

Import Procedures of Republic of Indonesia

A Guide Line for Pakistani Companies

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Embassy of Pakistan
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Import procedures

Indonesia as Export Market - An overview

Indonesia is the 8th largest economy of the world (based on purchasing power parity) with a GDP of \$ 865 billion (2015)¹. It is growing at an average of 5% annually for the last one decade². This consistent economic growth has helped the country to pull itself into upper middle income status. It has generous natural resources, including crude oil, natural gas, tin, copper, and gold. Its key imports include machinery and equipment, chemicals, fuels, and foodstuffs. Major exports include oil and gas, electrical appliances, plywood, rubber and textiles. Indonesian market has many positive attributes e.g.

- 1) Indonesia has a GDP per capita of \$3,370 (\$11,100 at PPP) that exceeds many of its ASEAN neighbours such the Philippines and Vietnam, and with 255 million people (World Bank), Indonesia's economy comprises nearly half of ASEAN economic output.
- 2) Indonesia is a thriving democracy with significant regional autonomy. It is located on one of the world's major trade routes and has extensive natural resource wealth comprised of 17,508 islands³.
- 3) According to Euro monitor International, Indonesia has the world's fourth largest middle class with 17.3 million households as of 2014, and is forecasted to expand to around 20 million households by 2030. It has 74 million middle-class and affluent consumers (those spending over \$165 USD or 2 million IDR) in 2013, which would likely double by 2020⁴.

However, recently the economy has slowed down (4.8% growth rate in 2015) and the rupiah, like many other currencies, has weakened⁵. Export revenues have fallen due to the slowdown in China and declining global commodity prices. Imports have fallen even further as non-tariff barriers and negative market sentiment dampen demand. There are many urgent issues which the Indonesian Govt. is trying to tackle to keep Indonesia growing. Beginning in September 2015, the Government of Indonesia announced a series of economic reform packages in an effort to spur its GDP growth and encourage foreign investment. The announced reforms are a positive signal of desire to improve the business climate; however, the implementation and impact of the policies remains to be determined.

¹ Source : Trade Map

² www.indonesia-investments.com

³ CIA World Fact book

⁴ Bank Indonesia

⁵ Bank Indonesia

Market Entry Strategy

There are various strategies which a company adopt to enter into a new market for exports e.g. using an agent, establishing an office, franchising, joint venture / licensing, distribution or sales channel or selling it to Govt.

Agent

In Indonesia most effective & popular market entry strategy is via agents or distributors.

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

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

The appointment of an agent or distributor can be realized by:

- A producer principal
- A supplier principal on the basis of approval from producer principal
- Foreign investment companies operating in the trading field as distributors or wholesalers
- Representative offices of foreign trade companies

Many Indonesian importers represent multiple foreign manufacturers and product lines. Large conglomerates often establish discrete company units to specialize around a product category. Medium and smaller importers tend to specialize in a narrower range of goods, but are open to adding an unrelated product line if it appears to be profitable. Often foreign companies establish close connections with Indonesian importers, allowing the two companies to function as one. The

Indonesian company acts as the importer and distributor, and the foreign company promotes its products, sometimes seconding expatriate staff to its Indonesian distributor/partner. A more active role for the foreign firm can be arranged through a management contract, which can take many forms, such as technical assistance agreements; management agreements; or combined management/financial agreements. Important Regulations in this regard are, Ministry of Trade (MOT) (1) Regulation No. 36/1977 (2) Regulation No. 15/1998. Registration of an Indonesian agent or distributor with the Directorate of Business Development and Company Registration at the MOT is mandatory under Regulation of the MOT No. 11/M-DAG/PER/3/2006.

Establishing an Office

The Indonesian Investment Coordinating Board (BKPM) provides for certain types of direct investment approvals from both domestic and foreign investors. A Foreign Company must establish itself as a legal entity in Indonesia, often called a Foreign Investment Company, or "*PT. Penanaman Modal Asing (PT. PMA)*." A Foreign Company that wishes to access the Indonesian market may also establish itself as a Representative Office and not a branch office. Some business sectors require a foreign company to establish a local partner in which the foreign company is allowed up to a certain percentage of ownership depending on the sector. The companies that are interested in establishing a legal entity in Indonesia should first check the latest Negative Investment List, which was released May 24, 2016 as Government Regulation No. 44/2016. The Negative Investment List revision is one of the Indonesian Government's commitments to the ASEAN Economic Community (AEC) to boost both foreign and domestic investment activities. The revision of the Negative Investment List opens some previously-closed sectors to foreign investors. To learn about businesses that are closed or conditionally open for investment go to www.bkpm.go.id.

Before establishing an office in Indonesia, investors need to think whether using a local partner would be more effective in penetrating the local market. A foreign company can also establish a representative office. Three of the most common types of representative offices in Indonesia are:

- (1) Foreign Representative Office (Kantor Perwakilan Perusahaan Asing)
- (2) Foreign Trade Representative Office (Perwakilan Perusahaan Perdagangan Asing)
- (3) Foreign Construction Services Representative Office.

