

## Republic of Indonesia

### 1. *Industrial strategy*

- Indonesia has made repeated efforts to promote domestic industrial development, often focusing on heavy industries such as car manufacturing.
- Following a period of promoting market-based policies in the aftermath of the 1998 financial and economic crisis that affected Southeast Asian nations and led to the involvement of the International Monetary Fund (IMF), it entered a new era of ‘New Developmentalism’.<sup>1</sup>
- Newer efforts towards a new industrial strategy build on these trends.
- Law No. 3 of 2014 on Industrial Affairs was adopted on 15 January 2014.<sup>2</sup>
- The most recent systematic effort is based on the National Industry Development Master Plan (RIPIN) 2015-2035 (Government Regulation No. 14/2015 of 2015).<sup>3</sup> RIPIN is developed to fulfil the mandate of Law No. 3 of 2014 on Industrial Affairs.
- These activities are managed by a Ministry of Industry and a National Industry Committee.
- The country established the “Indonesia Country Partnership Framework 2021-2025” with the World Bank that aligns with the domestic industrial strategy.<sup>4</sup>
- The above is loosely based on the *Indonesia 2045* vision.<sup>5</sup>

### 2. *Objectives/goals pursued through industrial policies*

- (RIPIN) 2015-2035 identifies 10 priority industries for the 2015-2035 period, and provides guidance for the government and industry stakeholders in planning and developing the industrial sector over the next twenty years.
- Law No. 3 of 2014 on Industrial Affairs and RIPIN identifies some priority industries that reflect a mix of traditional manufacturing and new industrial policymaking, such as a “green industry.”<sup>6</sup>
- The definition of “Industrial Technology” is relatively generic.<sup>7</sup>

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<sup>1</sup> Eve Warburton, ‘A New Developmentalism in Indonesia?’ (2018), 35 *Journal of Southeast Asian Economies* 355-368 (Vol. 35, No. 3, Special Issue: The Indonesian Economy in Transition: Policy Challenges in the Jokowi Era and Beyond (Part II)).

<sup>2</sup> <https://www.fao.org/faolex/results/details/en/c/LEX-FAOC211592/#:~:text=Indonesia-Law%20no.,strengthen%20the%20national%20economic%20development>.

<sup>3</sup> Rencana Induk Pembangunan Industri Nasional (RIPIN) 2015-2035 (Peraturan Pemerintah Republik Indonesia Nomor 14 Tahun 2015), available at <<https://policy.asiapacificenergy.org/node/4174>>.

<sup>4</sup> <https://consultations.worldbank.org/en/consultations/detail/indonesia-country-partnership-framework-2021-2025#:~:text=The%20CPF%20is%20aligned%20with,includin%20the%20government%2C%20development%20partners%2C>

<sup>5</sup> <<https://indonesia2045.go.id/tentang>>.

<sup>6</sup> See Article 1(3) of Law No. 3 of 2014 on Industrial Affairs (“Green Industry is any Industry with a production process which places priority on efficiency and effectiveness in the sustainable use of resources, to enable harmonization between Industrial development and the preservation of environmental functions as well as to grant benefits to the community”).

<sup>7</sup> Article 1(12) of Law No. 3 of 2014 on Industrial Affairs (“Industrial Technology is the results of any development, improvement, invention and/or innovation in the form of process of technology and product of

### 3. *Legal status of subsidy disbursement*

- Disbursed across multiple sectors with a focus on the energy sector.<sup>8</sup>

### 4. *Divergences in industrial policy (mostly, but not exclusively, for federal states)*

Article 18(B)(2) of the Constitution highlights that “The State recognises and respects traditional communities along with their traditional customary rights as long as these remain in existence and are in accordance with the societal development and the principles of the Unitary State of the Republic of Indonesia, and shall be regulated by law.”

### 5. *Digital (development) strategy*

- Indonesia’s digital economy is one of the fastest growing in Southeast Asia.<sup>9</sup>
- “Making Indonesia 4.0” is a roadmap towards 2030 and developed in 2018, which aims to help make the country a leader in the digital economy.<sup>10</sup>
- The roadmap is further supported by initiatives such as the “Movement Toward 100 Smart Cities”, which was initiated in 2017.<sup>11</sup>
- National Strategy for Artificial Intelligence (2020-2045) (Stranas KA) published in August 2020 through the Agency for the Assessment and Application of Technology (BPPT).<sup>12</sup> BPPT falls now under Indonesia’s National Research and Innovation Agency (BRIN). The strategy provides a national guideline in developing AI between 2020 and 2045.
- Stranas KA four key focus areas of action are the following: Ethics and Policies; Infrastructure and Data; Talent Development; and Industrial Research and Innovation.<sup>13</sup>
- Stranas KA states that Indonesian AI policy is based on Pancasila values, which is the philosophical theory on which Indonesian government and politics is based. This comprises five principles: (1) Belief in The One True God, (2) A fair-minded and civilized humanity, (3) Unity of Indonesia, (4) Democracy (from the people) led by

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technology, including design and engineering, methods and/or systems which are applied in Industrial activities”).

