



18th ASIAN GAMES
**Jakarta
Palembang
2018**



ANNUAL MEETINGS
2018 | Indonesia
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP



INDONESIA MOVING FORWARD

Prepared for TAIWAN – INDIA + ASEAN Strategic Investment Partnership Forum



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Director of Regional Promotion Facilitation

Taipei, 17 July 2018

1. Introduction

2. Investment Reforms

3. Investment Opportunities

1. Introduction





1970

Indonesia established Indonesian Chamber of Commerce in Taipei .

1990

BKPM and Ministry of Industry started to send a representative to Indonesian Chamber and Commerce in Taipei.

1994

Indonesia Chamber of Commerce in Taipei became Indonesia Economic & Trade Office (IETO), a non-governmental organization under Ministry of Trade.

Taiwan

Population: **23.61 million**
GDP nominal:
USD **613.29 billion**

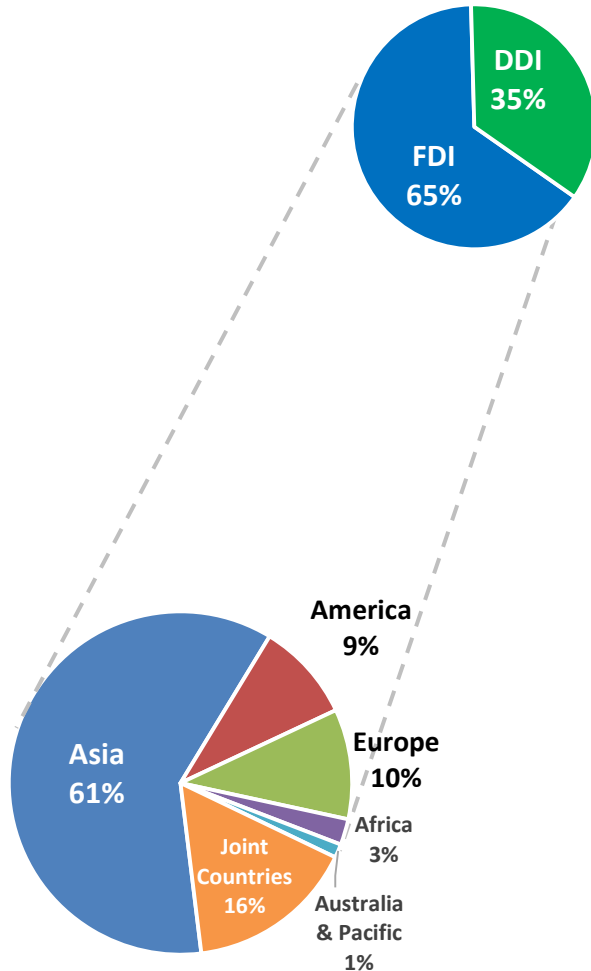
Indonesia

Population: **265.32 million**
GDP nominal:
USD **1.07 trillion**

Top 10 Investors in Indonesia (2013-Q1 2018)

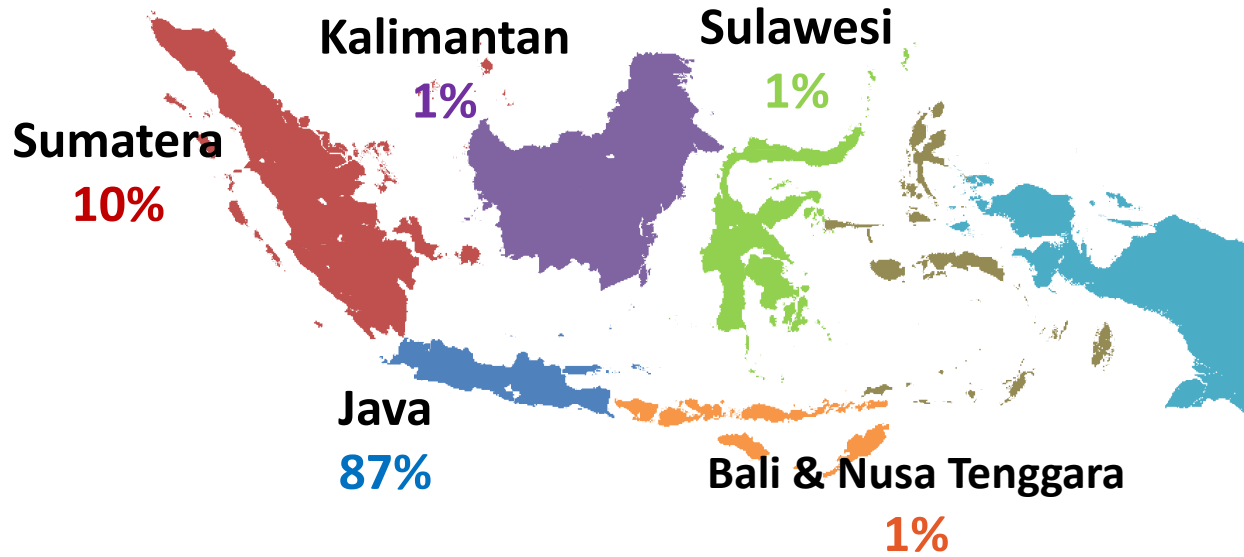
By Country Excl. Upstream oil, gas, and financial sectors

In USD Million



| Rank | Country | 2013 | 2014 | 2015 | 2016 | 2017 | Q1 2018 | Total |
|---------------------------------|------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|------------------|
| 1 | Singapore | 4,672.0 | 5,832.1 | 5,901.2 | 9,178.7 | 8,441.6 | 2,648.2 | 36,673.8 |
| 2 | Japan | 4,712.9 | 2,705.1 | 2,877.0 | 5,400.9 | 4,996.2 | 1,362.0 | 22,054.1 |
| 3 | South Korea | 2,205.5 | 1,126.6 | 1,213.5 | 1,065.8 | 2,024.6 | 940.0 | 8,576.0 |
| 4 | China | 296.9 | 800.0 | 628.3 | 2,665.3 | 3,361.2 | 676.2 | 8,427.9 |
| 5 | Malaysia | 711.3 | 1,776.3 | 3,077.0 | 1,115.6 | 1,213.6 | 274.6 | 8,168.3 |
| 6 | USA | 2,435.8 | 1,299.5 | 893.2 | 1,161.9 | 1,992.8 | 372.2 | 8,155.4 |
| 7 | Netherland | 927.8 | 1,726.3 | 1,307.8 | 1,475.2 | 1,489.4 | 170.4 | 7,097.0 |
| 8 | Hong Kong, PRC | 376.2 | 657.3 | 937.2 | 2,248.3 | 2,116.5 | 516.1 | 6,851.6 |
| 9 | British Virgin Islands | 785.7 | 624.0 | 730.5 | 1,157.3 | 844.8 | 378.0 | 4,520.3 |
| 10 | United Kingdom | 1,075.8 | 1,588.0 | 503.2 | 307.3 | 774.8 | 37.0 | 4,286.0 |
| Total (Top 10 Countries) | | 18.199,9 | 18.135,3 | 18.068,8 | 25.776,3 | 27.255,6 | 7,374.7 | 114,810.5 |
| 15 | Taiwan | 402.6 | 114.7 | 107.9 | 149.1 | 397.0 | 39.0 | 1,210.3 |
| TOTAL (144 countries) | | 28,617.5 | 28,529.7 | 29,275.9 | 28,964.1 | 32,239.8 | 8,130.8 | 155,757.8 |