Franchising

Franchises facilitate the transfer of know-how and managerial expertise to the franchisee companies while simultaneously allowing the franchiser to quickly establish a presence in the country. Under a typical franchising agreement, the franchiser receives royalties and fees as stipulated in the contract. In exchange, the

franchisee has the right to use and manufacture copyrighted, patented or service-marked materials identifying the enterprise. The franchiser typically provides training and organizational guidance in return for a guarantee that the franchisee will follow these operational directions.

In particular, there are two regulations that are of interest to firms interested in establishing or expanding a franchise in Indonesia. Ministry of Trade Regulations No. 57 and 58 define the requirements and procedures for a franchisor to obtain a STPW (Surat Tanda Pendaftaran Waralaba or Franchise Registration Certificate). Before entering into an agreement with a franchise, a franchisor in Indonesia must register a franchise prospectus with the Ministry of Trade to obtain the STPW. According to this regulation, instead of directly registering the franchise prospectus, a franchisor must first submit a copy of its draft master franchise agreement. These regulations also prohibit franchisors from appointing franchisees with whom they already have a relationship in order to provide opportunities for new franchisees and to prevent one group from gaining a monopoly. In the event a franchise agreement is terminated unilaterally by the franchisor before the expiration of the agreement term, the franchisor cannot appoint a new franchisee for the same area until both parties reach an agreement or until there is a legally binding court verdict.

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

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

Joint Ventures/Licensing

Indonesia continues to maintain a Negative Investment List which includes some sectors that are closed entirely and some open with conditions. Apart from the Negative Investment List industries, 100 percent foreign ownership is allowed. As a practical matter, a local joint venture partner is often essential for success in this market, for the same reason that an active Indonesian agent or distributor has advantages over a foreign trade representative office. The choice of an Indonesian joint venture partner is critical for many reasons, especially for knowledge of the local environment and contacts. A few firms provide background and credit-type reports on Indonesian entrepreneurs and firms.

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

Indonesians place great importance on personal relationships and mutual understanding, partnerships tend to be based primarily on genuine accord, with the written contract playing a less significant role. It is therefore important that any agreement be well understood by both sides. A contract over which there are conflicting interpretations is certain to cause future problems. In any case, a soundly written legal agreement is strongly encouraged, despite the weakness of the Indonesian legal system for enforcing contracts. In some cases, licensing arrangements for products and services are more cost-effective options for companies doing business in Indonesia, but firms should apply the same cautions recommended for joint venture partners.

Selling to the Govt.

Although it may be possible in some cases to sell directly to the government, there is good reason to use the services of an agent or distributor for the early stages of project development, delivery, installation and service needs. Traditionally, most government procurement decisions have been based on long-established relationships and may exclude those participants who are not well known in the market. New-to-market firms need the careful advice of local representatives to avoid wasting time and money participating in a tender. Firms also need to be aware of the cultural differences of communicating in Indonesia. An agent may find it difficult to share bad news with a partner or may not be completely candid about the company's chances of winning a tender. A close relationship with one's agent is the best way to ensure open communication.

In February 2009, through Presidential Instruction⁶, the Govt. of Indonesia issued new regulations which stipulate the use of 456 kinds of local products (in 21 categories such as agriculture equipment, defense equipment, chemical, services for electrical, electronics and telecommunication equipment) for projects owned by the government, state-owned companies, and production sharing contractors. The Ministry of Industry has tasked the Finance and Development Supervisory Agency (BPKP) to oversee implementation of programs. Idea behind this rule was to strengthen the domestic manufacturing. The Presidential Decree No.70/2012 regulates the procurement process for government agencies, including the state-owned companies, the Indonesian military and the Indonesian Police.

⁶ Presidential Regulation No. 2/2009

Process of Selling into the Indonesian market

The authority in charge of regulating import/export procedures in Indonesia is the Ministry of Trade (MoT), which administers trade activities such as the registration of companies and market development. Another important player is the Investment Coordinating Board (Badan Koordinasi Penanaman Modal - BKPM), which is coordinating body with consulting functions in the area of trade and investment. Ministry of Agriculture, which regulate import of agriculture products. And most import of all, Directorate General of Customs and Excise.

For import into Indonesia, the most important regulations to be taken into account are;

- I. Indonesian Customs Law No. 17 of 2006
- II. Ministry of finance Regulation No. 144/PMK .04/2007
- III. DGCE Regulation No. P.42/BC/2008 and P/08/BC/2009
- IV. Ministry of Trade Regulation No. 36/2014
- V. National Drug and Food Control Agency (BPOM) Regulation No. 27 of 2013

Requirement for Importers

Every importer, whether a company or an individual, should have the following administrative elements (depending on the goods and the purpose of the import).

1. **Importer Identification Number** (*Angka Pengenal Impor - API*). The API, regulated by Ministry of Trade Regulation No. 27/2012, is the importers' mandatory proof of identification. It is valid for five years, and may be extended.

