



ASEAN BRIEFING

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Customs and Trade Strategy in Indonesia: An Investor's Guide

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Introduction



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Indonesia's role in global trade is being reshaped by shifting supply chains, new trade agreements, and an expanding manufacturing base. It is one of the world's largest exporters of coal, palm oil, and nickel, while imports of machinery, electronics, and industrial inputs fuel a diversified production economy. These flows are anchored by strong regional linkages with China, Japan, Singapore, and other ASEAN partners, and shaped by preferential access under the RCEP and ASEAN Free Trade Area.

For foreign investors, success depends on using Indonesia's customs architecture and trade policy to structure operations that are faster, more cost-efficient, and fully integrated with regional supply chains. Bonded zones, free trade areas, and special economic zones reduce duties and improve cash flow, while precise compliance with tariff classifications and rules of origin unlocks preferential rates and prevents delays.

This magazine offers a strategic outlook on turning Indonesia's import and export systems into competitive tools. It shows how control over trade flows, customs regimes, and compliance strategies strengthens market access, reduces risk, and positions Indonesia as a launchpad for ASEAN-wide growth.

With an established presence in Indonesia and across ASEAN, our team at Dezan Shira & Associates is well-equipped to assist companies in navigating Indonesia's investment landscape. For more information on setting up or expanding operations in Indonesia, please contact us at asean@dezshira.com.

With kind regards,

Alberto Vettoretti



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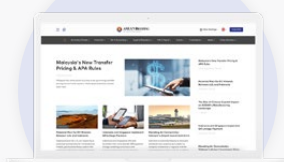
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Indonesia's Trade Landscape: Scale, Structure, and Strategic Shifts

Indonesia is moving from raw commodities to higher-value exports, driven by industrial growth and trade agreements.



Ayman Falak Medina
Deputy Editor, ASEAN Briefing
Author

Indonesia's role in global trade is undergoing a significant transformation. The country's strategic location along key shipping routes, vast natural resources, and expanding industrial capacity have long made it a leading player in the export of commodities such as coal, palm oil, and minerals. Today, these traditional strengths are intersecting with expanding manufacturing capacity and changing demand patterns, opening new opportunities for integration into global and regional supply chains.

In 2024, Indonesia recorded total exports worth US\$258.82 billion and imports of US\$233.66 billion, producing a trade surplus of US\$25.16 billion, according to the Central Statistics Agency (BPS). On the import side, growth in shipments of machinery, electrical equipment, and other industrial inputs reflects the country's manufacturing expansion and infrastructure investments. For foreign investors, understanding these shifts is essential for aligning operations with Indonesia's evolving trade priorities.

These shifts are reflected in the composition of Indonesia's trade relationships, where a handful of key partners dominate both export and import flows.

Indonesia's top trade partners

Indonesia's trade is anchored by strong regional and global linkages. In 2024, the top 10 export destinations collectively accounted for nearly 75 percent of total export value, led by China, the United States, and Japan. China alone absorbed US\$63.74 billion in Indonesian exports, or 24.64 percent of the total, reflecting demand for coal, palm oil, nickel, and other commodities.

On the import side, China, Singapore, and Japan dominated as sources of goods. Imports from China were valued at US\$62.15 billion in 2024, representing 26.6 percent of total imports, with machinery, electronics, and industrial materials among the key categories.

Indonesia's Top 5 Trade Partners – Goods (2024)

Partner	Exports (US\$ billion)	Imports (US\$ billion)	Data sources
 China	67.7	73.85	Badan Pusat Statistik, Observatory of Economic Complexity
 United States	28.05	10.16	U.S. Census, Badan Pusat Statistik
 India	23.0	~7.9*	Observatory of Economic Complexity, India Ministry of Commerce
 Japan	22.8	14.98	Badan Pusat Statistik, Observatory of Economic Complexity
 Singapore	~14.3*	21.53	Badan Pusat Statistik, Observatory of Economic Complexity

Notes:

- All figures are goods only, excluding services.
- Export values = Indonesia → partner; import values = partner → Indonesia.
- *Estimated values are based on OEC 2024 trade share data and partner country trade statistics; BPS full-year country-level import data pending release.

Beneath these headline numbers, Indonesia's export and import mix is undergoing sector-specific transformations that are reshaping the country's role in global value chains.

Sectoral shifts and commodity trends

Non-oil and gas products form the backbone of Indonesia's trade, consistently accounting for more than 94 percent of total export value between 2020 and 2024, according to BPS. Manufacturing remains the largest contributor within this category, reflecting the country's industrialization drive.

Coal exports reached 405.76 million tons in 2024, up 6.86 percent year-on-year. However, export value fell 11.85 percent to US\$30.49 billion as weaker global benchmark prices outweighed higher shipment volumes. Nickel has emerged as a standout growth driver, supported by expanded smelter capacity. In November 2024 alone, nickel export value rose 87.26 percent year-on-year. For the full year, Indonesia shipped 1.92 million tons of nickel products, a 53

percent increase in volume, generating US\$7.99 billion in export value, up 17 percent from 2023.

