GLOBAL DATA ALLIANCE
TRUST ACROSS BORDERS

Indonesia's Digital Trade Barriers

Status in US-Indonesia Reciprocal Trade Negotiations

The Honorable Scott Bessent
US Secretary of the Treasury
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The Global Data Alliance (GDA)[1] welcomes the efforts of the Office of the US Trade Representative and the Departments of Commerce and Treasury to resolve unfair and non-reciprocal trade barriers that hurt US strategic interests, US companies, and US workers. Building on our March 2025 submission, we take this opportunity to offer the following updated information on Indonesia's progress in resolving digital trade barriers.

Indonesia continues to maintain trade restrictions on US digitally-enabled goods and services exports. For example, Indonesia's Ministry of Finance maintains steadfast opposition to removing its unique customs restrictions on US exports of American music, films, books, software, games, and all other digital content. Indonesia is the only country in the world to have imposed such restrictions.

The collective effect of these Indonesian measures is to undermine economic opportunity for American workers and American enterprises – making it more difficult for America to export digitally-enabled services and goods – undermining economic opportunity for US workers and enterprises.

Indonesia's actions run directly counter to the Administration's efforts to advance a "production economy" built on "robust and realist trade policy [that] can create jobs, promote innovation, strengthen the national defense, raise wages, and foster [a] manufacturing renaissance" in the United States.[2] We urge you to impress upon Indonesia the seriousness of US resolve to address these serious and longstanding concerns.

Sincerely yours,

Joseph Whitlock

Executive Director
Global Data Alliance

Annex

The GDA is a cross-industry coalition of companies that support tens of millions of American jobs and that are active across all 50 US states in every sector of the US economy. The GDA shares USTR's view that the United States should be a "production economy" – that is "oriented around the production of manufactured goods, agricultural products, services, and knowledge."

To support this ambitious vision, the United States must secure ongoing and future cross-border access to technology, data, and knowledge. Such access is essential to the functioning of manufacturing plants, modern farms, and service providers in every sector,[3] including the agriculture,[4] automotive,[5] clean energy,[6] finance,[7] health,[8] logistics,[9] media,[10] pharmaceuticals,[11] and telecommunications[12] sectors.

A strong production economy requires – first and foremost – access to knowledge, information, and data. Such access powers growth, innovation, jobs, and wage-growth for companies of all sizes — from small and medium-sized enterprises (SMEs) to large corporations. Such access also supports a strong cyber- and other security posture, promoting threat visibility and ability to security risks early.

Efforts to renew the US production economy have been increasingly undermined by barriers that restrict the ability of US companies to offer cross-border services, including restrictions on cross-border transfers of data. This challenge first emerged a decade ago with People's Republic of China (PRC) digital policies purportedly aimed at advancing "Internet sovereignty." The PRC relied on such policies to justify blocking the cross-border transfer of information, mandate data localization, close its digital market, and undermine online economic opportunities – particularly for foreign enterprises and persons. Unfortunately, these digitally protectionist measures have proven attractive to many economies across the globe.

***GR71**:* Government Regulation 71/2019, revising GR 82/2012, requires public and private sector electronic system operators (ESOs) to register their electronic systems and requires private sector ESOs to facilitate "supervision" by government agencies, including by granting access to electronic systems and data for monitoring and law enforcement purposes. Our latest interactions with KOMINFO on this confirm that they are contemplating amendments to GR71 that would impose data and infrastructure localization mandates.

Even in their current form, GR71's implementing regulations continue to be a significant barrier to digital trade. Public Scope ESPs are defined to also include public administration which goes beyond national security and intelligence data. No further clarity has been made on the circumstances by which data can be stored and processed offshore in the case of Public Scope ESP including the guidelines that KOMINFO will use when reviewing every individual data offshoring request by Private Scope ESPs.

Cloud Services / Financial Sector Challenges: Indonesia's regulatory framework is among the least conductive for the adoption of public cloud technology in the financial services industry. The biggest barriers are in the form of data localization, burdensome requirements to seek prior regulatory approval, and the lack of differentiation in the materiality of workloads. To begin, the financial regulator (OJK) does not permit transactions to be processed offshore in sectors like such as multi-financing and lending based technology. These rules are reportedly motivated in part by regulators' lack of trust in multilateral law enforcement systems. Second, the OJK requires financial institutions to go through a lengthy approval process before moving workloads to the public cloud. This applies to commercial banks planning to operate an electronic system outside Indonesia and financial institutions that plan to outsource the operation of their data centers or disaster recovery centers. Additionally, Regulation No. 9/POJK.03/2016 only allows commercial banks to outsource "support work" (i.e., activities that are low risk, do not require high banking competency and skills qualification, and do not directly relate to operational decision-making). These workloads that can be outsourced are all subject to the same regulatory requirements, with no differentiation in terms of materiality, unlike in other jurisdictions, such as Australia and Singapore.