<sup>8</sup> Ahya Ihsan et al., *Indonesia’s Fuel Subsidies Reforms*. EFI InsightFinance. World Bank Washington, DC, 2024).

<sup>9</sup> <<https://www.trade.gov/country-commercial-guides/indonesia-digital-economy>>.

<sup>10</sup> <<https://www.trade.gov/country-commercial-guides/indonesia-digital-economy>>.

<sup>11</sup> <<https://www.aseanbriefing.com/news/smart-cities-cooperation-indonesia-and-finland/>>.

<sup>12</sup> KA Menuju Visi Indonesia 2045: Pusat Inovasi Kecerdasan Artifisial Indonesia, <<https://ai-innovation.id>>; see also <<https://oecd.ai/en/dashboards/policy-initiatives/http:%2F%2Faipo.oecd.org%2F2021-data-policyInitiatives-26968>>.

<sup>13</sup> New Zealand Embassy in Jakarta, “Indonesia’s National Strategy for Artificial Intelligence” (July 2023) <<https://www.mfat.govt.nz/en/trade/mfat-market-reports/indonesias-national-strategy-for-artificial-intelligence-july-2023>>.

Wisdom of consultation (of the) representatives (of the people), and (5) Social justice for every person in Indonesia.<sup>14</sup>

- In 2022, Indonesia's National Research and Innovation Agency (BRIN) established an AI and Cybersecurity Research Centre.
- 2045 Digital Indonesia Vision (VID) launched in 2023 by the Ministry of Communication and Information Technology.<sup>15</sup> Cybersecurity is at the core of the vision.<sup>16</sup>

## **6. Main constitutional provisions**

- There are multiple articles under Chapter XA on Human Rights that address issues of development of citizens as individuals, such as for example Article 28C:
  - (1) Every person shall have the right to develop him/herself through the fulfilment of his/her basic needs, the right to get education and to benefit from science and technology, arts and culture, for the purpose of improving the quality of his/her life and for the welfare of the human race.
  - (2) Every person shall have the right to improve him/herself through collective struggle for his/herrights to develop his/her society, nation and state.
- Article 33 of the 1945 Constitution of the Republic of Indonesia reads as follows:
  - (1) The economy shall be organized as a common endeavour based upon the principles of the family system.
  - (2) Sectors of production which are important for the country and affect the life of the people shall be under the powers of the State.
  - (3) The land, the waters and the natural resources within shall be under the powers of the State and shall be used to the greatest benefit of the people.
  - (4) The organisation of the national economy shall be conducted on the basis of economic democracy upholding the principles of togetherness, efficiency with justice, continuity, environmental perspective, self-sufficiency, and keeping a balance in the progress and unity of the national economy.
  - (5) Further provisions relating to the implementation of this article shall be regulated by law.

## **7. Main regulatory provisions**

- Personal Data Protection Law (PDP Law) – Law No. 27 of 2022.
- Law on Electronic Information and Transactions (EIT Law) – Law No. 11 of 2008, amended by Law No. 19 of 2016.
- Presidential Regulation No. 47 of 2023 on the National Cybersecurity Strategy and Cyber Crisis Management (PR 47/2023).

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<sup>14</sup><<https://s899a9742c3d83292.jimcontent.com/download/version/1610650061/module/8284006463/name/AISC-I-2020-Indonesia.pdf>>.

<sup>15</sup><<https://digital2045.id/>>.

<sup>16</sup><<https://opengovasia.com/2024/05/31/indonesias-digital-vision-2045-cybersecurity-at-the-core/>>.

- Government Regulation 80 of 2019 (GR 80, 2019) on e-commerce and Minister Trade Regulation No 31/2023 (banning sales of goods on social media platforms).<sup>17</sup>

#### **8. *Policy developments***

- n/a

#### **9. *WTO status, schedules of commitments, and exemptions from the GATS MFN treatment provision***

- WTO member since 1 January 1995 and a member of GATT since 24 February 1950.

#### **10. *(Regional) economic treaties to which the state is a signatory***

- Indonesia had plans to withdraw from all its BITs, a plan it never followed through on.

#### **11. *Plurilaterals***

- Indonesia is a member of the Indo-Pacific Framework for Prosperity.

#### **12. *Proceedings initiated against the state, or by it, before international fora for the adoption/implementation of industrial policy measures (e.g., before WTO panels, the WTO's AB)***

- Indonesia has 15 cases as Complainant 5, and 15 cases as Respondent. This is a relatively high number of cases. A large number of cases are about industrial policies broadly defined, such as the famous automobile cases with Indonesia as Respondent right at the beginning of the DSU, and the biodiesel cases the country brought forward against the EU.

*Georgios Dimitropoulos (Last updated 3 November 2024)*

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<sup>17</sup> <<https://www.trade.gov/country-commercial-guides/indonesia-e-commerce>>.