



MINISTRY OF INVESTMENT/  
INDONESIA INVESTMENT COORDINATING BOARD

# Investment Opportunities & Policy in **Indonesia**

Taiwan ASEAN India Strategic Investment  
Partnership Forum 2023

Taipei, 15 August 2023

**Nurul Ichwan**

Deputy for Investment Promotion  
Indonesia Investment Coordinating Board  
(BKPM)

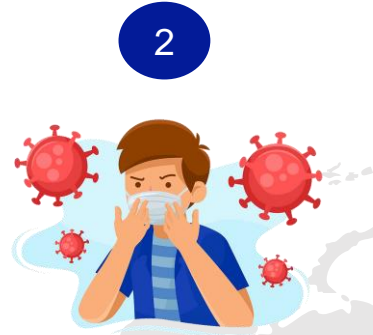


# Global economy continues to face a myriad of challenges

Global environment for international business remains challenging in 2023



1  
**US-China Trade War**



2  
**Pandemic Covid-19**



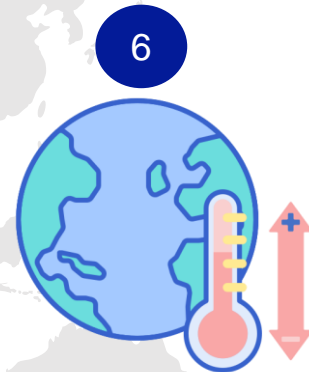
3  
**Russia- Ukraine War**



4  
**Food and Energy Crisis**



5  
**Technology Disruption**



6  
**Climate Change**

## Economic Environment

- Supply Chain Disruption
- Economic slowdown and recession
- Global competition over natural resources
- Financial sector turmoil

## Politic

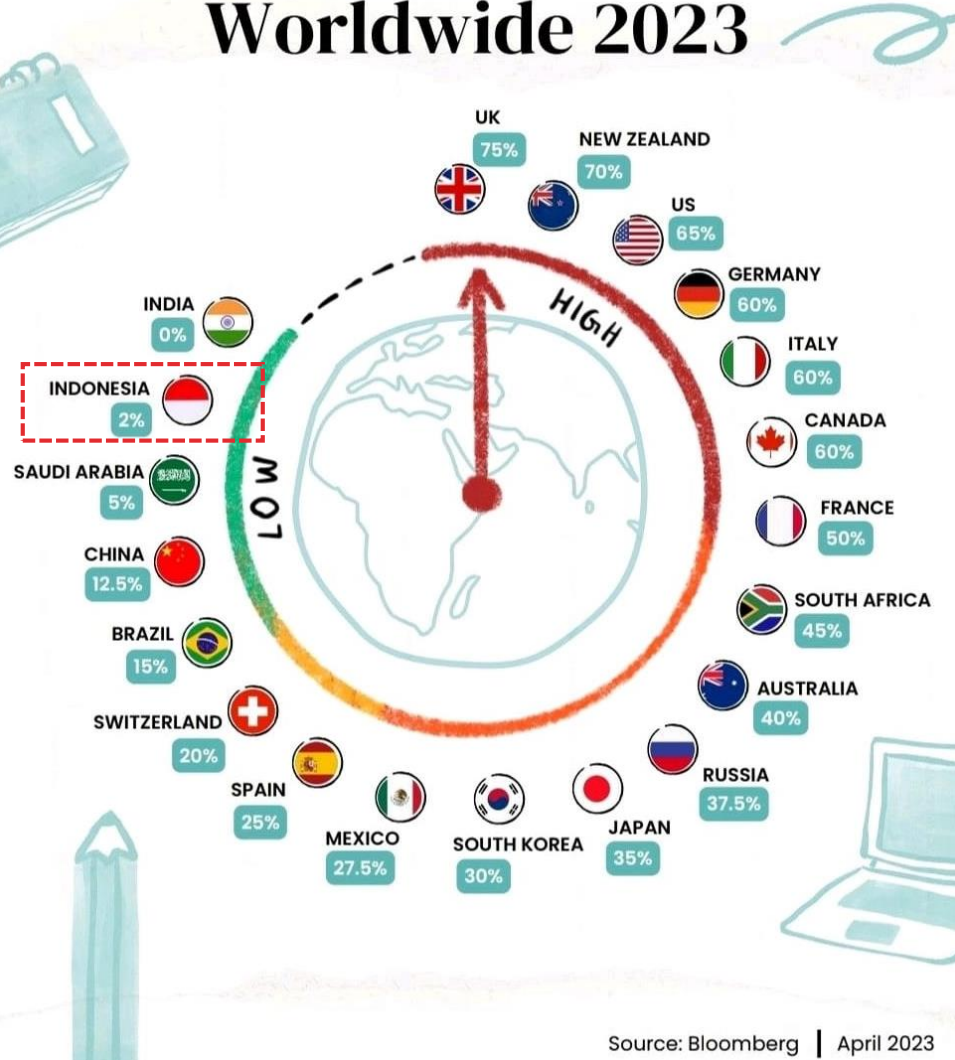
- Nationalism & Protectionism
- Polaris
- US superpower fading

## Social

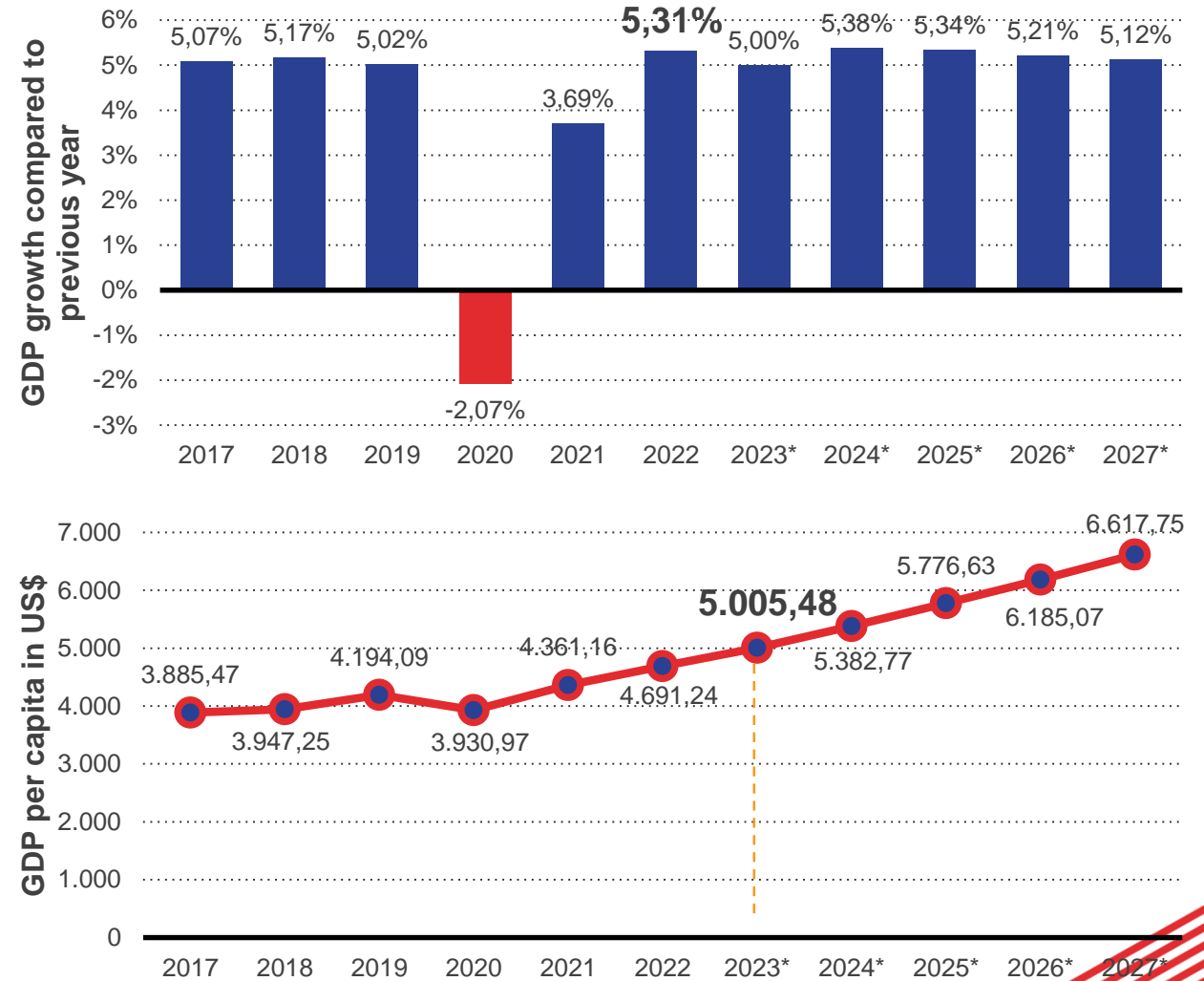
- Social interaction has changed as technology advances
- Issue of Inequality and social justice



# Recession Probabilities Worldwide 2023



Source: Bloomberg | April 2023



\*) Estimated. Source: IMF and Statista, 2022.

