



The Outlook of Economic Cooperation Between Indonesia and Taiwan

INDONESIA INVESTMENT COORDINATING BOARD

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Director of Sectors Investment Promotion



ASEAN-10

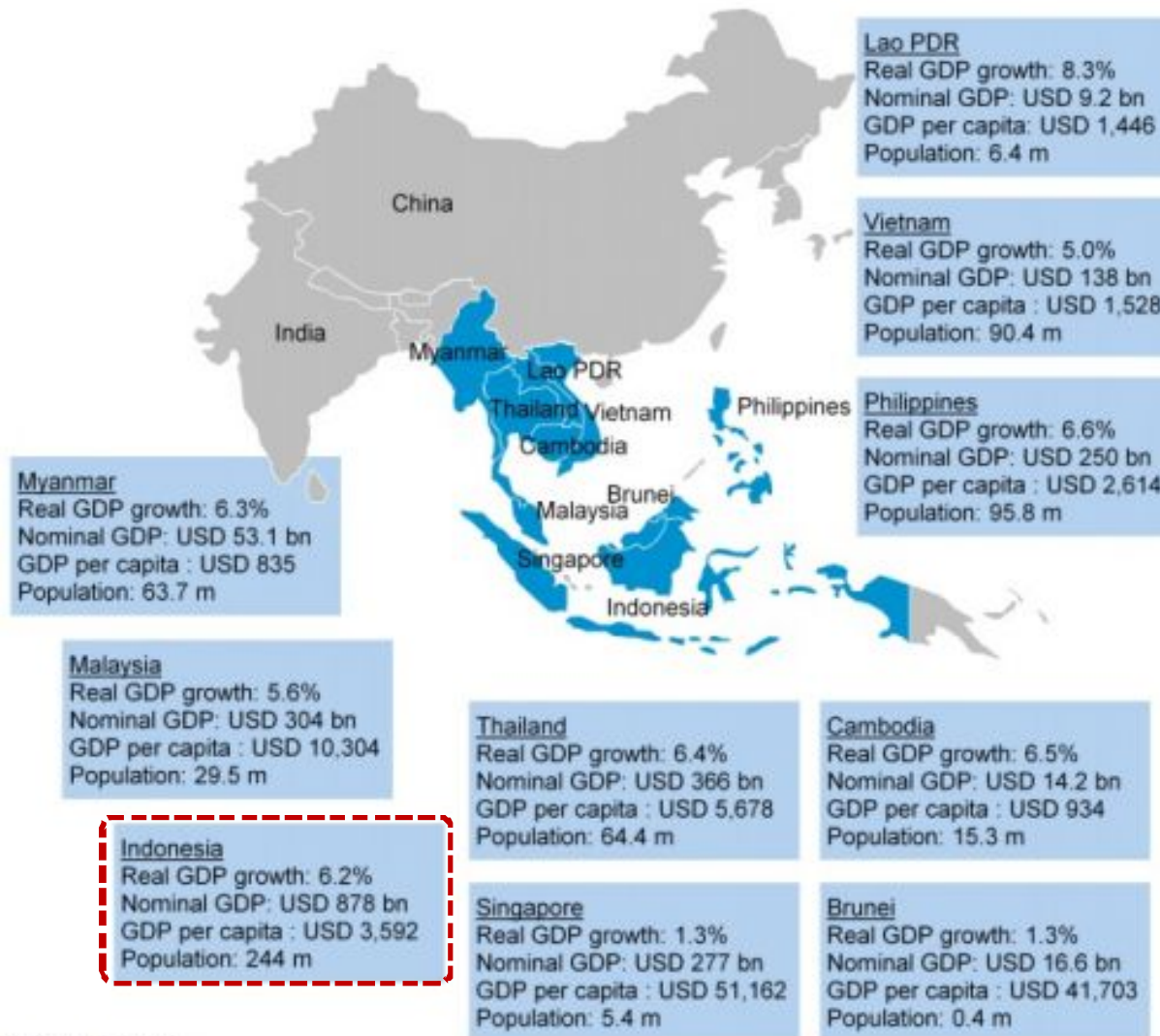
Real GDP growth: 5.4% (e)
Nominal GDP: USD 2.3 tr
GDP per capita USD 3,745
Population: 616 m

India

Real GDP growth: 4.0%
Nominal GDP: USD 1.8 tr
GDP per capita: USD 1,492
Population: 1,223 m

China

Real GDP growth: 7.8%
Nominal GDP: USD 8.3 tr
GDP per capita: USD 6,076
Population: 1,354 m



Indonesia in ASEAN

ASEAN is the third largest market in Asia, after China & India.

Indonesia represents:
40% of ASEAN population
38% of ASEAN's economy

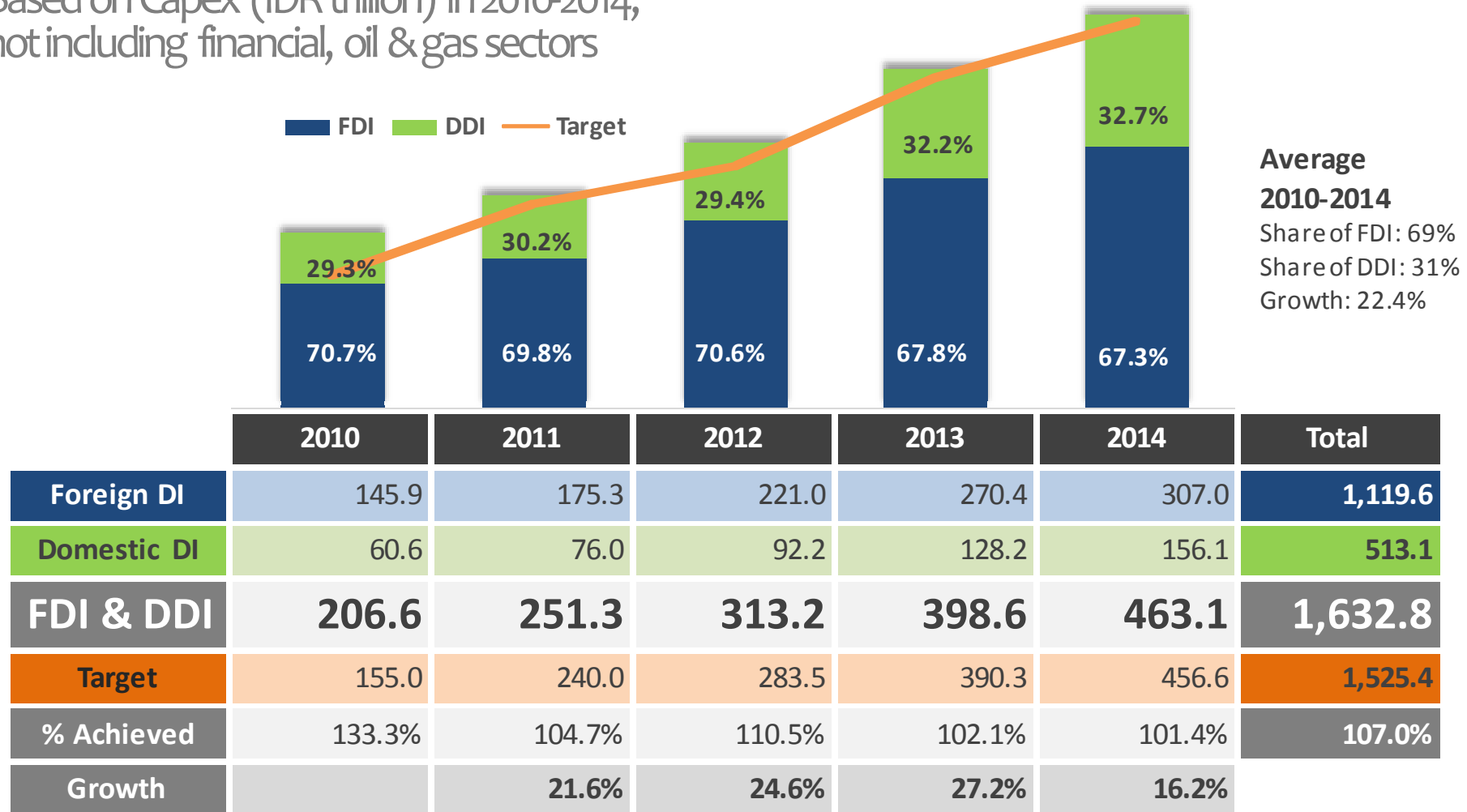
Source: IMF, 2014



Investment Performance

Total Direct Investment Realization

Based on Capex (IDR trillion) in 2010-2014,
not including financial, oil & gas sectors



