

Investment Challenges and Opportunities in Indonesia



Himawan Hariyoga
Deputy Chairman for Investment Promotion





Taiwan Southbound Policy



James Huang:

“Our new southward policy is **getting a late start** compared with other countries in the world. If we don't catch up quickly, Taiwan's industry and economic advantages in ASEAN will gradually erode. This is the crux of the new **southbound policy**.”

Taiwan's new southbound policy forum in Taipei, 17 May 2016.

The Investment Coordinating Board of the Republic of Indonesia

Portion of FDI in ASEAN 2010-2015 based on country

Country	Portion
Japan	22.4%
China	15.0%
South Korea	12.8%
United States	6.8%
Thailand	5.6%
Taiwan	4.7%
Singapore	4.1%
Kuwait	3.6%
Hong Kong	2.8%
Germany	2.3%

Source: fDi market, accessed: June 27 '16

Portion of FDI in Indonesia 2010-2015 based on country

Country	Portion
Singapore	21.8%
Japan	10.2%
United States	5.6%
South Korea	5.5%
Malaysia	4.9%
Netherlands	4.7%
British Virgin Islands	3.5%
United Kingdom	3.3%
Hong Kong	2.0%
Mauritius	1.7%
China	1.5%
Australia	1.4%
Taiwan	1.1%

Source: BKPM, 2016



A Brief Overview of Indonesia



Population: **255** million
 (4th largest population) | **11**
 Times of Taiwan's population

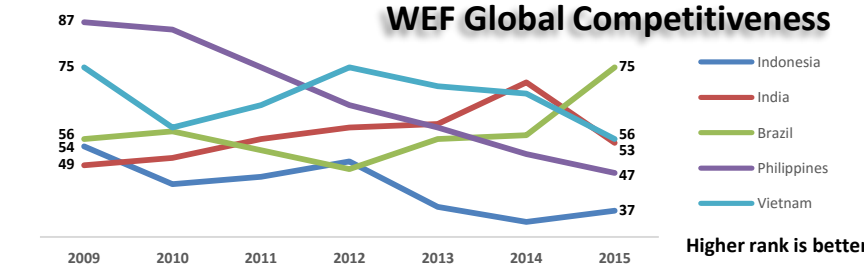
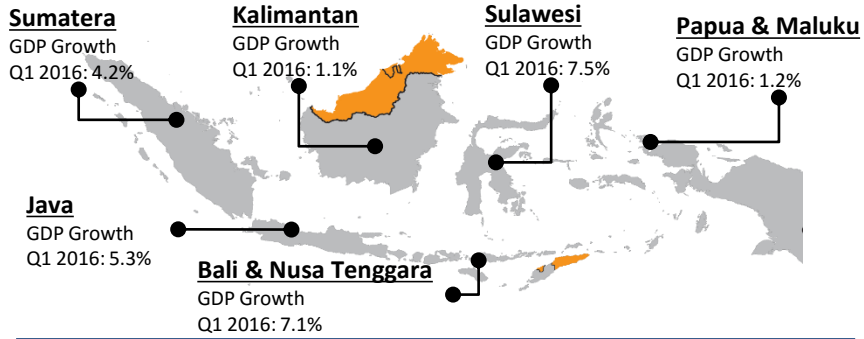


GDP: **\$ 889** billion
 1.7 times of Taiwan's GDP
 source: world bank



Projected Economic Growth:
5.3%
 source: Ministry of Finance

Spatial GDP Growth



Indonesia CEPA and FTA

- China**
 - ASEAN-China FTA
- Japan**
 - Japan-Indonesia EPA
 - ASEAN-Japan CEPA
- Korea**
 - Korea-Indonesia FTA
 - ASEAN-Korea CEPA
- Pakistan**
 - Pakistan-Indonesia FTA
- Hong Kong**
 - ASEAN-HK, China FTA
- Australia**
 - Australia-Indonesia CEPA
 - ASEAN-Australia & NZ CEPA
- New Zealand**
 - ASEAN-Australia & NZ CEPA
- Chile**
 - Chile-Indonesia FTA
- ASEAN FTA**
 - 10 members
- Indonesia-EFTA**
 - Indonesia, Iceland, Norway, Lichtenstein, Switzerland
- Regional CEPA**
 - ASEAN, Australia, China, India, Japan, Korea, NZ
- Trade Preferential System**
 - 41 OIC members
- Preferential Tariff Agr.**
 - 8 developing countries

