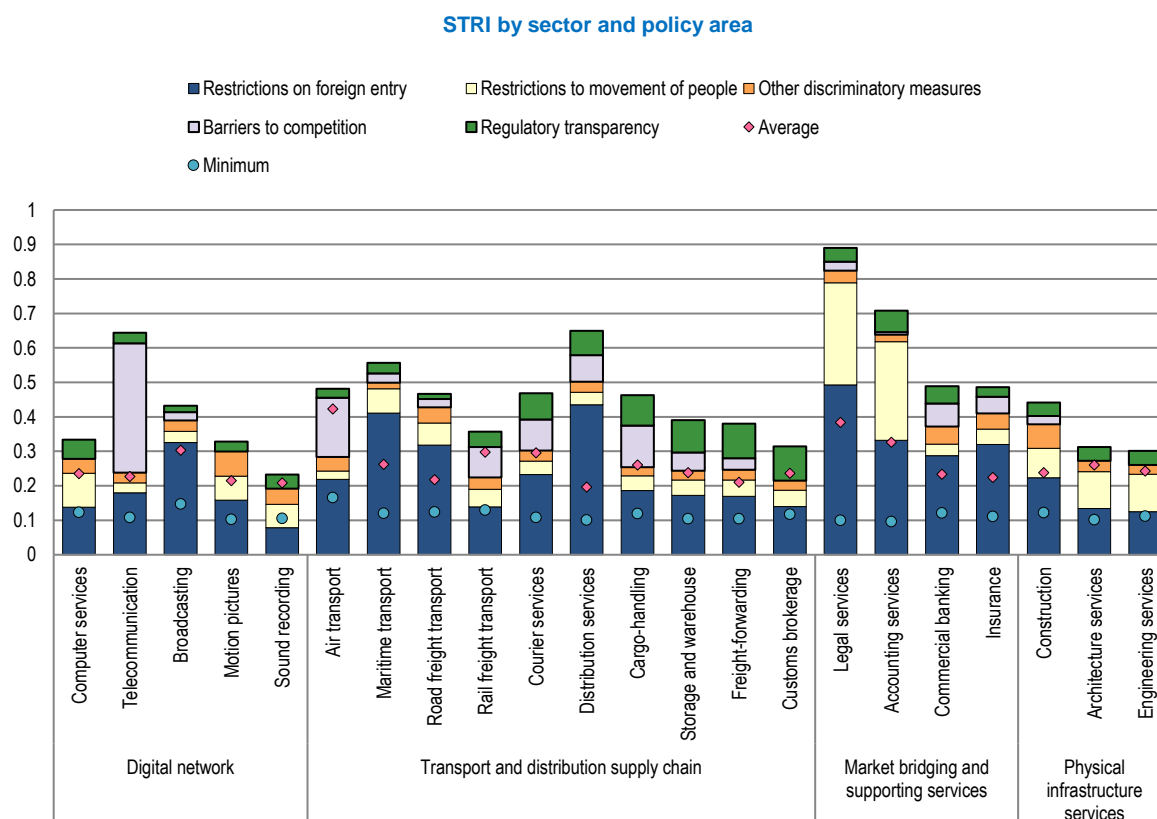


OECD Services Trade Restrictiveness Index (STRI): Indonesia

Indonesia exported services worth USD 24 billion and its services import value was USD 32 billion in 2017. Travel services are the largest services exporting sector and other commercial services are the main category of services imports. Indonesia's score on the STRI in the 22 sectors is shown below, along with the average and the lowest score among the 45 countries included in the STRI database for each sector.