- 2005-2012, Exchange Rate USD1 = Rp 9,000
- 2013 (Q I and Q II), Exchange Rate USD1 = Rp 9,300 (based on National Budget/APBN 2013)
- 2013 (Q III and Q IV), Exchange Rate USD1 = Rp 9,600 (based on National Budget/APBN 2013)
- 2014 (Q I-Q III) Exchange Rate USD1 = Rp 10,500 (based on National Budget/APBN 2014)
- 2014 (Q IV) Exchange Rate USD1 = Rp 11,600 (based on National Budget/APBN-P 2014)



Investment Performance

Total FDI Realization by Country

Based on Capex (USD million) in 2010-2014, not including financial, oil & gas sectors

Rank	Country	2010	2011	2012	2013	2014	Total
1	Singapore	5,565	5,123	4,856	4,671	5,832	26,047
2	Japan	713	1,516	2,457	4,713	2,705	12,104
3	United States	931	1,488	1,238	2,436	1,299	7,392
4	South Korea	329	1,219	1,950	2,205	1,127	6,829
5	Netherlands	608	1,354	967	928	1,726	5,583
6	British Virgin Islands	1,616	517	856	786	624	4,399
7	United Kingdom	276	419	934	1,076	1,588	4,293
8	Malaysia	472	618	530	711	1,776	4,108
9	Mauritius	23	73	1,059	780	541	2,475
10	Hong Kong, PRC	566	135	310	376	657	2,044
Total Top-10 Countries		11,099	12,462	15,156	18,682	17,876	75,275
12	People Republic of China	174	128	141	297	800	1,540
13	Taiwan, PRC	47	243	647	403	115	1,455
14	Switzerland	130	9	255	125	151	670
Total (90 Countries)		16,215	19,475	24,565	28,616	28,530	117,400

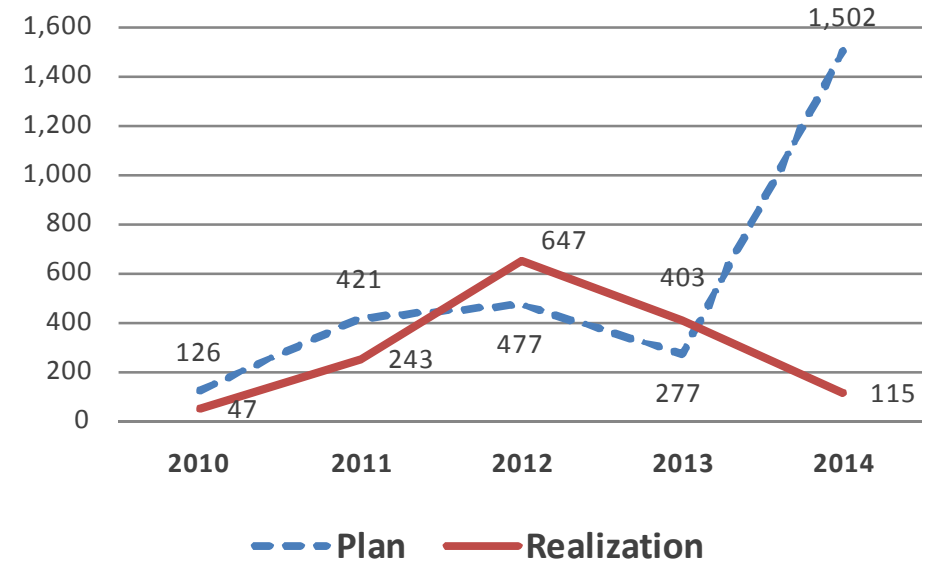
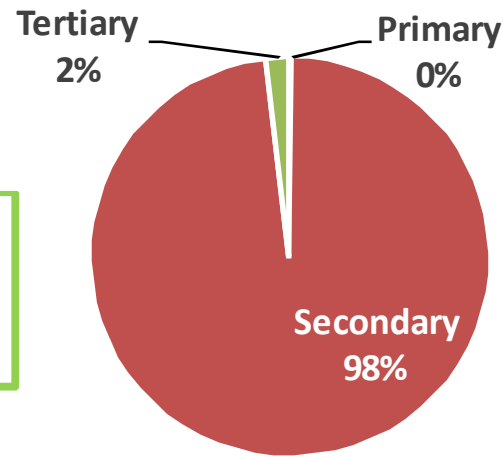


Investment Performance

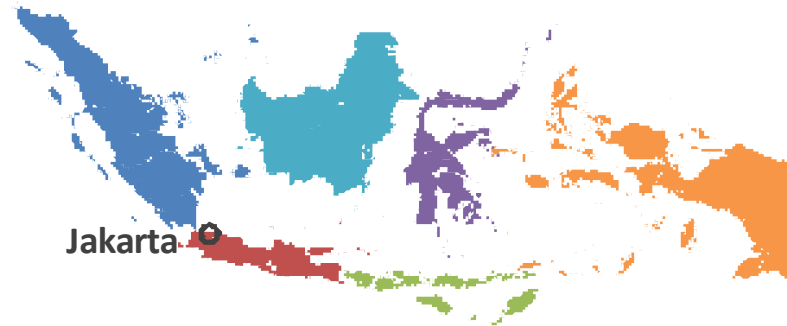
Taiwan's FDI Realization by Sector

Based on Capex (USD million) in 2010-2014, not including financial, oil & gas sectors

Total 2010-2014
Plan: USD 2.8 billion
Realization: USD 1.5 billion
Workforce: 57,594 people



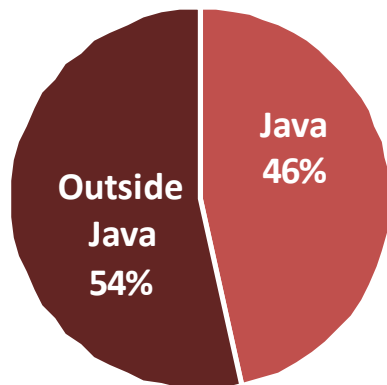
Rank	Business Field	2010	2011	2012	2013	2014	Total
1	Paper & printing industry	27	181	606	-	3	817
2	Non metal mineral industry		9	5	354	14	382
3	Textile industry	3	2	1	1	39	46
4	Rubber & plastic industry	2	19	1	13	11	45
5	Metal, machinery & electronic ind.	1	4	1	5	26	36
	Others	15	28	34	28	22	128
	Total	47	243	647	403	115	1,455



Investment Performance

Taiwan's FDI Realization by Location

Based on Capex (USD million) in 2010-2014, not including financial, oil & gas sectors



Rank	Economic Corridor	2010	2011	2012	2013	2014	Total
1	Sumatra	7	68	595	101	2	774
2	Java	39	173	52	301	112	676
3	Bali & Nusa Tenggara	0.4	1.3	0.6	0.4	0.1	3
4	Sulawesi	0.8	0.8	-	0.1	0.7	2
5	Kalimantan	-	-	-	-	-	-
6	Maluku & Papua	-	-	-	-	-	-
Total		47	243	647	403	115	1,455