Abundant Natural Resources & Growing Digital Economy

Natural Resources in Indonesia	World Rank
Geothermal, Palm Oil	1 st
Cocoa, Rubber	2 nd
Tin, Nickel, Bauxite, Copper	Main Producer

Source: BCG, OECD, 2015

Digital in Indonesia	(in Million)	Growth
Active internet users	88.1	+15%
Active Socmed users	79.1	+10%
Mobile connections	326.3	+2%
Online shoppers	5.9	+28%
Online sales (USD million)	18,000	+40%

Source: wearesocial.com, January 2016

The Investment Coordinating Board of the Republic of Indonesia

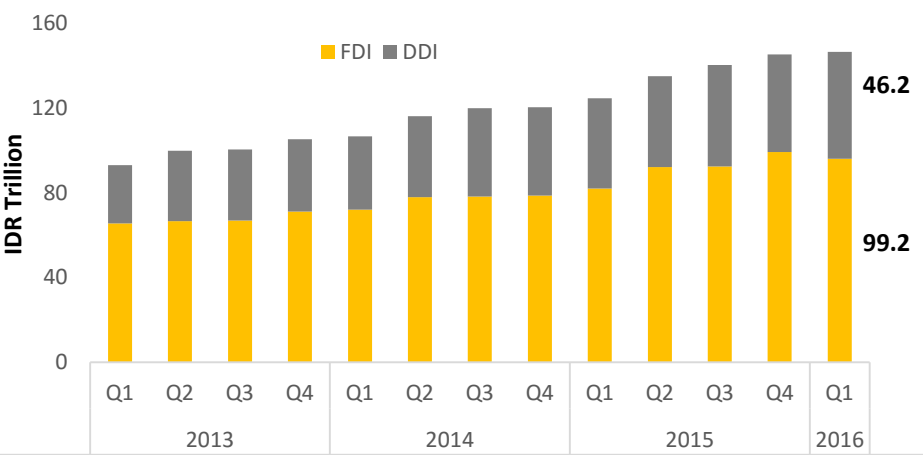
The **biggest** economy
 in Southeast Asian accounting for 1/3 of ASEAN GDP.



