

# Attracting Potential Investment to Indonesia Amid the Covid-19 Pandemic

Jakarta, 4 August 2020

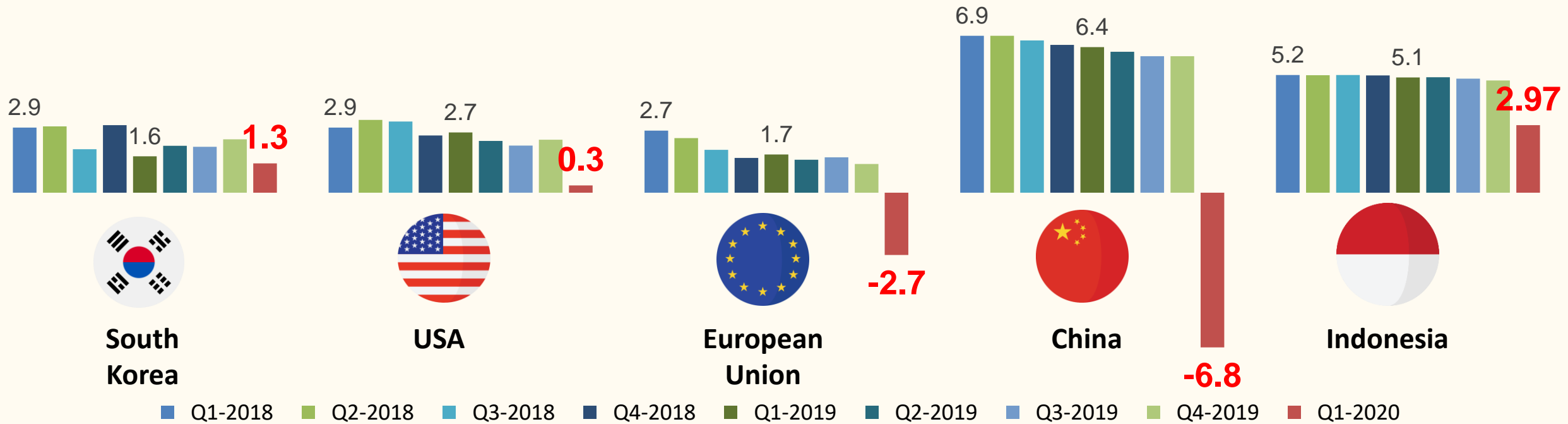
Nurul Ichwan  
Deputy Chairman for Investment Planning