National Medium-Term Development Planning 2015-2019

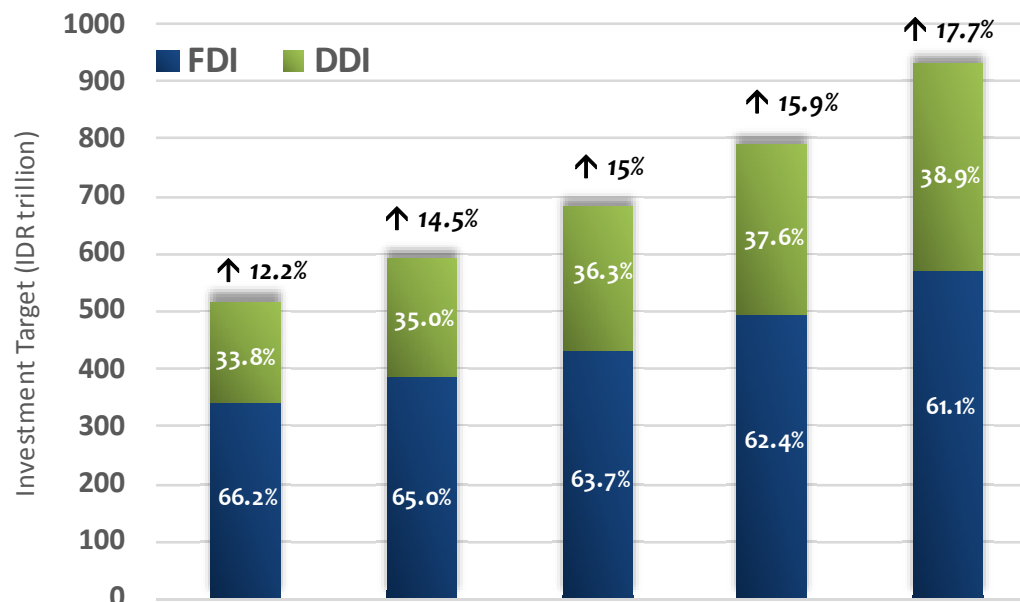
Economic Indicator Growth Target

Indicator	Estimation	Projection (%)					Average
	2014	2015	2016	2017	2018	2019	
GDP Growth (%)	5,1	5,8	6,6	7,1	7,5	8,0	7,0
Consumption							
• Household	5,2	5,3	5,5	5,7	5,8	6,1	5,7
• Nonprofit household	6,9	7,0	7,1	7,2	7,3	7,4	7,2
• Government	2,4	1,3	1,6	2,0	2,3	2,5	1,9
Investment (Gross Domestic Fixed Capital Formation)	4,9	8,1	9,3	10,4	11,2	12,1	10,2
Export	-0,7	2,1	7,6	8,8	11,0	12,2	8,3
Import	-3,6	1,5	6,8	9,8	12,5	14,0	8,9
Total Direct Investment (IDR Trillion)		519,5	594,8	678,8	792,5	933,0	
Direct Investment Growth (%)		12,2	14,5	14,1	16,8	17,7	15,1
Share of DDI (%)		33,8	35,0	36,3	37,6	38,9	36,4

- To achieve 7% average economic growth, investment (Gross Domestic Fixed Capital Formation) should grow 10,2% per annum in 2015-2019.
- The target of total direct investment (DDI and FDI) in 2015-2019 is IDR 3.519 trillion (USD 293 billion), a 220% increase compared to the previous five year period, or growing 15,1% per annum.

Investment Strategic Plan 2015-2019

Investment Target



	2015	2016	2017	2018	2019
FDI	343.7	386.4	429.0	494.7	570.0
DDI	175.8	208.4	249.8	297.8	363.0
TOTAL	519.5	594.8	678.8	792.5	933.0

Indonesia's investment Target, 2015-2019
Excl. Financial Sectors and Upstream Oil and Gas, in IDR Trillion

IDR **3,519** trillion
total investment
targeted
in 2015-2019

115% increase
from 2010-2014 period
(IDR 1,632.8 trillion)

15.1% average growth
targeted in 2015-2019 period

FDI
2015-2019

63.6% average share
of total investment target
in 2015-2019

DDI
2015-2019

36.4% average share
of total investment target
in 2015-2019



Why Indonesia?

The Most Promising Country for Overseas Business

Japan Bank for International Cooperation Survey 2014

Rank	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1	China	China	China	China	China	China	China	China	Indonesia	India
2	India	India	India	India	India	India	India	India	India	Indonesia
3	Thailand	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Thailand	Indonesia	Thailand	China
4	Vietnam	Thailand	Thailand	Russia	Thailand	Thailand	Vietnam	Thailand	China	Thailand
5	US	US	Russia	Thailand	Russia	Brazil	Indonesia & Brazil	Vietnam	Vietnam	Vietnam
6	Russia	Russia	US	Brazil	Brazil	Indonesia	-	Brazil	Brazil	Mexico
7	Korea	Brazil	Brazil	US	US	Russia	Russia	Mexico	Mexico	Brazil
8	Indonesia	Korea	Indonesia	Indonesia	Indonesia	US	US	Rusia	Myanmar	USA
9	Brazil	Indonesia	Korea	Korea	Korea	Korea	Malaysia	US	Rusia	Russia
10	Taiwan	Taiwan	Taiwan	Taiwan	Malaysia	Malaysia & Taiwan	Taiwan	Myanmar	US	Myanmar

Positive Factors

- Future growth potential of local market
- Current size of local market
- Inexpensive source of labor
- Supply base for assembler
- Base of export to third country

Issues of Concern

- Rising labor costs
- Execution of legal system unclear
- Intents competition with other companies
- Underdeveloped infrastructures
- Difficult to secure management-level staff.



Why Indonesia?

Additional USD1.3 Trillion Market Opportunity in Consumer Services

16th-largest economy in the world

45 million members of the consuming class

53% of the population in cities producing 74% of GDP

55 million skilled workers in the Indonesian economy

\$0.5 trillion
market opportunity in consumer services, agriculture and fisheries, resources, and education

Indonesia today

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

Indonesia in 2030

Source: McKinsey Global Institute, September 2012.



Why Indonesia?

The World's Major Producer of a Broad Range of Commodities

No	Commodity	Production	Location	World Rank
1	Crude Palm Oil	27.0 million metric tons (2013)	Sumatera, Kalimantan, Sulawesi, Papua.	1st
2	Cocoa	410 thousand tons (2012)	Sulawesi, Sumatera, Java, Kalimantan, Papua	3rd
3	Rubber	3 million tons (2012)	Kalimantan	2nd
4	Tin	83 thousand metric tons (2012)	Sumatera	2nd
5	Nickel	318 thousand metric tons (2012)	Sulawesi, Sumatera, Maluku, Papua	2nd
6	Coal	213 million tons (2014)	Sumatra, Kalimantan	2nd
7	Natural Gas	79 trillion cubic meters (2012)	Sumatra, Java, Kalimantan	3rd
8	Bauxite	29 million metric tons (2012)	Sumatra	6th
9	Copper	832 thousand metric tons (2012)	Papua, Maluku, Nusa Tenggara	5th
10	Gold	58,8 thousand kgs (2012)	Kalimantan, Sumatera, Maluku, Papua	7th
11	Geothermal	Reserve 40% of world's resources	Sumatra, Java, Sulawesi. Maluku	1st

Source: MOEA RI, BKPM, FAO, US Geological Survey



Investment Priority Sectors

Power Generation	35 GW new projects	7 GW projects in the pipeline			
Labor-intensive industry	Textile	Food & Beverages	Furniture	Toys	
Import-substitution industry	Chemical & Pharmaceutical	Iron & Steel			
Export-oriented industry	Electronics	CPO & derivative products	Wood products, pulp & paper	Automotive	
	Machinery	Rubber products	Fish & derivative products	Shrimp	
Downstream industry of natural resources	Cacao	Sugar	Smelter		
Maritime	Shipping	Ship building	Sea port	Cold storage	ICT for maritime
Tourism	Strategic tourism areas	MICE			



Roles of Manufacturing Industry

Development Target 2015-2019

Indicator	2014	2015	2016	2017	2018	2019	Average 2015-19
GDP Growth (%)	5.02	5.8	6.6	7.1	7.5	8.0	7.0
Manufacturing Industry* Growth (%)	4.7	6.0	6.9	7.5	8.1	8.6	7.4
Share to GDP (%)	20.7	20.8	21.0	21.1	21.3	21.6	21.2

*) Oil & gas and non-oil & gas manufacturing industries.