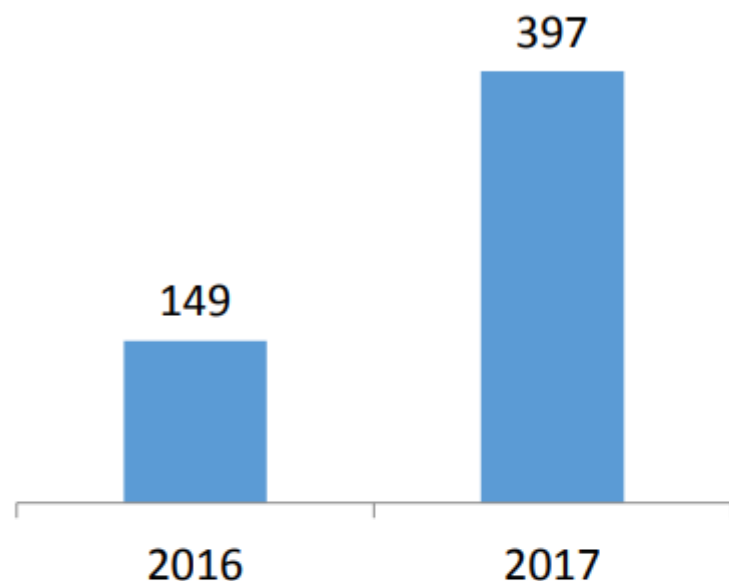
Most Taiwanese Companies invest in Java & Sumatera island, accounted for about 97 %



In USD Million

| Rank | Region | 2013 | 2014 | 2015 | 2016 | 2017 | Q1 2018 | Total |
|--------------|----------------------|---------------|---------------|---------------|---------------|---------------|--------------|-----------------|
| 1 | Java | 300.79 | 111.78 | 95.75 | 145.55 | 372.84 | 30.80 | 1,057.50 |
| 2 | Sumatera | 101.42 | 1.82 | 2.71 | 2.41 | 10.76 | - | 119.12 |
| 3 | Sulawesi | 0.05 | 0.75 | 4.93 | 0.85 | 2.79 | 3.78 | 13.14 |
| 4 | Kalimantan | - | 0.26 | 4.56 | - | 7.63 | - | 12.44 |
| 5 | Bali & Nusa Tenggara | 0.38 | 0.06 | - | 0.26 | 3.02 | 4.38 | 8.10 |
| Total | | 402.64 | 114.67 | 107.95 | 149.06 | 397.03 | 38.96 | 1,210.31 |

Investment from Taiwan is Rising, Mostly in Secondary Sector

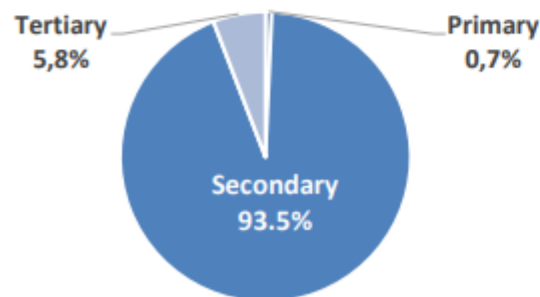


USD 397 M

Total Taiwan's investment realization in 2017

+166%

Taiwan's investment realization in 2017 compared to in 2016



In USD Million

| Rank | Business Field | 2013 | 2014 | 2015 | 2016 | 2017 | Q1 2018 | Total |
|------|--|---------------|---------------|---------------|---------------|---------------|--------------|-----------------|
| 1 | Rubber industry | 13.41 | 10.96 | 52.33 | 76.78 | 242.46 | 15.23 | 411.18 |
| 2 | Non Mineral Metal Industry | 354.14 | 14.10 | 13.78 | 4.84 | 13.46 | - | 400.32 |
| 3 | Basic Metal, Machineries, and Electronics Industries | 5.44 | 25.67 | 9.96 | 27.25 | 38.11 | 7.55 | 113.97 |
| 4 | Textile Industry | 1.32 | 38.85 | 5.44 | 8.43 | 32.62 | 3.90 | 90.54 |
| 5 | Trade & Reparation | 11.19 | 5.89 | 4.78 | 7.09 | 8.69 | 1.47 | 39.11 |
| | Other sectors | 17.13 | 19.20 | 21.67 | 24.68 | 61.68 | 10.82 | 155.19 |
| | Total | 402.64 | 114.67 | 107.95 | 149.06 | 397.03 | 38.96 | 1,210.31 |

FOXCONN



KENDA

ASUS



Formosa Plastics



Taiwan FDI in the World*

(Source: Investment of Commission of Taiwan, 2011-Sep 2016)

| No. | Main Sectors | Portion |
|---------------------|---|--------------|
| 1 | Electronic Parts and Components Mfg | 21.0% |
| 2 | Wholesale and Retail Trade | 14.3% |
| 3 | Comp., Electronic & Opt. product Mfg | 6.4% |
| 4 | Information and Communication | 6.1% |
| 5 | Electrical Machinery, Supplies & Equip. | 5.9% |
| 6 | Mfg & Repairing Professional | 5.8% |
| 7 | Machinery and Equip. Mfg. | 5.5% |
| 8 | Basic chemical material Mfg. | 4.5% |
| 9 | Fabricated metal products Mfg. | 3.8% |
| 10 | Non-metallic mineral products Mfg. | 3.6% |
| Total Top-10 | | 76.8% |

Top 10 Taiwan Investor in Indonesia 2017

In USD Million

| Rank | Company Name | Investment |
|------|--------------------------------|------------|
| 1 | KENDA RUBBER INDONESIA | 123.03 |
| 2 | MAXXIS INTERNATIONAL INDONESIA | 99.97 |
| 3 | TPI MANUFACTURING INDONESIA | 23.01 |
| 4 | SUN POWER CERAMICS | 10.25 |
| 5 | GELORA CITRA KIMIA ABADI | 9.67 |
| 6 | GREEN FASHION INDONESIA | 7.16 |
| 7 | SUPRA TERATAI METAL | 6.60 |
| 8 | CHUN CHERNG INDONESIA | 6.21 |
| 9 | U JUMP INDONESIA | 6.16 |
| 10 | ANDALAN MANDIRI BUSANA | 6.00 |

Source: BKPM, 2018

Taiwan investment in the world is dominated in electronic, semiconductor, chemical as well as information and communication sector. However, total investment in these sectors are still relatively low in Indonesia. Therefore, we encourage Taiwanese companies to invest more in these sectors in Indonesia.