Bauxite production stood at 9.89 million tons in 2023, positioning Indonesia among the top global suppliers. Following the export ban in June 2023, production has been redirected toward domestic alumina processing, with multiple refinery projects under development in West Kalimantan and the Riau Islands. Copper output is similarly significant, with Indonesia ranking seventh globally in 2023. Major production sites include the Grasberg mine in Papua and the Batu Hijau mine in West Nusa Tenggara.

Palm oil and its derivatives remain among Indonesia's top agricultural exports. In October 2024, exports of animal or vegetable fats and oils, dominated by crude palm oil (CPO), rose 52.67 percent month-on-month to US\$1.0465 billion. In the first half of 2025, CPO and derivatives exports totaled US\$11.43 billion, a 24.81 percent increase over the same period in 2024. On the import side, machinery and

mechanical appliances were valued at US\$33.51 billion in 2024, up 4.23 percent year-on-year, while electrical machinery imports reached US\$28.3 billion.

Production hubs are concentrated across the archipelago. Coal is primarily mined in Kalimantan and South Sumatra, while nickel reserves and processing facilities are centered in Sulawesi and North Maluku. Bauxite production is led by West Kalimantan and the Riau Islands, whereas palm oil plantations and processing plants are dominant in Sumatra and Kalimantan. Copper output is concentrated in Papua and West Nusa Tenggara.

Maximizing the potential of these sectors depends not only on production capacity but also on preferential market access secured through trade agreements.

Trade agreements and competitive positioning

Indonesia’s market access is shaped by overlapping trade frameworks that combine tariff reduction, customs cooperation, and rules-of-origin alignment.

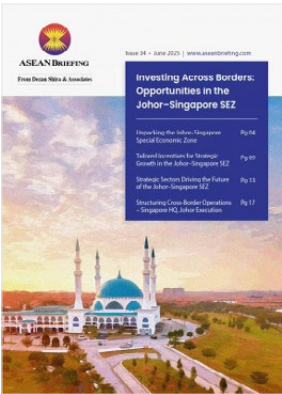
Within ASEAN, the ASEAN Trade in Goods Agreement (ATIGA) eliminates tariffs on more than 99 percent of tariff lines, while the ASEAN Single Window (ASW) enables electronic customs data exchange among member states, reducing clearance times for certified exporters.

The Regional Comprehensive Economic Partnership (RCEP), in force for Indonesia since January 2023, harmonizes rules of origin across 15 economies, allowing manufacturers to integrate production across borders without losing tariff preferences. In 2024, RCEP members accounted for US\$156.8 billion



FURTHER READING

Investing Across Borders: Opportunities in the Johor–Singapore SEZ



The Johor–Singapore Special Economic Zone (JS-SEZ) is a joint initiative to strengthen cross-border economic ties and attract investment. Nine zones in Johor have been identified to serve distinct industries, complementing Singapore’s role in finance, headquarters, and innovation. Through regulatory alignment and geographic proximity, the JS-SEZ enables companies to distribute operations strategically across both locations, improving efficiency and competitiveness while fostering long-term regional growth.

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in trade with Indonesia, representing 58.8 percent of the country's total trade.

The Indonesia–Australia Comprehensive Economic Partnership Agreement (IA-CEPA), effective since July 2020, removes tariffs on over 99 percent of Australian exports to Indonesia and grants duty-free or preferential access for 94 percent of Indonesian exports to Australia. In 2024, bilateral trade reached US\$13.2 billion, a 22 percent increase over 2019 levels.

The Indonesia–Japan Economic Partnership Agreement (IJEPA) supports trade in automotive parts, machinery, fisheries, and processed foods, backed by tariff reductions and mutual recognition of standards. In 2024, Japan imported US\$21.1 billion worth of Indonesian goods under this framework.

To qualify for these preferences, exporters must meet strict rules of origin, typically 35 to 40 percent ASEAN or RCEP content, and submit Certificates of Origin (Form D for ASEAN, e-CO for RCEP). Indonesia's National Single Window integrates these processes, but errors in Harmonized System (HS) classification or documentation can result in denial of preferential treatment.

Negotiations for the Indonesia–EU Comprehensive Economic Partnership Agreement (IEU-CEPA) are ongoing. Once concluded, it is expected to expand high-value Indonesian exports to Europe while reducing tariffs on European industrial machinery, creating opportunities for two-way investment and technology transfer.

These frameworks, combined with Indonesia's commodity and manufacturing strengths, set the stage for the country's next phase of trade-driven growth.

Positioning for growth in Indonesia's evolving trade environment

Indonesia's trade profile in 2024 and early 2025 reflects both stability and transformation. Strong regional linkages remain a foundation, while the export mix is shifting toward higher-value products in metals, agricultural derivatives, and manufactured goods.