***Local Content Requirements for Software**:* Indonesia's Ministry of Industry issued regulation No.22/2020 (IR22) on the Calculation of Local Content Requirements (LCR) for Electronics and Telematics, with a government target to achieve 35% import substitution by 2025. IR22 provides specific and extensive requirements for manufacturing and development for both digital and non-digital physical products. The government has signaled an intention to build on this LCR requirement and add similar LCRs for software and applications, which would impact companies that provide services over the internet, including cloud services. In addition to that, Presidential Instruction Number 2 Year 2022 requires government agencies to plan, allocate, and realize at least 40% of the national budget for goods/services to utilize MSMEs and Cooperative products from domestic production.

Duties on Digital Products: In February 2018, the Ministry of Finance (MOF) issued Regulation 17, which amended Indonesia's Harmonized Tariff Schedule (HTS) to add Chapter 99 "[s]oftware and other digital products transmitted electronically."[13] Although Chapter 99 is currently duty free, Chapter 99 effectively treats electronic transmissions as imports, to which customs requirements apply, including requirements to comply with all customs laws that attach to imports, prepare and file import declarations, and pay 10 percent value-added tax (VAT) and 2.5 percent income tax. Indonesia supplemented these provisions with a new Regulation 190, which imposes a customs tariff currently set at 0% and requires the filing of import declarations for data moving across transnational digital networks – the first such measure of its kind anywhere in the world.

Moratorium on Duties on Electronic Transmissions: Related to the entry above, Indonesia has been a leader of efforts to undermine the multilateral Moratorium on customs duties and related requirements on electronic transmissions – a stance that directly threatens US export interests relating to film, financial services, music, publications, software, and many other sectors. We urge the United States to ensure that Indonesia aligns itself with the US position of support a permanent Moratorium, as reflected in the Administration position established in the America First Trade Policy and other core policy statements.

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[1] The Global Data Alliance (globaldataalliance.org) is a cross-industry coalition of companies that are committed to high standards of data responsibility and that rely on the ability to transfer data around the world to innovate and create jobs. The Alliance supports policies that help instill trust in the digital economy while safeguarding the ability to transfer data across borders and refraining from imposing data localization requirements that restrict trade. Alliance members are headquartered across the globe and are active in the advanced manufacturing, aerospace, automotive, consumer goods, electronics, energy, financial services, health, supply chain, and telecommunications sectors, among others. The Business Software Alliance administers the Global Data Alliance. See Global Data Alliance, About the Global Data Alliance (2020), https://www.globaldataalliance.org/downloads/aboutgda.pdf

[2] USTR, 2025 Trade Agenda (March 2025), at: https://ustr.gov/about-us/policy-offices/press-office/press-releases/2025/march/us-trade-representative-announces-2025-trade-policy-agenda

[3] Global Data Alliance, The Cross-Border Movement of Data: Creating Jobs and Trust Across Borders in Every Sector (2020), https://globaldataalliance.org/wp-content/uploads/2021/07/GDAeverysector.pdf

[4] Global Data Alliance, *GDA Website – Agriculture* (2022), at: https://globaldataalliance.org/sectors/agriculture/

[5] Global Data Alliance, *GDA Website – Automotive* (2022), at: https://globaldataalliance.org/sectors/automotive/

[6] Global Data Alliance, *GDA Website – Energy* (2022), at: https://globaldataalliance.org/sectors/energy/

[7] Global Data Alliance, *GDA Website – Finance* (2022), https://globaldataalliance.org/sectors/finance/

[8] Global Data Alliance, *GDA Website – Healthcare* (2022), https://globaldataalliance.org/sectors/healthcare/

[9] Global Data Alliance, *GDA Website – Supply Chain Logistics* (2022), https://globaldataalliance.org/sectors/supply-chain-logistics/

[10] Global Data Alliance, *GDA Website – Media and Publishing* (2022), https://globaldataalliance.org/sectors/media-publishing/

[11] Global Data Alliance, *GDA Website – Biopharmaceutical R&D* (2022), https://globaldataalliance.org/sectors/biopharmaceutical-rd/

[12] Global Data Alliance, *GDA Website – Telecommunications* (2022), https://globaldataalliance.org/sectors/telecommunications/

[13] *Regulation No. 17/PMK.010/2018 (Regulation 17)* (Indonesian) at: https://jdih.kemenkeu.go.id/fullText/2018/17~PMK.010~2018Per.pdf.