# Indonesia remains the top global FDI destination in 2022 with growing trend

On 2019-2022, Indonesia remains to be the top investment destination for batteries electric vehicles industry

Indonesia is managed to sustain investment growth, even during the global polycrisis in 2022

**+2.1%**

Direct investment growth 2022 (y/y)

**101.1%**

Direct investment in 2022 vs. full year target

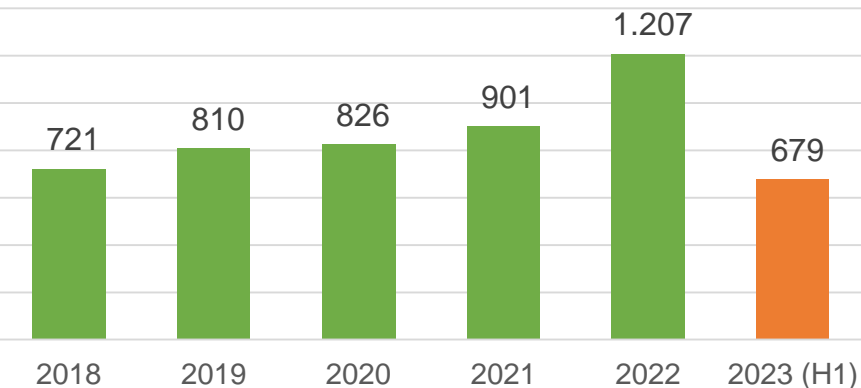
**16.1%**

Direct investment growth 2023 (H1)

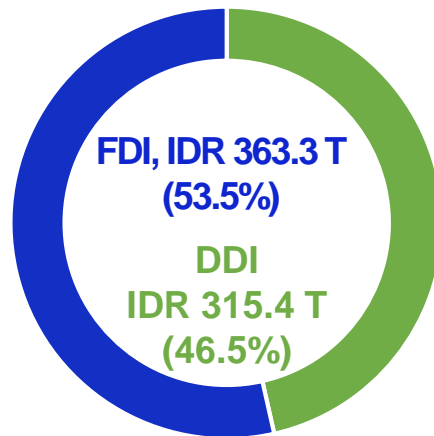
**48.5%**

Direct investment in 2023 (H1) vs. full year target

Direct Investment Realization 2018-2023 (H1) (IDR trillion)

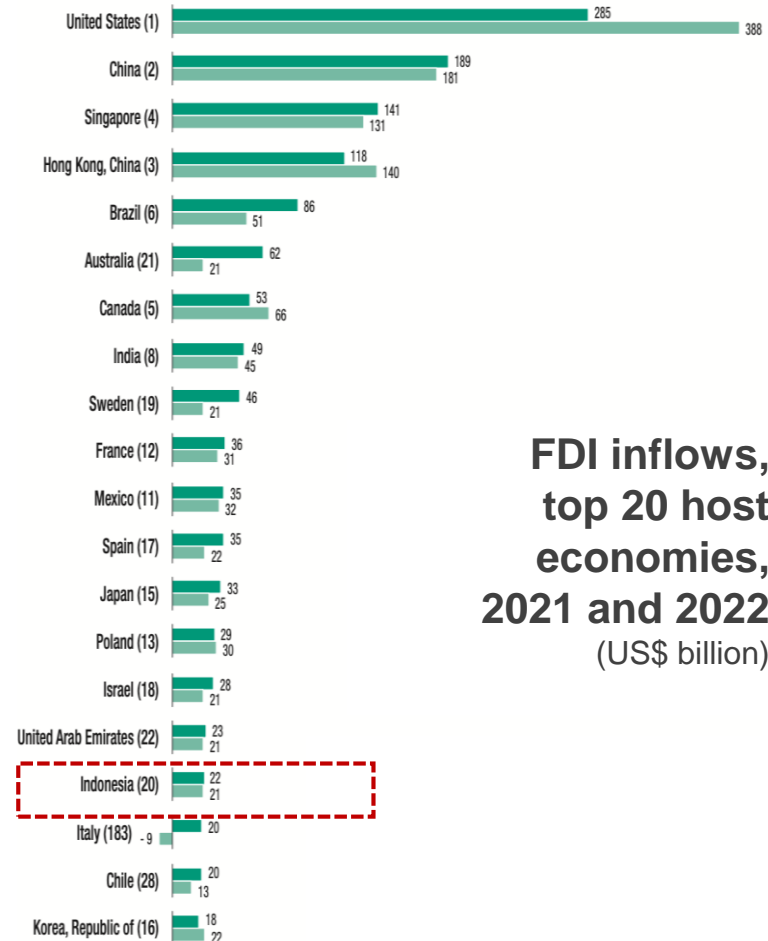


FDI vs DDI in Indonesia 2023 (H1)



FDI: 17.1 % (yoy)  
DDI: 15% (y0y)

## Global FDI flows in 2022 declined by 12 % to \$1.3 trillion



FDI inflows, top 20 host economies, 2021 and 2022 (US\$ billion)

Source: Ministry of Investment/BKPM. Data does not include financial, upstream oil and gas sectors.

# Trend of Investment in Indonesia by Sector

## 2019 – S1 2023 (Billion USD)

### 2019

### 2020

### 2021

### 2022

### S1 2023

No	Sector	Inv	%
1.	Transportation, Warehouse and Telecommunication	9.4	17.2
2.	Electricity, Gas and Water	8.5	15.6
3.	Housing, Industrial Estate and Offices	4.8	8.8
4.	<b>Industry of Basic Metal, Metal Goods, Non-Machinery and Equipment</b>	<b>4.1</b>	<b>7.6</b>
5.	Mining	4.0	7.4

No	Sector	Inv	%
1.	Transportation, Warehouse and Telecommunication	10.0	17.5
2.	Electricity, Gas and Water	8.3	12.3
3.	<b>Industry of Basic Metal, Metal Goods, Non-Machinery and Equipment</b>	<b>6.5</b>	<b>11.5</b>
4.	Housing, Industrial Estate and Offices	5.3	9.2
5.	Construction	4.9	8.6

No	Sector	Inv	%
1.	<b>Industry of Basic Metal, Metal Goods, Non-Machinery and Equipment</b>	<b>8.0</b>	<b>13.0</b>
2.	Housing, Industrial Estate and Offices	8.0	13.0
3.	Transportation, Warehouse and Telecommunication	7.4	11.9
4.	Electricity, Gas and Water	5.6	9.1
5.	Mining	5.6	9.0

No	Sector	Inv	%
1.	<b>Industry of Basic Metal, Metal Goods, Non-Machinery and Equipment</b>	<b>9.2</b>	<b>14.8</b>
2.	Mining	6.8	10.9
3.	Transportation, Warehouse and Telecommunication	6.7	10.8
4.	Housing, Industrial Estate and Offices	5.6	9.0
5.	Chemical and Pharmaceutical Industry	4.8	7.7

No	Sector	Inv	%
1.	<b>Industry of Basic Metal, Metal Goods, Non-Machinery and Equipment</b>	<b>6.0</b>	<b>13.1</b>
2.	Transportation, Warehouse and Telecommunication	5.3	11.7
3.	Mining	4.8	10.5
4.	Housing, Industrial Estate and Offices	3.9	8.6
5.	Chemical and Pharmaceutical Industry	3.2	7.1