Indonesia is a global destination for investment

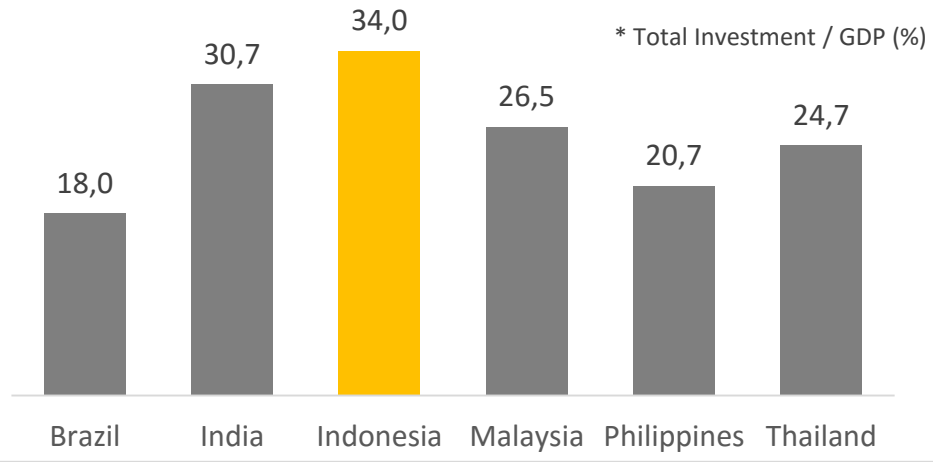
Rising Direct Investment

Source: BKPM, April 2016



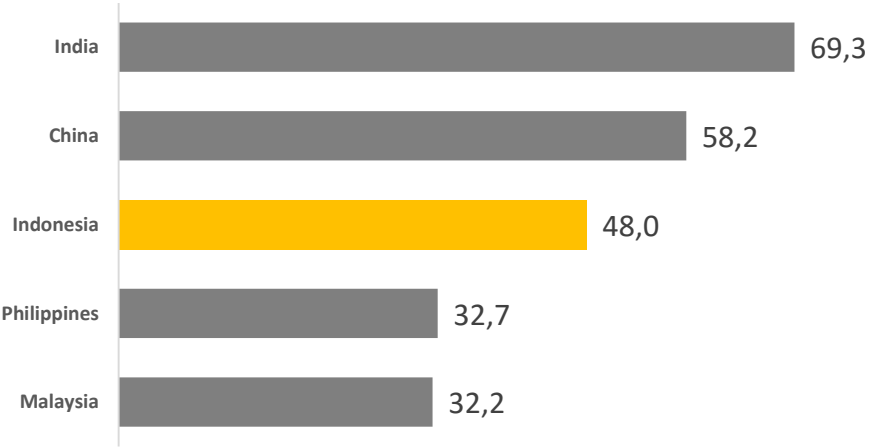
Large Investments Relative to Peers within the Region*

Source: IMF World Economic Outlook, Database Oct 2015



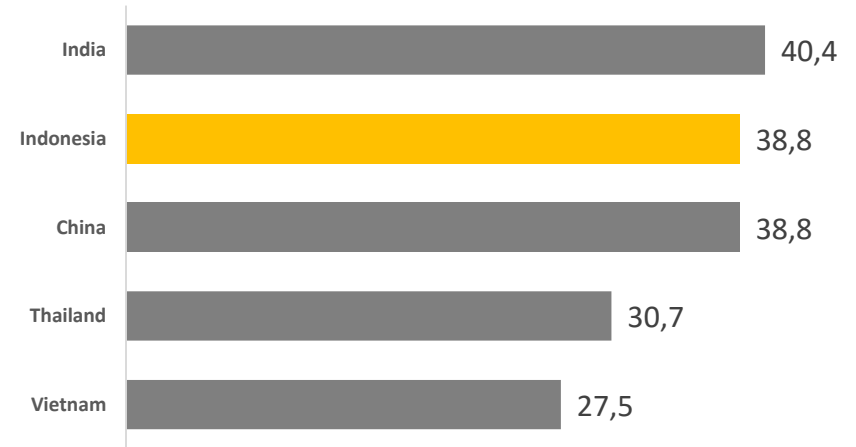
Indonesia: The 3rd investment destination in Asia (Jan '16)

Source: The Economist, Asia Business Outlook Survey 2016



Indonesia: The 2nd most preferred place for business investment after India (Dec 2015)