These shifts translate into clear opportunities for foreign investors. Rising imports of machinery and electrical equipment highlight demand for industrial inputs and technologies, particularly in automation, renewable energy, and transport infrastructure. The rapid expansion of nickel and bauxite processing underscores Indonesia's determination to capture more value domestically, creating scope for joint ventures in refining, EV battery production, and downstream manufacturing.

At the same time, growth in palm oil derivatives is driving new investment in food processing and biofuel, where partners with technology and compliance expertise can establish an early advantage. Unlike Vietnam's electronics-driven exports or Malaysia's petrochemical specialization, Indonesia's resource-based industries are moving steadily up the value chain, offering a distinctive entry point into ASEAN supply chains.

Unlocking these opportunities requires alignment with Indonesia's competitive strengths and effective use of trade agreements to secure market access. Investors who integrate early into the country's supply chains — particularly in value-added processing, advanced manufacturing, and strategic import substitution — will be best positioned to benefit from sustained trade growth and deeper global integration. 🇮🇩



Navigating Indonesia's Customs Framework

Customs procedures, tariffs, and special regimes in Indonesia directly shape trade costs, clearance speed, and market entry.



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For foreign investors, Indonesia's customs system is not merely a gatekeeper for goods but a strategic determinant of market competitiveness. Clearance times, predictability of procedures, and the consistency of tariff application can directly affect supply chain costs and reliability. In the World Bank's 2024 Logistics Performance Index, Indonesia ranked 61st out of 139 economies for customs efficiency, with clearance processes averaging 3.52 days at major ports. These metrics highlight the importance of informed preparation, as small procedural missteps can translate into significant delays or costs.

Understanding which agencies shape these procedures — and how they interact — is the first step in building an effective customs strategy.

Key agencies and regulatory environment

Indonesia's customs administration is managed by the Directorate General of Customs and Excise (DGCE) under the Ministry of Finance. The

Indonesia National Single Window (INSW) acts as the central digital platform for submitting import and export declarations, linking DGCE with other ministries, such as those overseeing trade, industry, and agriculture. For certain goods, such as pharmaceuticals, chemicals, or electronics, technical approvals from relevant ministries must be secured before customs clearance. The integration of CEISA 4.0 — the DGCE's web-based Customs-Excise Information System and Automation platform that manages declaration submission, clearance processing, and post-clearance audits — with the INSW has improved inter-agency data exchange, though sector-specific licensing requirements remain an important compliance consideration for importers.

Tariffs, duties, and taxes at the border

Indonesia's simple-average most favored nation (MFN) applied tariff in 2024 was 8 percent, with agriculture at 8.6 percent and non-agriculture at 7.9 percent. These are well below the maximum levels it

is allowed to charge under WTO rules, which average 37.1 percent, but products not covered by preferential trade agreements can still face significantly higher duties. Under agreements such as the ATIGA and the RCEP, qualifying goods may enter duty-free or at reduced rates, provided they meet rules-of-origin requirements. For instance, machinery imported from Japan under the IJEPA can be exempt from the standard 5 percent MFN rate if accompanied by an approved electronic certificate of origin.

Beyond customs duties, imports are subject to an 11 percent value-added tax (VAT), calculated on the customs value plus duties, as well as income tax under Article 22 of the Income Tax Law. Income tax rates range from 2.5 to 7.5 percent, depending on licensing status and goods type. Excise duties apply to tobacco, alcohol, and certain luxury goods, with rates exceeding 40 percent for high-end spirits.

Non-tariff costs, such as port handling charges, storage fees, and demurrage, can also materially affect landed costs, particularly in congested ports.

Beyond managing cost implications, importers must also ensure they hold the correct licenses, as these determine eligibility for certain tariff rates and exemptions.

Licensing and importer identification numbers

Licensing is central to customs readiness, and the two main importer categories are the general importer identification number (API-U) and the producer importer identification number (API-P). API-U allows businesses to import a wide range of goods for resale, making it the default for trading companies and distributors. API-P is restricted to manufacturers importing raw materials, components, or equipment for their own production, with goods required to match registered manufacturing activities. Under Ministry of Trade Regulation No. 36 of 2023, API-U holders can convert to API-P after one year if their business focus changes. The regulation also removed annual renewal requirements for certain licenses and exempts goods entering bonded zones, free trade zones (FTZs), and special economic zones (SEZs) from some licensing steps. These facilities, while rooted in compliance, can also be leveraged as powerful tools for cost efficiency and market reach, an aspect explored in the following chapter.

Applications for API-U and API-P are filed online via the INSW portal, linked to the Ministry of Trade's system. Required documents include the business identification number (NIB), company deed, taxpayer

API-U vs API-P Quick Comparison		
Feature	API-U (general importer)	API-P (producer importer)
Scope	Broad range of goods for resale	Raw materials, components, or equipment for own production
Eligibility	Trading companies, distributors	Licensed manufacturers
HS code flexibility	Wider range permitted	Limited to goods tied to production activities
Conversion	Can convert to API-P after 1 year	Can convert to API-U if production ceases

identification number, and an HS code-aligned goods list. Processing typically takes five to seven working days for straightforward cases, but applications requiring sectoral ministry approvals, such as agriculture, pharmaceuticals, or electronics, can take 10 to 15 working days.