9,000
new middle/large-
scale industries
have to be built in
2015-2019.

20,000
small-scale industries
have to be established
in 2015-2019.

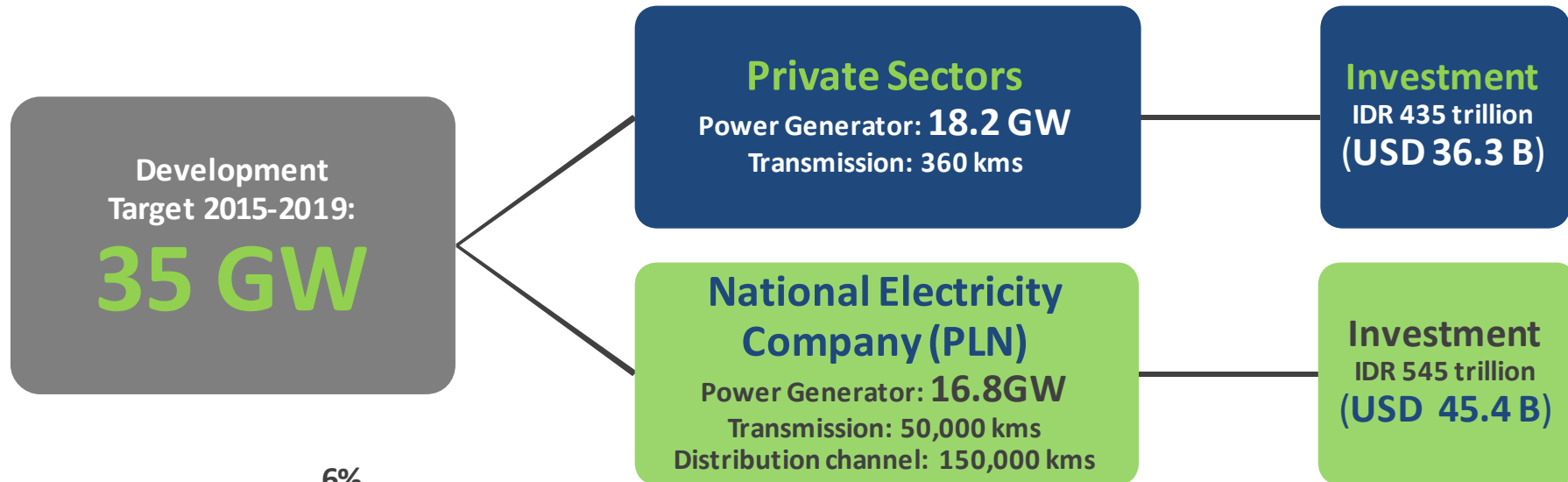
2 million
new job opportunities
per annum have to be
created in Indonesia.



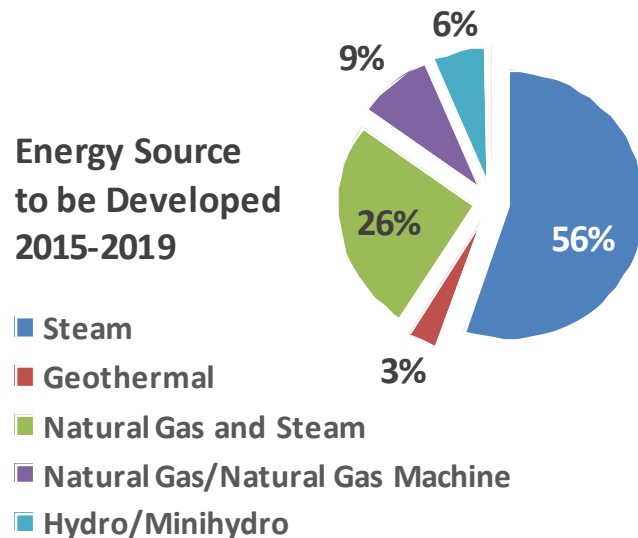
National Development Plan 2015-2019

Power Generation Target

USD36.3 billion of investment is offered to private sectors.



Energy Source to be Developed 2015-2019



STRATEGIC PROJECTS to overcome the (potential) scarcity of electricity

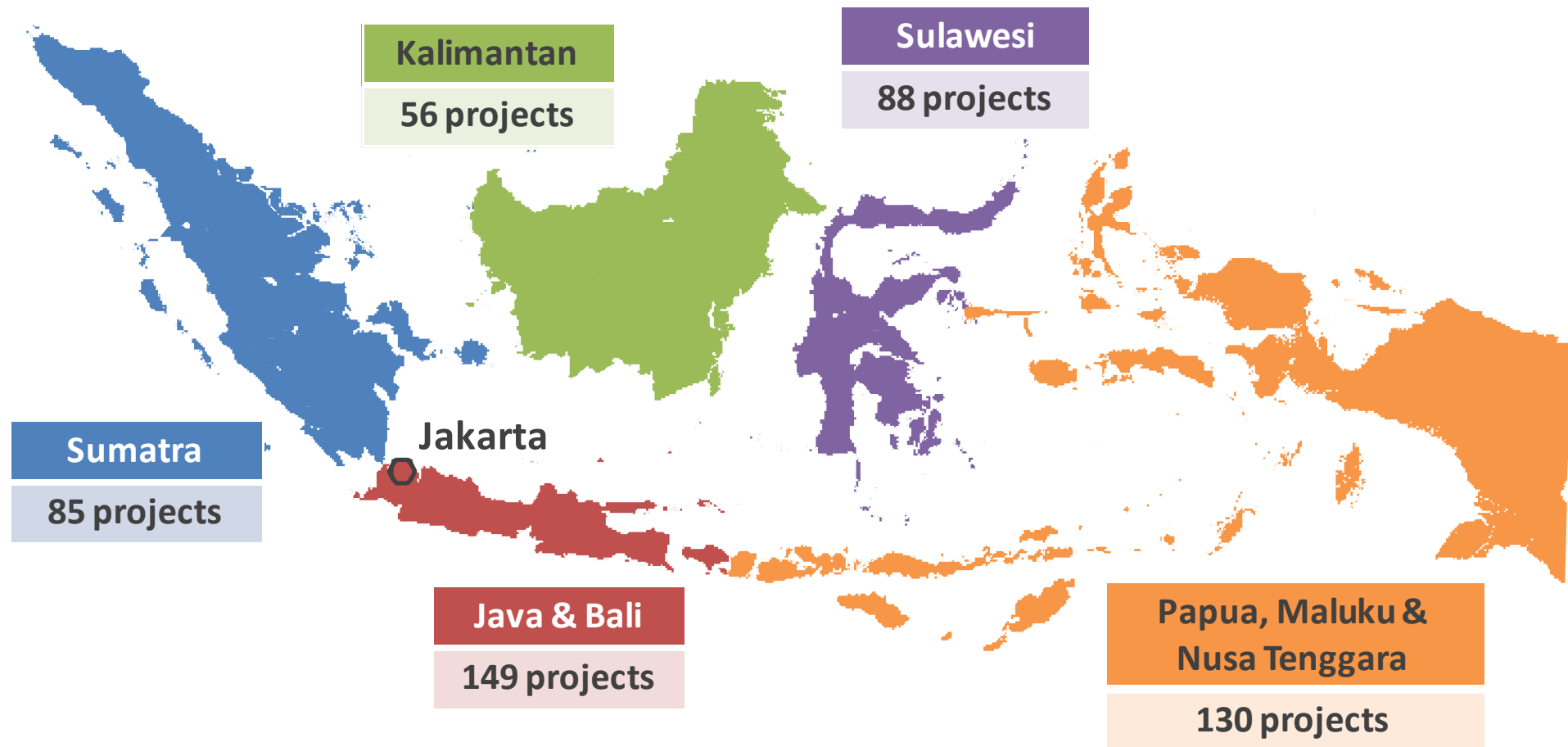
- Complete 2,191 MW powerplant projects (18 steam powerplants)
- Develop 2,000 MW steam and natural gas powerplants (Muara Karang, Muara Tawar, Tanjung Priok, and PLTGU Grati Pasuruan)
- Develop big-scale steam powerplants in West Java (Bojonegoro), Central Java, and East Java (including Cilacap)
- Develop steam powerplants in Mulut Tambang 8, 9, 10 (including Java-Sumatera transmission 500kV), Indramayu 1,000 MW, and Batang Jateng 2x1,000 MW
- Develop steam powerplant extension in Cirebon 1,000 MW and Suralaya 1,000 MW
- Develop other planned powerplant (hydroelectric powerplant, steam powerplant, etc)



National Development Plan 2015-2019

Power Generation Project Distribution

508 projects across the archipelago





National Development Plan 2015-2019

Connectivity to Lower Logistic Cost



24 seaports and 15 airports location

63% increase National budget for infrastructure, from IDR 178 T in 2014 to IDR 290 T (USD 24.2 B) in 2015.

