan Pengawas Obat dan Makanan (National Agency of Drug and Food Control)
BPS	Badan Pusat Statistik (Statistics Indonesia)
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
DHE SDA	Devisa Hasil Ekspor Sumber Daya Alam (export proceeds from natural resources)
EU	European Union
FDI	Foreign direct investment
GDP	Gross domestic product

Abbreviation	Meaning
GDP	Gross domestic product
HS	Harmonized System (tariff classification)
IMF	International Monetary Fund
KBLI	Klasifikasi Baku Lapangan Usaha Indonesia (Indonesian Standard Industrial Classification)
Mol	Ministry of Industry
MRA	Mutual recognition agreement
MSME / SME	Micro, small and medium enterprises / small and medium enterprises
NBER	National Bureau of Economic Research
OECD	Organisation for Economic Co-operation and Development
OJK	Otoritas Jasa Keuangan (Financial Services Authority)
PADG / PADK	Peraturan Anggota Dewan Gubernur (Bank Indonesia Board of Governors Member Regulation) / Peraturan Anggota Dewan Komisiner (OJK Board of Commissioners Member Regulation)
PBI	Peraturan Bank Indonesia (Bank Indonesia Regulation)
PDP Law	Personal Data Protection Law
PP	Peraturan Pemerintah (Government Regulation)
Pertek	Pertimbangan teknis (technical approval for imports)
PMK	Peraturan Menteri Keuangan (Minister of Finance Regulation)
RCEP	Regional Comprehensive Economic Partnership
RPJMN	Rencana Pembangunan Jangka Menengah Nasional (National Medium-Term Development Plan)
SNI	Standar Nasional Indonesia (Indonesian National Standard)

Abbreviation	Meaning
TKDN	Tingkat Komponen Dalam Negeri (domestic component level, or local content)
UNIDO	United Nations Industrial Development Organization
US	United States
USABC	US-ASEAN Business Council
WTO	World Trade Organization

Working definitions

- **Absorptive capacity:** The skills, financing, management capability, infrastructure and prior knowledge needed to acquire and apply new technology.
- **Aftercare:** Government support for established investors to address operational constraints, retain investments and evaluate expansion, beyond registration and licensing.
- **Conformity assessment:** Testing, inspection and certification used to demonstrate that a product meets requirements.
- **Equivalence or recognition:** Acceptance of overseas assessments where they provide a comparable level of assurance. This does not require a formal MRA in every case.
- **Local-content requirement:** A requirement to use domestically produced inputs or services.
- **Regulatory predictability:** The ability of businesses to estimate compliance costs, implementation periods, expected returns and risks before committing capital.
- **Technology transfer:** The movement of skills, technical knowledge, production processes, quality-control systems and organizational capability, not only equipment.
- **8% growth ambition:** Indonesia's stated growth ambition, referred to throughout the paper. Recommendations are described as contributing to it, not guaranteeing it.

Annex 3. Research methodology, disclaimer and qualifications

Evidence base

The paper draws on four kinds of evidence.

1. A consolidated set of responses from USABC members across sectors.
2. USABC's observations from its work over the past year, presented as general observations.
3. Published materials from the World Bank, OECD, WTO, UNIDO, IMF, NBER working papers, Bank Indonesia, the Ministry of Finance and the Ministry of Energy and Mineral Resources, and industry analysis, including the 2026 US-Indonesia Investment Report of AmCham Indonesia and the U.S. Chamber of Commerce.
4. Published news, law-firm and government-reported sources on Vietnam, the Philippines, Malaysia, Singapore and Thailand, which have not been independently verified.

Approach

Each recommendation follows the same parts: title, what it would deliver, overview, what stands in the way, recommended actions and benefit for Indonesia. Member evidence is stated as reported, without extrapolating to all members, and external evidence is used to give context. Statements about benefits are worded as contributions to growth and not as forecasts.

Limitations and qualifications

- **Self-reported member data:** Financial impacts, such as annual impacts above USD 1 million, are self-reported. They have not been independently verified.
- **Mixed and small-sample findings:** Member assessments differed, for example on DHE SDA, where one member reported slight improvement, one no change and one worsening. The results show what members experienced and do not represent the whole business community.
- **International evidence is illustrative:** Cross-country and foreign figures in the paper are not estimates of what Indonesia would experience. Examples include the OECD agricultural trade-measures study, the OECD investment-uncertainty analysis, the World Bank regulatory-risk analysis, the World Bank aftercare case study and the US business-survey papers.
- **Association-related observations:** References to industry associations reflect practice and stakeholder experience and are not claims that any arrangement lacks regulatory value.
- **Evolving regulation:** The DHE SDA framework and other instruments have been amended and may change again. The paper reflects the position as of 8 October 2026.

Disclaimer

This paper is provided for policy discussion. It does not constitute legal, financial or investment advice, and it does not represent the views of any individual member company or any government body. It is meant as a basis for continuing dialogue with the Government of Indonesia, building on USABC's 2025 Critical Catalysts to Competitiveness. Readers should check the current text of any regulation before relying on it. AI contributed no ideas to this whitepaper.

Endnotes

¹USABC, Critical Catalysts to Competitiveness, May 2025

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