Source: JBIC (Japan Bank for Int'l Corp) Survey, Outlook for Japanese FDI



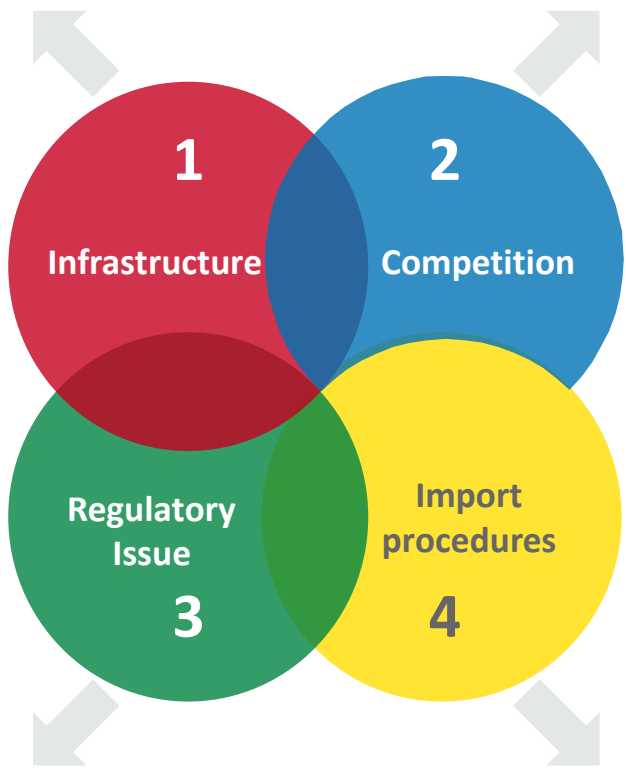


Yes, there are still some challenges...

Challenges:
Lack of adequate infrastructure causes **high transport and logistic.**

Challenges:
Complex bureaucracy and decentralization causes regulatory issues (certainty, consistency and harmony)

The Challanges of Investment in Indonesia



Challenges:
Emerging countries **competing for FDIs** (Vietnam, Myanmar, the Philippines, Cambodia, Thailand, India, China).

Challenges:
Many government institutions involved in the processing of documents and inspection of goods at seaports causing **long dwelling times.**

but we **are addressing** these challenges..