Indonesian in Taiwan : **290.000**

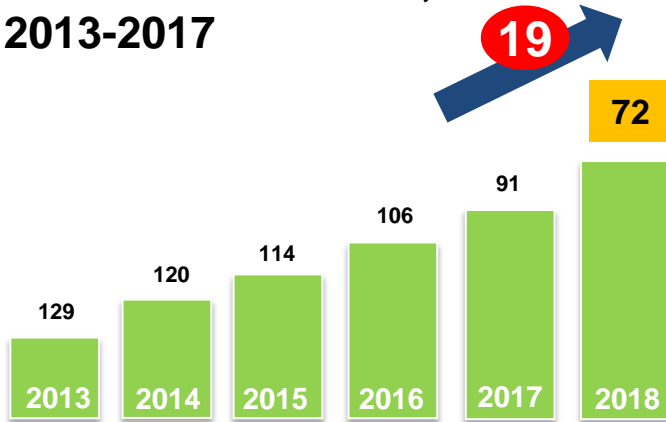
- Migrant worker
- Student
- Mix marriage

Taiwanese in Indonesia : **10.000**

- Businessman



Ease of Doing Business Indonesia, 2013-2017



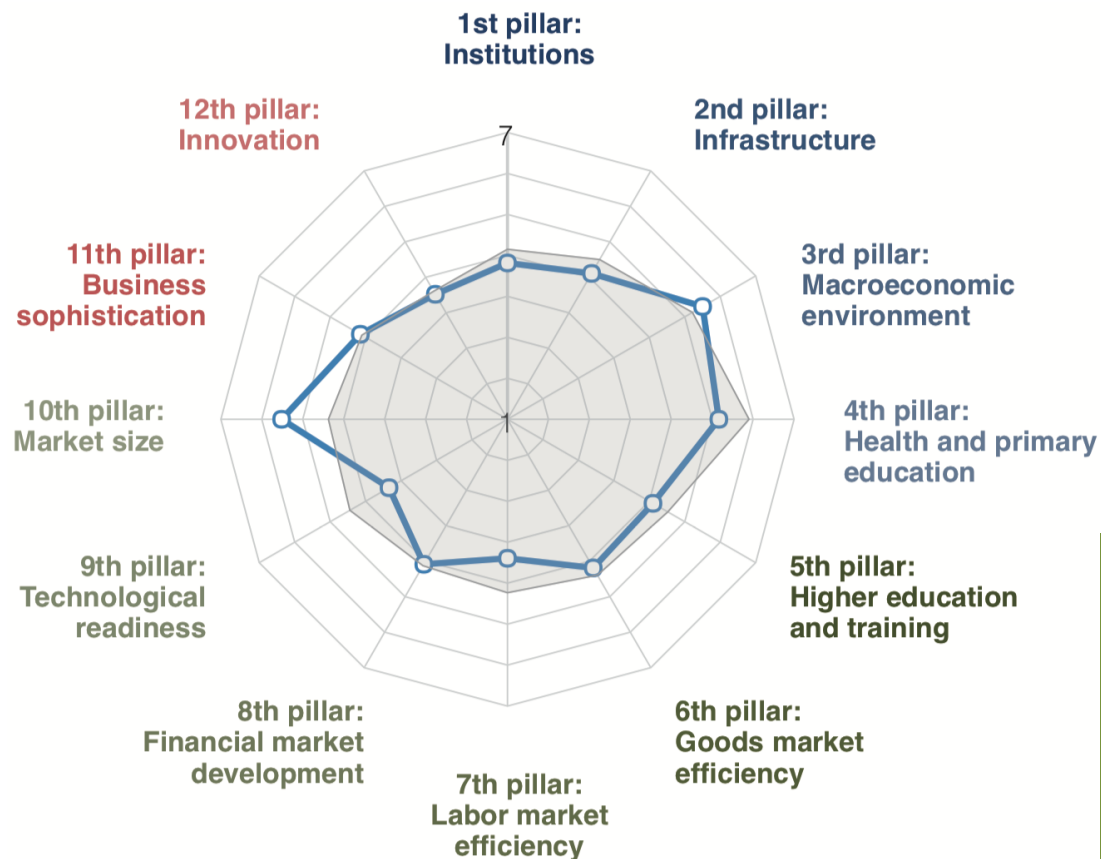
BRIC

| Country | DB 2017 | DB 2018 |
|-----------|---------|---------|
| Russia | 40 | 35 |
| Indonesia | 91 | 72 |
| China | 78 | 78 |
| India | 130 | 100 |
| Brazil | 123 | 125 |

In EODB Report of 2018, Indonesia becomes top reformist country on ease of doing business, with the improvement in 8 indicators.

BKPM started to engaged in EODB reform since 2014 by assignment from Coordinating Minister of Economic Affairs.

WEF Global Competitiveness Index (2017-2018)