USD 141 billion Investment opportunities in infrastructure offered to private sectors, 31% of total investment required in 2015-2019.

Source: National Medium Term Development Planning, 2015-2019, Bappenas, Dec 2014 & MoF, Feb 2015.

Development Sector in Connectivity	Baseline	Target
	2014	2019
Logistic cost to GDP (%)	24.2	19.2
New road (km, total in 5 years)	1,202	2,650
New toll road (km, total in 5 years)	807	1,000
Railway (km)	5,434	8,692
Seaport (location)	278	450
Airport (location)	237	252
Broadband coverage (% of district)	82	100
Crossing dock (location)	210	275
Market share of urban public transport (%)	23	32

Growth Centers (Industrial Parks, SEZ & FTZ)

4 FTZ

4 existed Free Trade Zones: Sabang, Batam, Bintan & Karimun.

11 SEZ

8 existed Special Economic Zones.
11 SEZs will be developed in 2015-2019.

15 Industrial Parks

79 existed industrial parks across Indonesia.
15 industrial parks will be developed in 2015-2019 (13 outside Java).

Outside Java
for processing industries
of natural resources.

Java Island
for high-technology, labor-intensive & consumer goods industries.



SUMATERA

Kuala Tanjung – Sumut
Seimangke – Sumut
Tanggamus – Lampung

KALIMANTAN

Batulicin – Kalsel
Ketapang – Kalbar
Landak – Kalbar

SULAWESI

Palu – Sulteng
Morowali – Sulteng
Bantaeng – Sulsel
Bitung – Sulut
Konawe – Sultra

MALUKU

Buli - Malut

PAPUA

Teluk Bintuni – Papua Barat

JAWA

Sayung – Jateng
JIPE – Jatim

15

Industrial Parks

Development Target
2015-2019



National Medium-Term Development Plan 2015-2019

4 Existing Free Trade Zone (FTZ)



Sabang

Area: 153km²

Supporting Infrastructures:

- Airport
- 1 ferry terminal



Karimun

Area: 913 km²

Supporting Infrastructure:

- 1 Ferry terminal

Batam

Area: 715km²

Supporting Infrastructures:

- Airport
- 5 Ferry terminals
- Bridge to Bintan Island
- Toll
- Monorail (plan)
- Industrial zone

Bintan

Area: 2.402 km²m

Supporting infrastructures:

- 1 Airport
- 3 Ferry terminals
- 2 Cargo Sea Ports
- Bridge to Batam Island
- Industrial Zone