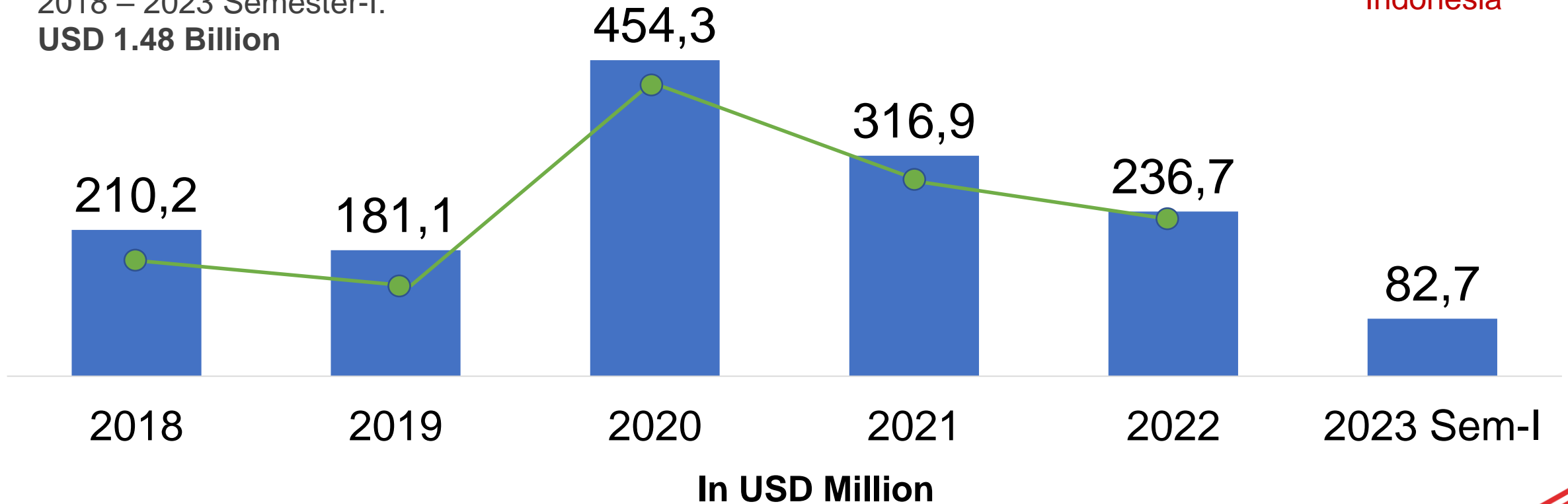
# Investment realization from Taiwan in Indonesia

(2018 – 2023 / Semester-I)  
Excluding financial sectors and upstream oil and gas

Accumulative of Taiwan investment in Indonesia since 2018 – 2023 Semester-I: **USD 1.48 Billion**

*Taiwan Investment was rank 9<sup>th</sup> in 2020*

Taiwan is expected to increase more investment realization in Indonesia



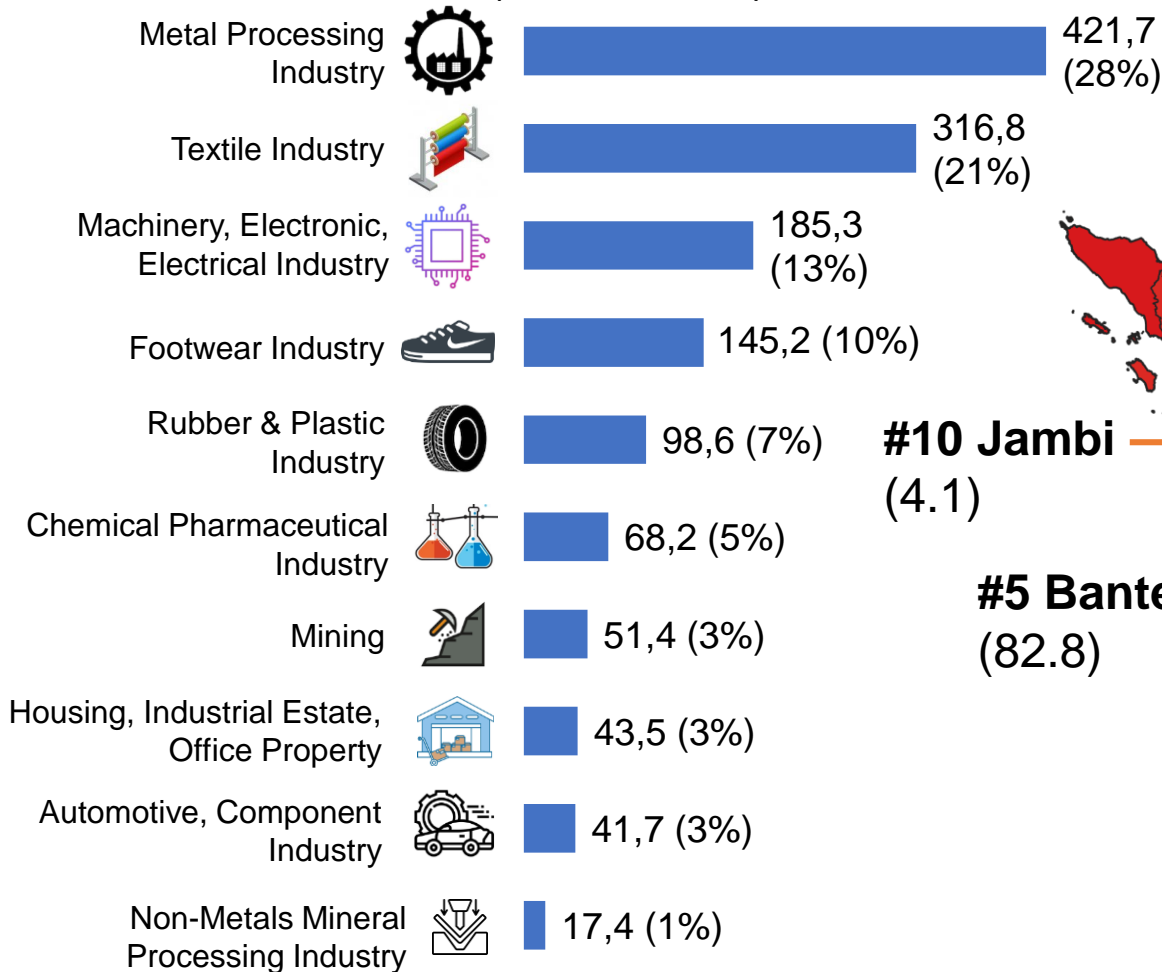
Source: Ministry of Investment/BKPM, 2023.

# Investment realization from Taiwan in Indonesia

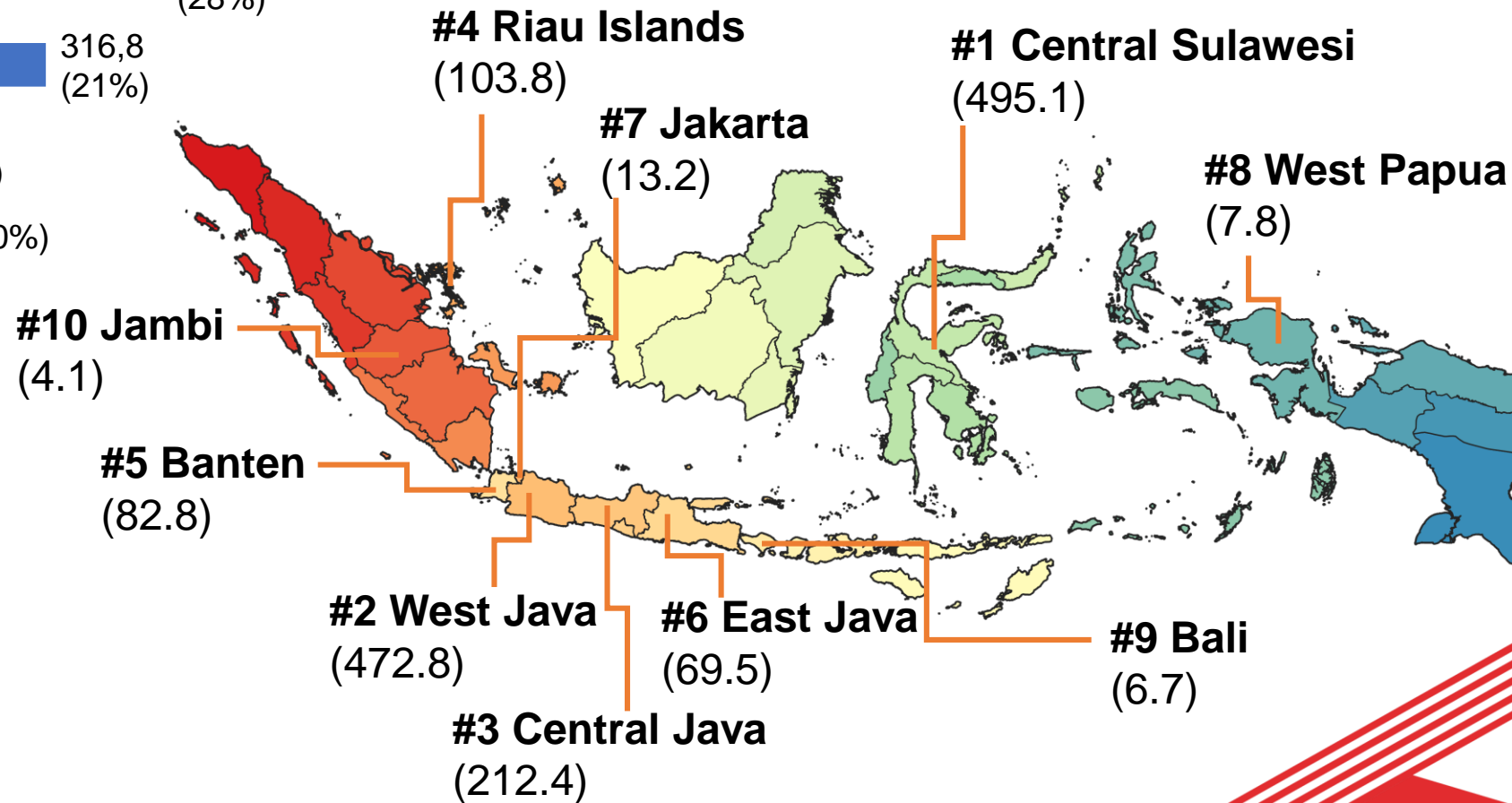
(2018 – 2023 / Semester-I)