**Indonesia Investment Coordinating Board**



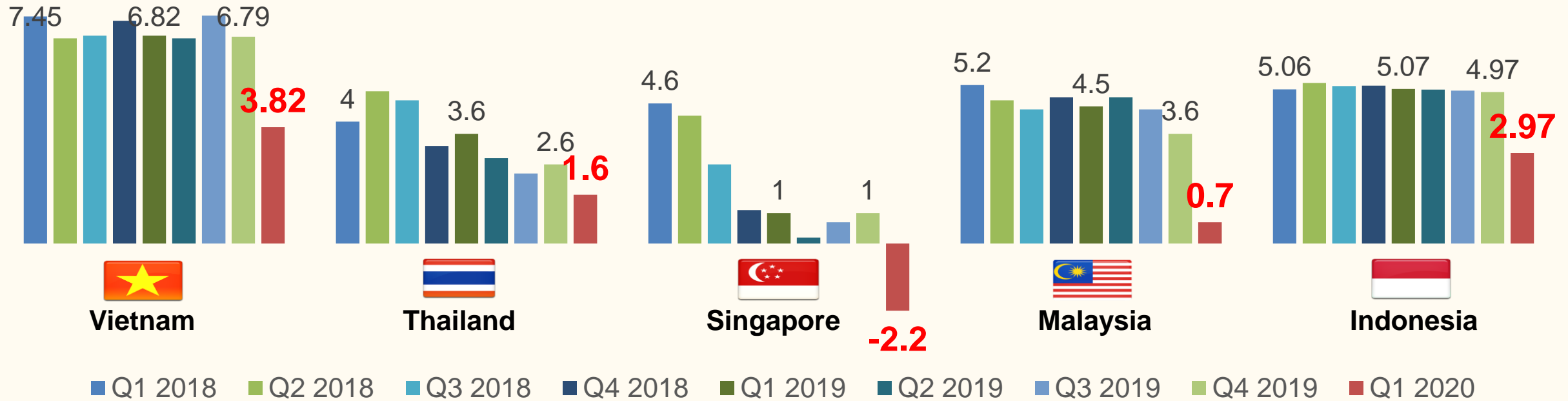
# GLOBAL ECONOMIC SITUATION

# Global Economic Disruption due to the Covid-19 Pandemic





# Economic Decline in Major ASEAN Countries during the Q1 of 2020



## The Negative Impact of the Pandemic on the Indonesian Economy



Indonesian economic growth is only 2.97%

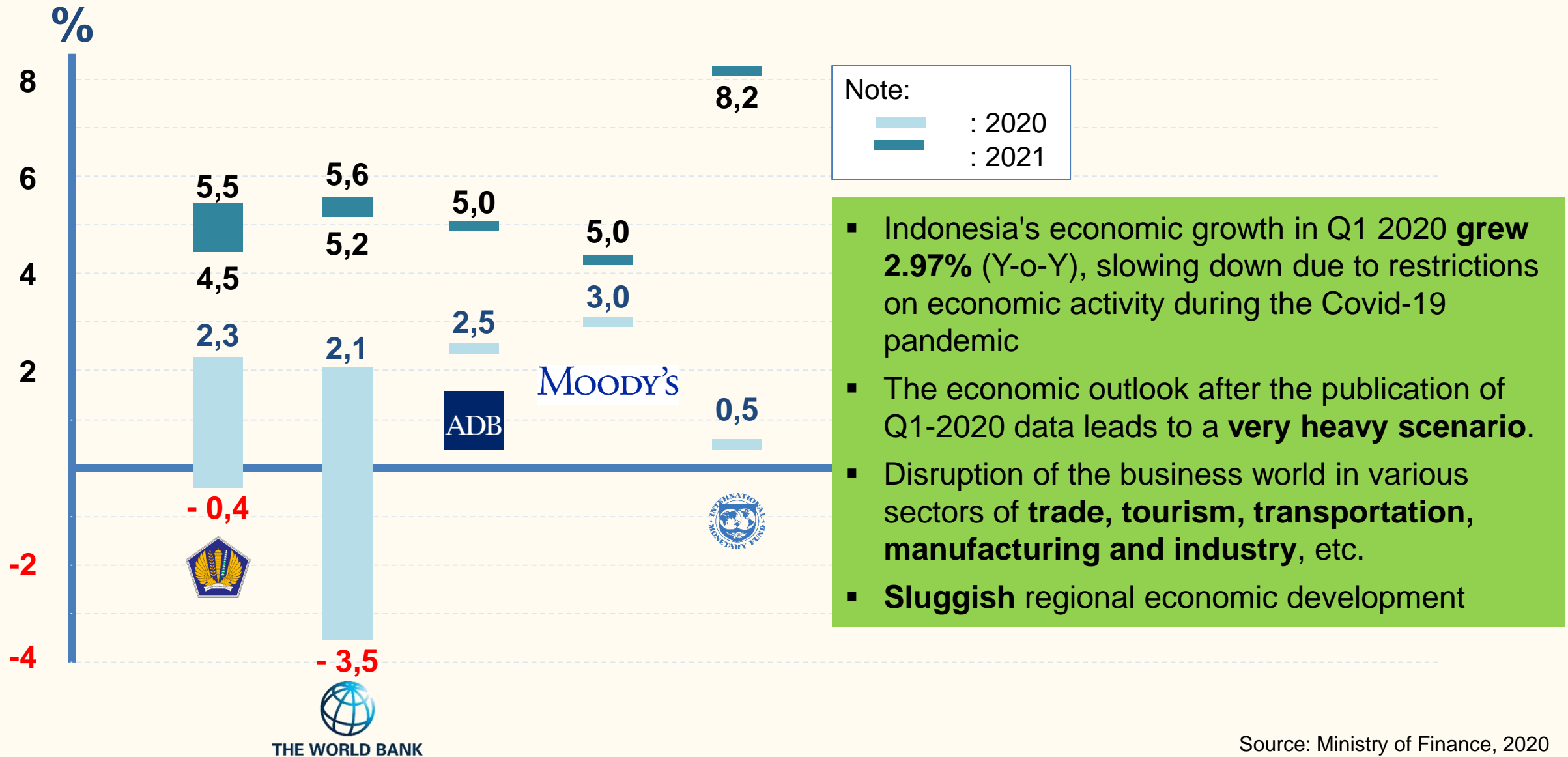


Global FDI is predicted to decline 30-40%, FDI realization in Q1 declined 9.2%



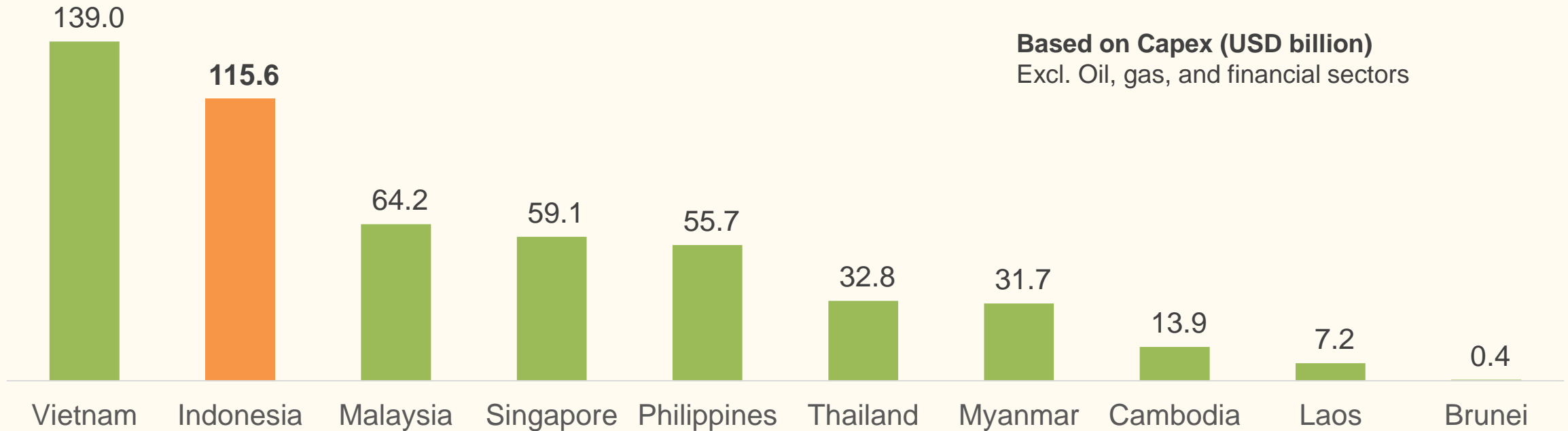
5.5 million of Indonesian workers will be negatively impacted by the pandemic

# Indonesia's Economic Growth Projection



Source: Ministry of Finance, 2020

# Global FDI Flows to ASEAN 2015 – Q2 2020 (in USD Billion)



- Total Investment in ASEAN 2015 – Q2 2020: USD 519.6 Billion
- Top-3:
  1. Vietnam (USD 139 Billion; 27%)
  - 2. Indonesia (USD 115.6 Billion; 22%)**
  3. Malaysia (USD 64.2 Billion; 12%)

Source: FDI Markets, Financial Times

# Investment Realization in 2019



## Actual Investment Realization 2019

**102,2%**

of the 2019 target  
(Rp 792Tr)

Investment Realization Target 2019

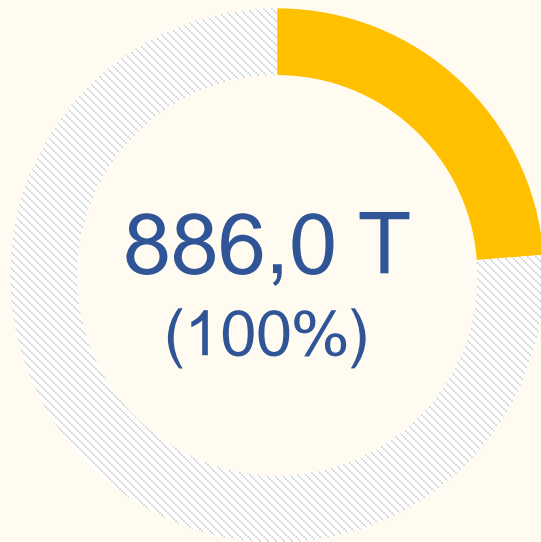
**Rp792Tr**

Investment Realization 2019  
(January – December 2019)

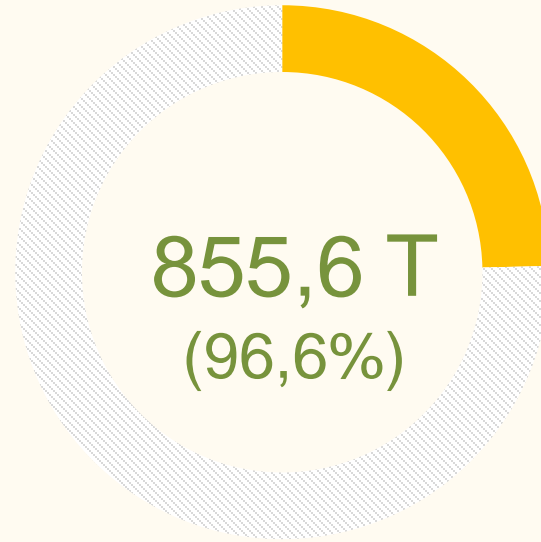
**Rp809,6Tr**



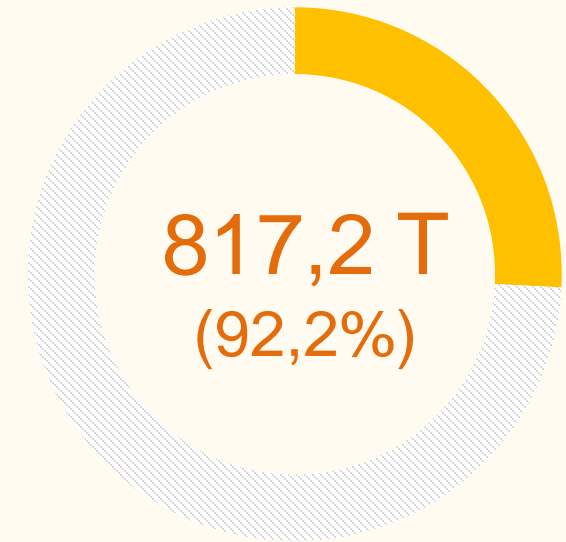
# Projection Target of Investment Realization in Year 2020 Post Covid-19



TARGET 2020  
BEFORE COVID-19\*



TARGET 2020  
IF COVID-19 ENDS IN MAY 2020



TARGET 2020  
IF COVID-19 ENDS IN JULY 2020\*\*

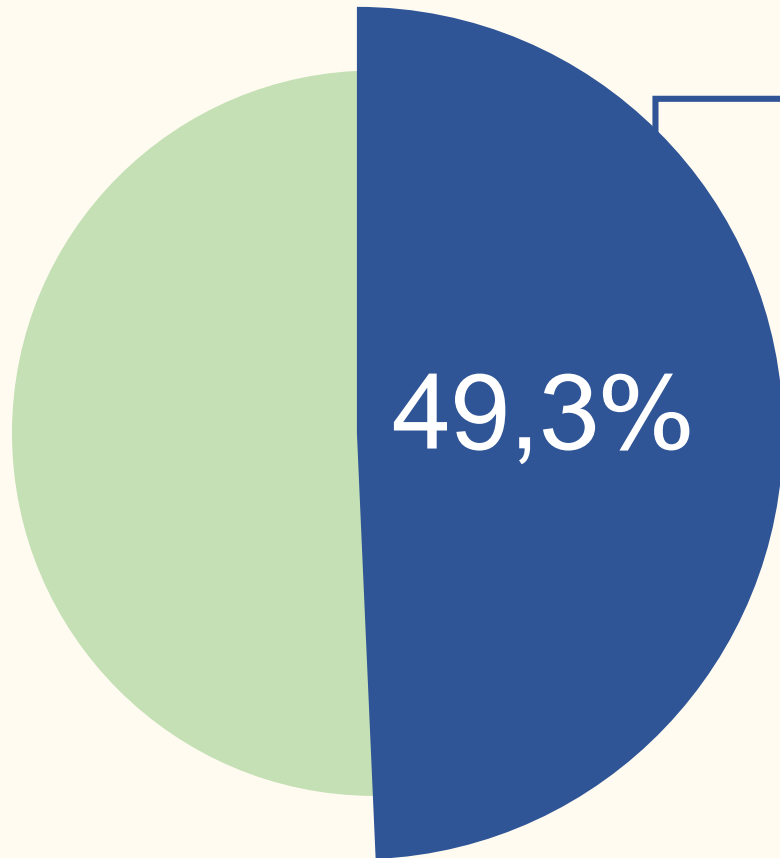
\* The Medium-Term National Development Plan (RPJMN) Year 2020-2024

