



Client Alert

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STRENGTHENING BP BATAM'S AUTHORITY IN THE MANAGEMENT OF GOODS TRAFFIC

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The Government of the Republic of Indonesia has issued the Government Regulation No. 23 of 2026 regarding the Second Amendment to the Government Regulation No. 41 of 2021 regarding the Administration of Free Trade Zones and Free Ports ("**GR 23/2026**"), which came into force upon its enactment on 12 May 2026. GR 23/2026 amends several provisions governing Free Trade Zones and Free Ports (*Kawasan Perdagangan Bebas dan Pelabuhan Bebas - "KPBPB"*), particularly those relating to the movement of goods and the authority of the Batam Indonesia Free Zone Authority (*Badan Pengusahaan - "BP Batam"*).

Prior to the enactment of GR 23/2026, the importation of goods from outside the customs territory into a KPBPB was generally not subject to restrictions, except for reasons relating to consumer protection, public health, safety, and environmental protection. Where exemptions to such restrictions were required, the authority to grant them rested with the regional council. The regional council is the body responsible for policy formulation, guidance, and oversight of KPBPB administration ("**Regional Council**").

According to the elucidation of GR 23/2026, the high volume of trade, logistics, and industrial activities in Batam has created a need for faster, more integrated, and accountable decision-making processes. In support of the ease of doing business and the creation of a more conducive investment climate, the Government has also refined the regulatory framework concerning the importation of goods and forestry-sector requirements by delegating certain authorities to BP Batam.

The key amendments introduced under GR 23/2026 are as follows:

1. Introduction of Article 64 Paragraph (4a)

One of the changes introduced by GR 23/2026 is the insertion of Article 64 paragraph (4a) into GR 41/2021. This provision specifically stipulates that exemptions from restrictions on the entry of goods into the Batam KPBPB may be determined by the Head of BP Batam after obtaining consideration from the Regional Council.

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Prior to GR 23/2026, exemptions from restrictions on the entry of goods into KPBPB were determined directly by the Regional Council. GR 23/2026 introduces a special arrangement for the Batam KPBPB by transferring the authority to determine such exemptions to the Head of BP Batam, subject to prior consideration by the Regional Council.

This amendment applies exclusively to the Batam KPBPB. Article 64 paragraph (4), which authorizes the Regional Council to determine exemptions from restrictions on the entry of goods, remains applicable to KPBPB outside Batam.

Accordingly, the amendment does not eliminate the role of the Regional Council, but rather shifts operational decision-making authority to BP Batam while preserving the Council's oversight and coordination functions.

2. No Change to the Fundamental Principles on Prohibitions and Restrictions

GR 23/2026 does not alter the substantive rules governing prohibited and restricted goods within KPBPB. Instead, the amendments focus on the mechanism and authority for granting exemptions from such restrictions.

Where the Regional Council previously held sole authority to grant exemptions, GR 23/2026 establishes a specific mechanism for the Batam KPBPB, authorizing the Head of BP Batam to determine exemptions from restrictions on the entry of goods after receiving consideration from the Regional Council.

As a result, the decision-making process for granting exemptions in the Batam KPBPB is no longer vested solely in the Regional Council, but now involves BP Batam as the authority responsible for issuing the final determination. This amendment strengthens BP Batam's role in decisions relating to the entry of goods into the Batam KPBPB, while the Regional Council continues to perform its advisory and supervisory functions.

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3. Amendments to Annex II

In addition to the changes regarding exemption authority, GR 23/2026 also revises Annex II of GR 41/2021, which sets out certain basic requirements applicable within the Batam KPBPB.

The revised Annex II introduces several forestry-sector approvals as part of the applicable requirements, i.e.:

- a. an approval of forest utilization commitments;
- b. a principle approval for the utilization of environmental services within nature reserve areas, conservation areas, and game parks; and
- c. an approval for the release of forest areas.

According to the General Elucidation of GR 23/2026, these additional requirements are intended to align the regulatory framework governing the utilization of forest areas while supporting business activities within the Batam KPBPB.

Conclusion

In general, GR 23/2026 marks a significant strengthening of BP Batam's role in the management of goods traffic within the Batam KPBPB by granting it the authority to determine exemptions from restrictions on the entry of goods, subject to consideration from the Regional Council. In addition, the regulation introduces adjustments to several basic requirements in the forestry sector applicable within the Batam KPBPB.

This Client Alert is provided for general informational purposes only and does not constitute legal advice. Please contact us if you require further information or assistance in relation to BP Batam's Authority in the Management of Goods Traffic or related matters.

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