Once licensing requirements are in place, importers and exporters can proceed with the operational steps of moving goods across Indonesia's borders, increasingly streamlined through digital systems.

Import and export procedures with digital integration

Imports

Indonesia's customs process starts before the shipment arrives. Importers or brokers submit the import declaration (PIB) via the INSW, supported by documents such as invoices, packing lists, transport documents, insurance, and any required permits. That helps prevent border delays.

Upon arrival, CEISA 4.0 applies a risk-based channel system:

- **Green** – minimal or no inspection needed, used for low-risk shipments.
- **Yellow** – requires document verification.
- **Red** – mandates physical inspection, typically for complex items or if discrepancies are detected.

Once clearance is approved, duties and taxes are assessed and payable via the system, and the customs authority issues an approval letter authorizing goods release. From January 1, 2024, Indonesia fully implemented e-Form D under the ASEAN Single Window for intra-ASEAN trade, reducing delay from paper certificates. CEISA 4.0 also supports post-clearance audits, allowing

compliant shipments to move fast while enabling later verification.

While imports bring goods into the domestic market, Indonesia's export procedures mirror many of the same principles — with additional requirements for goods leaving the country.

Exports

The export process starts before goods leave Indonesia. Exporters or their appointed customs brokers prepare the export declaration (PEB) through the INSW. This includes uploading the commercial invoice, packing list, transport documents, insurance (if applicable), and any sector-specific export permits or certificates, for example, phytosanitary certificates for agricultural goods or BPOM clearance for processed food products.

Once submitted, CEISA 4.0 assigns the shipment to one of three risk-based clearance channels:

- **Green** – immediate clearance, typically within one working day.
- **Yellow** – document verification, which may take one to three working days.
- **Red** – physical inspection, often two to five working days, depending on complexity and port congestion.

For exports to ASEAN markets, the ASEAN Single Window allows the electronic issuance of the certificate of origin (e-Form D). Exports under RCEP, IJEPA, or other trade agreements require the relevant electronic or paper-based certificate. Verification for compliant documents is typically completed on the same day.

After clearance, customs issue an export approval note, called a *Nota Pelayanan Ekspor* (NPE), authorizing

goods to be loaded onto the vessel or aircraft. The entire clearance process, from PEB submission to NPE issuance, generally takes one to three days for green channel shipments and up to five days for those requiring inspection. For time-sensitive cargo, pre-clearance submission of export documents is recommended to align with vessel departure schedules and avoid demurrage or storage charges.

Strategic use of special customs facilities

Beyond the standard import and export channels, Indonesia offers special customs facilities that can further reduce costs, improve flexibility, and strengthen supply chain competitiveness.

Bonded zones allow companies to import raw materials, components, or capital goods without paying import duties or taxes until the goods are released for sale in the domestic market. If the products are re-exported, no duties or taxes are charged at all. As of August 2025, there were 1,512 active companies operating in bonded zones, generating exports valued at 1,114.64 trillion rupiah (US\$68.4 billion). These zones are heavily utilized in industries such as automotive, electronics, textiles, and footwear, with major clusters located around Jakarta, Surabaya, and Batam.

Bonded logistics centers extend this flexibility by acting as storage facilities where goods can be kept for up to three years without paying import duties or VAT. These centers are particularly beneficial for sectors that deal with machinery, pharmaceuticals, and seasonal goods, and they also permit re-export without incurring additional duties.

FTZs, including Batam, Bintan, and Karimun, provide full exemption from import duties, VAT, and excise on goods entering the zones. Their strategic location near Singapore and Malaysia makes them



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An Introduction to Doing Business in Indonesia 2025



This publication, designed to introduce the fundamentals of investing in Indonesia, was compiled by the experts at Dezan Shira & Associates, a specialist foreign direct investment practice, that provides corporate establishment, business intelligence, tax advisory and compliance, accounting, payroll, due diligence, and financial review services to multinationals investing in emerging Asia.

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especially attractive for regional manufacturing, assembly, and distribution hubs.

SEZs offer a more extensive package of benefits by combining customs duty and tax exemptions with fiscal incentives such as corporate income tax holidays, accelerated depreciation, and simplified licensing procedures. By the end of 2024, SEZs had attracted 263.4 trillion rupiah (US\$16.2 billion) in cumulative investment, created 160,874 jobs, and hosted 403 registered business entities.

Notable SEZs include Kendal in Central Java, focused on manufacturing, and Tanjung Lesung in Banten, which specializes in tourism.