\*\* Target is subject to adjustment if the Covid-19 pandemic has not ended in July 2020



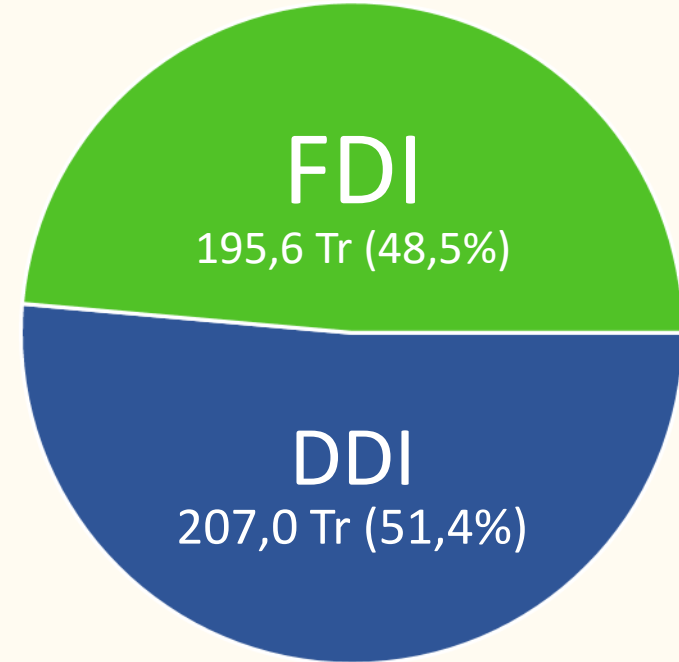
# Investment Realization Progress - Semester I 2020

(not including upstream oil & gas and financial services sector)



INVESTMENT REALIZATION  
SEMESTER I 2020

Rp 402,6 Tr



INVESTMENT REALIZATION  
TARGET 2020

Rp 817,2 Tr



LOCAL WORKERS ABSORPTION

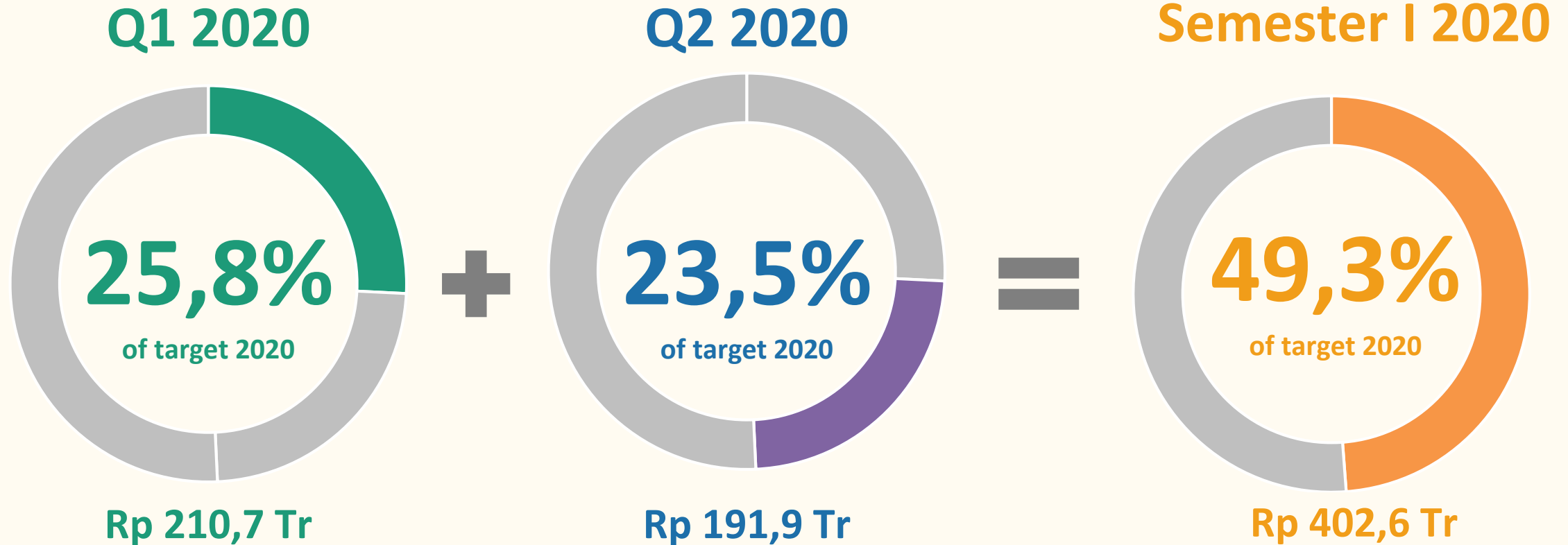
566.194

# Investment Realization Progress - Semester I 2020

(not including upstream oil & gas and financial services sector)



## Investment Realization Target 2020: Rp 817,2 Tr

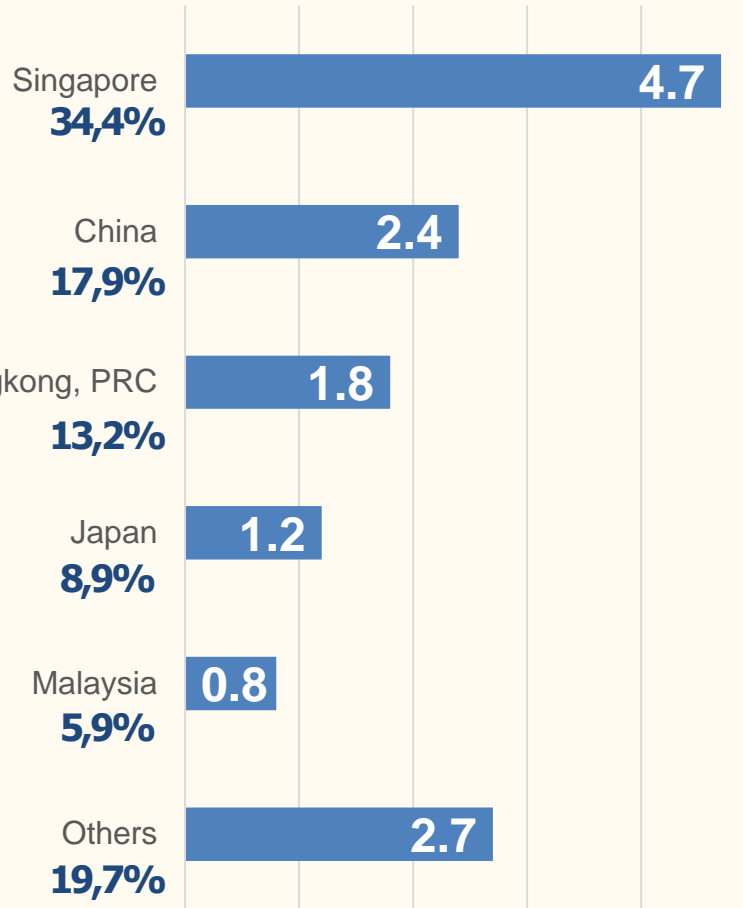


# Investment Realization Progress - Semester I 2020

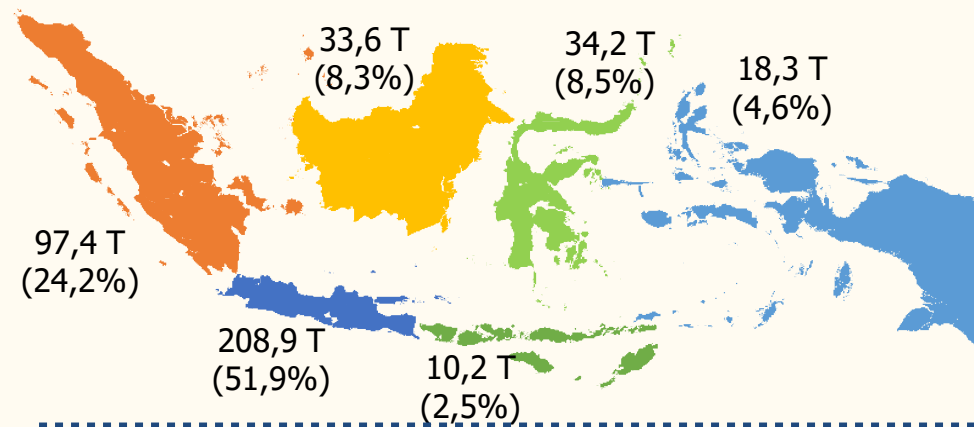
(not including upstream oil & gas and financial services sector)