National Medium-Term Development Plan 2015-2019

8 Existing Special Economic Zone (SEZ)

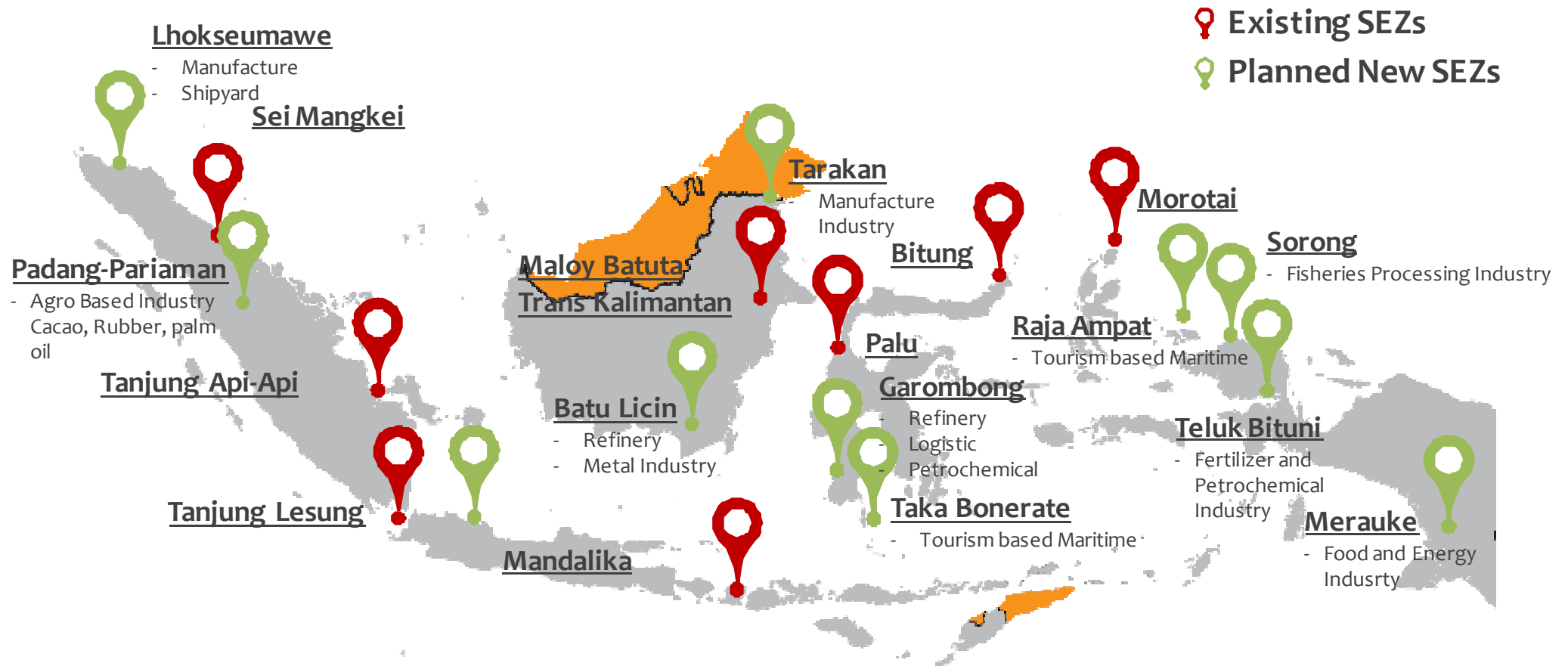


Source: Bappenas, 2015



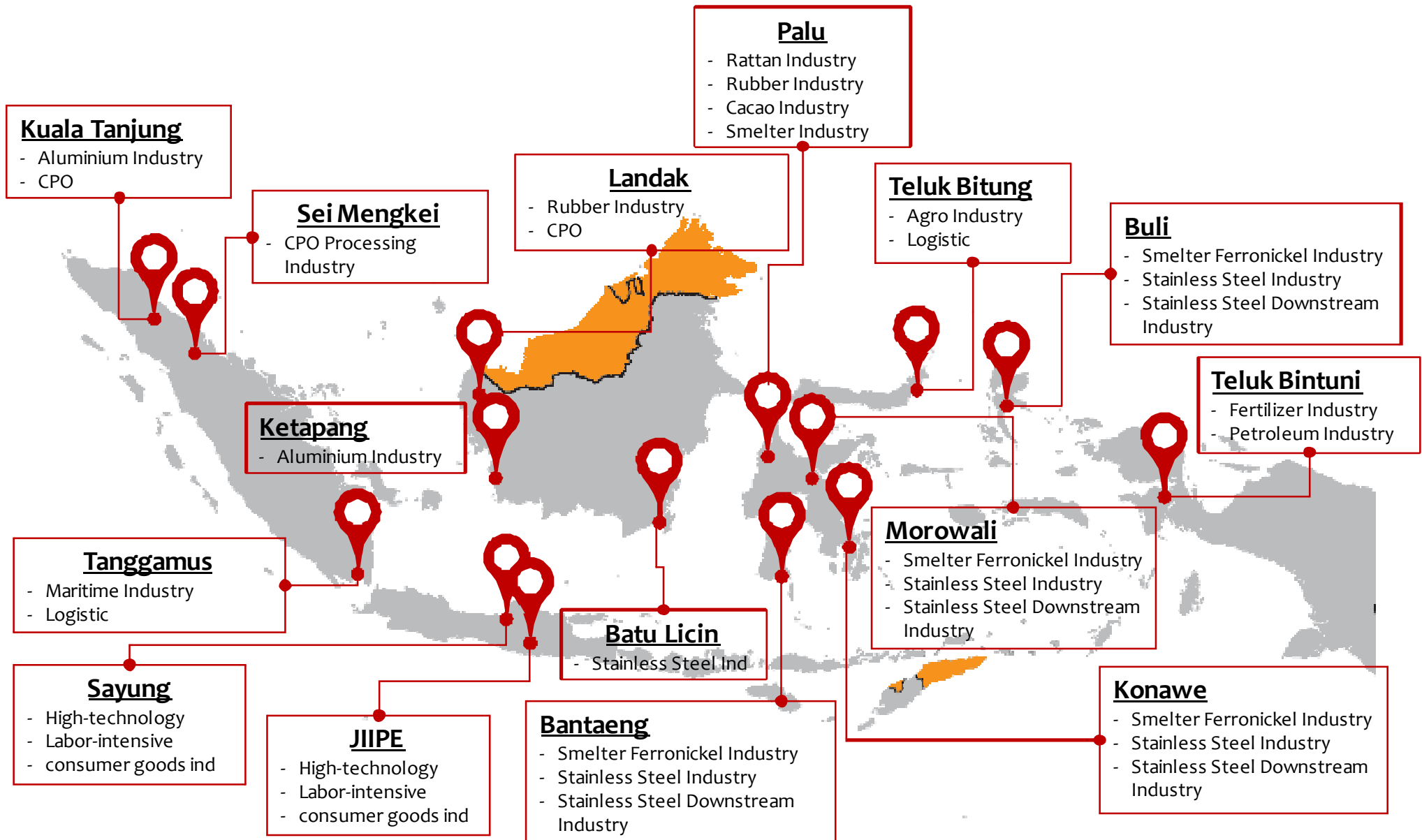
National Medium-Term Development Plan 2015-2019

11 New Special Economic Zone (SEZ)





15 New Industrial Parks



The Investment Coordinating Board of the Republic of Indonesia



Invest in Indonesia

Key Challenges

Infrastructure & Logistics

Business Licensing

Time, cost, certainty, transparency

Regulation/Policy

Consistency, certainty, overlap

Labor Issues

Minimum wages, industrial relation, skill



Invest in Indonesia

Indonesia's Competitiveness

Both total and infrastructure indicators are improving, but still not good enough.

Indonesia Global Competitive Index (GCI)

Year	Rank
2010 – 2011	44
2011 – 2012	46
2012 - 2013	50
2013 - 2014	38
2014 - 2015	34

Indonesia Infrastructure Competitive Index

Year	Rank
2010 – 2011	90
2011 – 2012	82
2012 - 2013	92
2013 - 2014	82
2014 - 2015	72

Indonesia Infrastructure Competitive Index Compared to Other ASEAN Countries

	INA	MAS	THA	VNM	PHI
Infrastructure	72	20	76	112	95
Road	72	19	50	104	87
Railway	41	12	74	52	80
Port	77	19	54	88	101
Air Transport	64	19	37	87	108
Electricity	84	39	58	88	87
Mobile	54	30	34	42	86
Fixed Line	71	73	91	86	113

Source: The Global Competitiveness Report 2014-2015 (World Economic Forums)

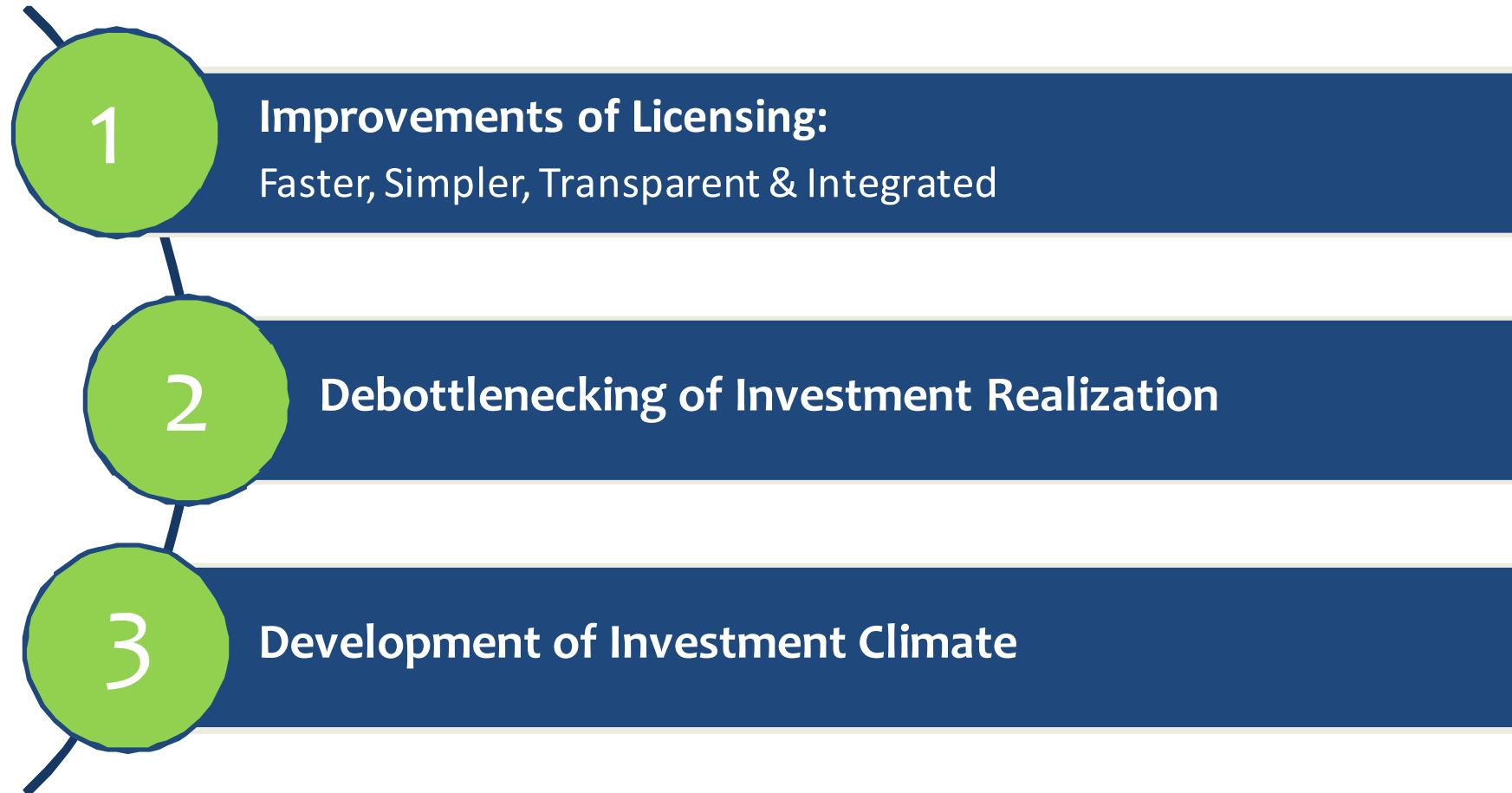
Indonesia Investment Coordinating Board



Invest in Indonesia

Three BKPM's Priorities

As assigned by the President of RI



Investment One-Stop-Service (PTSP) at BKPM



STEP 1

PREPARATION

Establishing foreign investment company (PMA)

