



INDONESIA : RECENT ECONOMIC DEVELOPMENT



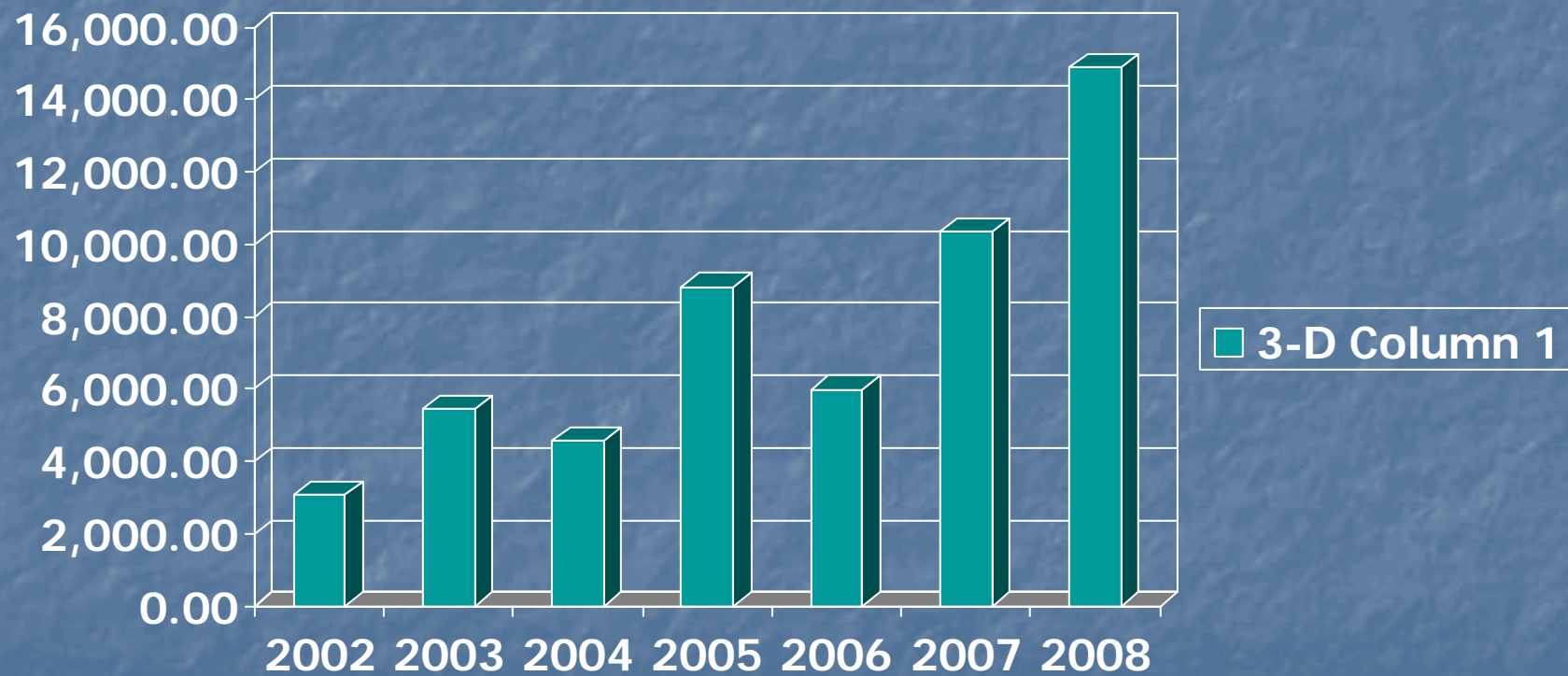
Basic facts

- The largest archipelagic state (more than 17,000 islands)
- 2 million km sq land and 5.8 million km sq waters
- Population 220 million
- Cross-road between South Asia, Middle East, and East Asia

Growth

- Economic growth : 6.1% (2008) and between 3% - 5% per annum (2009-2010)
- GDP real : US\$ 511.7b (19th largest, IMF 2008)
- GDP Purchasing Power Parity (PPP) : US\$ 908.2b (16th largest, IMF 2008)
- Per capita income : US\$ 2,246 (IMF 2008)

FDI realization (in million US)



Responding to the crisis

- Fiscal consolidation : improved structure of the state revenue, greater effectiveness of govt expenditures,
- Tax cuts and VAT exemption
- Infrastructure development
- Stimulus package of USD 6.3b (1.4% of GDP)

Alberta – Indonesia trade relations

- C\$ 326.7 million (2008)
- Alberta exports : wheat; chemical products (ammonium, sulfur, ethylene); wood pulp; machineries
- Indonesia exports : furniture; textile; computer spare parts; electronic instruments; coffee



Canada – Indonesia investment relations

- Indonesia is Canada's 5th major destinations in Asia Pacific, totaling US\$ 3.1 billion (DFAIT)
- Canadian companies investing in Indonesia : mining, consulting and insurance services, furniture, manufacture, energy
- Indonesia & Canada bilateral agreement on foreign investment protection is being negotiated

Investing in Indonesia ?

Pro investment policy

- Investment service institution : transparency; equal treatment; simplification of trade & investment license; National Single Window Team
- Taxation : transparency; tax reduction
- Custom : transparency; custom reduction; simple procedure
- Immigration : temporary stay permit and, later, permanent stay permit for investors; work permit for expatriates in foreign investment companies

Investing in Indonesia ? Comparative advantage

- Natural resources : copper, nickel, coal, tin, gold, geothermal, natural gas
- Potential market : 220 million population (10% middle-class)
- Abundance of trained workers and unskilled workers

Business climate

World Economic Forum, Global Enabling Trade Report 2008

- Overall Indonesia ranks 47th out of 118 in “Enabling Trade Index”

The World Bank Group, Doing Business 2010

- Indonesia ranks 122nd out of 183 economies
- Overall Indonesia has made it easier *inter alia* to start business and to register property.

Taxation

- Reduction on personal income tax, and on business tax
- Income tax for business entities listed in stock markets are further reduced 5%
- For foreign investment companies : 30% net income reduction in 6 years, advanced amortization.

Starting business in Indonesia

- Negative Investment List
e.g. Gambling and Drugs are forbidden; power plants max. foreign ownership 95%
- Written application for foreign investment approval (7 days for 'simple' projects)
- Establishment of companies on Indonesian laws
- Customs approval, limited importer license, foreign manpower plan, permanent business license are provided

Starting business in Indonesia

- Local government will issue site permit, building construction permit, nuisance permit, and land title (integrated)
- Land title is given for 25 or 30 years, extendable

Investment opportunities

- Energy sector
- 10,000 MW power plants, until 2025
- Geothermal energy : 1,179 MW installed capacity from 27,710 MW potential
- Joint-venture with Indonesian companies, max. 95% foreign ownership

Visa and immigration

- Visa-on-Arrival for Canadian citizen, max. for 30 days visit
- Single entry visit visa for 60 days, extendable
- Multiple entry visit visa for a year (business, family, or social visit)

Migrant workers



- 748,000 migrant workers sent in 2008
- Construction, nurses, hospitality workers, caregivers, manufacturing industries

Thank you