Excluding financial sectors and upstream oil and gas

## Top-10 Sectors Investment from Taiwan (USD Million)



## Top-10 Location of Taiwan Investment (USD Million)



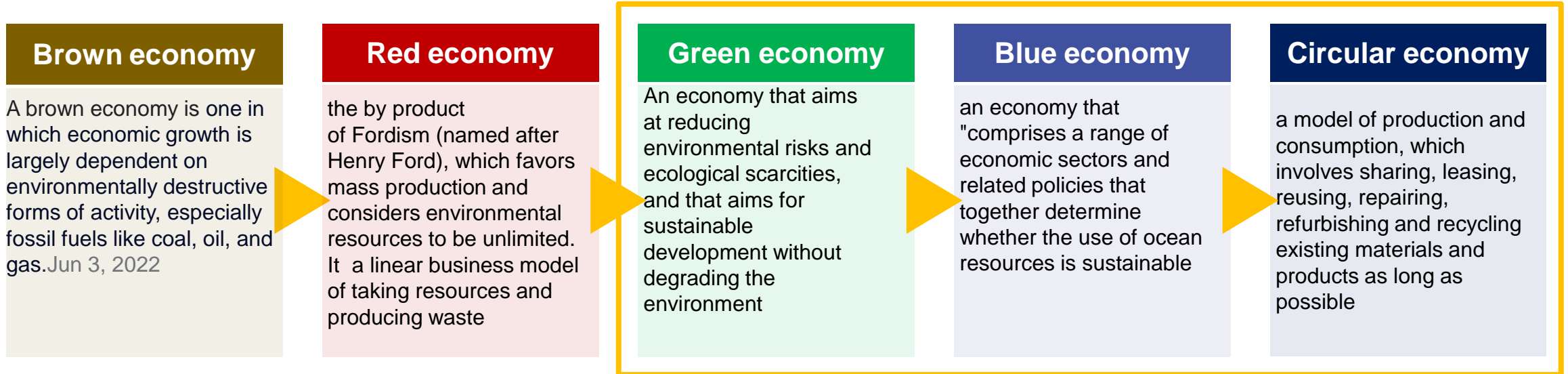
Source: Ministry of Investment/BKPM, 2023.



# Sustainable Economy is a strategy of Indonesia Economic Transformation

The objective of economy should be based on environmental, social & governance principle

## Sustainable Economy



- **Environment:** emission measurement, energy, water, ecofriendly, raw material, waste, conservation, restoration and rehabilitation
- **Social:** Gender representation, age diversity, vulnerable group, remuneration, training and education, customer data, products, community empowerment, child protection, right of indigenous people.
- **Governance:** Business ethics, compliance, independence, worker compensation, democracy in share ownership.

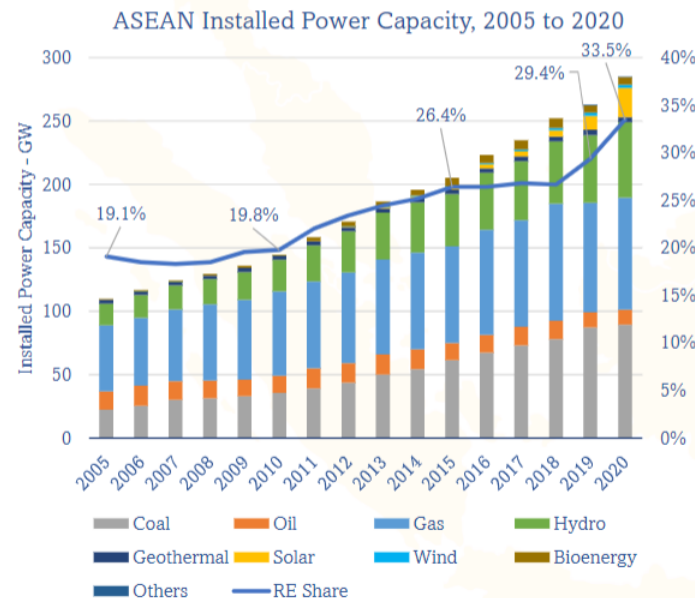
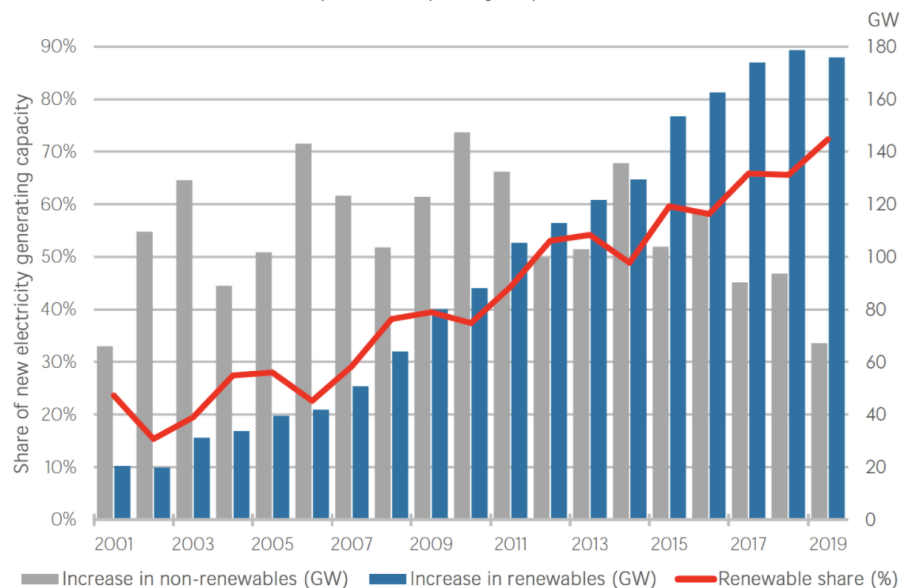


# Sustainability Trends in Energy

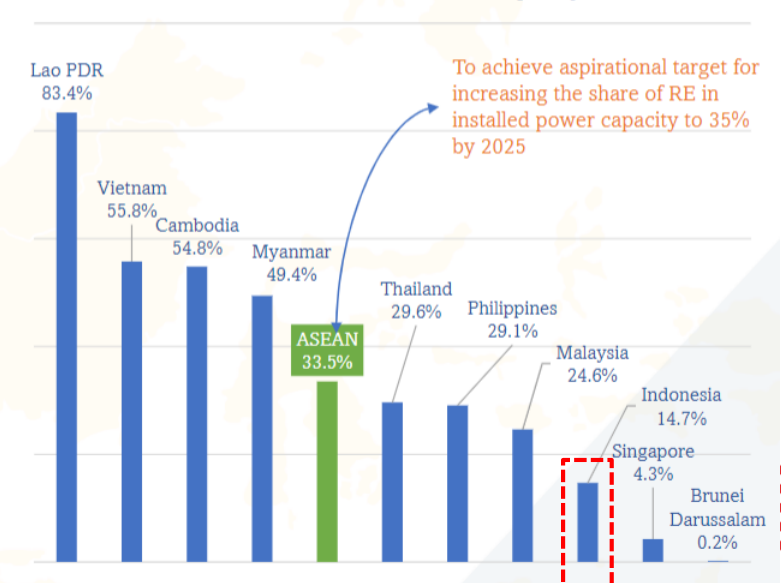
Energy needs continue to increase, followed by the share of new renewable energy

- **Share of new renewable energy** in the global energy mix is expected to continue increase up to **30%**, that is led by European countries.
- The global energy transition is not only driven by **climate change** mitigation, but new renewable energy has also become **the cheapest energy source** and is getting **cheaper** due to technological developments and economies of scale.
- In ASEAN\*, new renewable energy share was **33.5%** in 2020 (1.5% gap from 2025 target). Share of new renewable energy in Indonesia (**14.7%**) was below the ASEAN average, which become **challenges and opportunities** to grow.

