

## Suggested Steps Indonesia Could Take to Address Digital-Related Restrictions

# Indonesia Barriers to U.S. Digital Service Suppliers

Over the past several years, Indonesia has passed or proposed several key measures that severely threaten the ability of U.S. digital service suppliers to access the Indonesian market, including: **mandatory registration schemes for online services providers** with the threat of blocking or removal of online content; **data localization requirements** and other restrictions to U.S. cloud providers; **barriers to subsea cable deployment and maintenance**; and **news payment obligations for online services providers** (all referenced below).

The net effect of these measures is to put U.S. digital firms at a competitive disadvantage in the Indonesian market, particularly when operating on a cross-border basis, including by imposing stringent content blocking and takedown requirements; siphoning funds from U.S. firms to subsidize Indonesian media outlets; and suppressing the ability of Indonesian institutions and companies to utilize U.S. cloud services or cloud-based applications. The burdens and risks associated with these measures will severely diminish market access to a dynamic economy that accounted for US\$1.8 billion in digitally delivered services exports in 2024.<sup>1</sup>

As the U.S. engages with Indonesia to seek removal of trade impediments and implement the outcomes of the July 2025 U.S.-Indonesia Trade Deal,<sup>2</sup> several targeted changes could materially improve market access for U.S. suppliers.

## Commitments from Indonesia to Ease Digital Trade Barriers

### Addressing existing barriers:

- Refrain from blocking U.S. digital services providers from operating in Indonesia under **Ministerial Regulation 5/2020**,<sup>3</sup> which imposes stringent registration and oversight requirements on all internet-enabled services and websites. (Several U.S. firms have been subjected to such blocks).<sup>4</sup> Additionally, commit to minimizing intrusive **content takedown obligations** under both MR5/2020 and the 2022 Criminal Code by extending compliance timelines.<sup>5</sup>
- Simplify and liberalize Indonesia's subsea cable deployment framework to allow efficient participation by foreign operators by (1) expanding **Decree 14/2021**, which limits subsea cables to select designated routes and landing points<sup>6</sup>; (2) streamlining the licensing process to ensure coordination and remove overlapping approvals from

<sup>1</sup>

<https://apps.bea.gov/iTable/?reqid=62&step=9&isuri=1&product=4#eyJhcHBpZCI6NjIsInN0ZXBzIjpbMSw5LDZdLCJkYXRhIjpbW yJwcm9kdWN0IiwiaWNCJdLFsiVGFiVGVMaXN0IiwiaWZU5I1dfQ==>

<sup>2</sup> <https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-the-united-states-and-indonesia-reach-historic-trade-deal/>

<sup>3</sup> [https://jdih.komdigi.go.id/produk\\_hukum/view/id/759/t/peraturan+menteri+komunikasi+dan+informatika+nomor+5+tahun+2020](https://jdih.komdigi.go.id/produk_hukum/view/id/759/t/peraturan+menteri+komunikasi+dan+informatika+nomor+5+tahun+2020)

<sup>4</sup>

<https://aji.or.id/informasi/indonesias-ministry-communications-sued-after-blocking-8-digital-platforms>

<sup>5</sup> <https://the-world-is-watching.org/wp-content/uploads/2023/02/2023-Indonesia-Penal-Code.pdf>

<sup>6</sup> <https://setkab.go.id/en/govt-issues-regulation-on-submarine-pipelines-cable-systems>

multiple ministries; and (3) eliminating **ICT Ministry regulations** that require foreign operators to partner with local entities holding at least 5% equity, subject to overly restrictive qualification rules.

- Allow U.S. cloud service providers to store and process data for workloads for all sectors, including the public sector, healthcare, and financial services, and to participate in public sector procurement on a non-discriminatory basis. This could be achieved through revisions to:
  - **Regulation No. 71/2019**, which requires electronic systems operators for public services to manage, process, and store their electronic systems and data within Indonesia, and obtain explicit user consent to transfer user data overseas; and to refrain from the proposed expansion of the localization requirement which affects five broadly defined categories of data: civil registration, immigration, health, financial, and “other” data that is determined by the relevant ministry or institution, and intentionally vaguely defined to allow relevant ministries/institutions to add what data must be stored in Indonesia.
  - **Regulation No. 22/23/PBI/2020**,<sup>7</sup> which requires financial institutions to seek its approval before moving workloads to the public cloud;
  - **Regulation No. 11/POJK.03/2022**,<sup>8</sup> which requires banks to submit approvals if the data center is located offshore;
  - **Regulation No. 38/POJK.03/2016**,<sup>9</sup> which requires commercial banks planning to operate an electronic system outside Indonesia to seek approval from the OJK 3 months before the arrangement starts; and
  - **Regulation No. 9/POJK.03/2016**,<sup>10</sup> which only allows commercial banks to outsource “support work” (such as activities that are low risk, do not require high banking competency and skills qualification, and do not directly relate to operational decision-making).
- Ensure that U.S. companies are able to get credit for the value they generate for news publishers through referral traffic and other partnerships as part of the mandatory remuneration scheme enacted through **Presidential Regulation No. 32 of 2024** on Publisher Rights.<sup>11</sup> Currently, the oversight of these forced agreements lies with a body comprising members of the press council, reflecting a conflict of interest that must also

<sup>7</sup> [https://www.bi.go.id/id/publikasi/peraturan/Documents/PBI\\_222320.pdf](https://www.bi.go.id/id/publikasi/peraturan/Documents/PBI_222320.pdf).