Indonesia Competitiveness Rank compare to other emerging market

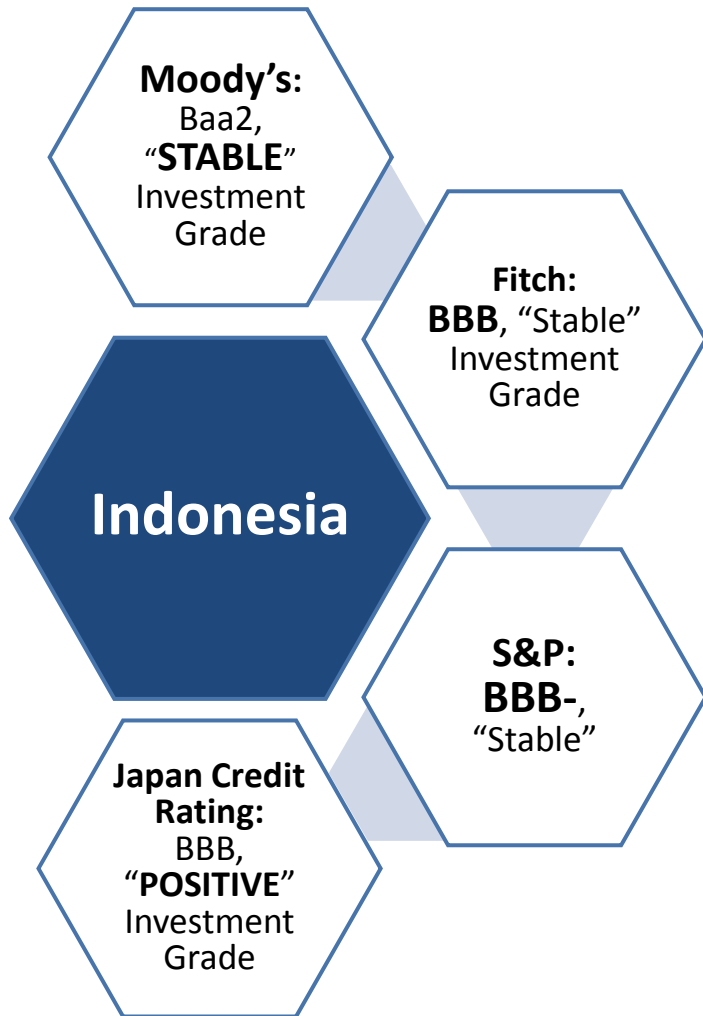
| COUNTRY | 2015 | 2016 | 2017 | |
|-------------|------|------|------|---|
| Indonesia | 37 | 41 | 36 | ↑ |
| India | 55 | 39 | 40 | ↓ |
| Brazil | 75 | 81 | 80 | ↑ |
| Philippines | 47 | 57 | 56 | ↑ |
| Vietnam | 56 | 60 | 55 | ↑ |

“More countries are able to innovate, but they must do more to spread the benefits. Major emerging markets such as China, India, and Indonesia are becoming centers for innovation, catching up with advanced economies.”

The Global Competitiveness Report 2017–2018

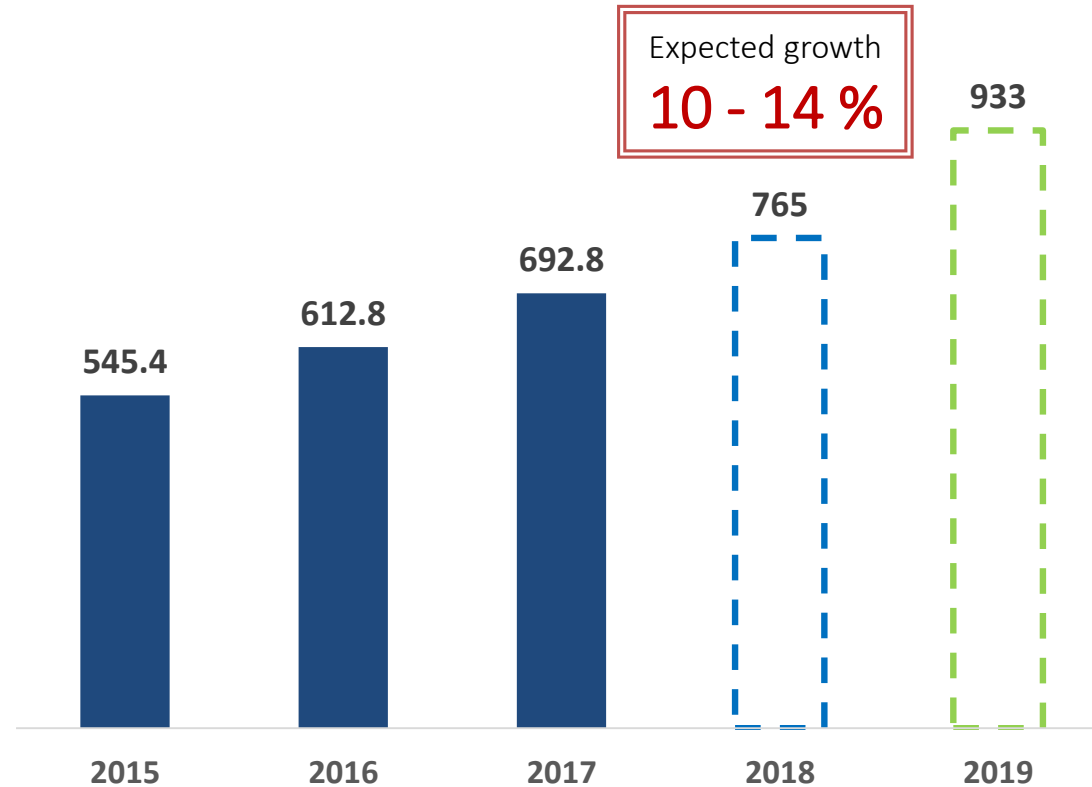
WHY INVEST IN INDONESIA?