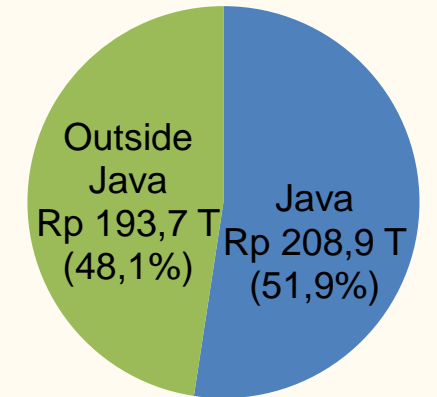
## Top-5 Investors (Country of Origin) (in USD Billion)



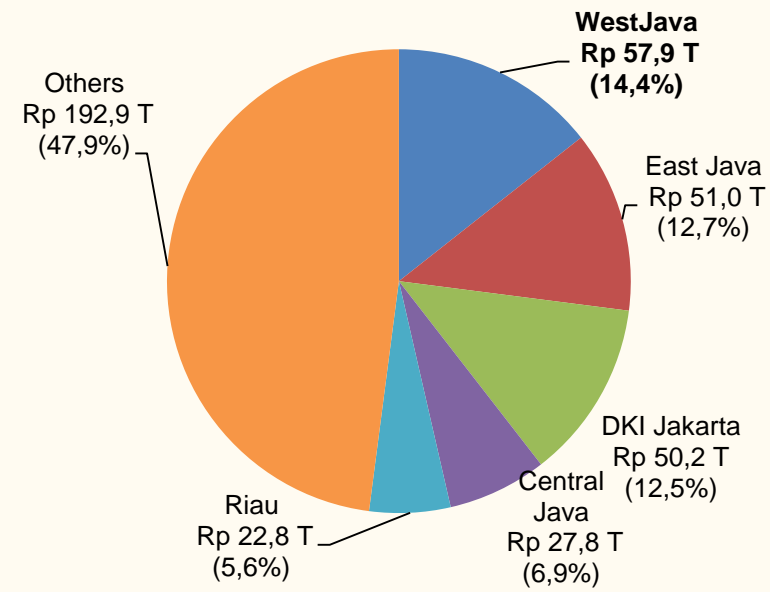
## Based on Region



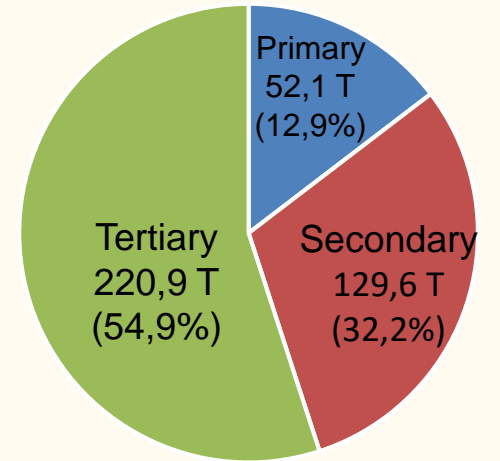
## Investment Distribution



## Based on Location



## Based on Sector

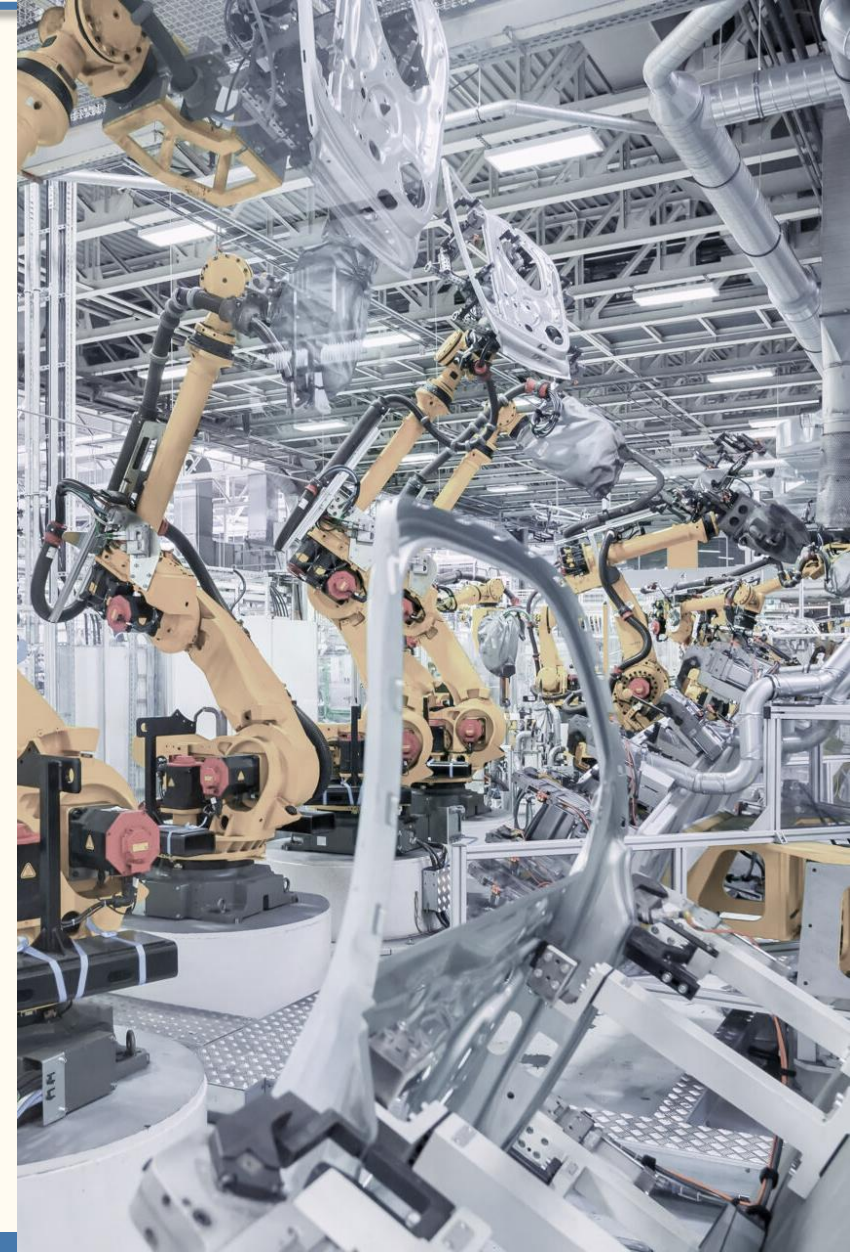


# THE GLOBAL TREND OF RELOCATION & DIVERSIFICATION

# Current Global Supply Chain Condition



- The global supply chain has been disturbed by the current Covid-19 Pandemic with **938 companies out of Fortune 1.000** companies have one or more suppliers with a present in Wuhan
- The momentum of the **US and China trade wars**, making many companies that have production bases in China consider relocating investment outside of China
- According to Institute for Supply Management (ISM), **3 out of 4 supply chains are disrupted by the current Covid-19 pandemic**
- China is gradually losing its cost advantage and competitiveness in comparison to other ASEAN countries leading to many companies in China are looking to **diversify their operations by adding another location in Asia** or also known as "**China Plus One**" model.





# What Global Leaders Say on the Importance of Location Diversification



“The corona virus pandemic has demonstrated the importance of a resilient supply chain to ensure the continued flow of significant goods and maintain global trade movements. That is why we see steps we can take to ensure we **have a variety of supply chains**, to avoid deficiencies in the event of a crisis in the future..”