Renewable share of annual power capacity expansion



RE share in AMS' Installed Power Capacity in 2020



To achieve aspirational target for increasing the share of RE in installed power capacity to 35% by 2025

Source: World Economic Forum, 2022. ASEAN Power Updates, 2021. \*) Association of Southeast Asian Nations, comprises of 10 members countries.

# Sustainability Trends in Business

380 multinational companies committed to achieve net-zero carbon emission by 2040

**THE CLIMATE PLEDGE**

Pioneering companies:



## 3 areas of actions:

### Carbon elimination

Implement decarbonization strategies through business change and innovations.

### Regular reporting

Measure and report greenhouse gas emissions on a regular basis.

### Credible offsets

Neutralize any remaining emissions with additional, quantifiable, real, permanent, and socially beneficial offsets.

349 global top companies have made commitment to reduce carbon emission

## Update 2019 vs 2021

Participant companies:

163 ► 349

Renewable energy contribution:

41% ► 45%

## Type of climate target:

### Carbon Neutral

Achieved when a company completely offsets its greenhouse gas emission.

### Renewable 100% (RE100)

Achieved when a company relies on 100% renewable energy.

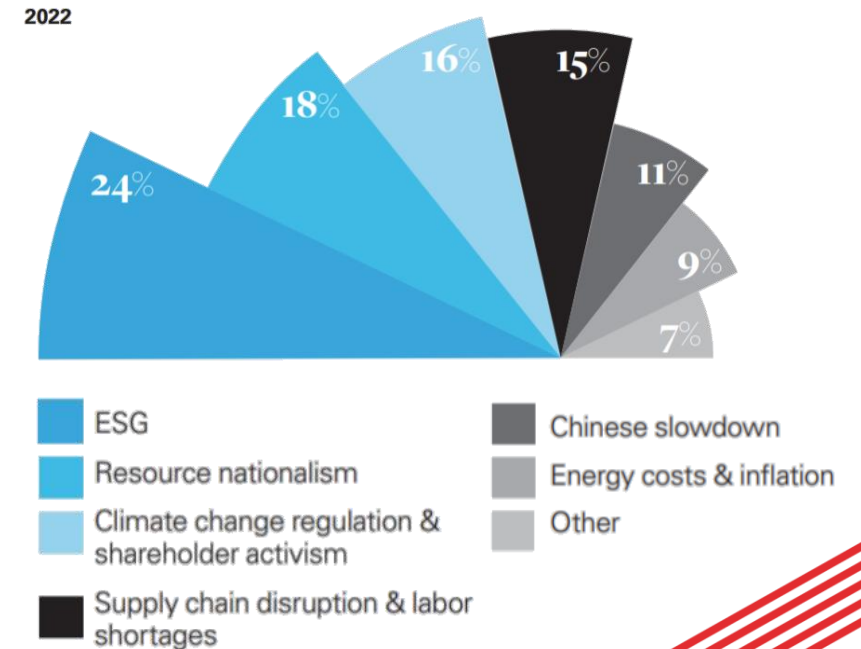
### Science-Based Target (SBT)

Emission are reduced in line with the need to keep global warming below 2 degrees Celsius.

Source: RE100 2021 Annual Disclosure Report

Demand for sustainable-related products are rising in mining and downstream industries

Survey: Issues on **Environment, social, and governance (ESG)** are the main concerns for business, investors and regulators in the mining and metal industry.



Source: White & Case 2022, Mining Metals Market Sentiment Survey

# Sustainability Trends in Market

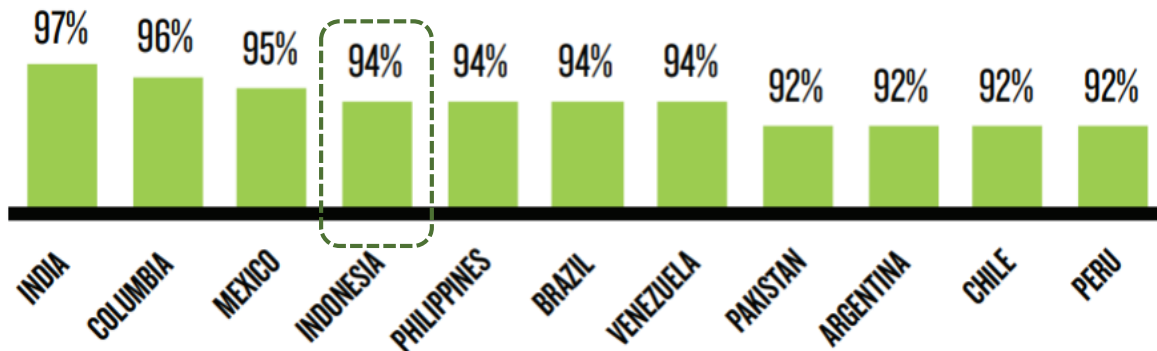
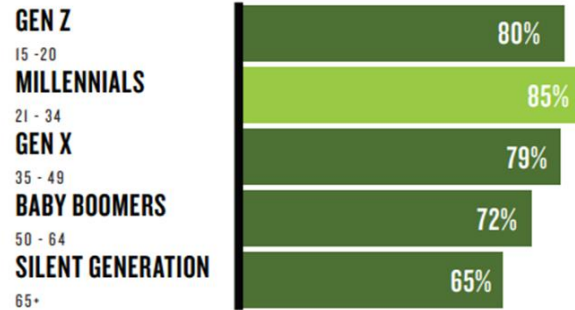
## Nielsen's Report 2018: High demand for sustainable products

Consumers become more conscious about sustainable products, as such the demand is on the rise



Percentage of respondents who said that it is very important that companies implement program to improve the environment:

Cross-Gender  
Cross-Generation  
Cross-country



Source: Nielsen global-sustainable-shoppers-report-2018

## Carbon Border Adjustment Mechanism (CBAM) in European Union

### What is CBAM?

the imposition of additional fees on a product to be exported to the European Union (EU) for the products which classified as not environmentally friendly.

### Scope

CBAM will be phased in gradually and will initially apply only to a selected number of goods at high risk of carbon leakage:



A reporting system will apply as from 2023 for those products. Importers will **start paying a financial adjustment in 2026**.

### The Implementation of CBAM outside the EU

- California, US (applied to certain imports of electricity).
- Canada and Japan (initiation stage).



# Sustainability Trends in Financing

Almost 200 financial institutions committed not to provide financing for coal-related projects

- **World Bank** announced the first restriction: no funding for new coal plants in except 'in rare circumstances'.
- **2 Multilateral Development Banks and 9 Development Finance Institutions** would limit funding for 'coal-related' projects following World Bank's restriction.

- **Asian Infrastructure Investment Bank** proposed on coal restrictions.
- **AXA** was the first global insurer to limit project underwriting and stop insuring new coal-related projects.
- **ING** was the first global bank that has decided a phase-out date for coal usage in the power industry by 2025.



- **Norwegian Sovereign Wealth Fund** will be instructed to divest from companies with more than 30% of their income from coal extraction or coal power.
- The first private banks to restrict financing coal mining, announced by **Bank of America**
- **Arrangement on Export Credits**, restriction on coal projects funding by 35 Export Credit Agencies.

- **International Finance Corporation** closed the financing gap: 95% of financing are "restricted" for coal-related projects and to promote clean energy.
- **Standard Chartered** announced that they would stop financing new coal-fired power plants.
- **Royal Bank of Scotland**, tightening its restrictions on general funding to companies involved in coal.