The Kemudahan Impor Tujuan Ekspor (KITE) scheme provides duty and VAT exemptions or refunds for imported inputs used in export-oriented production, making it a favored program in the apparel, footwear, and furniture industries. Temporary import rules allow goods to enter Indonesia duty-free for a set period if they are intended for re-export, such as equipment for trade fairs, leased machinery, or products undergoing repair.

Complementing these regimes, the authorized economic operator (AEO) program recognizes compliant and reliable traders with benefits such as expedited customs clearance, reduced inspection rates, and lower guarantee requirements. For businesses engaged in regular trade, AEO status can significantly reduce lead times and operational uncertainty, strengthening Indonesia's appeal as a competitive manufacturing and logistics hub.

Customs valuation, dispute resolution, and compliance risks

Whether operating under standard or special regimes, businesses must still comply with customs valuation rules and be prepared for audits or disputes that may arise.

Indonesia follows the WTO Customs Valuation Agreement, using the transaction value as the primary method. If unavailable, valuation progresses to identical goods, similar goods, deductive value, computed value, and a fallback WTO-compliant method.

Under DGCE Regulation PER-2/BC/2025, customs can review valuations for up to two years post-

clearance, with audits lasting up to 21 months. In cases involving fraud or serious violations, the audit window extends up to 10 years. Common triggers include values far below DGCE reference prices, inconsistent HS codes, and document discrepancies.

For example, a foreign automotive parts manufacturer importing gear assemblies under a 5 percent duty HS code could face reclassification to a 10 percent code after a post-clearance audit if royalty payments to its parent company were undisclosed. This might result in an additional 2 billion rupiah (US\$123,800) in duties and taxes, payable upfront before lodging an objection. Importers have 60 days from assessment to file objections, and unresolved cases can be escalated to the tax court, which may take six to 12 months to issue a decision.

Preventive measures include securing advance classification rulings, pre-entry checks via INSW, consistent HS coding, and full disclosure of related-party payments. Voluntary disclosures can reduce penalties, while overpaid duties can be reclaimed within seven days via a restitution request. Maintaining an internal audit process to reconcile purchase orders, shipping documents, and customs declarations before submission remains a critical safeguard.

From customs compliance to competitive advantage

As Indonesia's role in regional and global trade grows, the ability to navigate its customs environment efficiently can be a decisive competitive edge. Investors who align compliance with operational agility will not only minimize delays and costs but also position themselves to capture emerging sector-specific opportunities in Indonesia's expanding trade landscape. 🇮🇩



Building Compliance into Competitive Advantage

In Indonesia, compliance spans customs, tax, and sectoral oversight, where missteps can lead to audits, penalties, and costly delays.



Ayman Falak Medina
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Author

For foreign investors in Indonesia's trade environment, compliance is more than a defensive necessity. It is a decisive factor in determining how quickly goods can reach the market, how reliably supply chains function, and how predictably costs can be managed. Customs, tax, and sector-specific regulators operate within an interconnected oversight framework, sharing information and cross-referencing data to identify irregularities.

In this context, non-compliance in one area often triggers scrutiny in another, which can lead to delayed shipments, retroactive duty assessments, license suspensions, and long-term reputational damage.

Establishing a structured and anticipatory compliance framework is therefore fundamental to maintaining operational stability and gaining an edge over competitors.

Navigating Indonesia's regulatory web

The compliance landscape in Indonesia is shaped by the DGCE for border-related matters, the DGT for fiscal enforcement, and various ministries responsible for sectoral product standards. This multi-agency structure means that regulatory oversight extends well beyond the moment of customs clearance. A classification dispute with DGCE may prompt a transfer pricing review by the DGT, while non-compliance with technical standards can halt imports entirely until corrective action is taken.

Each sector faces distinct compliance vulnerabilities. Pharmaceuticals and food products are subject to strict import permits and quality controls from the National Agency for Drug and Food Control (BPOM) and the Ministry of Health. Electronics require safety and electromagnetic compatibility certification, and importers in this sector often face scrutiny for attempts to reclassify products under lower-duty tariff codes. In the automotive industry, rules-of-

origin verification is critical for preferential tariff claims, and audits frequently examine undeclared royalties or license fees that influence customs valuation.

Addressing core compliance risks

The most common triggers for enforcement action include misclassification of goods, undervaluation, incomplete declarations, and document inconsistencies. Incorrect use of Harmonized System (HS) codes can lead to higher duties and the loss of preferential rates under trade agreements. Declaring values far below DGCE reference prices almost guarantees an inspection and possible revaluation. Omitting related-party payments, royalties, or after-sale service fees from the transaction value can likewise result in retroactive assessments.

Discrepancies between invoices, packing lists, and shipping documents are another common cause for holds and inspections. In trade agreement contexts such as the ATIGA or the RCEP, even small errors in certificates of origin can nullify tariff preferences and increase landed costs unexpectedly.