**UK Prime Minister Boris Johnson** after the announcement of "Project Defend"



“This is the moment for Europe and Portugal to position themselves to return to producing much of what we have been habitually importing. It is the greatest decision that we have to make. Today we cannot have such extensive supply chains that are so dependent on one country. This doesn’t mean the country should reduce its export markets, just that **it should diversify more..**”

**Portugal Prime Minister António Costa** during the interview with Radio Renascenca

“There are some concerns about the impact of the decline in product supply from China to Japan on our supply chain. ... We aim not to rely on one country and **diversify its production base** in a number of countries, including countries within ASEAN..”

**Japan Prime Minister Shinzo Abe** during the 36<sup>th</sup> meeting of the Council on Investments for the Future



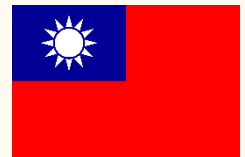
# Recapitulation of Investment Relocation to Indonesia



| Category | Description  | Number of Companies | Investment Value Potential (USD Million) | Labor Absorption Potential |
|----------|--|---------------------|--|----------------------------|
| I        | <b>Companies that have decided to relocate and/or diversify their investment location</b>                  | <b>7</b>            | <b>850</b>                               | <b>30.000</b>              |
| II       | Companies that have intention to relocate and/or diversify their investment location (60 – 70%)            | 17                  | 37.000                                   | 112.000                    |
| III      | Potential companies that have been identified from various sources (media, Indonesian Embassy, IIPC, etc.) | 119                 | 41.392                                   | 162.000                    |



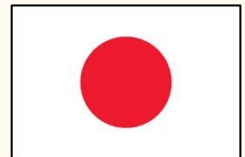
USA



Taiwan



South Korea



Japan



Hong Kong, PRC

# Companies that Have Made Decision to Relocate to Indonesia \*)



| No | Company                      | Relocated From | Business Line                   |
|----|------------------------------|----------------|---------------------------------|
| 1  | Alpan Lighting (USA)         | China          | Solar lighting industry         |
| 2  | Sagami Electric (Japan)      | China          | Electronics industry            |
| 3  | Denso Indonesia (Japan)      | China          | Automotive spare parts industry |
| 4  | Panasonic (Japan)            | China          | Electronics industry            |
| 4  | Kenda Rubber (Taiwan)        | China          | Tyre industry                   |
| 5  | Meiloon Industrial (Taiwan)  | China          | Speaker industry                |
| 7  | LG Electronics (South Korea) | South Korea    | Electronics industry            |

\*) *Announced during the working visit of President Joko Widodo to Batang Regency, Central Java on 30 June 2020*

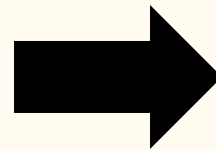


# THE ROLE & FOCUS OF BKPM



INDONESIA INVESTMENT COORDINATING BOARD

Non Departmental  
Government  
Institution



Government  
Institution

Presidential Regulation No 90/2007

Presidential Regulation No 24/2020



INDONESIA INVESTMENT COORDINATING BOARD

- 1 Coordinating corrective measures for improving the EODB rating
- 2 Evaluating the implementation of business licensing and granting investment facilities carried out and provided by relevant Ministries/Institutions
- 3 Facilitating and providing services to businesses in managing business licenses and providing investment facilities
- 4 Developing Norms, Standards, Procedures, and Criteria (NSPK) of business licensing and granting of investment facilities delegated by Ministries/Institutions
- 5 Ministries/Institutions delegate authority for business licensing and provision of investment facilities to the Chairman of BKPM

## 6 Key Performance Indicators (KPI) to Increase Investment



Executing strategic and large scale investment realization



Improving the Ease of Doing Business rank



Encouraging large investments to partner and team up with national entrepreneurs, especially local SMEs



Distributing quality investment throughout Indonesia



Targeted investment promotion strategy based on sector and country



Encouraging the increase of domestic direct investment (DDI) especially SMEs



1

Facilitation of existing and operational companies

2

Facilitation of existing potential companies that has not yet been executed

3

Attracting new strategic investments

4

Providing incentives for existing companies doing expansion





1

## Company Operation

Optimizing facilitation for companies that accelerate the development and operation of business activities through the issuance of letters of support to companies while still observing the COVID-19 protocol



2

## Visa Recommendation for Top Executives

Providing recommendations for the visit of FDI company's top executive in the context of investment opportunity exploration/relocation and company operations to obtain an entry permit / visit visa during PSBB (or large scale social restriction) implementation



3

## Visa Recommendation for Expert Foreign Workers

Providing recommendations for expert foreign workers who will enter Indonesia in the framework of investment realization / implementation



4

## Assistance on Existing Investment Realization

Conduct visits to companies and industries to maintain the existing investment keep running well and the investment that has potential to expand can have their fiscal incentives facilitated



5

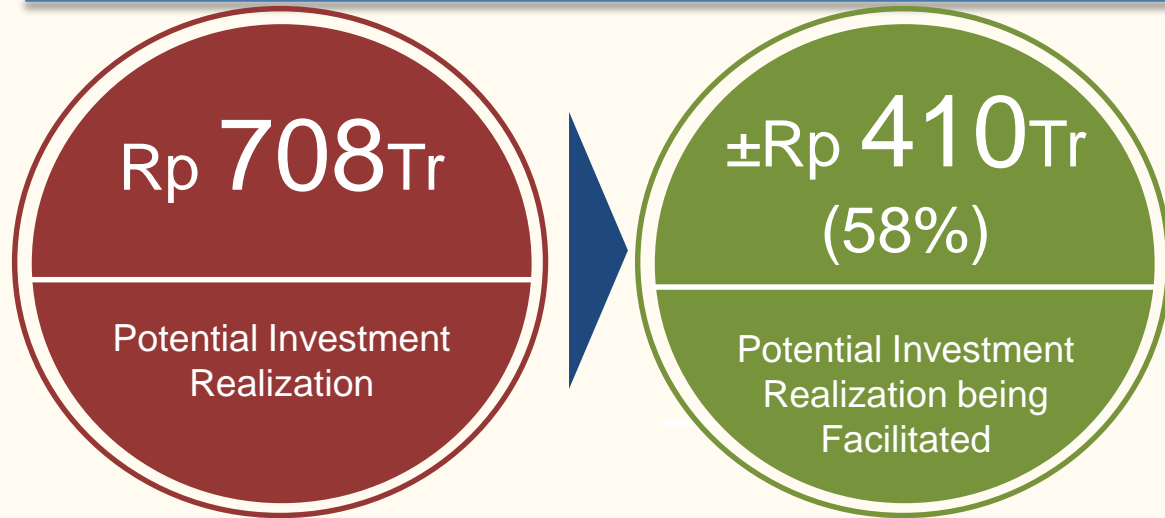
## Optimization of Business Licensing Process

Continue to provide business licensing services amid the Covid-19 Pandemic. The average business license issued during the pandemic both online and offline is roughly 4.000-5.000 permits per day.





# Prospective Rp 708 Trillion Investment Realization being Facilitated by BKPM



## Projects that have been facilitated:

|  |                        |               |                             |
|--|------------------------|---------------|-----------------------------|
|  | 211,9<br>(Rp Trillion) |               | 61,2<br>(Rp Trillion)       |
|  | 39,2<br>(Rp Trillion)  |               | 38,0<br>(Rp Trillion)       |
|  | 21,7<br>(Rp Trillion)  |               | 14,0<br>(Rp Trillion)       |
|  | 9,5<br>(Rp Trillion)   |               | 5,2<br>(Rp Trillion)        |
|  | 2,0<br>(Rp Trillion)   |               | 1,8<br>(Rp Trillion)        |
|  | 1,8<br>(Rp Trillion)   |               | 1,8<br>(Rp Trillion)        |
|  | 1,8<br>(Rp Trillion)   |               | 1,1<br>(Rp Trillion)        |
|  |                        | <b>Others</b> | <b>1,4</b><br>(Rp Trillion) |

Facilitating and solving **stalled** investment problems is an **effective promotion strategy** to attract investors



Klaten, Central Java



Dumai, Riau



BKPM does not only facilitates big investment issues, but also medium and small investments