# Abundant natural resources for manufacturing raw materials

Focusing on downstream industries to add value to its natural resources

## Investment Priority Sectors

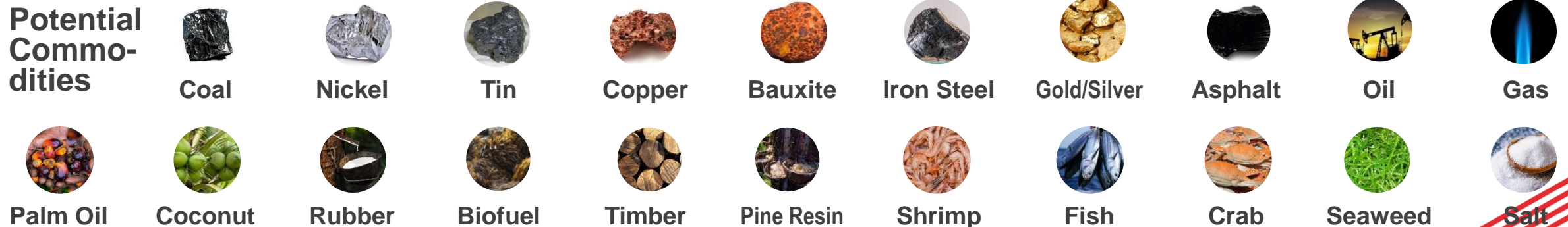
<p>Labor-Intensive</p>	<p>Export-Oriented Industry</p>	<p>Renewable Energy</p>
<p>Infrastructure</p>	<p>Digital Economy</p>	<p>Value-Adding Industry to Natural Resources</p>

## Investment in Downstream Industries


Priority Downstream Industry	Investment Required (until 2040, estimated)
Minerals and coal	US\$ 431.8 billion
Oil and gas	US\$ 68.1 billion
Marine, fishery, plantation, forestry	US\$ 45.5 billion
<b>Total</b>	<b>US\$ 545.3 billion</b>

Ministry of Investment/BKPM has prepared the **Roadmap of Downstream Industries** which includes priority industries, investment opportunity, economic impacts, and strategic policies.

## Potential Commodities

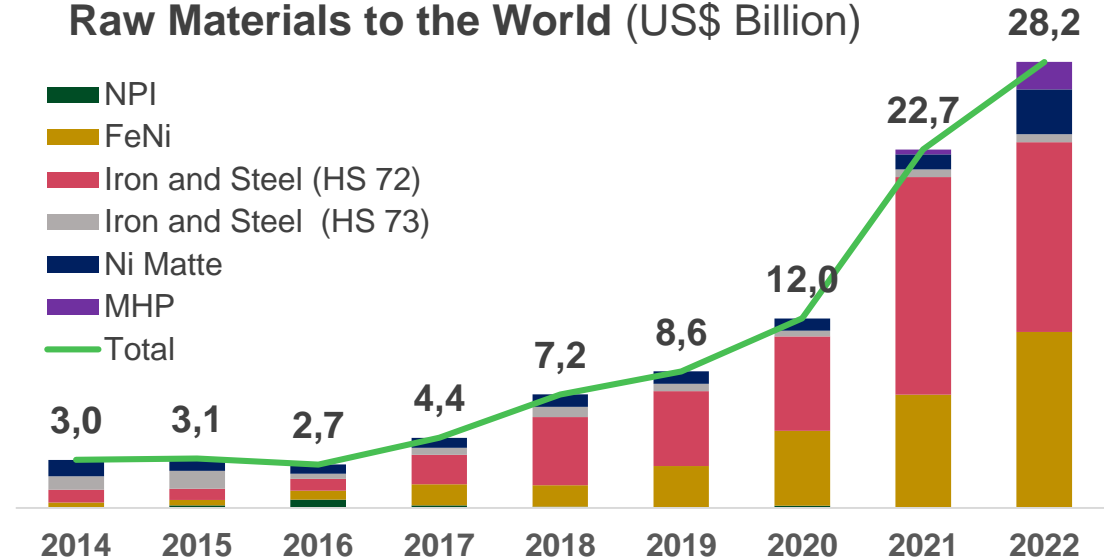


# Economic Transformation from Primary Sector Industry to Value Added Based Industry (Downstream)

Mineral	Reserves		Production	
	Indonesia	Rank	Share*	Rank
Nickel 	1	22%	1	36%
Bauxite 	6	4%	6	4%
Copper 	10	3%	9	4%
Gold 	6	4%	10	3%
Tin 	2	17%	2	23%

Sumber: United States Geological Survey, Trademap, CEIC, 2022. \*) Share to Global

## Indonesian Exports of Steel and Battery Raw Materials to the World (US\$ Billion)

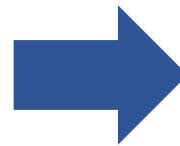


### Nickel Downstream

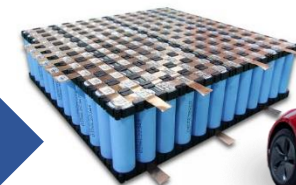
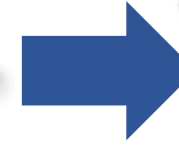
Raw material export  
ban 2023: Bauxite,  
Copper, Tin



Initial Ban  
Raw Nickel Export



Current  
Export of Iron & Steel

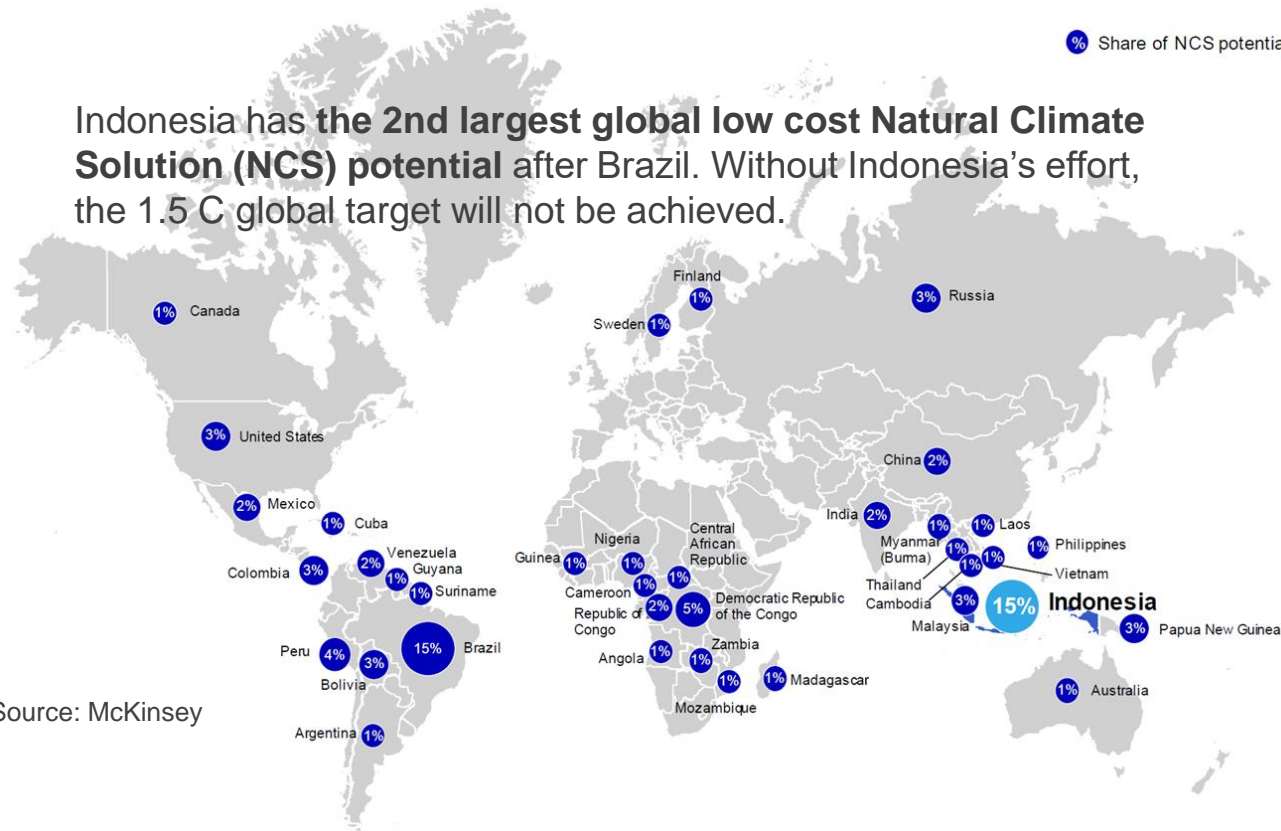


Future  
Export of Battery & EV



# Indonesia has massive carbon economic potential

Indonesia has the **2nd largest global low cost Natural Climate Solution (NCS) potential** after Brazil. Without Indonesia's effort, the 1.5 C global target will not be achieved.