There are two types of API:

- (a) **API-U (General Importer Identification Number - *Angka Pengenal Impor Umum*)**, granted to importers that import goods only for trading purposes. It is issued by the Ministry of Trade (or the related Head of Provincial Service).
- (b) **API-P (Producer Importer Identification Number - *Angka Pengenal Impor Produsen*)**, granted to importers that import goods for their own use, such as raw materials and/or others, which are intended to support the production process. In turn, there are three types of API-P, as follows:

API-P for Production Sharing Contracts, issued by the Indonesian Directorate General of Foreign Trade; API-P for Foreign and Local Liability Companies, issued by BKPM; API-P for other purposes issued by Ministry of Trade (Head of Provincial Service). Please note that importation without an API can only be performed after approval of the Ministry of Trade and it is only possible

for infrequent importation of self-consumed goods (which are not for trading purposes).

2. **Customs Identification Number** (*Nomor Identitas Kepabeanan - NIK*)
The NIK is a required personal identity number used to access the importers' record file in the system of the Directorate General of Customs & Excise (DGEC) which uses both information technology and manual procedures in monitoring customs obligations. The NIK must be obtained from the DGCE and will remain valid unless cancelled by the same authority
3. **Special Importer Identification Number** (*Nomor Pengenal Importir Khusus - NPIK*) The NPIK is only necessary for the importation of certain products, commodities and goods such as: rice, electronics, sugar, corn, soybeans, toys, footwear and textiles. The NPIK is issued by the Ministry of Trade. In addition, NPIK importers are required to report their import realization by the 15th day of every month.
4. **The Registered Importer Number** (*Importir Terdaftar Produk Tertentu - ITPT*)
ITPT is mandatory for a company or person to be able to import goods related to electronics, ready-made garments, toys, footwear, food and drink products, cosmetic products, as well as traditional and herbal medicines.
5. **Import Approval for Used Capital Goods** (*Persetujuan Impor Barang Modal Non Baru*) This is issued by the Ministry of Trade and necessary for imports of used capital goods conducted by direct users, reconditioning and remanufacturing companies and/or hospital equipment suppliers.
6. **Company Master Number** (*Nomor Induk Perusahaan - NIPE*) The NIPE is a registration certification number that is needed for entitlement to the exemption or drawback of import duties, value added tax and sales tax on luxury goods.

Procedure for Import

The process for import (export from another country) can be broken into three phases.

1. Finding the buyer in Indonesia and settling terms of the trade
 - 1.1. Find an importer / distributor with importing license
 - 1.2. Check the Indonesian list of HS Codes as some products may need a certain registration from related institutions e.g. surgical items etc.
 - 1.3. Assure a clear agreement with the partner (Importer / Distributor)
 - 1.4. Complete the SPS / TBT requirements for a particular product e.g. agricultural products must be accompanied by Certificate of Analysis (COA) issued with a laboratory duly approved by Indonesian Plant Quarantine

Department.

- 1.5. Be certain to complete the required supporting documents (e.g.) certificate of origin etc.) for the importer to process
2. In the process of exporting
 - 2.1. Notify the customs office that the goods are coming
 - 2.2. Pay the duty / VAT
 - 2.3. Submit customs declaration form, payment evidence and required documents
 - 2.4. Verification of documents from Customs office
3. Clearance Process
 - 3.1. Once the importer completes the payment, the Customs Declaration Form (PIB) needs to be submitted along with its supporting documents to the Customs Office, in order to obtain the Customs Clearance Approval
 - 3.2. The supporting documents should comprise the following
 - 3.2.1. Payment Evidence
 - 3.2.2. Import Identification Number (API)
 - 3.2.3. Tax Registration Number (NPWP)
 - 3.2.4. Customs Registration Number (SRP)
 - 3.2.5. Proof of deposit of Customs Duty, Excise and Taxation
 - 3.2.6. Bill of Lading or Airway Bill
 - 3.2.7. Insurance Letter
 - 3.2.8. An authorization letter, if the informant is a customs clearance company

The Govt. of Indonesia requires extensive documentation prior to allowing the importation of goods. Local customs brokers are acquainted with the procedures and required format of the documentation. At a minimum, the exporter or his agent must provide the following

- A pro-forma invoice
- Commercial invoice
- Certificate of origin
- Bill of lading
- Packing list
- Insurance certificate

In addition to those documents additional certificates are often required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

The process of providing the documentation includes a requirement that the importer notifies the customs office prior to the arrival of goods and submits import

documents electronically through the electronic data interchange (EDI) in a standardized format placed on flash drives. In addition to providing the import documentation, the Custom Office will conduct physical inspection of imported goods.

There is an import fee applicable for incoming goods which is based on the goods classification from Indonesian Customs Tariff Book or Harmonized System Code. This Book is only available in hard copy, no soft version of the book is available. However, there is a URL which can be used to get complete information for each tariff lines i.e. - <http://eservice.insw.go.id>. This address is the most important repository of the online information related to HS Code Information, Regulations, List of authorised Traders of various commodities, exchange rate and rules of origin.