Indonesia as an investment destination



Investment Realization Target 2015 – 2019

(in IDR trillion) Excluding oil & gas and financial sector



Focusing on **tourism** and **e-commerce** to boost investment growth in 2018

Indonesia and in 2030

7th-largest economy in the world

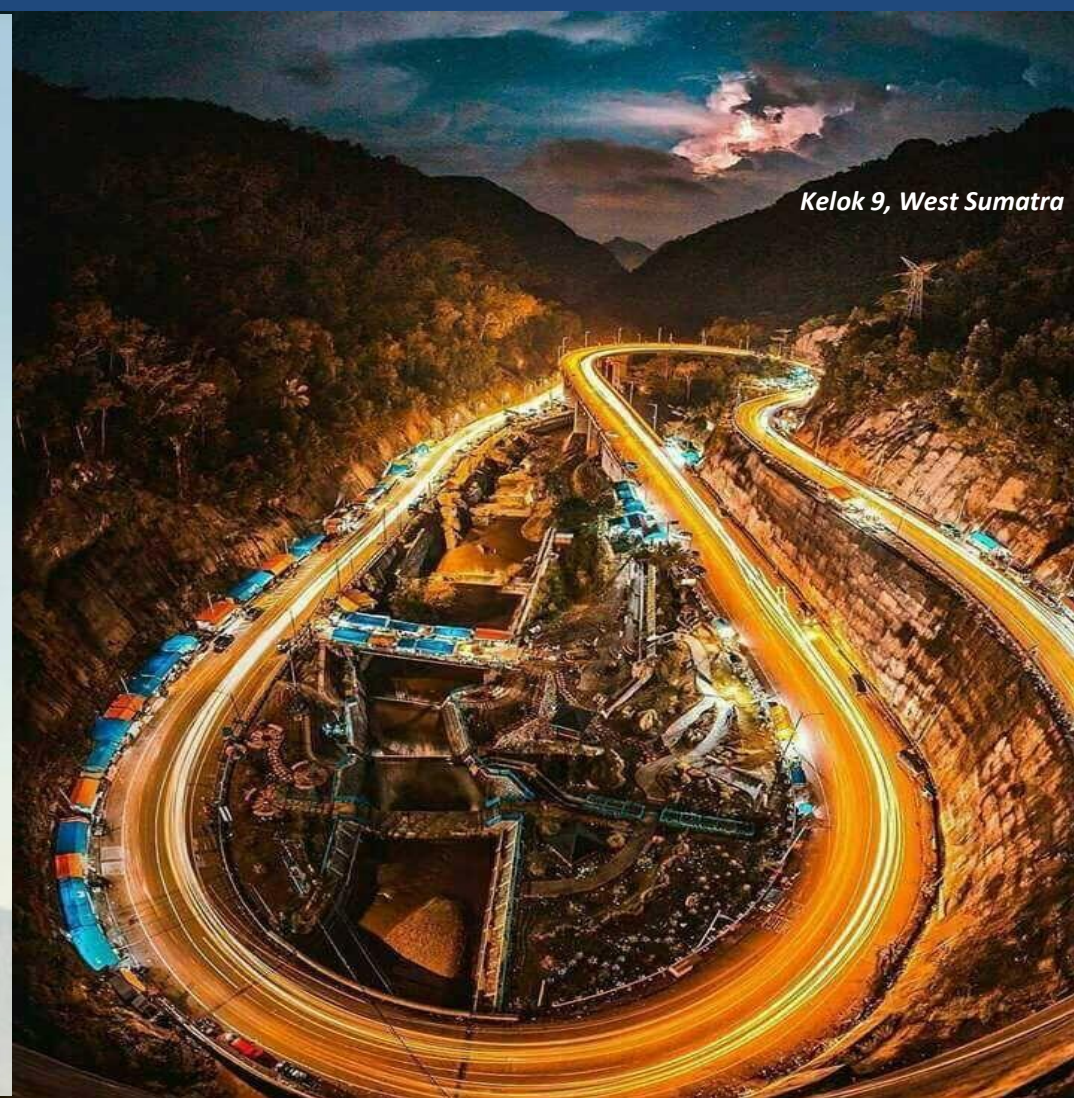
135 million members of the consuming class

71% of the population in cities producing **86%** of GDP

113 million skilled workers needed

\$1.8 trillion market opportunity in consumer services, agriculture and fisheries, resources, and education

McKinsey & Company



Indonesia has been considered as a **secure, stable and reformist** country by International Rating Agencies



Safe
Stable
Reformist

Top Ten Safest Countries

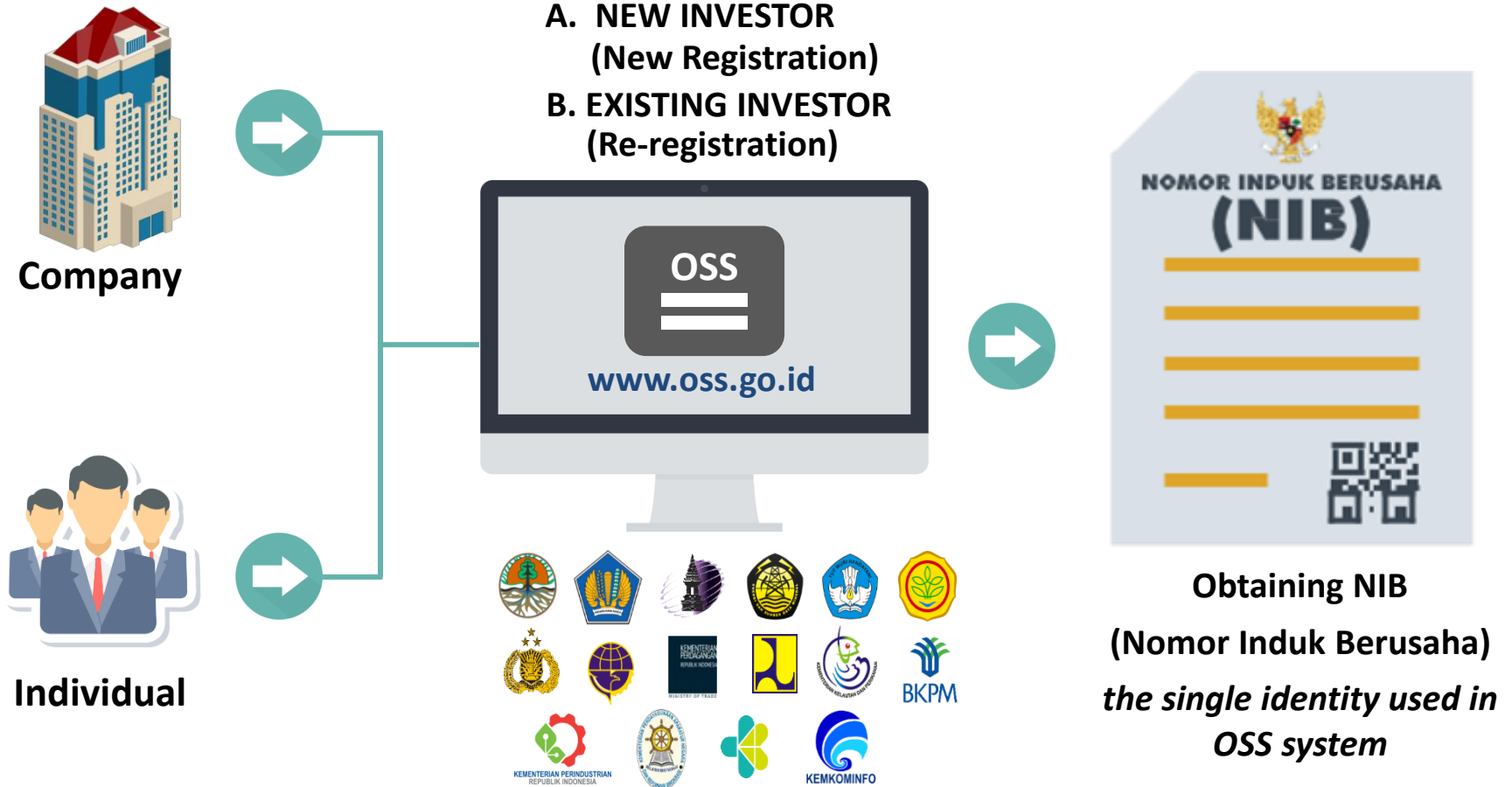
| Rank | Country | Index Score |
|------|------------------|-------------|
| 1 | Singapore | 97 |
| 2 | Norway | 93 |
| 3 | Iceland | 93 |
| 4 | Finland | 93 |
| 5 | Uzbekistan | 91 |
| 6 | Hong Kong | 91 |
| 7 | Switzerland | 90 |
| 8 | Canada | 90 |
| 9 | Indonesia | 89 |
| 10 | Denmark | 88 |

Source: Gallup World Polls, 2018







On 27 June 2018, Indonesia has successfully organized 171 regional elections (Pilkada Serentak) in order to choose executive heads in 17 provinces, 115 regencies, and 39 cities. The most talked-about regions is West Java, East Java, & Central Java. The previous simultaneous elections were in 2015 with 269 regions and in 2017 with 101 regions.