Note: The STRI indices take values between zero and one, one being the most restrictive. They are calculated on the basis of the STRI regulatory database which contains information on regulation for the 36 OECD Members, Brazil, China, Colombia, Costa Rica, India, Indonesia, Malaysia, Russia and South Africa. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Horizontal policy measures

Indonesia has a lower score on the STRI than the average in all 22 sectors. This is in large part due to general regulations that apply to all sectors of the economy. Certain management positions in corporations are reserved for Indonesian nationals, and commercial or local presence requirements exist in all sectors. Investments in all sectors are subject to screening, and price preferences are given to local providers in the context of public procurement. The acquisition of land and real estate by foreigners is restricted to the right of use for a limited period of years. The state has a prominent role in the economy. There is at least one major state-owned enterprise in all sectors except for computer services, motion pictures and sound recording and logistics customs brokerage and storage and warehouse. At the same time, there are no discriminatory taxes or subsidies, and laws and regulations are transparent and grant due process to foreign providers (e.g. appeal procedures). Indonesia applies restrictions to trade through the movement of natural persons and maintains labour market tests on all categories of service providers covered in the STRI, despite a recent regulatory update. The duration of stay for all three categories is limited to 24 months on the first entry permit.

The sectors with the relatively lowest STRI scores

Sound recording, air transport and architecture services are the three sectors with the lowest score relative to the average in Indonesia, although all three scores are still higher than the mean. Sound recording is part of the sectors recently opened to foreign providers. Indonesia is among the few countries in the sample, which have fully or partially eased foreign equity restrictions in air transport by the 2016 Negative Investment List. It currently allows majority foreign ownership, following recent reforms of the sector. The same holds for architecture services, where two-thirds foreign equity is allowed.

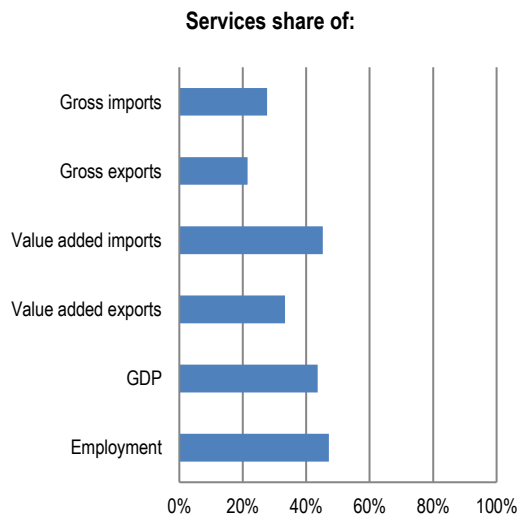
The sectors with the relatively highest STRI scores

Distribution services, telecommunication and legal services, are the three sectors with the highest score relative to the average in Indonesia. The relatively high score for distribution services is largely related to the fact that foreigners are not allowed to invest in a large part of retail distribution, including retail stores such as supermarkets and minimarkets. Majority foreign investment in department stores is permitted, but is conditional upon a special license granted by the Ministry of Trade. In telecommunications, Indonesia maintains a range of investment restrictions. In addition, pro-competitive policy measures are in place only partially, and the government can overrule the decisions of the regulator. In legal services, foreign lawyers are not allowed to set up a commercial presence or practice law in the country. They can only be hired by Indonesian law firms to advise on foreign law.

Recent policy changes

As of 2018, the foreign equity limit in accounting firms has been lowered to 20%, from previously 49%. The law also requires half of all partners to be licensed accountants. Furthermore, technical specifications for public procurement require the use of local products and compliance with national standards in the construction sector. Indonesia has fully or partially opened several sectors to foreign investment under the 2016 Negative Investment List, including in air freight transport, logistics services, telecommunications, audio-visual services, architecture and engineering services.

Efficient services sectors matter



Services account for about 10% of Indonesia's exports and about 15% of its imports. The service share in value added terms is significantly higher for imports (45%) compared to exports (28%), indicating that Indonesia imports services-intensive goods. The contribution of services to exports is lower than the average of the 45 countries. Services also account for a higher share of employment than of GDP, indicating that labour productivity is lower in services than in other sectors.

The information and communication technology revolution opens new opportunities for inclusive growth in Indonesia. Innovation and adoption of technology relies on access to knowledge and to the networks, people, goods and services that carry the knowledge around the world. In this context, Indonesia could benefit from more open markets for services trade through the temporary movement of natural persons.

More information

- » Access all of the country notes, sector notes and interactive STRI tools on the OECD website at <http://oe.cd/stri>
- » Read more about services trade policies and their impacts in this publication: [Services Trade Policies and the Global Economy](#)
- » Contact the OECD Trade and Agriculture Directorate with your questions at stri.contact@oecd.org