Labelling / Marking Requirements

All imported consumer goods must identify the importing agents. The Govt. Of Indonesia requires that information on product labels be distinctly and clearly written or printed or shown so that it can be seen easily and understood. The information on product labels should be written or printed in the Indonesian language, Arabic numbers, and Latin letters. The use of language, numbers, and letters other than the Indonesian language will only be permitted when there are no matching terms, or in the event of trading abroad. Labelling should not contain the following: claims on the effect of the product on health, whether preventative and/or curative; incorrect or misleading information; comparisons to other products; promotion of certain similar products; and any additional information that has not yet been approved.

Import Tariffs

In 2013 Indonesia's average MFN *applied* tariff was 6.9 percent. Indonesia periodically changes its applied rates thereby causing some unpredictability in the market.

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

Indonesia has extensive preferential trade relationships with other countries. Under the ASEAN Free Trade Agreement, duties on imports from ASEAN countries generally range from zero percent to 5 percent, except for products specified on exclusion lists. Indonesia also provides preferential market access to Australia,

China, Japan, Korea, India, Pakistan, Japan and New Zealand under regional ASEAN agreements and bilateral trade agreements.

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

Luxury Taxes

Luxury goods (defined as goods not considered necessities), imported or locally produced, may be subject to a luxury tax of up to 200 percent. Currently, however, there are no luxury goods subject to the 200 percent rate, and the applied luxury tax rates generally range from 10 to 75 percent, depending on the product. In 2015, Indonesian Govt. updated luxury tax rates for certain non-motor vehicle luxury goods, including yachts, aircraft, firearms, and certain types of housing⁷. The current highest tax rate applied is 125 percent for special luxury cars⁸. However, under Regulation 41/2013, the luxury goods sales tax base rates are lowered for motor vehicles that meet certain environmental requirements. Luxury sales taxes are reduced by up to 100 percent for motor vehicles with an internal combustion engine with a cylinder capacity up to 1,200 cc and a fuel consumption rate of at least 20 kilometers per liter of fuel, or a compression ignition engine (diesel or semi-diesel) with a cylinder capacity of up to 1,500 cc and a fuel consumption rate of at least 20 kilometres per litre of fuel. A luxury tax reduction of 50 percent is granted for motor vehicles using advanced technology diesel or petrol engines, biofuel engines, hybrid engines, or compressed natural gas (CNG) or liquefied gas for vehicles (LGV) dedicated engines, with fuel consumption of more than 28 kilometres per litre of fuel or other equivalent. A luxury tax reduction of 25 percent is granted for motor vehicles that use advanced technology diesel or petrol engines, dual petrol-gas engines (CNG kit converter or LGV), biofuel engines, hybrid engines, or CNG or LGV dedicated engines, with fuel consumption ranging from 20 kilometers per liter to 28 kilometers per liter of fuel. Although Indonesia has eliminated its luxury tax on imported distilled spirits, the current excise tax regime imposes higher excise taxes on imported spirits than on domestic spirits. In July 2015, the excise tax was increased to 150 percent on spirits and to 90 percent on wine.

Details of the import tariff for each tariff lines can be obtained from - <http://eservice.insw.go.id>.

Barriers to Trade

⁷ Finance Ministry Regulation 106, June 2015

⁸ Government Regulation 22/2014, issued in March 2014

Tariff Barriers

Indonesia has been using high tariff rate for protection purposes. In accordance with the WTO Agreement on Agriculture, Indonesia agreed to eliminate non-tariff barriers on agricultural products, and replace them with tariffs but many barriers still remain. In the agricultural sector, 1,341 tariff lines have bindings at or above 40 percent, including the most sensitive and heavily protected sectors.

Domestic agricultural interests pressure the Govt. Of Indonesia for protection from international competition. Since December 2007, rice imports have been subject to a specific tariff of Rp. 450 per kilogram. Local agricultural interests also have lobbied the government to increase bound tariff rates on sensitive agricultural products, such as sugar and soybeans. In the case of soybeans, the tariff was increased to five percent in 2013, but this was dropped within a few months following supply shortages and increased prices. Soybean import tariffs remain at zero.

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

Non- rs

In recent years, Indonesia has enacted numerous regulations on imports that have increased the burden for exporters. Import licensing procedures and permit requirements, product labelling requirements, pre-shipment inspection requirements, local content and domestic manufacturing requirements, and quantitative import restrictions impede imports. In addition, the Indonesian government has adopted protectionist measures as it pursues the objective of agricultural self-sufficiency. Various trading partners of Indonesia continue to press them to resolve their concerns with Indonesia's restrictive trade and investment policies. Numerous other measures have been adopted or are being considered in the context of draft legislation, including food and quarantine laws. In January 2014, Indonesia's legislature, the Dewan Perwakilan Rakyat (DPR), passed an industry law (3/2014) outlining a master plan for national industrial development and tariff and non-tariff measures to protect domestic industries, citing protection of natural resources, national interest, and strategic importance. In February 2014, the DPR passed a comprehensive trade law (7/2014), which outlines the government's broad powers to oversee trade, including the ability to limit exports and imports in order to protect domestic interests.