2. Investment Reforms





Investment Incentive - New Tax Holiday Policy

| PROVISIONS | BEFORE (MoF Regulation No. 159 of 2015) | AFTER (MoF Regulation No. 35 of 2018) | | | | | | | | | | | | | | | | | | |
|---|---|--|-----|-------------|------------------|----|---------|--|----|---------|---|----|----------|--|----|----------|---|----|----------|-------------------------|
|  Subject | New Taxpayer with minimum investment value of 1 trillion Rupiah (500bn Rupiah for telecommunication) | New Investment with minimum value of 500bn Rupiah | | | | | | | | | | | | | | | | | | |
|  Industry Groups | Applied to 8 pioneer industry | Applied to 17 industry group | | | | | | | | | | | | | | | | | | |
|  Reduction rate | 10-100% | 100% (single rate) | | | | | | | | | | | | | | | | | | |
|  Concession Period | <ul style="list-style-type: none"> • 5-15 years • Extended up to 20 years subject to MoF discretion | <table border="1"> <thead> <tr> <th>No.</th> <th>Time Period</th> <th>Investment Value</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>5 years</td> <td>IDR 500 billion up to less than IDR 1 trillion</td> </tr> <tr> <td>2.</td> <td>7 years</td> <td>IDR 1 trillion up to less than IDR 5 trillion</td> </tr> <tr> <td>3.</td> <td>10 years</td> <td>IDR 5 trillion up to less than IDR 15 trillion</td> </tr> <tr> <td>4.</td> <td>15 years</td> <td>IDR 15 trillion up to less than IDR 30 trillion</td> </tr> <tr> <td>5.</td> <td>20 years</td> <td>Minimum IDR 30 trillion</td> </tr> </tbody> </table> | No. | Time Period | Investment Value | 1. | 5 years | IDR 500 billion up to less than IDR 1 trillion | 2. | 7 years | IDR 1 trillion up to less than IDR 5 trillion | 3. | 10 years | IDR 5 trillion up to less than IDR 15 trillion | 4. | 15 years | IDR 15 trillion up to less than IDR 30 trillion | 5. | 20 years | Minimum IDR 30 trillion |
| No. | Time Period | Investment Value | | | | | | | | | | | | | | | | | | |
| 1. | 5 years | IDR 500 billion up to less than IDR 1 trillion | | | | | | | | | | | | | | | | | | |
| 2. | 7 years | IDR 1 trillion up to less than IDR 5 trillion | | | | | | | | | | | | | | | | | | |
| 3. | 10 years | IDR 5 trillion up to less than IDR 15 trillion | | | | | | | | | | | | | | | | | | |
| 4. | 15 years | IDR 15 trillion up to less than IDR 30 trillion | | | | | | | | | | | | | | | | | | |
| 5. | 20 years | Minimum IDR 30 trillion | | | | | | | | | | | | | | | | | | |
|  Transition time | Not regulated | 50% reduction for the next 2 years | | | | | | | | | | | | | | | | | | |
|  After Tax Holiday | Tax allowance not provided | Tax allowance for business expansion can be provided with T&C applied. | | | | | | | | | | | | | | | | | | |

TAX ALLOWANCE

Government Regulation No. 9 of 2016

30% of investment value
Reduction of corporate net income tax for 6 years, 5% each year.

145 business fields
Eligible for tax allowance, expanded from 143 segments in the previous regulation with additional segment: clothing industry.

Under **certain requirements** among others: **investment value** or export orientation, **manpower absorption**, local content, and **project location** (especially outside Java island).

SOP to process TA facility is 25 working days

Equitable and Non discriminatory treatment against country of origin

For those taxpayers who have :

- Principal licenses (IP) and its changes **issued by BKPM;**
- Principal Licenses for Expansion (IP-PL) and its changes **issued by BKPM;** or
- Investment licenses **issued by other authorized agency**

These three types of license must be issued after 5 **May 2015**

Taxpayers who have applied for import duty facility or corporate income tax reduction according to Article 29 of Government Regulation No. 94 of 2010 is rejected by Ministry of Finance.

Notes:

Certain business fields and location are based on on Attachment I and II of Government Regulation No. 18 of 2015 Jo. No. 9 of 2016

Transportation and Warehouse

- Urban transportation
- Cargo handling

Power Generation

- Geothermal
- Renewable energy

Oil and Gas Industry

- Oil refineries
- Liquefied Natural & Petroleum Gas
- Lubricants

Manufacturing Industry

- Iron and Steel
- Clothing
- Semi conductors
- Electronic components
- Computer
- Communication devices
- Television
- Wheel
- Pharmaceutical
- Cosmetics
- Fish and Shrimp processing

IMPORT DUTY FACILITY

(MoF Regulation No.110/PMK.011/2005 MoF Regulation No.76/PMK.011/2012, MoF Regulation No.66/PMK.010/2015 and Chairman of BKPM Regulation No. 16/2015)

- Exemption of import duty on **imported capital goods** (machines) for **2 years** during construction period.
- Exemption of import duty on **imported goods and material for production for 2 years** during initial production (or 4 years for companies using locally-produced machines min.30% from total value of machines for production).

Green Lane Acceleration Facility

Four customs checking status:

- **Red line** is for new companies. Physical & document checks before transported from ports.
- **Yellow line** Document check before goods transported from ports.
- **Green line** Document check after goods transported from ports.
- **Main Partner Priority** for companies with proven track record. No checking required.

Acceleration and certainty in custom clearance process

Faster & Certain

- Capital goods **do not** require screening.
- Cutting the processing time from 3-5 days to only **30 minutes**.