- | | |
|--|--|
| <ul style="list-style-type: none"> Obtaining principal license Establishing of Limited Liability Company Researching about the sectors open for investment under the Negative Investment List | <ul style="list-style-type: none"> BKPM Ministry of Law and Human Rights (with the help of notary) |
|--|--|



STEP 2

PRE-OPERATION

Obtaining Facilities and necessary permits

- | | |
|---|-------------------------------------|
| Obtaining import identification number (API-P) for manufacturing companies, if needed | BKPM |
| Submitting investment activities report (LKPM) every 3 months | BKPM |
| Obtaining facilities such as machinery import duty exemption and approval of tax facilities | DG of Taxation, Ministry of Finance |
| Obtaining licenses from local government such as building, permit, domicile certificate | Local government |
| Obtaining permits from relevant sectoral ministries, such as plantation permits | Sectoral ministries |



STEP 3

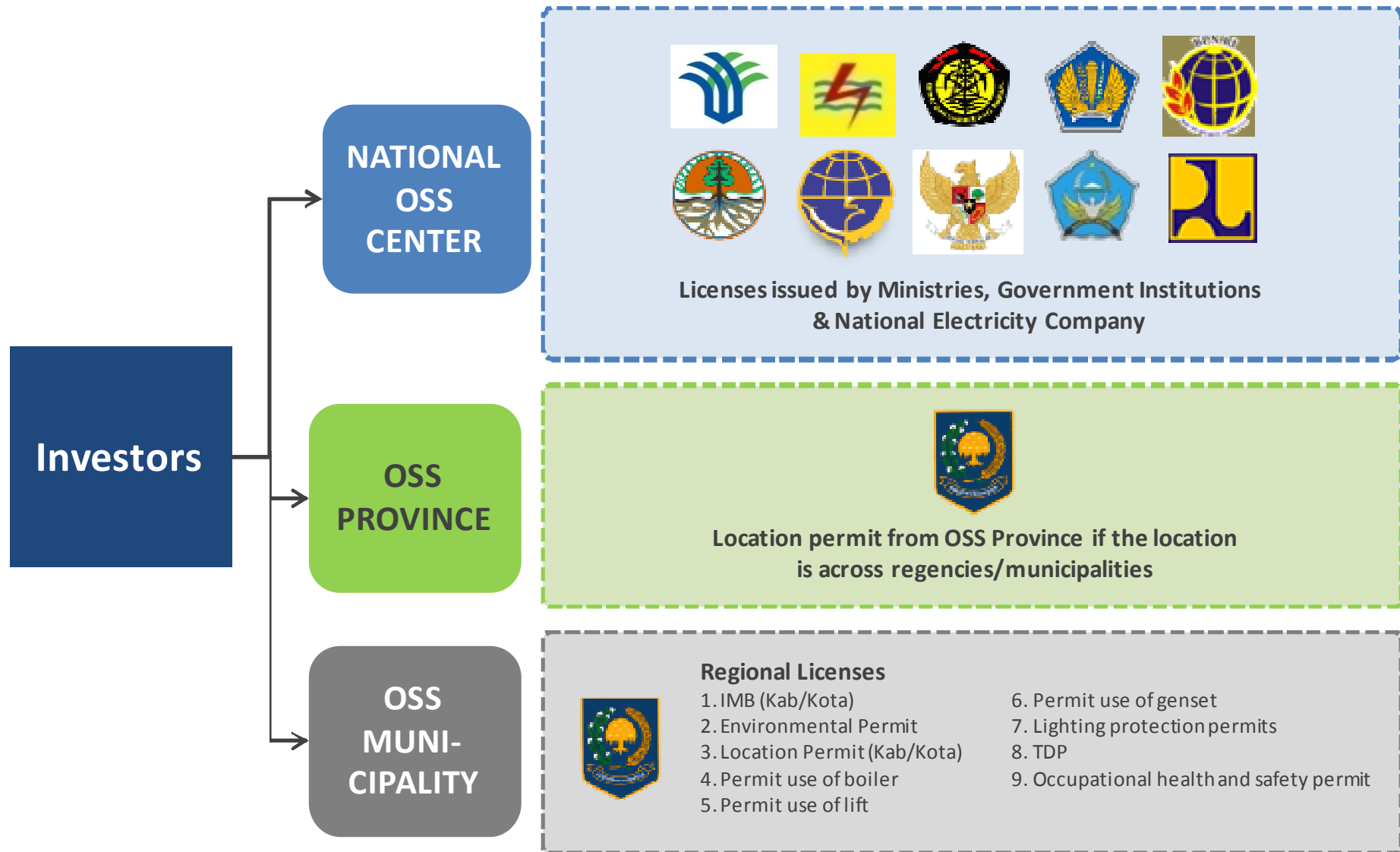
COMMERCIAL OPERATION

Securing business licenses

- | | |
|--|---------------------|
| Obtaining business licence (IU) before the start of commercial operation | BKPM |
| Obtaining general import identification number (API-U) and material import duty exemption, if needed | BKPM |
| Submitting investment activities report (LKPM) every 3 months | BKPM |
| Obtaining periodic operational permits, such as construction services permit | Sectoral ministries |

Integration of Licensing Service: One Stop Services

Power Generation Project (Example)



22 Ministries/institutions integrated in the investment one-stop service at BKPM



Ministry of Energy & Mineral Resources
10 licenses related to power & geothermal



KEMENTERIAN KEHUTANAN

Ministry of Environment & Forestry
35 business licenses



Ministry of Industry
6 business licenses



Ministry of Agrarian and Spatial/National Land Agency
Centralization of issuing land rights licenses for foreign direct investment



Ministry of Defense
Stationed Liaison Officer for consultation



MINISTRY OF TRADE

Ministry of Trade
5 licenses



Kementerian Pertanian

Ministry of Agriculture
5 business licenses



Ministry of Finance
Import duty facility for machineries, goods, materials for production



Ministry of Transportation
7 business licenses



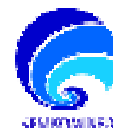
Ministry of Law & Human Rights
1 business licenses



Ministry of Health
9 licenses related pharmaceutical production, medical equipment production



Ministry of Tourism
9 licenses related tourism and economy creative sectors



Ministry of Communications and Information Technology
5 licenses related post management, telecommunication and broadcasting