Import licensing

Indonesian importers must comply with numerous and overlapping import licensing requirements that impede access to Indonesia's market. Several of these regulations are currently being reviewed or revised. MOT Regulation 70/2015 came into effect in January 2016 requires all importers to obtain an import license as either importers of goods for further distribution (API-U) or as importers for their own manufacturing (API-P), but they cannot obtain license for both activities. In response to stakeholder concerns, in November 2015, MOT issued a regulation on complementary goods that would allow companies that operate under an API-P import license to import finished products for "market test" and for after sales service purposes, as long as the goods are new, consistent with the company's business license, and produced by an affiliated firm, subject to reporting requirements.

Regulation 87/2015 requires pre-shipment verification by designated companies (known in Indonesia as "surveyors") at the importer's expense and limits the entry of imports to designated ports and airports. In addition, it maintains non-automatic import licensing requirements on a broad range of products, including electronics, household appliances, textiles and footwear, toys, food and beverage products, and cosmetics. However, for holders of an API-U license, Regulation 87/2015 appears to eliminate the additional requirement to apply or register as an importer of certain products.

MOT Regulation 82/2012, as amended by Regulations 38/2013 and 68/2015, and MOI Regulation 108/2012, in effect since January 2013, imposes burdensome import licensing requirements for cell phones, handheld computers, and tablets. Under Regulation 82/2012, importers of cell phones, handheld computers, and tablets can no longer sell directly to retailers or consumers. Importers must have at least three years of experience and must use at least three distributors to qualify for a MOT importer license. In addition, an amendment issued in 2013 (MOT Regulation 38/2013) requires an importer to commit to establish an "industry" (e.g., manufacturing) within three years of obtaining an import permit.

Quantitative Restrictions on Imports

MOT recently issued Regulation 71/2015, updating Indonesia's import rules on horticultural products. The new import made few substantial changes. Import licenses are still required and quantities will be allocated subject to the importer's cold storage capacity. MOT eliminated the 80 percent rule for horticultural products, which imposed punitive measures on importers that used less than 80 percent of the quota allotted under their import permits. The new regulation also specifies that the total import allocation will be set annually and that importers are no longer required to register as horticultural product importers. Importers also report that MOA is enforcing an unofficial regulation, limiting citrus imports to February, March, September, and October. Importers report that this practice is intended to limit imports to periods outside of Indonesia's citrus harvest. There has been no written

change to meat import rules, implying that the 80 percent rule is still in effect for beef products. Exporters report that meeting the 80 percent import requirement is burdensome and adds unnecessary risk. For example, the Indonesian government has shown little flexibility in accommodating importers that were unable to import their required volume within the duration of the Import Recommendation due to acts beyond their control, such as shipping delays and production shortages in the country of origin.

The Indonesian government has also stated that the import of many agricultural products, including meat and some horticultural products, will be subject to a reference price system, whereby imports will be permitted as long as domestic prices are above a set target price. In the event that prices fall below a set target price, the Indonesian government reserves the right to “postpone” imports. As of December 2015, Indonesia has not yet suspended imports under this provision. Indonesia imposes an “unofficial” restriction on corn imports. Since 2012, only feed millers can import corn. They must apply for an import permit from MOA. The import permit specifies the volume of corn that can be imported. The import volume is set based on the level of domestic feed production. Indonesia bans salt imports during the agricultural harvest season. It requires salt importers to be registered and to purchase domestic supplies as well as imports. Indonesia also maintains a seasonal ban on imports of sugar, in addition to limiting the annual quantity of sugar imports based on domestic production and consumption forecasts.

Agricultural Products

Indonesia is a big market for agriculture products, a lot of food items are imported from abroad. Therefore, Indonesia has a very broad and complicated regulatory regime for agricultural products. significant legislation concerning food and agricultural imports include:

- Law Number 6 of 1967 concerning Essential Stipulations for Animal Husbandry and Health of Livestock
- Law Number 9 of 1985 concerning Fisheries.
- Law Number 12 of 1992 concerning Cultivation of Plants. Law Number 23 of 1992 concerning Health.
- Law Number 25 of 1992 concerning Cooperatives. Law Number 9 of 1995 concerning Small Business
- Law Number 10 of 1995 concerning Customs Tariff.
- Law Number 8 of 1999 concerning Consumer Protection.

Halal Certification

Islamic purity or “halal” is important to a large portion of the Indonesian population. Indonesia requires that imported animal based food products, except pork, be accompanied by a halal certificate issued by an approved halal certifying body of the

exporting country.

Based on the new Law of Halal Product Assurance, goods and/or services that are related to food, beverages, drugs, cosmetics, chemical products, biological products, genetically-engineered products, as well as goods that are worn, used or utilized by the public must be halal. All entities are expected to comply with the law in the next 2 - 5 years. In the meantime, the current halal arrangement will continue to apply until the new agency for controlling halal is established and implementing regulations are written. The new halal agency is expected to be created as early as January 2017.

The Indonesian Council of Ulama (MUI) released the list of approved halal certifying bodies which includes:

- Halal for cattle slaughtering
- Halal for the processing industry
- Halal for flavouring
- Halal for poultry slaughtering

Rice

MOT Regulation No. 19/M-DAG/PER/3/2014 and MOA Regulation No. 51/Permentan/HK.310/ 4/ 2014 place controls on rice imports. Only BULOG (government supply agency) is permitted to import broken rice (up to 25 percent) for the purpose of price stabilization, emergency relief, poor people, and food security. Imports can only be performed beyond the period of 1 month prior to harvest and 2 (two) months after harvest.