Simple requirements

- Projects under construction
- Obligated in reporting quarterly investment activities (LKPM)
- Recommendation from BKPM

New Facility: Status upgrade

From **RED** to **GREEN** line for new companies under construction

3. Investment Opportunities

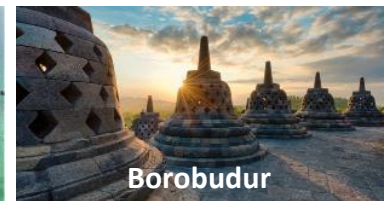


PRIORITY SECTORS 2015-2019

| | | | | | | |
|---|--|---------------------------------|---------------------------|-----------------------------|-----------------|------------------------------|
| Infrastructure | | 35 GW power generation | 24 Sea ports | Multimode Transportation | | |
| Agriculture | | Food estate | Corn Plantation | Cattle | Salt | |
| Industry | Labor-intensive industry | Textile | Food & Beverages | Furniture | Footwear | Lifestyle |
| | Import-substitution industry | Chemical & Pharmaceutical | Iron & Steel | Component | Defend Industry | |
| | Export-oriented industry | Electronics | CPO & Derivative Products | Wood Products, Pulp & Paper | Automotive | |
| | Downstream industry of natural resources | Cacao | Sugar | Smelter | | |
| Maritime | | Ship Building | Cold Storage | Marine Technology | | |
| Tourism, SEZ & Industrial Park | | 10 Tourism Priority Destination | 10 Tourism SEZ | 8 Existing SEZ | 7 New SEZ | 14 Priority Industrial Parks |
| Digital Economy | | e-Commerce | Financial Technology | IT Based Creative Economy | | |

The new big deal

Indonesia Tourism Development focus on 10 New Tourism Destinations



E-commerce: the new big deal in the 4th industrial era

People Connecting to the Internet
Year 2017



132,7
Million

E-Commerce penetration (Buyers vs Population)
Year 2017



11%

E-Commerce Market Value
Year 2017 (USD)



\$7.056
Billion

People Purchasing via E-Commerce
Year 2017



28.07
Million

Indonesia's e-commerce market is on track to be one of the largest in Asia.



E-Commerce

Potential of Transaction in Indonesia:

| | | |
|------------------|-------------------|--------------------|
| 2013 | 2016 | 2020 |
| US\$ 8 bn | US\$ 20 bn | US\$ 130 bn |



Financial Technology (Fintech)

Transaction in Indonesia 2016 (projection)
 US\$ **14.5** bn

Nominal of transaction per population 2014
 US\$ **56.98**

Players



On Demand Services

112.6 mn Internet users in 2017

92.0 mn Mobile social users in 2017

Players



Internet of Things (IOT)

Market opportunity in Asia Pacific

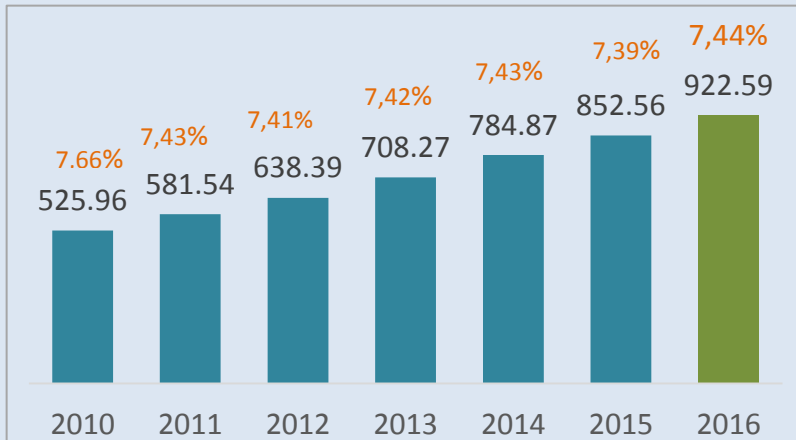
2015 → 2020
 US\$ **250** bn → US\$ **583** bn

Players

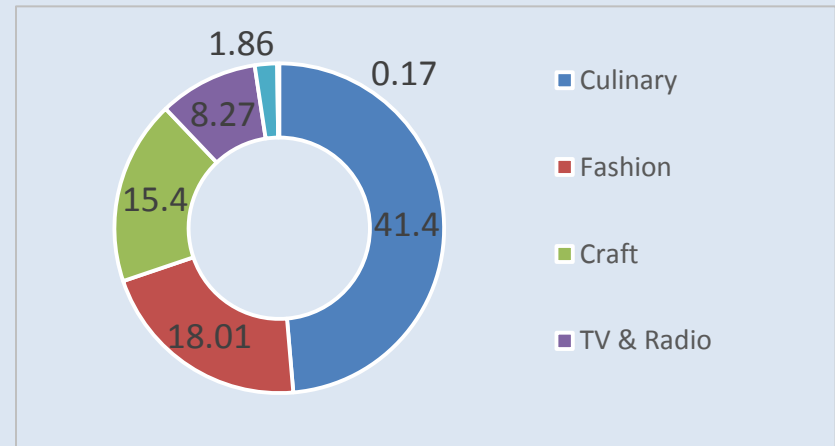


CREATIVE ECONOMY INDONESIA 2016

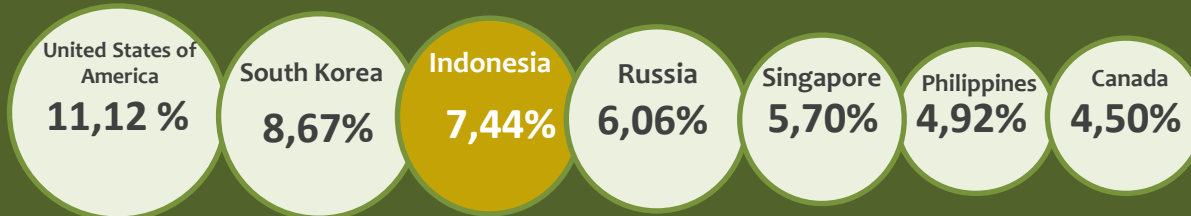
Contribution to Indonesian GDP (in IDR Trillion)



Contribution on Creative Economy is dominated by 3 largest sector such as Culinary, Fashion and Craft, representing 74,81% of total creative economy

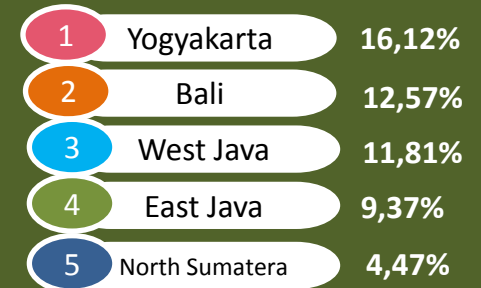


Indonesia is the 3rd largest country contributors on creative economy to GDP in 2016



Source: BEKRAF, 2018

Top 5 Largest Province (Share of Total Creative Economy)