Our government has been issuing pro investment policies



**Predictable
Wage System**



**Tax incentive for
labor intensive
industries**



**Dwelling time
optimization**



**Relaxation of
entry visa policy**



**Tax incentive
for transport
industries**



**Acceleration of
infrastructure &
power
development**



**Lower energy
costs for
industries**



**Tax incentive
on property**



**Acceleration of
land licensing**

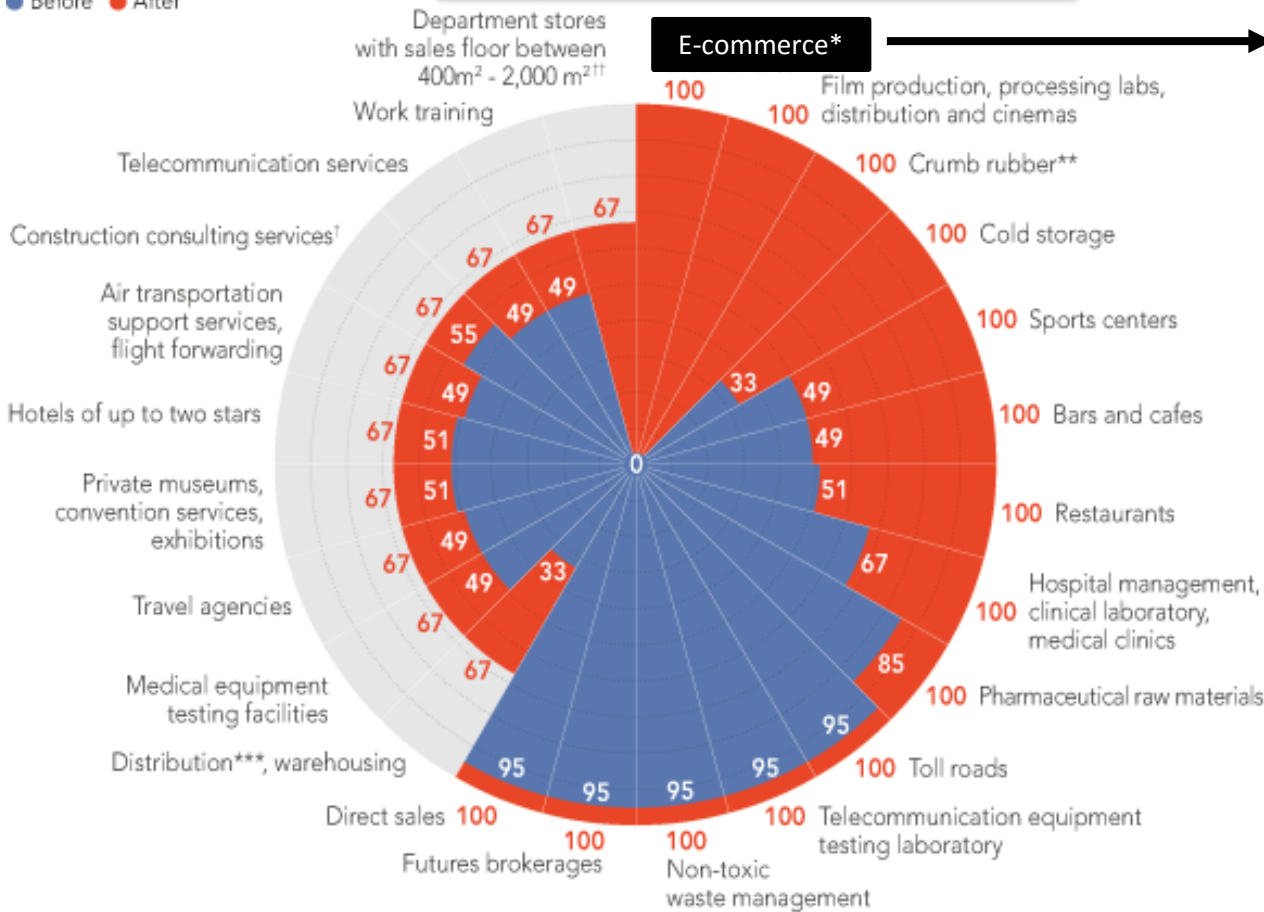


And more open to foreign investments in many sectors

Foreign ownership limits (in percent)

Negative Investment List 2016

● Before ● After



100% FDI
E-Commerce
 in partnership
 with SMEs
From previously closed to FDI






100% FDI
Marketplace
For min. Investment of IDR100 billion (USD 8 million). Open 49% FDI for investment < IDR100 billion



*For investment above 100 billion rupiah. Ownership capped at 49% for 100 billion rupiah and below
 **Requires special permit from Minister of Industry
 ***100% for distributors affiliated with production
 †Limited to investment above 10 billion rupiah
 ††Cannot be stand-alone stores

Sources: Coordinating Ministry for Economic Affairs, Investment Coordinating Board

Strengthening Priority Sectors for Investment

		Investment Opportunities
Manufacturing Industry		<ul style="list-style-type: none"> ▪ Export Oriented Industry ▪ Labor-intensive industry ▪ Import substitution industry ▪ mineral resources downstream industry ▪ Metals ▪ Chemicals ▪ Electronics ▪ Machinery
Agriculture		<ul style="list-style-type: none"> ▪ Food Estates ▪ Corn Plantation ▪ Cattle Production
Infrastructure		<ul style="list-style-type: none"> ▪ 35 GW Power Generation ▪ 24 Ports ▪ 15 Airports
Maritime		<ul style="list-style-type: none"> ▪ Shipyards ▪ Fishing Industry ▪ Cold Storage.
Tourism and Industrial Estate		<ul style="list-style-type: none"> ▪ 10 Priority tourism areas ▪ 16 SEZs (consists of 9 existing SEZs and 7 Planned SEZs) ▪ 16 Industrial Estates (consist of 14 Industrial Estates outside Java and 2 Industrial Estates in Java)



Head of BKPM's Marketing Officer Team
Mr. Ikmal Lukman, ikmal@bkpm.go.id



Director in charge of Marketing Officer for Taiwan
Mr. Husen Maulana, husen@bkpm.go.id

Investment Marketing Officer for Taiwan
Mr. Delfinur Rizky Novihamzah, delfinurn@bkpm.go.id



Director Indonesia Investment Promotion Center in Taipei
Mr. Mohammad Faizal, mohammad.faizal@bkpm.go.id

Taiwan Desk in Jakarta
Mr. Irvan Wu, u_i_jen@hotmail.com

Xie xie

Terima Kasih

Badan Koordinasi Penanaman Modal (BKPM)

Indonesia Investment
Coordinating Board

Jln. Jend. Gatot Subroto No. 44
Jakarta 12190 - Indonesia

t . +62 21 525 2008

f . +62 21 525 4945

e . info@bkpm.go.id

www.bkpm.go.id