Imports of rice are permitted when required as raw material for industry. This is only permitted when the rice cannot be produced domestically. Imported rice can only be used as raw material for food manufacturing and cannot be sold to other parties. Imports are limited to 100 percent broken rice, 100 percent broken glutinous rice, and maximum 5 percent broken japonica rice. Imports are limited to private importers possessing "Producer Importer of Rice Recognition" (IP - Beras, *Importir Produsen - Beras*), issued by MOT. Import Permit validity is six months, or until December 31, whichever is first. Imports require the Producer Importer of Rice to obtain import approval from MOT. In order to receive import approval from MOT, the Producer Importer of Rice must obtain an import recommendation from the Minister of Industry or a Ministry of Industry designated official.

Imports of rice for dietary purposes and for specialty purposes are permitted. This includes imports of Basmati Rice, glutinous rice, maximum five percent broken Thai Hom Mali rice, parboiled rice, and maximum five percent broken japonica rice. Imports are limited to private importers possessing "Registered Importer of Rice recognition" (IT - Beras, *Importir Terdaftar - Beras*), issued by MOT. IT recognition is

valid for two years.

In order to receive import approval from MOT, the Registered Importer of Rice must obtain an import recommendation from the Minister of Agriculture or a Ministry of Agriculture designated official. The imported rice can be sold to other parties. Import approval will be valid for three months, or until December 31, whichever is first. In order to obtain import recommendations from the Ministries of Agriculture and Trade, the importer must provide a "Varietal Purity Attestation." This attestation must be verified and endorsed by a government official in the country of origin. Indonesia's Ministry of Agriculture confirmed to Post that the Varietal Purity. One attestation may be used to obtain multiple import recommendations from the Ministry of Agriculture.

Additionally, imported rice must be packaged and labelled in Bahasa Indonesia prior to arrival in Indonesia. Packaging in direct contact with food must use food grade material according to provisions of the regulating legislation in Indonesia. Packaging that uses plastic is required to include Food Grade logo and Recycling Code according to provisions of the regulating legislation in Indonesia. Fulfilment of packaging requirements must be proven by:

- Certificate of test result issued by competent testing laboratory and recognized by the local government; or
- Letter of statement from importer stating that the packaging used is in accordance with provisions of the regulating legislation in Indonesia by including Food Grade Logo and Recycling Code on the packaging.

For Thai Hom Mali, Basmati, Japonica, and Steam Rice, a maximum of 10 kg bag packaging is required.

Sugar

Government of Indonesia sugar policy divides the domestic sugar market into three categories:

- Plantation white sugar for home consumption
- Raw sugar for domestic sugar refining
- Refined sugar for the local food and beverage industry.

As a regulated commodity, white sugar can only be imported by registered importers. Registered importers must also be sugar producers and are required to produce at least 75 percent of their white sugar from Indonesian-grown sugarcane. Raw sugar can only be imported by processors that will use it for their own refining, while refined sugar may be imported by food processors for their own production. Also, whenever it deems necessary, the Govt. of Indonesia can grant sugar mills

permission to import raw sugar for white sugar production, provided that it is used to meet any idle capacity due to domestic cane production shortfalls.

MOT Regulation No. 19/M-DAG/PER/5/2008 states that white sugar may be imported if domestic white sugar production cannot meet demand. Sugar imports are prohibited one month prior to the milling season, during the milling season, and two months after the milling season. Registered sugar importers are required to support sugar prices if the mill prices fall below Rp. 8,500/kg (MOT Regulation No. 45/2014). Importers support prices through sugarcane purchases in cooperation with a third party that has secured a permit from the local Association of Sugarcane Farmers. The beginning and end of the milling seasons is determined by the MOA.

The DG of Foreign Trade in the MOT must approve the volume of sugar, type of sugar, ports of destination and the valid period for import of sugar. In addition, a surveyor appointed by the MOT must inspect the shipment in the country of origin. The report will be part of import documentation. The surveyor fees may be borne by the importer. Inspections are not required for imports of sugar intended for research and technological development, samples, promotion, carried as personal belongings, and packages of sugar sent via aircraft. While the DG in the MOT is responsible for approving importers and imports, importers are required to submit monthly reports to the DG for Import of the MOT with the copies to the DG for Chemical Industry, Agro, and Forest Products of the MOI and to the DG for Estate Crop Productions in the MOA.

Seafood

The Director General of Fishery Product Processing and Marketing (P2HP) issued decree 125/KEP-DJP2HP/2014, listing fish products allowed for export to Indonesia. The rule states that Indonesia will only import fish species not available in Indonesian waters, except in the event of shortages and seasonal production limitations. Indonesia's Ministry of Marine Affairs and Fisheries (MOMAF) also issued new regulations on fish and fishery products import policy i.e. MOMAF Regulation 46/2014. It specifies required language for sanitary certificate.

