



PwC Indonesia Legal Alert



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Minister of Trade
Regulation No. 66 of
2019, amending Minister
of Trade Regulation No.
22/M-DAG/PER/3/2016,
on General Provisions for
the Distribution of Goods
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Minister of Trade Regulation No. 66 of 2019, amending Minister of Trade Regulation No. 22/M-DAG/PER/3/2016, on General Provisions for the Distribution of Goods

On 27 August 2019, the Minister of Trade of the Republic of Indonesia ("MOT") issued Minister of Trade Regulation No. 66 of 2019 ("MOT Regulation No. 66/2019"), amending Minister of Trade Regulation No. 22/M-DAG/PER/3/2016, on General Provisions for the Distribution of Goods ("MOT Regulation No. 22/2016").

Below are the main and most important changes to the rules for the indirect distribution of goods, pursuant to this new MOT Regulation No. 66/2019:

1. The Chain of the Indirect Distribution of Goods is Clarified

As a rule of thumb, the distribution of goods in Indonesia can be carried out by means of either direct or indirect distribution. For indirect distribution, manufacturers distribute goods to end consumers by appointing distribution parties, inter alia, distributors and agents.

Previously, under MOT Regulation No. 22/2016, distributors and agents could only distribute goods to lower distribution channels: sub-distributors and sub-agents, wholesalers, wholesale agents, and retailers. In practice, however, distributors and agents actually distributed goods to manufacturers, for such materials to be used as additional ingredients or auxiliary materials. MOT Regulation No. 66/2019 now endorses such practices by allowing distributors and agents to sell goods up to the level of manufacturers (vide Article 6 (1) of MOT No. 66/2019).

2. Mandatory Requirement for Appointing a Distributor or Agent

Under MOT Regulation No. 22/2016, it was mandatory for local manufacturers to appoint a distributor or an agent to distribute their goods to wholesaler(s) and/or retailer(s). MOT Regulation No. 66/2019 relaxes this requirement. Article 7 of MOT Regulation No. 66/2019 now states that local manufacturers may appoint a distributor or an agent for distributing

goods to retailers. As such, it is now possible for local manufacturers to distribute their goods directly to retailers. Please note that a local manufacturer in this MOT Regulation refers to both domestic investment manufacturing companies (“PMDN”) and foreign investment manufacturing companies (“PMA”).

For the avoidance of doubt, a manufacturer is still prohibited from selling goods directly to end consumers.

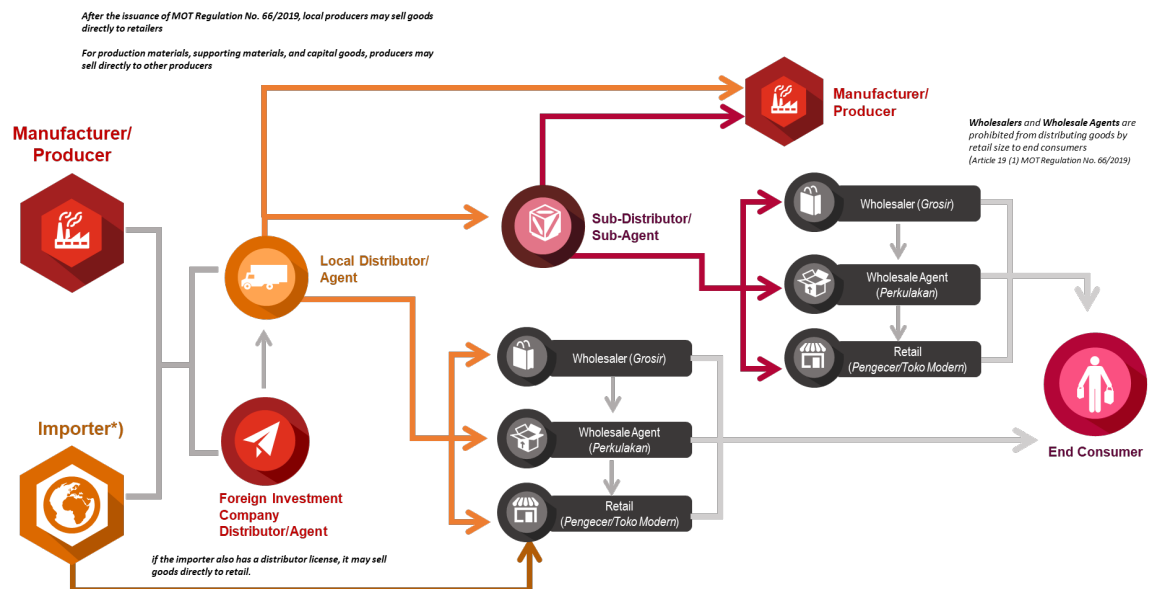
3. Exemptions

MOT Regulation No. 66/2019 and MOT Regulation No. 22/2016 do not apply to the procurement of certain Government goods meeting certain criteria and in certain circumstances. Pursuant to the relevant procurement regulation,¹ this exemption applies, *inter alia*, to the procurement of:

- (i) classified goods for state interest purposes;
- (ii) goods that can only be provided by one eligible provider;
- (iii) goods that can only be provided by patent holders; and
- (iv) goods accompanying the failure of a tender process.

4. Indirect Distribution Flowchart

To sum up, the flowchart below indicates the indirect distribution of goods in Indonesia following the issuance of MOT Regulation No. 66/2019:



This client alert is only intended to provide an overview of several of the provisions in the regulation, and it may not cover all of the provisions in MOT Regulation No. 66/2019. Please do not hesitate to contact us if you need some more detailed advice or if you have any specific questions.

¹ President Regulation No. 16 of 2018 on the Procurement of Goods/Services for Government.

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