Ministry of Manpower
3 business licenses and principal licenses



Ministry of Public Works & Public Housing
7 business licenses



Ministry of Maritime & Fishery
2 business licenses

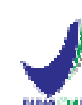


Ministry of Education & Culture
2 business licenses



Indonesian National Police
6 business license in safeguarding business

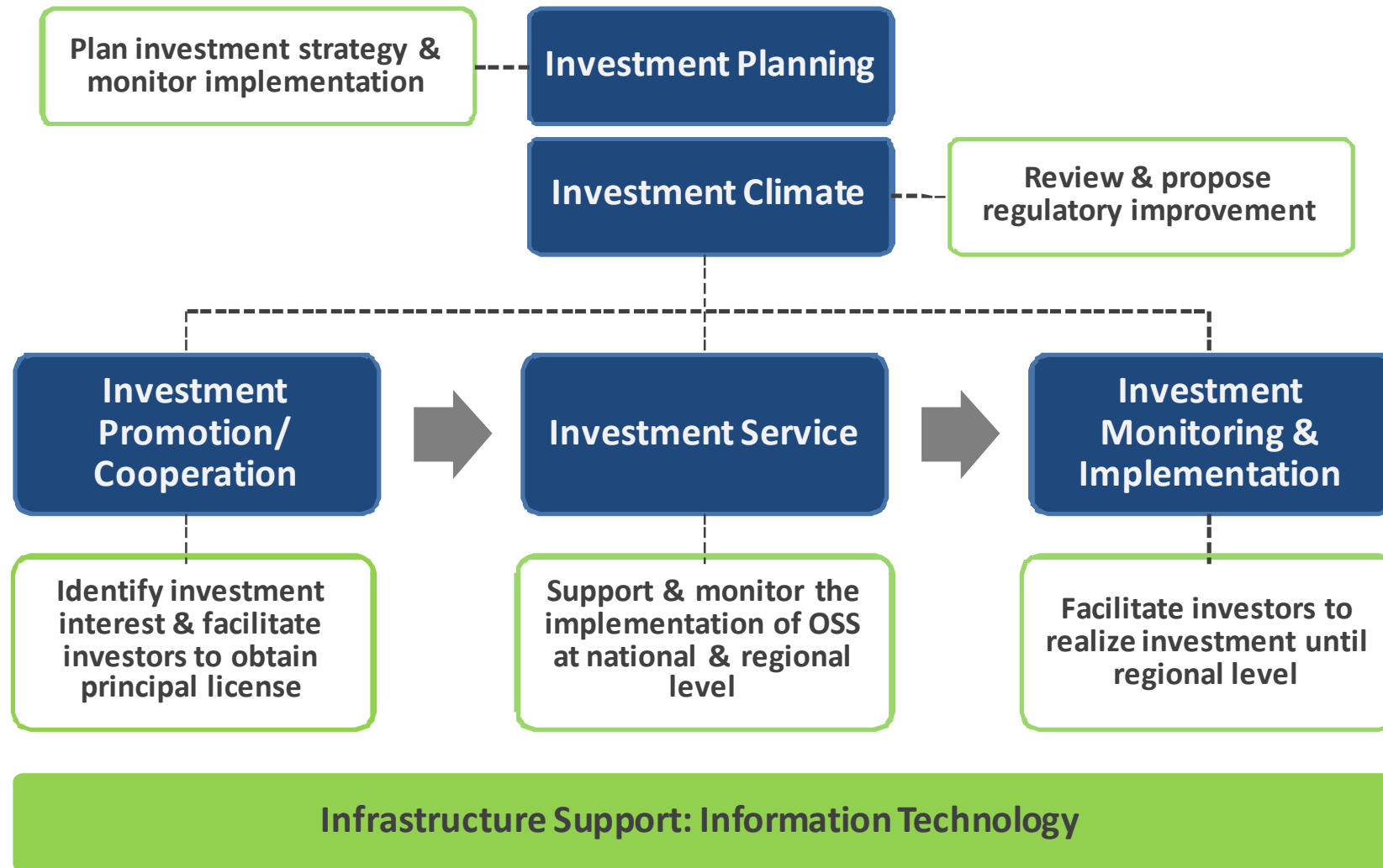
Supporting Institutions: Nat'l Food & Drugs Control Agency, Nat'l Crypto Agency, Nat'l Standardization Agency, Electricity Company





Business Process at BKPM

End-to-end service for investors: From investment interest to realization.





TAX HOLIDAY

(MoF Regulation No.130/PMK.011/2011)

5-10 years
Tax relief facility, starting from the commencement of commercial production.

50% for a further 2 years
Reduction of income tax after the expiration of the tax holiday and can be extended by MoF.

Pioneer industry

1. Basic metal industries;
2. Oil refinery industries and/or basic organic chemicals;
3. Machinery industries;
4. Industries of renewable resources;
5. Communication devices industries.

IDR 1 trillion
Minimum **investment** plan (USD100 million).

Incentives

TAX ALLOWANCE

(Government Regulation No.18/2015)

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

143 business segments
Eligible for tax allowance, expanded from 38 segments in the previous regulation.

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

IMPORT DUTY FACILITY

(MoF Regulation No.176/PMK.011/2009)

Machines, goods, materials for production

2 years import duty exemption or **4 years** for companies using locally-produced machines (min.30%).

Industries

Which produces **goods** and/or **services**, including:

1. Tourism and culture
2. Public transportation
3. Public health services
4. Mining
5. Construction
6. Telecommunication
7. Port

Labor issues



Wage is no longer a single life support

National Social Security Program (Law No.4/2011)	
Health Insurance (BPJS Kesehatan)	Workforce Insurance (BPJS Tenaga Kerja)
Universal health care	Pension, old-age savings, death benefits and worker accidents
Applied in January 2014	Applied in July 2015

Wage = Productivity

- Minimum wage is also based on **productivity**, besides the criteria of decent living (KHL) and economic growth (Presidential Instruction No.9/2013).
- **Wage < KHL**. Increase is to fulfill the criteria of decent living with **clear plan and timeline**.
- **Wage ≥ KHL**. Increase is in line with **productivity and approved** by employer and employees.

Improving certainty and transparency

- BKPM recommends that wage increase **refers to multiyear formula** although the increase may be implemented annually.
- BKPM urges **measurement mechanisms** to monitor and evaluate wage policies.



Invest in Indonesia

Skilled workforce

20%

Share of **state budget** dedicated to **education** since 2004.

12 years

Compulsory schooling since 2013.

Top-5

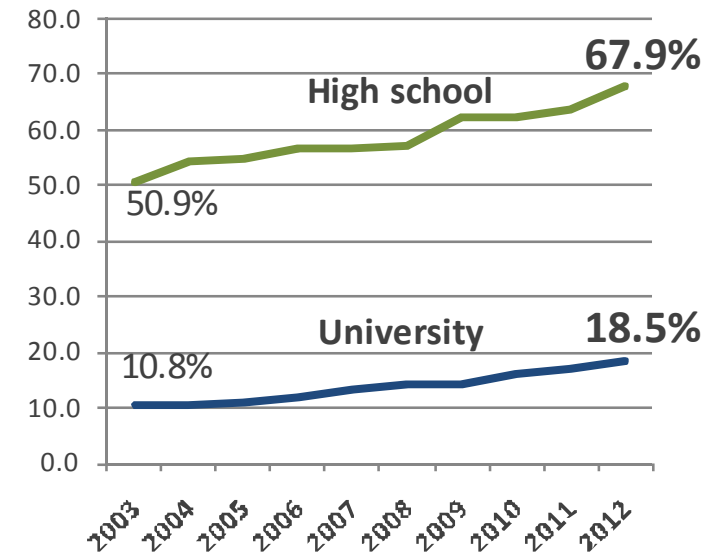
Number of higher education **graduates** in 2020, covering 6% of world's total.

(OECD, 2012)

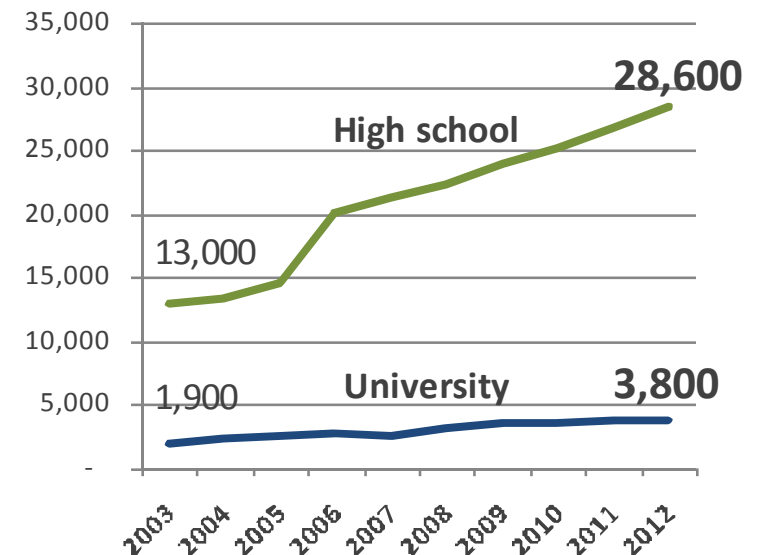
- Partnership between **vocational schools and companies** operating in Indonesia to produce graduates with specific skills. There are **850,000 vocational school graduates** a year.
- **273 learning centers** (*balailatihan kerja*) managed by Ministry of Manpower are available across Indonesia.
- Establishment of “**university of professions**”, dedicated for the needs of various professions, by and for the professions.
- **Tax incentive** for companies who conduct R&D programs.

Enrollment Ratio

(Comparison between the number of students and people at the school age)



Education Facilities



Thank You

Terima Kasih



Indonesia **Investment Promotion** Centre (IIPC)

**Badan Koordinasi
Penanaman Modal
(BKPM)**

Indonesia Investment
Coordinating Board

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