Meat & Poultry Products

Importers' requirement

An Import Permission Certificate, issued by the Director General of Livestock Services (DGLS), must accompany every import of poultry and meat. In a letter, requesting the certificate, importers must indicate the product being imported, quantity, and destination (restaurant, hotel, wet market, etc.).

Exporters' requirements

In December 24, 2002, the DGLS issued a decree letter regarding the requirements

and procedures necessary for a specific country to gain eligibility to export meat and other livestock products, including poultry, to Indonesia. Below is a summary of these requirements:

- First, the exporter's government should submit an official request to the office of Veterinary Public Health, DGLS, to bring the products to the country
- Based on the official request, DGLS Services will send a questionnaire to obtain information on the status of animal diseases and the food safety system in the exporting country
- Upon receipt, DGLS will: 1) approve; 2) request additional information; or 3) reject the application
- If approved, a Memorandum of Understanding (MOU) will be signed between the Indonesian government and the exporting country, acknowledging the requirements
- The MOU is void if: 1) the government of Indonesia suspends imports from a country due to a violation of health requirements or halalness; 2) in two consecutive years the approved exporting country failed to export meat to Indonesia
- An exporting country whose approval certificate is declared null and void is required to file a new application if the country plans to resume export of poultry meat or parts of poultry meat to Indonesia
- Following the approval as an exporting country, evaluation of individual slaughterhouses and processing plants is required. First, a plant that intends to export its products to Indonesia must submit an official request to the Indonesian DGLS, through the Veterinary Public Health agency
- Based on the request, DGLS sends an application form to obtain a general description of the business unit, including information relating to veterinary public health. Then, the application form submitted is reviewed to determine if a plant fulfils Indonesian export requirements
- Upon completion of the review, DGLS will recommend if: 1) an on-site review is needed; 2) an on-site review is delayed to allow for improvements or additional information; 3) the application is rejected. A team of auditors, appointed by DGLS, will conduct the on-site review. Team members will review: 1) the food safety assurance program in the establishment; 2) the halal assurance in the establishment; 3) and the Halal certificate issued by an authorized Halal Certification Institution. The on-sites review will be conducted at the establishment and the Halal Certification Institution or listed Islamic Organization in the country of origin. On-site reviews may also be conducted on the authorized agencies in the country of origin to verify conditions on animal diseases, animal health status, and supervision of the animal-based foods safety system. Upon completion of the on-site reviews, the audit team member may either recommend an approval, a rejection, or improvements. Based on the recommendation, the DGLS issues either an approval, a postponement, or a rejection of the business unit to export all meat to Indonesia
- The regulation also states that DGLS may also appoint Indonesian inspectors to oversee application of food safety requirements and halal assurances

during production. The inspectors will inspect unit facilities, sanitation programs, slaughtering procedures, carcass and product inspections, transport and warehouse facilities, port facilities, and shipping processes. A team of Indonesian auditors will conduct random surveillance of a processing unit that is certified to export its products to Indonesia. Surveillance is conducted at least once every two years.

Fresh Fruits and Vegetables

Import policies for horticultural products are covered through MOA Regulation 86/2013 and MOT Regulation 71/2015 (replacing MOT Regulations 16/2013, 47/2013 and 40/2015). The most recent horticultural regulations have ended the stipulation that general importers of horticultural products are required to import 80% of their total quota allocated in their import permit. (Previously, the importer was required to have an IT or IP-registered number and import at least 80% of their allocation or face punitive measures). Chili and shallot imports remain subject to a reference price system.

MOT will determine import volumes through Import Permits (SPI) based on importer's cold storage capacity (MOT conducted a cold storage audit before second semester application period). The required documents for obtaining a permit for fresh horticulture products, as stated in the technical requirements, include good agricultural practices (GAP) certificate or farm registration, and packing house registration. All documents must be translated to Indonesian language.

The Govt. of Indonesia has recognized the Pakistan Council of Scientific and Industrial Research (PCSIR). The Head of the Indonesian Agricultural Quarantine Agency (IAQA) issued the recognition through MOA decree. The IAQA granted its recognition to the PCSIR after reviewing the application documents. Certificate of Analysis (COA) issued by PCSIR for kinnow, apples, potatoes, chillies, onions are accepted by the Indonesian Quarantine Agency.

SPS Certificate and Designated Port of Entry

On June 13, 2012 the MOA issued a regulation No. 42/2012 that replaced the MOA Regulation No. 37/Kpts/HK.060/1/2006 on plant quarantine measure for the importation of fresh fruit and vegetables. The purpose of this rule is to ensure that imported fresh fruit and vegetables are free from fruit flies. A plant phytosanitary certificate from the country of origin or country of transit and entry through the specified four ports is mandatory. Importation of fresh fruit and vegetables originating from pest free producing areas must be declared in the Additional Declaration section of the plant phytosanitary certificate that accompany the shipment. Importation from non pest-free producing area must be treated with one of the following treatments: cold treatment with temperature appropriate for fresh

fruit and vegetables and for the prevention of the appropriate pest; fumigation; Vapor Heat Treatment (VHT); or irradiation. The treatment must be declared in the treatment column of the phytosanitary certificate. Similar to the provision in the MOA Regulation No. 42/2012, imported fresh bulb is regulated by the MOA Regulation No. 43/2012.