# Economic Transformation from Primary Sector Industries to Value-Added Industries (Downstream)

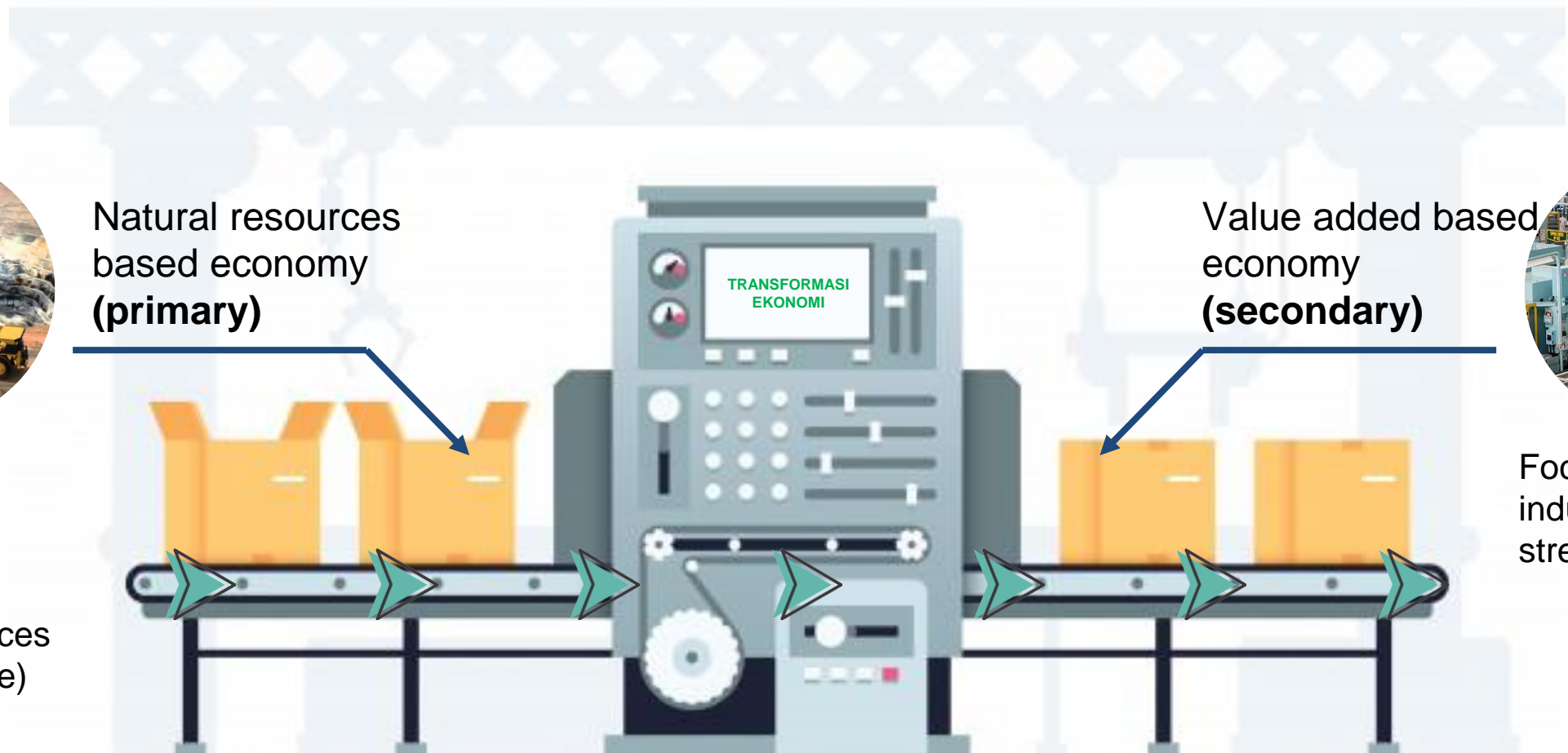


Transformation is needed to **increase the added value** of a product which will have a positive impact on national economic growth

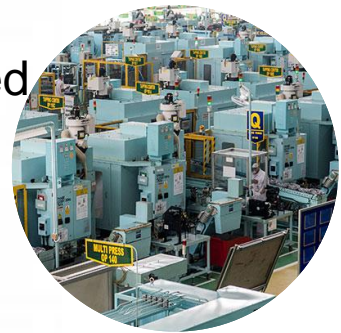


Natural resources based economy (primary)

Focus on Indonesia's competitive advantage on natural resources (e.g. Nickel ore)



Value added based economy (secondary)



Focus on industrial downstreaming



# Priority Sectors that have Strategic Added Value



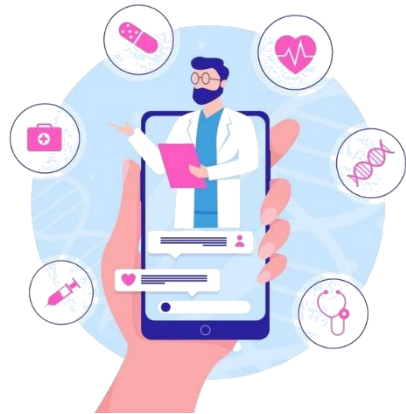
Energy



Mining



Manufacture



Medical equipment



Infrastructure



To attract investment so as to create more employment opportunities, **comprehensive promotion instrument** consisting clear and specific information on certain investment opportunities for investors are needed and inevitable such as a pre feasibility study that **illustrates investment opportunities** across Indonesia



- Indonesia is included in the list of **top 10 world investment destinations** in 2020 with the advantages of natural resources and a huge market potential
- This is a **positive signal** for investors and the Government of Indonesia

**PROSPECTIVE  
INVESTMENT LOCATION:  
BATANG INTEGRATED  
INDUSTRIAL PARK**



# Economic Zones as Strategic Investment Location

**15 SEZs**

(Special Economic Zones)

Total Area : 17.403,42 Ha

**4 FTZs**

(Free Trade Zone)

Total Area : 127.472 Ha

**118 IEs**

(Industrial Estates) large scale

Total Area : 51.861,64 Ha

**48 IEs**

As location for Direct Construction Facility/**KLIK**

Total Area : 15.201,65 ha, in 12 province

**1,360 BZs**

Bounded Zone

**91 BLCs**

Bounded Logistic Centre

**10 New Bali**

(Priority Tourism Destinations)