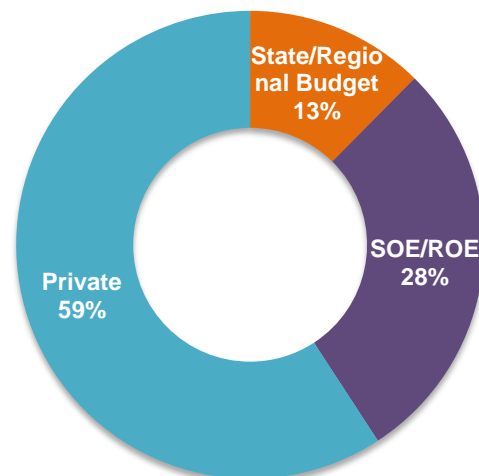
Investment Needs for Infrastructure Strategic Project Development, with estimated total investment of US\$327.2 Billion

PSN Investment Value

PSN funding requirement can be sourced from State/Regional budget, State/Regional Owned Enterprises (SOE/ROE), and/or private funding

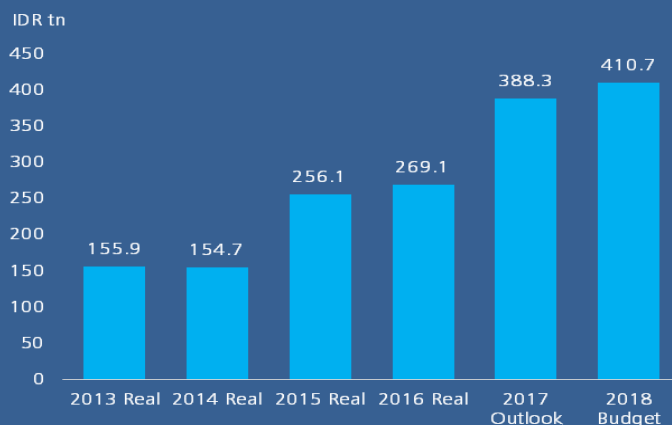
Estimated funding scheme¹ for 245 projects + 2 PSN programs:

| | | |
|--|-----------------------|--------------------------|
| Total Investment Value USD 327.24 Billion | State/Regional Budget | USD 40.6 Billion |
| | SOE/ROE | USD 92.9 Billion |
| | Private | USD 193.7 Billion |

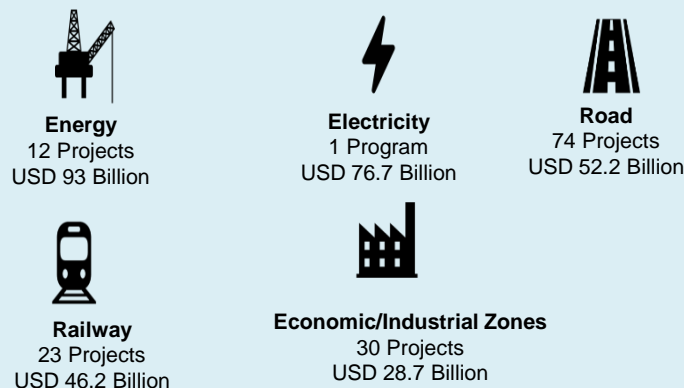


¹Excluding 12 projects with unknown investment value

INFRASTRUCTURE BUDGET ALLOCATION



The 5 sectors with the highest investment value



23 infrastructure projects are ready to be offered to investor in 2018



Water supplies (4 Projects)

- Bandar Lampung
- Jatiluhur I
- Semarang Barat
- Pekanbaru



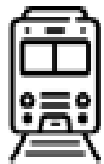
Health and Education (4 Projects)

- RSUD Sidoarjo
- RS Pirngadi
- RS Kanker Dharmais
- RS Pendidikan Univ. Sam Ratulangi



Satellite (1 Project)

- *Multifunction Satellite*



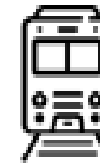
Transportation (1 Project)

- LRT Medan
(*Municipal Transport*)



Toll and Bridge Road (8 Projects)

- Jalan tol Serang-Panimbang I & II
- Jalan tol Jakarta-Cikampek Kor. Selatan II
- Jalan tol Probolinggo – Banyuwangi
- Jalan tol Cisumdawu II
- Jalan tol Semarang-Demak
- Jembatan tol Surabaya-Madura
- Jalan tol Yogya-Bawen



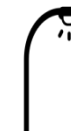
Welfare System (1 Project)

- *National Integrated Welfare System*



Correctional Facilities (2 Projects)

- LP Industri Nusakambangan
- Relokasi LP Salemba ke Ciangir



Street Lighting (1 Project)

- Surakarta



Waste Management (1 Project)

- Nambo

Five focus sectors for making Indonesia 4.0

1. Food & Beverage
2. Textile & Apparel
3. Automotive
4. Chemicals
5. Electronics

Global top 10 economy by 2030

1 Reform Material Flow

- Enhance **domestic upstream material production**; e.g. 50% of petrochemical is imported

2 Redesign Industrial Zones

- Build a **single nationwide industry zoning roadmap**; resolve zoning inconsistency challenges

3 Embrace sustainability

- Grab **opportunities under global sustainability trend**; e.g. EV, biofuel, renewables

4 Empower SMEs

- Empower **3.7 million SMEs¹ by technologies**; e.g. build SME e-commerce, technology bank

5 Build Nationwide Digital Infrastructure

- Advance **network and digital platform**; e.g. 4G to 5G, Fiber speed 1Gbps, Data center and Cloud

6 Attract Foreign Investments

- Engage **top global manufacturers** with attractive offer and accelerate **technology transfer**

7 Upgrade Human Capital

- Redesign **education curriculum** under 4IR era
- Create **professional talent mobility program**

8 Establish Innovation Ecosystem

- Enhance **R&D centers** by government, private sector and universities

9 Incentivize Technology Investment

- Introduce **tax exemption/subsidies** for technology adoption and **support funding**

10 Reoptimize Regulations & Policies

- Build more **coherent policies/regulations** by **cross-ministry collaborations**

Source: Ministry of Industry

Investment Opportunities in Manufacturing

Presidential Regulation No.44 Year 2016 about Negative Investment List

100% Open to FDI

Manufacturing

- *Textile & Apparel*
- *Footwear*
- *Chemicals*
- *Metals*
- *Computer & Electronic*
- *Machinery*
- *Transport equipment*

Supports

- *Large source of raw materials*
- *Competitive workers*
- *Large domestic market*
- *Trade agreements to access global market*
- *Tax incentive*
- *Lower energy costs*
- *Bonded zones*

Manufacturing Industry

2014

2019
(projection)

Contribution to GDP

20.7%

21.6%

Growth

4.7%

8.6%

New medium-scale industries
(2015-2019)

9.000 units

[Source: Ministry of Industry RI, 2015]

LETS INVEST IN INDONESIA

Thank You
Xie Xie

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