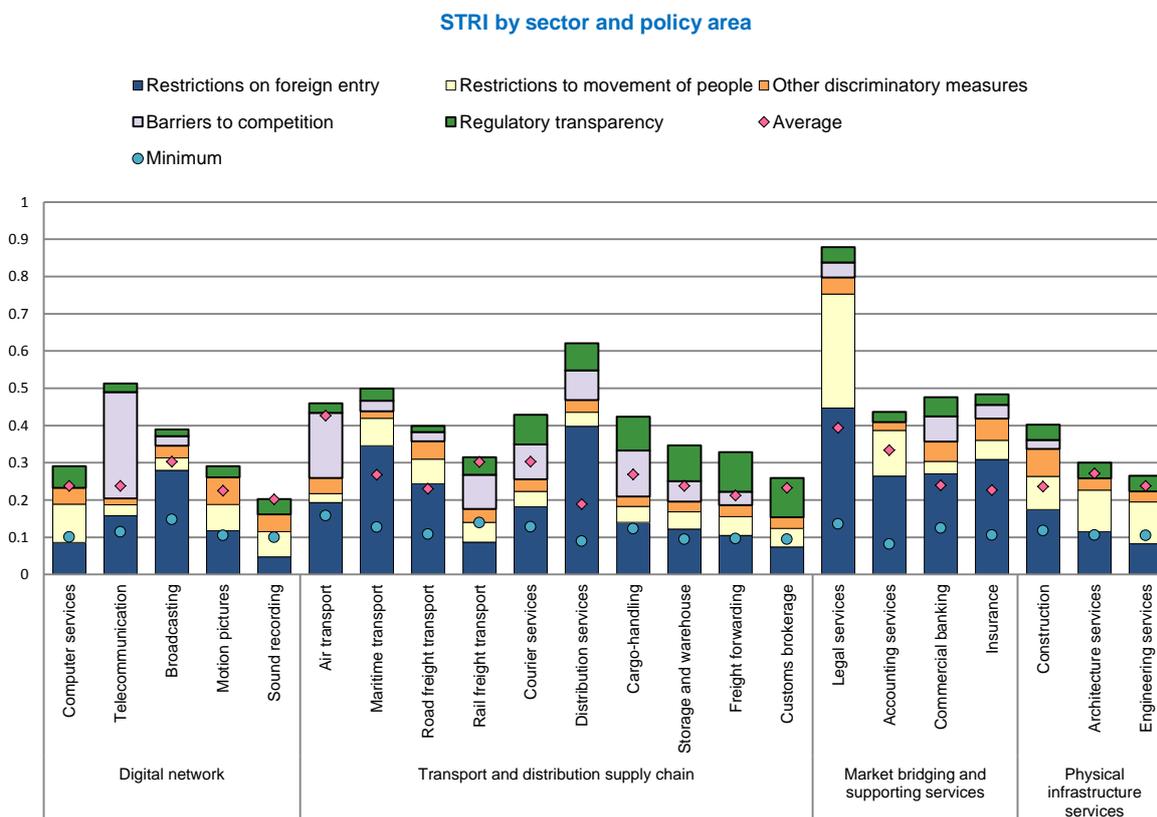


## OECD Services Trade Restrictiveness Index (STRI): Indonesia

Indonesia exported services worth USD 24 billion and its services import value was USD 31 billion in 2016. 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 44 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 35 OECD Members, Brazil, China, Colombia, Costa Rica India, Indonesia, Lithuania, 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 higher STRI score than the sample average in all 22 sectors. This can be explained in large part by general regulations that apply to all sectors of the economy. Certain management positions in Indonesian corporations are reserved for nationals. 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 transport services, banking, broadcasting, construction, courier services, distribution, insurance, logistics and telecommunication services. 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. In particular, it maintains labour market tests on all categories of service providers covered in the STRI (i.e. intra-corporate transferees, contractual services suppliers and independent services providers). 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, rail freight and air transport are the three sectors with the lowest score relative to the sample average in Indonesia, although in the two transport sectors, the 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 partially or fully eased foreign equity restrictions in air transport. It currently allows majority foreign ownership in air freight transport, following recent reforms of the sector. There are also no foreign equity restrictions in rail freight. The rail infrastructure is currently owned by the Government, though the Railway Law of 2007 (23/2007) provides rail transport services to be provided by separate railway undertakings.

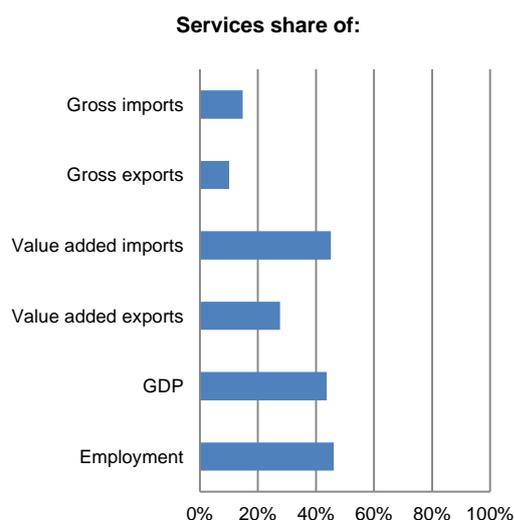
### The sectors with the relatively highest STRI scores

Telecommunications, legal services and distribution services are the three sectors with the highest score relative to the average in Indonesia. In telecommunications, Indonesia maintains a range of investment restrictions, including a cap of 67% foreign equity and there is a legal limit of 49% for private investments in state-owned enterprises. In addition, there are no pro-competitive policy measures in place 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 advocates to advise on foreign law. 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.

### Recent policy changes

Indonesia has fully or partially opened several sectors to foreign investment under the 2016 Negative Investment List. These include air freight transport, logistics services, telecommunications, audio-visual services, architecture and engineering services. Minimum capital requirements were removed in 2016. In 2017, more favourable conditions for the release of imported goods before determination and payment of duties have benefitted distribution, courier and logistic services. In the same year, Indonesia revoked minimum capital requirements for maritime transport service. However, the Construction Act of 2017 imposed nationality requirements on the management of construction and architecture companies.

### 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 44 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](mailto:stri.contact@oecd.org)