Source: McKinsey

Type of forest	Global Position	Total Area (mio hectare)	Carbon absorption (mio ton)
Tropical rain forest	#3	125.9	25.18
Mangrove	#1	3.31	33.0
Peatlands	#1	7.5	55.0
<b>Total</b>			<b>113.18</b>

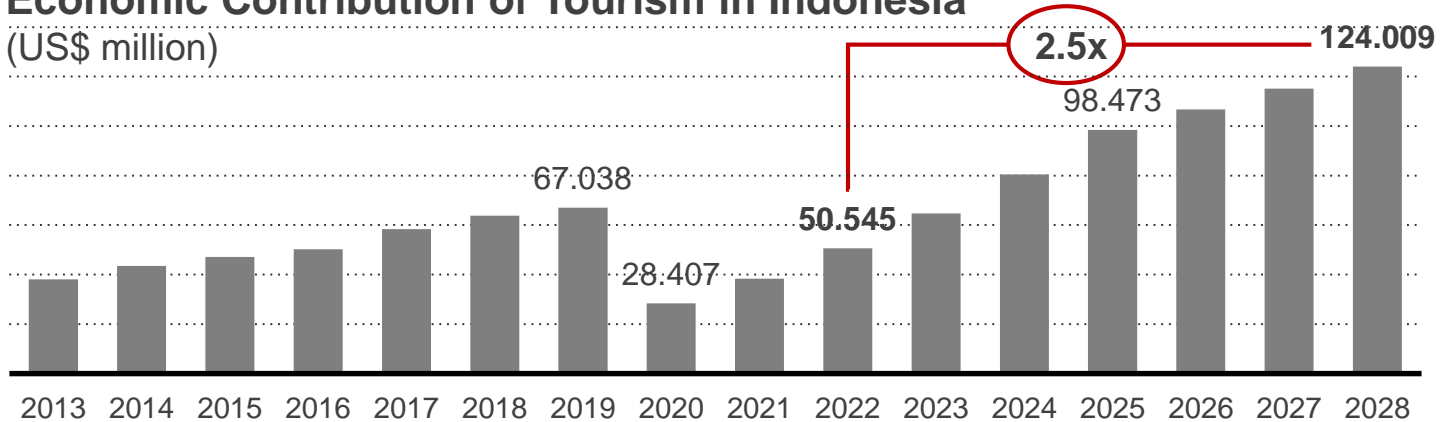


Indonesia has the third-largest tropical rainforest, the largest mangrove and the largest peatlands area globally which has excellent potential to **achieve a carbon economy** that absorb **113.18 million ton** of total carbon emission

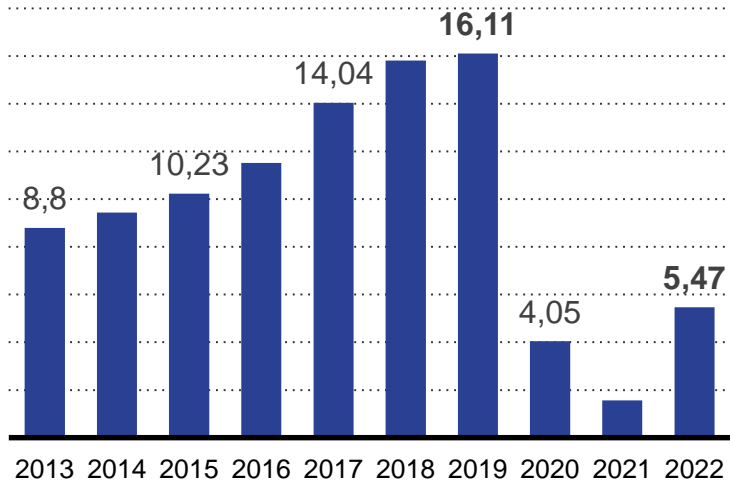
# Growing tourism industry with strong domestic market

Focusing on developing 5 super priority tourism destinations

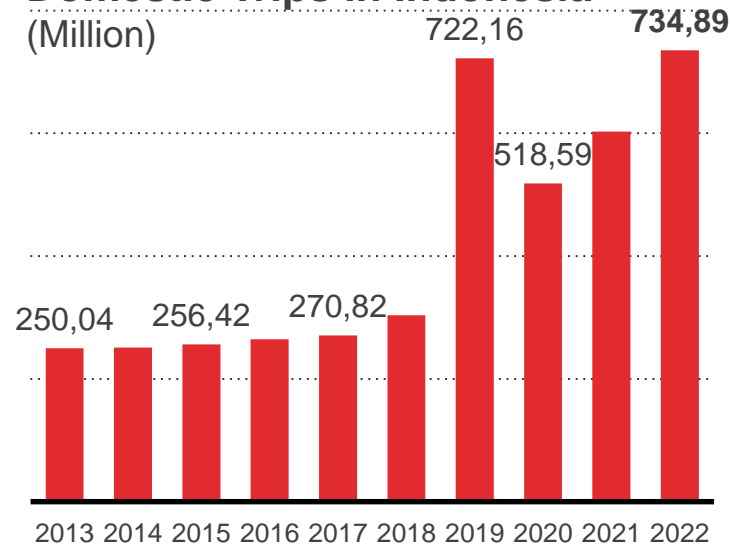
## Economic Contribution of Tourism in Indonesia (US\$ million)



## Int'l Visitor Arrivals in Indonesia (Million)



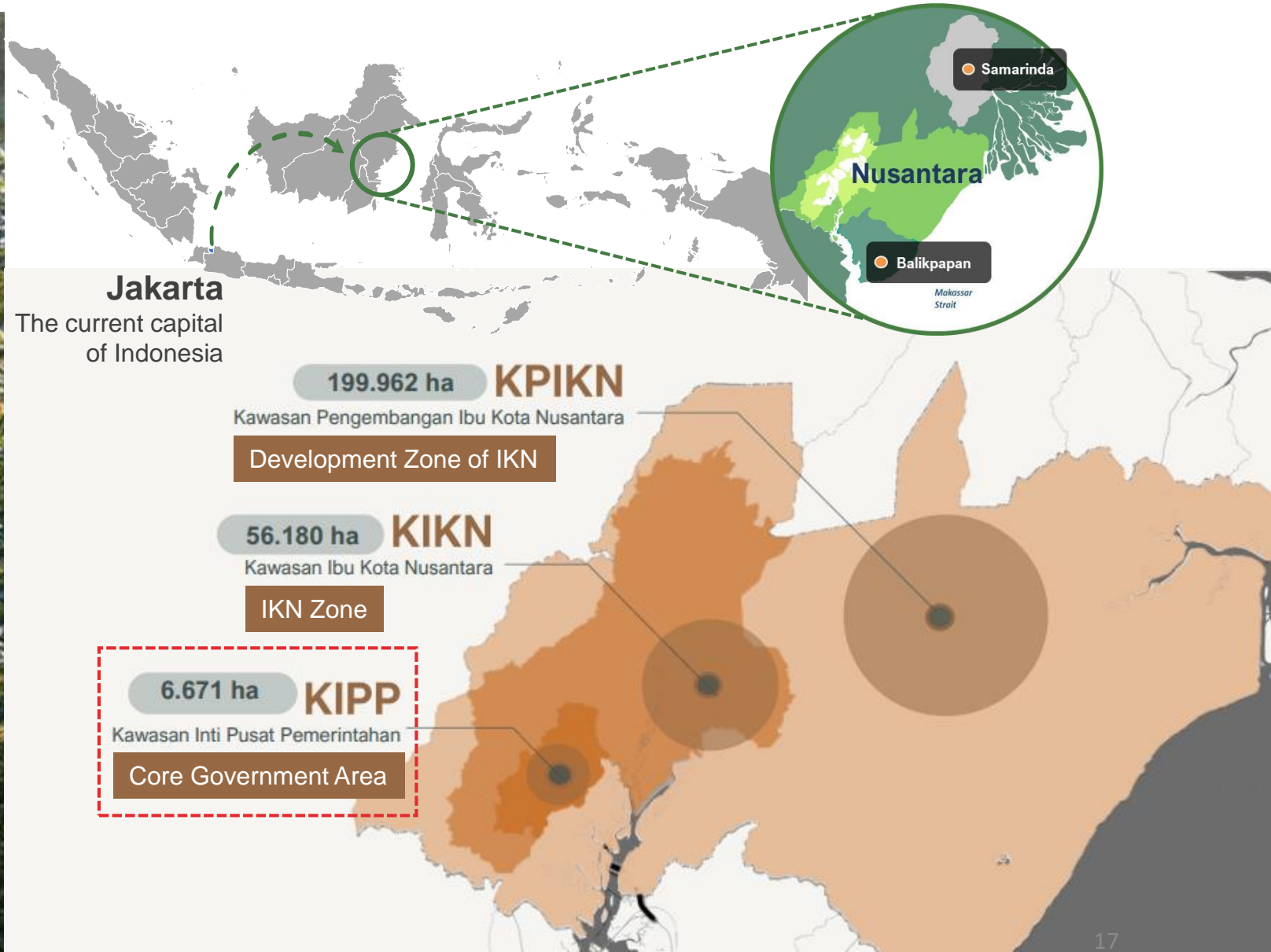
## Domestic Trips in Indonesia (Million)