A recent example illustrates the stakes. A European electronics manufacturer importing industrial control modules under a preferential RCEP rate was flagged for a post-clearance audit after HS codes on its invoices did not align with those declared in the import submission. Although the goods met rules-of-origin requirements, the certificate of origin was rejected for administrative errors, resulting in a reversal to the 10 percent MFN rate and an additional US\$480,000 in duties. The company's subsequent investment in a pre-shipment compliance review process reduced its customs-related disputes by over 70 percent in the following year.

Integrating digital platforms into compliance management

Indonesia's customs environment is increasingly shaped by digitalization, and investors who fully leverage available systems can significantly reduce procedural risk. The Indonesia National Single Window and the ASEAN Single Window serve not only as channels for submitting declarations but also as tools for verifying HS codes, confirming licensing requirements, and tracking clearance progress.

Companies that integrate these systems into their workflows as verification checkpoints, rather than treating them as one-time submission tools, can catch classification and documentation errors before they become costly disputes.

For businesses with a strong compliance history, authorized economic operator status offers significant operational advantages. According to DGCE data, AEO-certified companies experience up to 50 percent faster clearance times and 30 percent fewer inspections compared to non-AEO traders. While qualification demands extensive internal controls and documented procedures, the long-term savings in reduced demurrage, storage fees, and administrative handling can outweigh the initial investment within one to two years.



TAX COMPLIANCE

Dezan Shira & Associates helps businesses in Indonesia strengthen compliance frameworks, manage audits, and align tax and customs practices with operational goals. Contact us at asean@dezshira.com.

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Establishing strong internal governance

Effective compliance is sustained by strong internal governance rather than ad hoc corrections. Many successful foreign-owned companies in Indonesia maintain a dedicated compliance function that manages classification databases, conducts regular audits of import and export records, liaises with licensed customs brokers, and trains staff on regulatory changes. In operations involving both bonded and non-bonded supply chains, separate, reconciled records for each are essential to preserving duty exemptions and avoiding disputes during DGCE inspections.

From a cost perspective, the return on investment in governance can be substantial. For example, avoiding a single shipment delay at a major port can save tens of thousands of dollars in storage and demurrage charges, while maintaining eligibility for preferential tariffs under RCEP or ATIGA can preserve margins of 5 to 15 percent per shipment. Over the course of a year, these efficiencies can make a decisive difference in competitiveness.

Responding to audits and enforcement actions

The DGCE has authority to conduct post-clearance audits for up to two years after importation, or up to 10 years in cases involving suspected fraud. Audits can involve physical inspections, re-verification of past documentation, and reassessment of declared values based on comparable imports.

Disputes must be addressed quickly, with formal objections lodged within 60 days and further appeals made to the tax court if necessary. While resolution at the court level can take six to 12 months, disputed duties are often payable in advance.



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An Introduction to Doing Business in Indonesia 2025



This ASEAN Briefing magazine issue provides an overview of Indonesia's labor market, covering employment laws, regulations, and highlighting key workforce trends and emerging sectors shaping opportunities for businesses and investors.

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Enforcement activity has intensified in recent years, with particular focus on anti-dumping measures in steel, chemical, and textile imports, anti-smuggling operations at major ports, and targeted inspections of high-risk goods, such as used electronics, luxury items, and pharmaceuticals.

Turning compliance into an operational strength

In a competitive ASEAN market where procedural efficiency and regulatory trust are both scarce, investors who treat compliance as a core operational pillar will be best positioned to grow sustainably and maintain a competitive edge in Indonesia's evolving trade landscape. 🇮🇩



Strategic Positioning and Future Outlook

By 2030, Indonesia is poised to anchor ASEAN supply chains, led by green metals, Halal food, and electronics.



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Indonesia in 2025 stands at a crossroads: it is already a formidable player in global trade but is poised to become a central anchor in ASEAN's regional supply chain network. For foreign investors, the real opportunity lies in understanding how Indonesia's role will evolve between now and 2030 as part of a deeply interconnected Southeast Asian trade environment.

Indonesia in the ASEAN trade map

Compared to its ASEAN peers, Indonesia offers unmatched domestic market size and production capacity, but it faces structural challenges in logistics efficiency. Logistics costs remain around 23.08 percent of GDP, considerably higher than Malaysia's 13 percent, and this gap affects export competitiveness. However, Indonesia controls nearly 46 percent of the ASEAN cross-border road freight market, giving it significant leverage in shaping regional trade flows. As covered in Chapter 1, its trade partners already align with this vision: Singapore as a re-export and finance hub, Malaysia

as a processing and assembly partner, and China and Japan as major sources of technology and industrial inputs.

Scenarios for 2030: Three possible futures

If ASEAN achieves full digital trade integration, Indonesia could lead a high-integration scenario where supply chains flow seamlessly across borders. In this outcome, manufacturing hubs in Java or Sulawesi feed final assembly plants in Batam or Johor, supported by bonded logistics centers capable of same-day clearance through interconnected Single Window systems. This would enable manufacturers to cut lead times by up to 40 percent compared to 2024 averages, making Indonesia a preferred regional base.