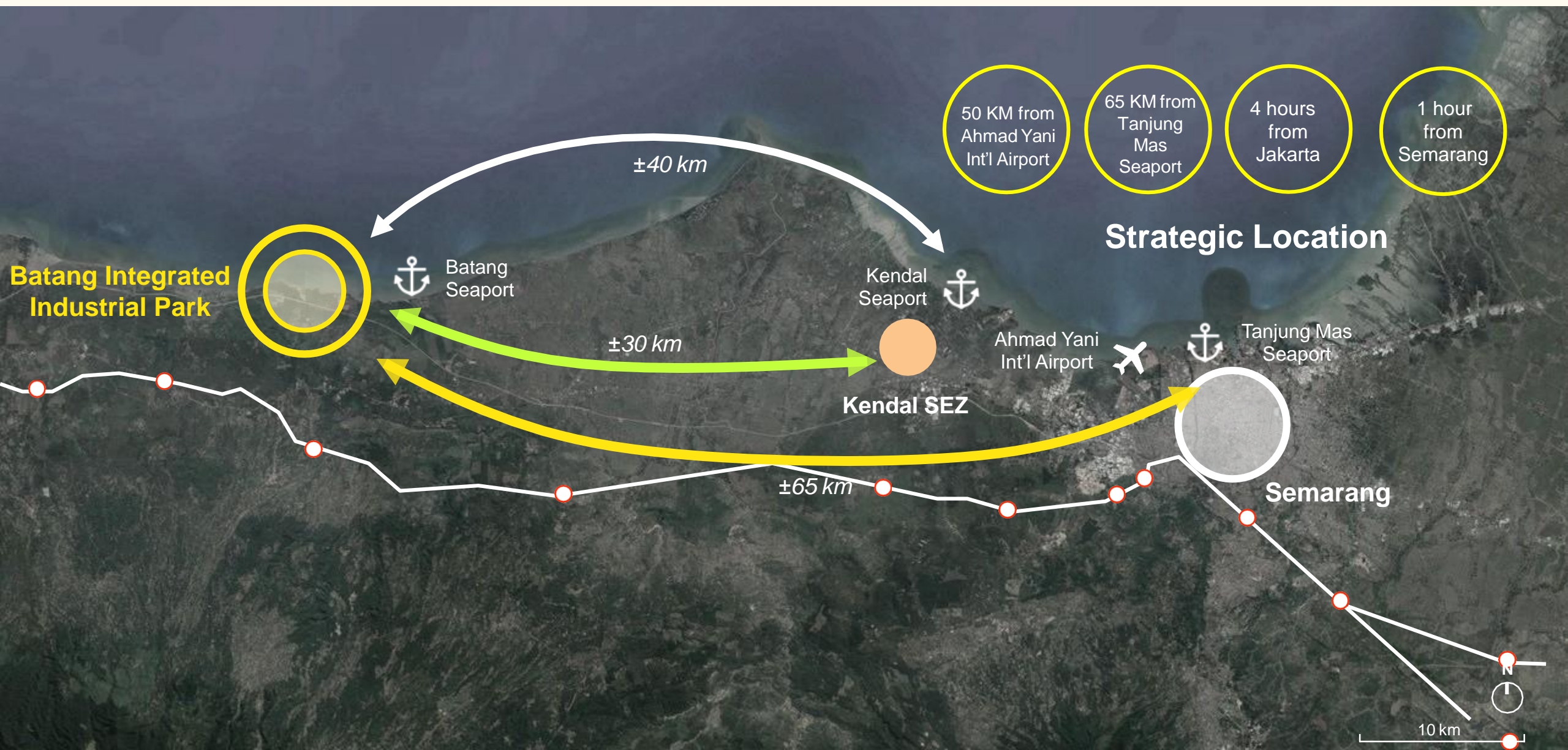






1. The momentum of **investment relocation and/or diversification** from overseas, especially from the US, China, Japan, South Korea, Taiwan, Hong Kong, etc. can be seized by Indonesia through the Integrated Industrial Park in Batang Regency, Central Java
2. Instruction to prepare an **Industrial Designated Area** in Batang Regency covering an area of more than 4.000 ha located on PTPN IX's land (Indonesia's State-Owned Plantation Company)
3. Developing an **investment-friendly** industrial park: competitive land price and more convenient licensing process

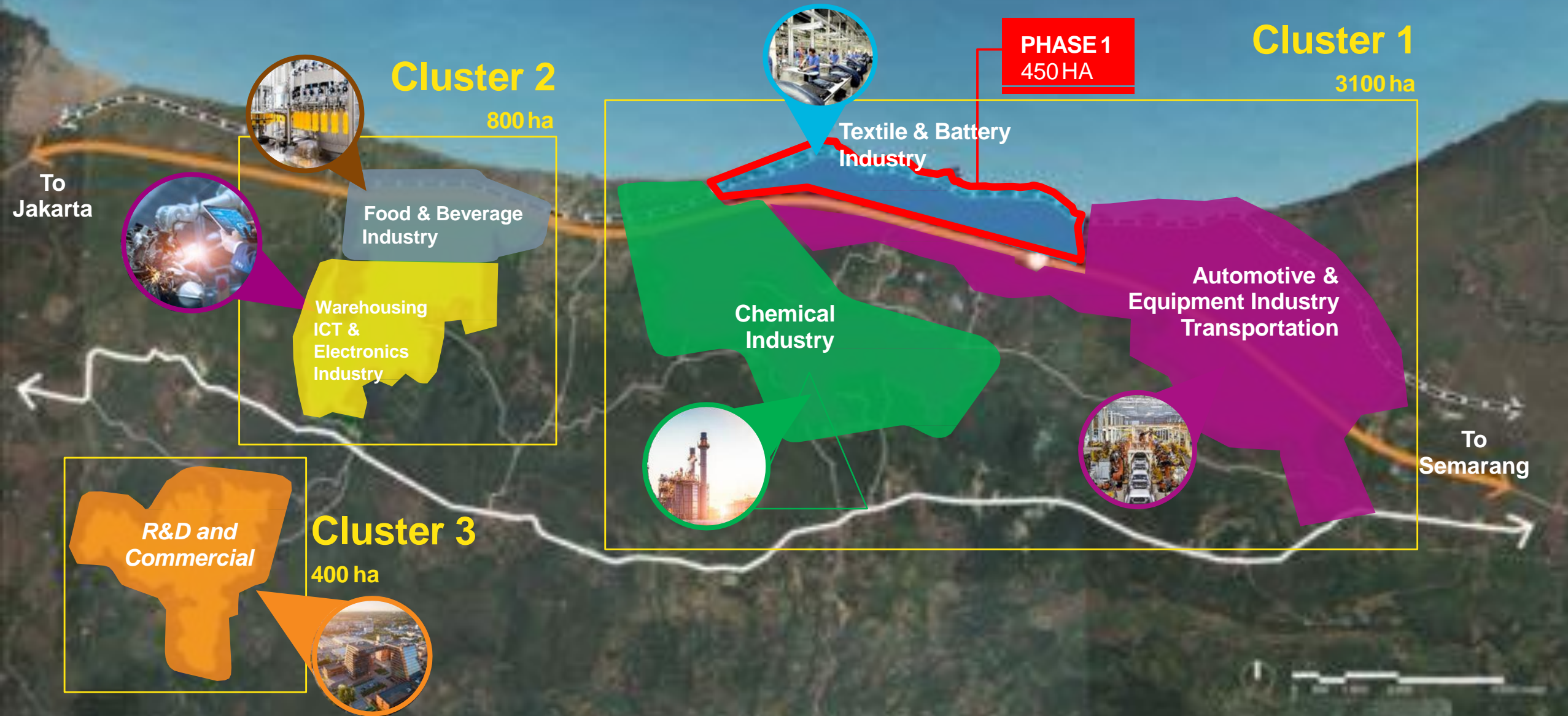
# Batang Integrated Industrial Park in a Regional Perspective





