TAX AND LEGAL INSIGHT

Indonesia's Mining Downstreaming

From Investment to Industrial Capability

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Advisory Note Indonesia's mining downstreaming policy has transformed the country's mineral industry by encouraging investment in domestic processing and refining capacity.

As the downstreaming agenda matures, however, the next challenge extends beyond building smelters and processing facilities.

The focus is increasingly shifting toward whether these investments can create broader industrial capabilities—including stronger domestic supply chains, technological development, skilled human capital, and higher-value products.

This represents an important transition: **from building processing capacity to building a competitive industrial ecosystem.**

Key Developments The next phase of Indonesia's mining downstreaming may increasingly depend on several interconnected factors:

- **Regulatory Certainty**
  Long-term mining and downstream investments require a predictable and consistent regulatory environment.

- **Fiscal and Revenue Governance**
  Taxation, royalties, incentives, and other fiscal instruments should balance investment competitiveness with sustainable economic value for Indonesia.

- **Domestic Industrial Ecosystem**
  Downstreaming should encourage the development of local suppliers, engineering capabilities, technology, supporting industries, and skilled professionals.

- **Higher Value Creation**
  The long-term objective should extend beyond processing raw minerals toward developing products with greater technological and economic value.

Why This Matters Downstreaming should not be measured solely by the number of smelters constructed or the amount of investment committed.

Its longer-term success will increasingly depend on whether those investments create sustainable capabilities throughout the domestic economy.

A strong industrial ecosystem can generate broader value through technology development, human capital, domestic supply chains, and greater integration into higher-value segments of the global value chain. For mining companies and investors, this also means that regulatory strategy, tax planning, legal certainty, and governance should increasingly be considered alongside operational and investment decisions.

RDJ Advisory Indonesia's next phase of mining downstreaming should move **from investment to industrial capability**.

Building processing facilities is an important foundation, but sustainable industrial competitiveness requires more than physical infrastructure.

It requires an ecosystem supported by regulatory certainty, an appropriate fiscal framework, legal clarity, technological capability, skilled human capital, and strong domestic supply chains.

From this perspective, tax policy and legal certainty are not merely supporting considerations. They form part of the institutional infrastructure required to sustain long-term industrial development.

The ultimate measure of downstreaming should therefore not only be how much Indonesia processes domestically, but also **how much capability and long-term economic value Indonesia creates from its natural resources.**

Closing Indonesia has established an important foundation through its mining downstreaming strategy.

The next phase is about building on that foundation.
As the industry evolves, sustainable competitiveness will increasingly depend on the ability to transform mineral resources into industrial capability, technological development, stronger domestic value chains, and higher-value economic activity.

The first phase builds capacity.
The next phase builds capability.

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