In a partial-integration scenario, progress would be uneven. Indonesia would dominate in sectors like nickel processing and agribusiness but continue to route time-sensitive, high-value shipments through Singapore and Vietnam for faster customs

processing. This setup could still deliver strong returns but would require dual logistics planning — one for regional mass exports and another for high-speed distribution. In the least likely but still plausible fragmented scenario, geopolitical shifts or trade disputes could slow ASEAN connectivity. Under such conditions, Indonesia's trade strategy would pivot to bolstering domestic consumption, deepening bilateral agreements with partners like China and India, and focusing on sectors less reliant on regional just-in-time supply chains. Investors prepared for this scenario would maintain greater warehousing capacity and diversify customer bases early.

Sectors set to drive growth

Green metals and the rise of circular supply chains

Indonesia's dominance in green metals will be decisive for the region's electric vehicle (EV) and battery supply chains. By 2024, it accounted for 43 percent of global nickel production, and output is projected to reach 3.02 million tons by 2030, capturing roughly 65 percent of global supply.

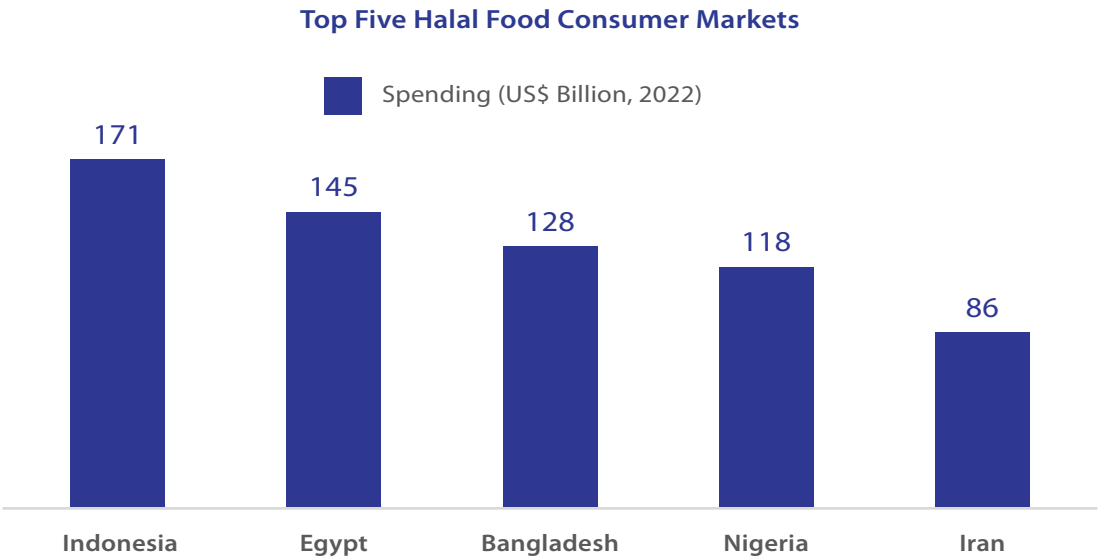
Beyond mining and smelting, new opportunities are emerging in EV battery recycling and circular supply chains, where Indonesia could capture added value by processing spent batteries from Thailand and Malaysia.

Agribusiness in the Halal and processed food boom

Processed food exports are poised to benefit from ASEAN's growing middle class and the region's increasing demand for Halal-certified products. The Asia Halal food market is valued at US\$929.48 billion in 2024 and is projected to reach US\$2.05 trillion by 2033, growing at a CAGR of 9.2 percent. Indonesia, as the world's largest Muslim-majority country, is uniquely positioned to lead in Halal-certified processed foods, supplying not only ASEAN markets but also Middle Eastern buyers via Singapore's re-export network.

Electronics manufacturing and AI-driven optimization

Electronics manufacturing will expand through



Source: Salaam Gateway Report – SGIE 2023/24

RCEP's harmonized rules of origin, with Indonesia focusing on component production and testing. The ASEAN semiconductor market was valued at US\$95.91 billion in 2024 and is projected to reach US\$212.33 billion by 2032, growing at a CAGR of 9.9 percent. Within this, Indonesia's own electronic manufacturing services market is expected to rise from US\$10.5 billion in 2024 to US\$18.65 billion by 2035. AI-driven manufacturing optimization is beginning to take hold, allowing plants in Batam and Central Java to shift production volumes dynamically based on demand forecasts from regional buyers.

Infrastructure expansion and policy shifts

Major infrastructure projects are set to transform Indonesia's trade profile by 2030. The expansion of Patimban Port in West Java will increase annual capacity from 1.5 million TEUs in 2024 to 7.5 million TEUs by 2030, providing a dedicated automotive export hub linked directly to industrial zones in Karawang. Similarly, new bonded logistics centers in Sulawesi and Kalimantan will allow exporters to store goods duty-free for up to three years, facilitating smoother export flows for seasonal commodities and manufactured goods.