# New Capital City: From Jakarta to Nusantara (IKN)

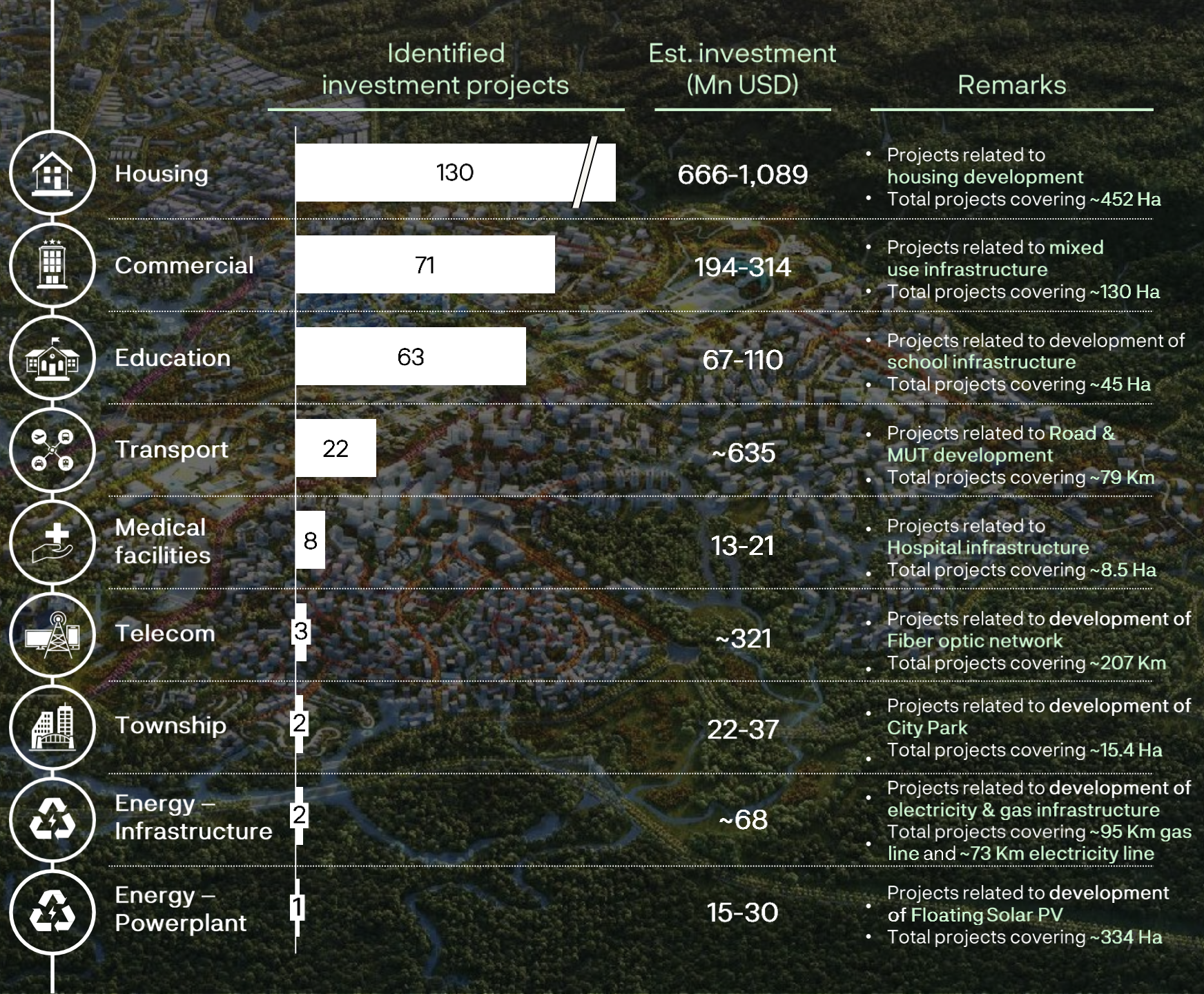
5-phase development in 2022-2045, projected population to achieve 1.9m





**Indonesia's New Capital  
City: Nusantara**

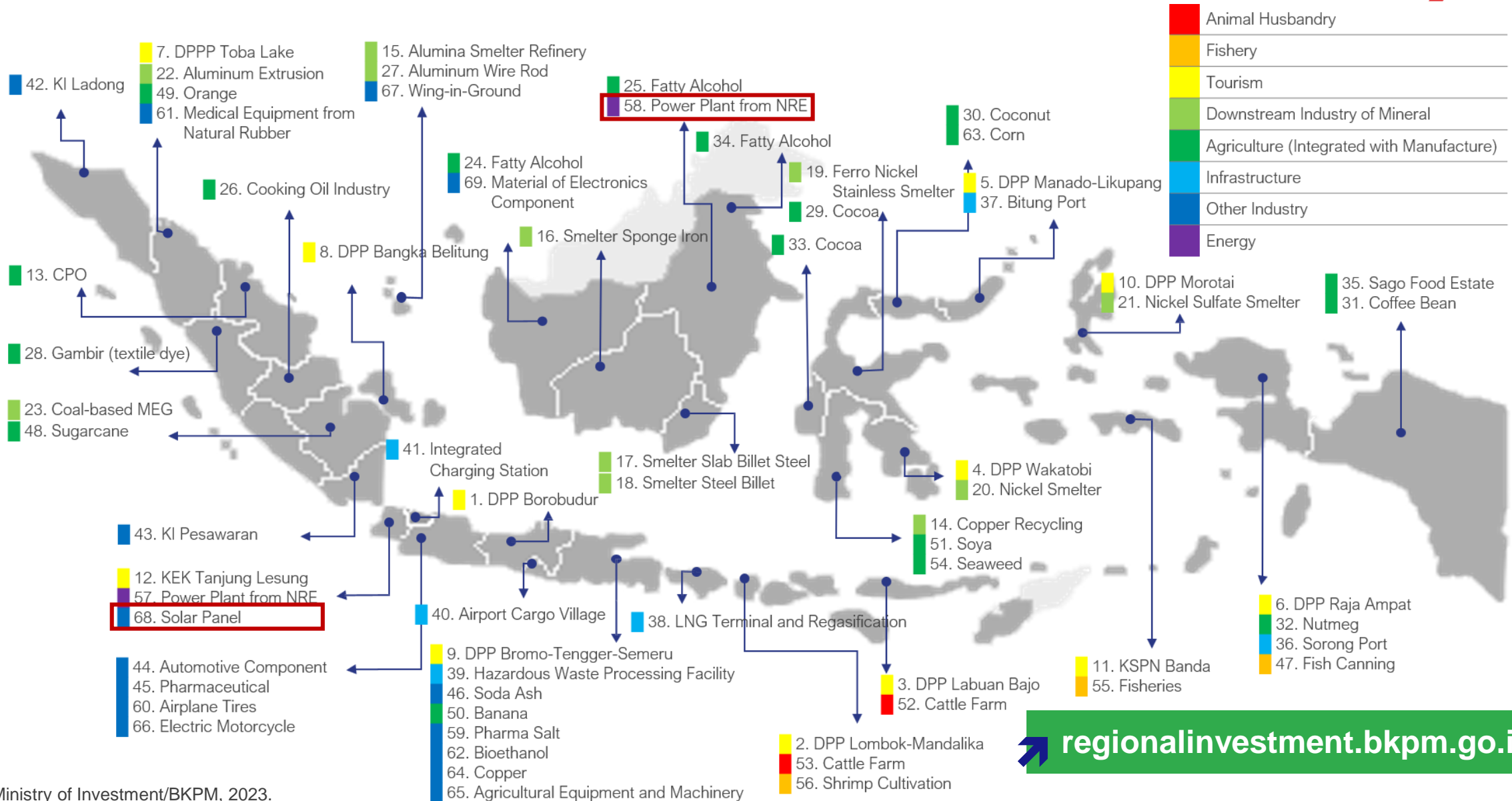
**300+ Investment  
Projects Have  
Been Identified to  
Date in The Core  
Government Area**





# 69 sustainable ready-to-offer projects with pre-FS

Two projects are already sold in green energy sector



[regionalinvestment.bkpm.go.id](https://regionalinvestment.bkpm.go.id)

## Competitive investment incentives and facilities

More benefits are provided in 20 special economic zones (SEZs)

**Tax Holiday**

**Tax Allowance**

**Import Duty  
Exemption**

**Super Tax  
Holiday**





DIRGAHAYU REPUBLIK INDONESIA



# 谢谢, Thank You!

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