Prior Notice

A prior notice for importation of fresh fruit and vegetables that indicates the date & place of loading, date & place of arrival/destination, type of transportation, name of product, the amount of product imported, country of origin, distribution area and import purpose should be submitted online by the exporter in the country of origin to Plant Quarantine officer prior to the loading of the goods in the country of origin. Prior notice is explained in MOA Regulation 4/2015 (which replaces MOA Regulation No. 88/2011).

Pre-shipment Inspection

MOT Regulation 71/2015 requires pre shipment inspection for imported horticultural products in the country of origin (formerly required by MOT Regulation No. 16/2013 and No.30/2012). The following must be stated in the surveyor report and delivered to MOT: port of loading in the country of origin, HS Code , type and volume, date of shipment, port of destination, food and recycle logo on the packaging, health certificate, phytosanitary certificate for fresh horticulture products, certificate of origin, food grade packaging certificate or statement letter from importer stating that the fresh horticultural product's packaging complies with provisions in the regulation, food and recycle packaging certificate or statement letter from importer states that packaging comply with provision in the regulation. Pre-shipment inspectors are no longer required to verify that the Indonesian label is affixed and meets Indonesian standards. Labels will now be checked prior to their distribution in the Indonesian market.

To proceed, the following sequence of action should occur:

- Upon acquiring a license concern, the importer should apply to the Kerjasama Operasi Sucofindo - Surveyor Indonesia, the State owned surveyors assigned by the MOT) for import verification by filling out an on-line Verification Request (VR) at www.app-vpti.com. A down payment on the inspection fee is required.
- The importer will get a Verification Order number (VO No), this VO will deliver electronically to counterpart surveyor in the country of origin
- The same day of the receiving the VO, the SGS will send a Request For Information (RFI) to exporter, cc to importer. The SGS needs the location and date proposed by exporter for inspection.
- After the SGS agreed (may be some negotiation in timing) the inspector will come for inspection and asking for the documents concern for verification.

- The result of inspection (Physical Inspection Result – PIR) will be sent for issuing Surveyor Report (LS, Laporan Surveyor). The validity of PIR is 30 calendar days since PIR is issued to the date of shipment based on BL/AWB.
- The LS is mandatory document to release the goods from the Customs.

Import Licensing

Import licensing requirements also apply to horticultural products. Ministry of Agriculture (MOA) Regulation 86/2013 and MOT Regulation 71/2015 require Indonesian importers to obtain the following import recommendations and permits in order to import horticultural products: (1) an Import Recommendation of Horticultural Products (RIPH) from MOA; and (2) an Import Approval (SPI) from MOT. Additionally, importers must obtain an Importer Identification Number (General or Producer) and must prove that they have met certain criteria set by MOT. Importer designations and approvals are issued on a biannual basis and are valid for one six-month period. RIPHs specify, *inter alia*, the product name, HS code, country of origin, manufacturing location (for industrial materials), and entry point for all horticultural products the applicant wishes to import. After securing an RIPH, an importer must obtain an SPI from MOT before importing horticultural products. An SPI specifies the total quantity of a horticultural product (by tariff classification) that an importer may import during the period for which the SPI is valid. Importers cannot amend existing SPIs or apply for additional ones outside the application window. Indonesia adopted similar rules for the importation of animals and animal products (MOA Regulation 139/2014 (replacing Regulations 84/2013, 96/2013, and 110/2014), MOA Regulation 58/2015, and MOT Regulation 46/2013 (replacing Regulation 22/2013)). These regulations require importers seeking to import animals or animal products to obtain: (1) a Recommendation from MOA; and (2) an Import Approval from MOT. Indonesia requires importers of beef to purchase local beef in order to obtain an import Recommendation from MOA.

Recommendations and SPIs for animals and animal products are issued quarterly. Recommendations may be valid for up to the remainder of the current year. SPIs are valid for a fixed term of three months. The Directorate of Veterinary Public Health and Postharvest issues Recommendations, and importers may apply for SPIs only after obtaining a Recommendation for a given product. Recommendations specify, *inter alia*, the name, tariff category, entry point, country of origin, and intended use (which the regulations limit to certain sectors) of the products to be imported. SPIs specify the quantity of each product that may be imported. Importers must demonstrate actual importation of at least 80 percent of the quantity specified in their SPI from the previous year or risk losing their Registered Importer designation.

Similar to the prior import regulations, the new import regulations restrict the import of poultry and poultry products. The regulations governing animals and animal products maintain a positive list of products that may be imported with a permit. The regulations provide for the import of whole fresh or frozen poultry

carcasses (chicken, turkey, or duck) but not for the import of poultry parts, effectively resulting in a ban on the import of poultry parts. Additionally, although the regulations provide for the import of whole chicken carcasses, Indonesia in practice does not issue import permits covering these products. This practice was expanded to whole duck and turkey carcasses as Indonesia has not issued import permits for these products since December 2013. The licensing regimes for horticultural products and animals and animal products have significant trade restrictive effects on imports.