<sup>8</sup>

<https://ojk.go.id/en/regulasi/Documents/Pages/Implementation-of-Information-Technology-by-Commercial-Banks/OJK%20Regulation%2011%202022%20concerning%20Implementation%20of%20Information%20Technology%20by%20Commercial%20Banks.pdf>.

<sup>9</sup>

<https://ojk.go.id/en/regulasi/Documents/Pages/Implementation-of-Information-Technology-by-Commercial-Banks/OJK%20Regulation%2011%202022%20concerning%20Implementation%20of%20Information%20Technology%20by%20Commercial%20Banks.pdf>.

<sup>10</sup> <https://www.globallegalinsights.com/practice-areas/banking-and-finance-laws-and-regulations/indonesia/>.

<sup>11</sup> <https://setkab.go.id/en/govt-issues-regulation-on-publisher-rights/>.

be addressed. Implementing regulations should refrain from forcing U.S. online services to enter into unfair “paid license” or “profit sharing” agreements with Indonesian media companies, and focus on supporting mutually-beneficial mechanisms to improve the digital distribution of news.

- Authorize U.S. companies to sell goods that are valued less than \$100 to Indonesian customers through online marketplaces, which is currently prohibited under **Regulation No. 31/2023**. Additionally, permit U.S. companies to directly retail products through electronic services, which is currently prohibited for many goods under **Government Regulation No. 80/2019**.<sup>12</sup> Also, allow e-commerce companies to transfer personal data offshore, which is currently prohibited unless otherwise approved by the Ministry of Trade under **Government Regulation No. 80/2019**.
- Rescind **local content requirements for telecommunications products**—including smartphones—that are currently set at 40% under Regulation No. 16/M-IND/PER/2/2011, and further reinforced by Presidential Regulation No. 12 of 2021. These local content requirements undermine U.S. companies’ operations, delaying the introduction of new products and costing U.S. firms vast sums in lost sales.
- Rescind **local content requirements for industrial services**, especially cloud and data center (hosting) activities. The new Ministry of Industry Regulation 35/2025 replaces Reg 16/2011 and extends LCR obligations to “Industry 4.0 Support Services” such as software and cloud. However, its calculation methods fail to account for the unique nature of digital services, creating uncertainty over compliance and procurement eligibility. President Instruction No. 2/2022 and the absence of clear e-catalogue classifications or MoI guidelines further complicate participation in government procurement. Rising protectionist sentiment risks stricter LCR enforcement and unnecessary certification burdens for cloud providers.
- Formally recognize ISO standards as equivalent to **Indonesia’s National Standards (SNI)**, including through a Mutual Recognition Agreement between KAN and the International Accreditation Forum. Currently, requiring SNI certification duplicates compliance costs and favors local providers through local presence and content rules. Despite alignment with ISO standards, Indonesia’s regulations—such as MOCI Decree No. 519/2024—mandate local SNI certificates (e.g., SNI ISO 9001, 27001, 27017, 27018) for public cloud providers to join the National Data Center Ecosystem. Accepting ISO certification as equivalent would level the playing field and streamline compliance for international providers.
- Commit to issuing implementing regulations for the **Child Safety Regulation**<sup>13</sup> that establish transparent, narrowly tailored risk-assessment criteria, align age verification and parental consent mechanisms with best practices, and avoid broad classifications that automatically label platforms as “high-risk.”

<sup>12</sup>

<https://www.bakermckenzie.com/en-/media/files/insight/publications/2019/12/ma-taxtrad--indonesia-now-has-a-specific-ecommerce-regulation-dece-2019.pdf>.

<sup>13</sup> <https://peraturan.bpk.go.id/Details/316698/pp-no-17-tahun-2025>.

- Align Indonesia's **tariff schedule** with its WTO Information Technology Agreement (ITA) commitments by eliminating duties and reclassifications on covered ICT products and ceasing the practice of reclassifying products into dutiable HS codes.
- Implementing agreed-upon commitments to remove "Software and other digital products transmitted electronically" from Indonesia's Harmonized Tariff Schedule (HTS) Chapter 99 and eliminate HTS tariff lines on intangible products and suspend import declaration requirements as required under **Regulation No. 190/PMK.04/2022**.<sup>14</sup>

#### **Addressing proposed barriers:**

- Refrain from enacting the .5% income tax on e-commerce transactions for sellers with annual revenue exceeding US\$30,000 under **PMK No. 37**.
- Refrain from bringing into scope digital content, including content provided via OCC/VOD services, under **Law No. 32 of 2002 on Broadcasting**. OCC/VOD services have fundamentally different business models, audience relationships, and content management approaches compared to traditional broadcast services and should not be regulated under the same law.
- Implementing agreed-upon commitments to Commit to refrain from imposing **customs duties on electronic transmissions** permanently, as World Trade Organization members have committed for over 30 years through the e-commerce moratorium, and dozens of other countries have incorporated into bilateral free trade agreements.

<sup>14</sup> <https://assets.kpmg.com/content/dam/kpmg/id/pdf/2023/03/id-tnf-mar-23-pmk-190.pdf>.