Policy developments are equally critical. In July 2025, Indonesia and the European Union reached a political agreement on the Comprehensive Economic Partnership Agreement (IEU-CEPA), paving the way for formal signature by late 2025 and potential implementation by 2027. If fully enacted, the deal is expected to lower tariffs on European machinery imports by up to 15 percent and expand market access for Indonesian processed food products.

Upgrades to ASEAN agreements, particularly in digital trade, will standardize documentation requirements and enhance transparency, reducing clearance times across multiple jurisdictions.

Financing and capital flows

Indonesia's trade and industrial ambitions will only materialize if financing keeps pace with infrastructure and sectoral growth. At the end of 2024, Bank Indonesia reported gross external debt of about US\$425 billion, with the private sector responsible for nearly half of the total. Within that borrowing, manufacturing accounted for close to 28 percent, mining and quarrying 17 percent, and services including transport and logistics around 21 percent. For foreign investors, this underscores the importance of regulatory alignment. All foreign loans, including shareholder loans and trade finance facilities, must be reported through Bank Indonesia's external debt reporting system. Non-compliance can restrict dividend repatriation and access to import licenses, making accurate reporting a central part of financing strategy.

Beyond domestic reporting rules, international financing support plays a decisive role. Export credit agencies (ECAs) such as the Japan Bank for International Cooperation and Korea Eximbank have provided recurring multi-billion-dollar facilities to Indonesian projects in mining, energy, and logistics. Their long-tenure loans reduce risk for commercial banks and extend financing horizons to 10 or 15 years, making capital-intensive investments such as Patimban Port or new electric vehicle battery clusters commercially feasible. Aligning projects with ECA priorities, such as renewable integration or supply-chain diversification, has become an important way for investors to secure more favorable terms.

A parallel trend is the rise of green and blended finance, which is reshaping the investment landscape. Since 2018, the Indonesian government has issued more than US\$6 billion in sovereign green bonds and sukuk. In 2023, state-owned utility PLN secured a US\$750 million syndicated green loan to fund geothermal and solar projects. These instruments

illustrate how projects that demonstrate carbon reduction or circular-economy benefits can tap concessional financing. This is especially relevant in nickel, where Indonesia's output is projected to reach about 3.02 million tonnes by 2030, controlling roughly 65 percent of global supply. With international buyers and financiers increasingly demanding sustainability assurances before signing long-term offtake agreements, access to green finance is becoming a competitive necessity.

The challenge, however, is that capital flows are shaped by commodity cycles. Nickel prices fell sharply through 2023 and 2024, while palm oil also saw significant swings. Financing structures often include price-linked covenants, and unhedged borrowers face sudden increases in debt service burdens when prices move against them. Long-term offtake contracts with buyers in China, Japan, and the European Union, along with hedging strategies, remain the most reliable ways to stabilize cash flows in this volatile environment. Case studies from Indonesia's industrial parks show how these financing models come together in practice. At the Morowali Industrial Park in Central Sulawesi, large, syndicated loans from Chinese banks, combined with equity contributions from private partners, funded billions of dollars in smelter and power plant capacity. This blend of sovereign-linked lenders and private capital has become a template for other energy and metals projects that require large, long-term commitments.

Looking ahead, financing dynamics will also be influenced by trade agreements. The Indonesia–EU Comprehensive Economic Partnership Agreement (IEU-CEPA), politically agreed in July 2025, is expected to unlock new European investment flows once ratified. Lower tariffs on machinery and expanded market access for Indonesian processed food products will improve returns in these sectors, encouraging both banks and investment funds to

expand their exposure. By 2030, European FDI could add several billion dollars to Indonesia's financing pool, complementing the strong capital inflows already arriving from Asia.

An investor playbook for regional success

As outlined in Chapter 2, special customs regimes such as bonded zones already offer cost savings. Over the next five years, these facilities will gain even greater strategic value when paired with regional digital clearance systems, allowing duty-exempt goods in Indonesia to be shipped across ASEAN with minimal friction. Investors who adopt compliance technology now — covered in detail in Chapter 3 — will be ready to integrate seamlessly when the ASEAN Digital Trade Platform comes online. Sustainability will also shift from a differentiator to a requirement, with green logistics incentives potentially reducing operating costs by as much as 12 percent over a five-year period for early adopters. Scaling beyond Indonesia should be embedded into operational models from day one, targeting at least two additional ASEAN markets within three years of entry.

Building for an integrated future

ASEAN exports are projected to grow by nearly 90 percent to US\$3.2 trillion annually by 2031, and Indonesia is positioned to capture a significant share of that growth. The highest returns will come to investors who see the country not as an endpoint, but as a launchpad into the wider region. The winning strategies will integrate Indonesia's production strengths with ASEAN's emerging trade infrastructure, adapt to multiple possible futures, and align operations with the fastest-growing sectors. With careful positioning, foreign investors can turn Indonesia's evolving trade landscape into a long-term regional advantage — and be ready not just for 2025, but for the decade ahead. 🇮🇩



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