

# Country Report: Indonesia

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## Executive Summary

Indonesia, as the largest economy in Southeast Asia and a member of the G20, has been implementing strategic industrial policies to develop its domestic steel industry while balancing economic growth with environmental sustainability. The country's steel sector development is closely tied to its infrastructure expansion goals and downstreaming policy in natural resources. Indonesia possesses significant nickel reserves, which positions it strategically in the global stainless steel and electric vehicle battery supply chains.

## 1 Country Overview

### 1.1 Basic Information

- **Population:** 278 million (2023 estimate)
- **GDP:** \$1.32 trillion (nominal, 2023)
- **GDP per capita:** \$4,790 (2023)
- **Economic growth:** 5.0% (2023)
- **Key sectors:** Manufacturing, mining, agriculture, services
- **Steel production rank:** Among top 20 globally

### 1.2 Industrial Policy Framework

Indonesia's industrial development is guided by the **Making Indonesia 4.0** roadmap and various medium-term development plans (RPJMN). The government emphasizes:

- **Downstreaming policy:** Banning raw mineral exports to promote domestic processing
- **Infrastructure development:** Massive infrastructure projects requiring substantial steel
- **Special Economic Zones:** Development of industrial clusters and SEZs
- **Investment facilitation:** Simplified regulations through the Omnibus Law

## 2 Steel Industry Profile

### 2.1 Production Capacity

Table 1: Indonesia's Steel Production Capacity (2023)

Type	Capacity (million tons)
Crude steel	18.5
Steel products	22.0
Stainless steel	5.5

## 2.2 Key Players

Major steel producers in Indonesia include:

- **Krakatau Steel:** State-owned integrated steel producer
- **TSINGShan Holding Group:** Chinese investment in stainless steel
- **Gunawan Steel:** Private steel manufacturer
- **Inti General Yaja Steel:** Steel product manufacturer

## 2.3 Market Characteristics

- **Domestic demand:** Driven by construction and infrastructure
- **Import dependency:** Still imports certain high-grade steel products
- **Export orientation:** Growing stainless steel exports leveraging nickel advantage
- **Investment inflow:** Significant foreign investment in nickel-based steel production

# 3 Policy Landscape

## 3.1 Industrial Policies

### 3.1.1 Mineral Downstreaming Policy

Indonesia's ban on raw nickel ore exports (implemented 2020) has successfully attracted investment in nickel processing and stainless steel production. This policy is being extended to other minerals including bauxite and copper.

### 3.1.2 Local Content Requirements

The government mandates local content requirements (TKDN) in various sectors, including:

- 40% for power generation projects
- 30-40% for oil and gas facilities
- Minimum local steel usage in infrastructure projects

### 3.1.3 Investment Incentives

- Tax allowances and tax holidays for strategic industries
- Import duty exemptions for capital goods
- Special economic zones with streamlined regulations

## 3.2 Trade Policies

### 3.2.1 Import Regulations

- **Anti-dumping measures:** Applied to certain steel products
- **Import licensing:** Required for specific steel categories
- **Tariff structure:** Varies by product type and origin

### 3.2.2 Export Promotion

- Support for value-added steel product exports
- Trade agreements within ASEAN and with partner countries

## 4 Sustainability and Environmental Aspects

### 4.1 Climate Commitments

- **NDC target:** 31.89% unconditional emissions reduction by 2030
- **Net-zero:** Target of 2060 or earlier
- **Renewable energy:** 23% in energy mix by 2025

### 4.2 Green Industrial Development

- Development of green industrial parks
- Carbon tax implementation (planned)
- Sustainable mining standards
- Circular economy initiatives in manufacturing

## 5 Challenges and Opportunities

### 5.1 Key Challenges

- **Infrastructure gaps:** Logistics and energy infrastructure limitations
- **Technological capability:** Need for advanced steelmaking technologies
- **Environmental concerns:** Balancing industrial growth with sustainability
- **Global competition:** Competition from established steel producers

### 5.2 Strategic Opportunities

- **Nickel advantage:** World's largest nickel reserves for stainless steel
- **Domestic market:** Large and growing domestic steel consumption
- **Regional integration:** ASEAN economic community benefits
- **Green transition:** Potential for green steel production

## 6 International Cooperation

Indonesia participates in various international frameworks:

- **ASEAN:** Regional economic integration
- **RCEP:** Regional Comprehensive Economic Partnership
- **IPEF:** Indo-Pacific Economic Framework
- **Bilateral partnerships:** With Japan, China, South Korea, and others

## 7 Conclusion

Indonesia's steel industry is at a pivotal stage, leveraging its natural resource endowment while navigating the challenges of industrial upgrading and environmental sustainability. The country's downstream policy has transformed its position in global nickel and stainless steel markets. Future development will depend on successfully balancing economic objectives with environmental considerations and technological advancement.

## References

- Ministry of Industry, Republic of Indonesia

- Indonesia Investment Coordinating Board (BKPM)
- World Steel Association
- ASEAN Secretariat
- Various industry reports and news sources