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Page: 1/2

Committee on Trade-Related Investment Measures

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**INDONESIA – LOCAL CONTENT REQUIREMENTS FOR 4G LTE
EQUIPMENT AND MOBILE DEVICES**

REPLIES TO QUESTIONS FROM THE UNITED STATES¹

The following communication, dated 15 April 2015, is being circulated at the request of the Delegation of Indonesia.

We refer to the United States' questions contained in document G/TRIMS/W/148 dated 26 March 2015, Indonesia hereby wishes to provide the following clarifications:

Question 1

Is our understanding above of the two regulations correct? Are there aspects of the regulations we have misunderstood and/or omitted?

Reply

We thank the delegation of the United States of America for its interest and attention on our plan to move up the value-chain of manufactured products by requiring companies investing in Indonesia to develop domestic manufacturing. This plan is intended to strengthen Indonesia's role and further integrate itself into the global value chains. This plan will only apply for 4G/LTE sector, equally and non-discriminatorily between domestic and foreign investors.

In undertaking this plan, Indonesia, as a law abiding member of the WTO, will ensure that due process will be upheld in line with all the WTO provisions and Indonesia's commitments, particularly the principles of transparency, inclusiveness, and non-discrimination. This includes a series of consultations with all stakeholders, such as telecommunications' operators, investors, and associations.

Question 2

How is credit towards local content calculated for a foreign company when it manufactures a 4G enabled device in Indonesia using Indonesian equipment or inputs? How is credit towards local content calculated for a foreign company when it manufactures a 4G enabled device in Indonesia using foreign equipment or inputs?

Reply

The local content calculation is subject to Ministerial of Industrial Regulation Number 69 Year 2014 on Conditions and Calculation Method of Local Content for Electronics and Telematics Industry.

¹ G/TRIMS/W/148.

Question 3

What would be the consequences for a foreign company if it were to sell 4G enabled equipment in Indonesia that does not meet the local content threshold?

Reply

As mentioned in our response to the first question, the plan to move up the value-chain of manufactured products in 4G/LTE sector is still being formulated in which the substance has yet to be finalized.

Question 4

Would Indonesia please describe the tax incentive that a foreign investor may receive if it exceeds the minimum local content thresholds? Under what conditions can manufacturers benefit from that incentive? Is the incentive the same for Indonesian-owned manufacturers as it is for foreign-owned manufacturers?

Reply

Please refer to our response in question number 3.

Question 5

When does Indonesia anticipate that KOMINFO will finalize the regulations?

Reply

It could not be determined since it is still under discussion.