# Batang Integrated Industrial Estate (4.300 Ha)

Industrial Clusters and Classifications

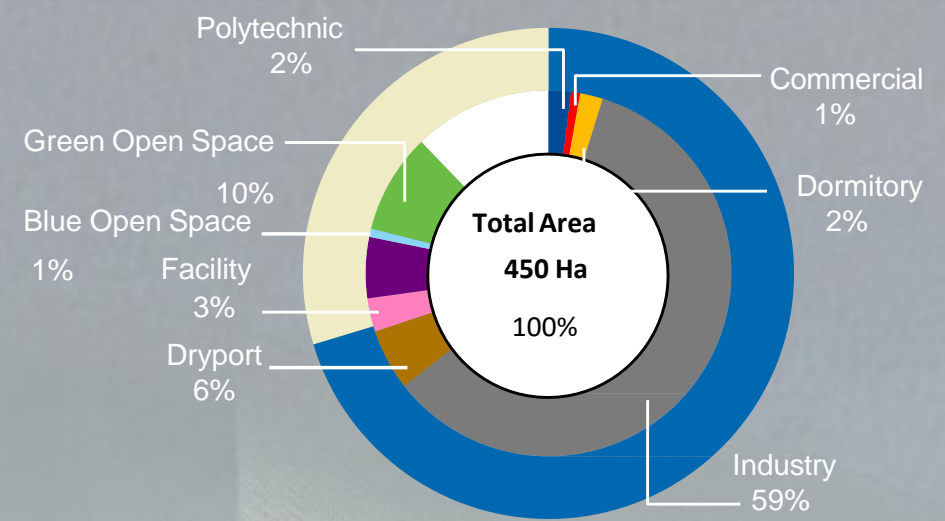




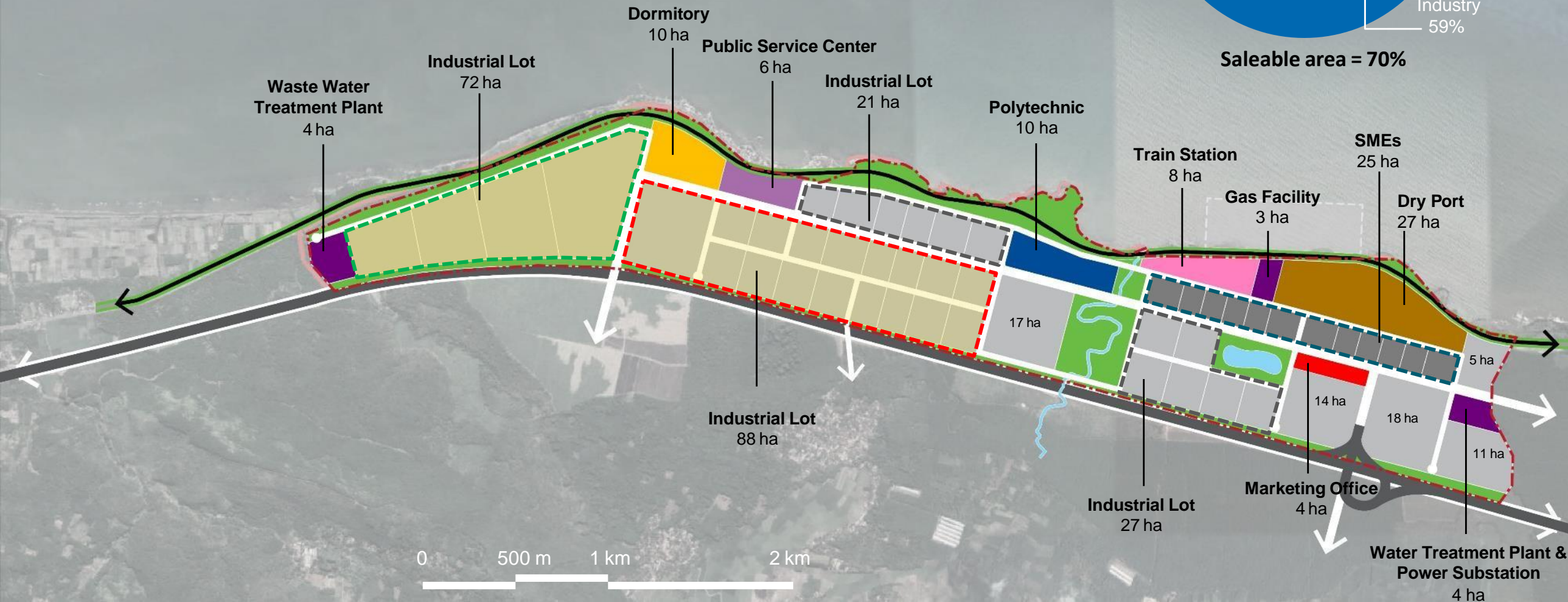
Masterplan

# Land Use Planning

## Phase 1 (450 ha)



Saleable area = 70%





# Integrated Connectivity

To Jakarta

Secondary Road

Train Station

Seaport (Phase 2)

Dry port

Main Road

Double Track Railway

Trans Java Toll Road

To Semarang




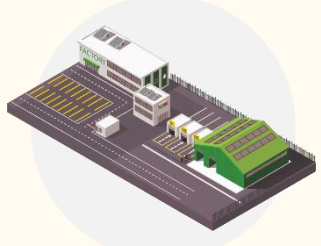

Toll Access  
KM 372 + 200










# Economic Zone Development Concept in Indonesia



|  |  |   |  |   |
|--|--|---|--|---|
|   |   |    |   |    |
| <p><b>Industrial Estate</b></p>  | <p><b>Bonded Zone</b></p>  | <p><b>Bonded Logistic Centre</b></p>  | <p><b>Free Trade Zone</b></p>  | <p><b>Special Economic Zone</b></p>   |
| <p><b>118 Industrial Estate</b></p>  | <p><b>1.360 Bonded Zone</b></p>  | <p><b>91 Bonded Logistic Centre</b> in 131 location</p>   | <p><b>4 FTZ</b></p>  | <p><b>15 SEZ</b></p>  |
| <ul style="list-style-type: none"> <li>Export Oriented and Domestic Industry</li> </ul>  | <ul style="list-style-type: none"> <li>Export oriented, import substitution, downstream industries</li> </ul>  | <ul style="list-style-type: none"> <li>Supports industrial activities</li> </ul>  | <ul style="list-style-type: none"> <li>Export Oriented</li> </ul>  | <ul style="list-style-type: none"> <li>Export (and flexible for domestic market)</li> </ul>   |
| <ul style="list-style-type: none"> <li>Centralized industrial activities equipped with supporting facilities and infrastructure</li> </ul> | <ul style="list-style-type: none"> <li>Bonded stockpiling sites for imported goods and / or goods originating from other places in the customs area to be processed or combined</li> </ul> | <ul style="list-style-type: none"> <li>Bonded stockpiling sites for stockpiling goods originating outside the customs area and / or from other places in the customs area, it can be accompanied by 1 (one) or more simple activities within a certain period of time to be reissued (Bonded warehousing, it can be accompanied by 1 or more simple activities (packaging (return), sorting, QA, combining, packing, installation / repair, other)</li> </ul> | <ul style="list-style-type: none"> <li>Specific Zone/Region within the legal territory of the Indonesia which treated as separate zone from the customs area and cover some business activities (Processing activities, design engineering, sorting, initial or final inspection, packing, repackaging, repairing / rebuilding machinery)</li> </ul> | <ul style="list-style-type: none"> <li>Zone/Region with specific boundary within the Indonesia which set up to carry out economic functions (Export processing activities, logistics (storage, assembly, sorting, packing, distributing, repairing / rebuilding machinery), engineering, industrial engineering)</li> </ul> |

# Incentives in Economic Zones



|  |  Industrial Estate  |  Bonded Zone                               |  Bonded Logistic Centre                     |  Free Trade Zone   |  Special Economic Zone  |
|--|--|---|--|---|--|
| <b>Tax Holiday</b>                     | Applying general provisions of TH (18 pioneer industries)  |   |  |   | <b>TH is applicable</b><br>(for SEZ's primary activities)  |
| <b>Tax Allowance</b>                   | Applying general provisions of TA (certain sectors and locations)  |   |  |   | <b>TA is applicable</b> (for activities outside SEZ's primary activities )   |
| <b>VAT or VAT and Luxury Goods Tax</b> | General provision is applicable  | VAT or VAT and Luxury Goods Tax is not collected  | VAT or VAT and Luxury Goods Tax is not collected (Entry comes from PLB, TPB other than PLB, and other area inside custom area) | Exemption of VAT or VAT and Luxury Goods Tax  | <ul style="list-style-type: none"> <li>- <b>VAT or VAT and Luxury Goods Tax is not collected</b> (import/goods entry to SEZ)</li> <li>- <b>VAT return</b> (foreign passport holder)</li> <li>- <b>Exemption of Luxury Goods Tax</b> (Handover property/residence)</li> </ul> |
| <b>Custom</b>                          | <ul style="list-style-type: none"> <li>- General provision is applicable</li> <li>- Master list is decided by One – Stop Service BKPM</li> </ul> | Deferred Import Duty  | Deferred Import Duty   | <ul style="list-style-type: none"> <li>- <b>Exemption of Import Duty</b></li> <li>- Master list is decided by One –Stop Service BKPM</li> </ul> | <ul style="list-style-type: none"> <li>- <b>Exemption of Import Duty</b> for Developer and Investors/Business Players</li> <li>- Master list is decided by SEZ Administrator</li> <li>- Import Duty Tariff 0% upon products with 40% local content</li> </ul>                |
| <b>Excise</b>                          | Applying excise's provisions   | Excise Exemption  | Excise exemption (for consumption needs of people living in free zones)  | <b>Excise Exemption</b>   | <b>Excise Exemption</b> (raw materials or auxiliary materials in the manufacturing of finished goods which are not subject to excise)  |
| <b>Income Tax Art 22 Import</b>        | -  | Not collected   | Not collected  | Not collected   | Not collected  |
| <b>Inland FTA</b>                      | -  | Applicable  | -  | Applicable  | Applicable (Local content/TKDN min 40%)  |
| <b>Goods Traffic</b>                   | Provisions on prohibitions and restrictions on imports and exports are applied   | Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied | Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied    | Provisions for the entry of goods prohibited from being imported and the export of goods prohibited from export are applied                     | Goods subject to provisions on import and export restrictions can be given exemptions and / or relaxation.   |

# THANK YOU

LET'S INVEST IN INDONESIA



## Indonesia Investment Coordinating Board Badan Koordinasi Penanaman Modal (BKPM)

Jl. Jenderal Gatot Subroto No. 44  
Jakarta 12190 - Indonesia

Tel: (+6221) 525 2008  
Fax : (+6221) 525 4945  
Contact Center : 0807 100 2576  
E-mail : info@bkpm.go.id  
www.bkpm.go.id

follow us on



BKPMINDONESIA



bkpm



THEBKPMVIDEO



bkpm\_id



Indonesia Investment  
Coordinating Board

[www.investindonesia.go.id](http://www.investindonesia.go.id)