

The E-Book on East Asia Investment Practice

-Indonesia

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Preface

Indonesia is the largest economy in ASEAN, with the population, territory and economy column accounting for about 40% of the Region. It is also an important member of the G20 and the world's largest Muslim country. In recent years, Indonesia has actively optimized its business environment through measures such as simplifying administrative licensing procedures, facilitating market access, advancing infrastructure construction, and launching the "Tax Holiday" and measures such as construction of "6 Economic Corridors (ECs)". It has set up 15 special economic zones, 5 free trade ports, and 106 industrial zones, to strongly introduce foreign investment.

Chapter I of this Guide briefs you on Indonesia's national features including geography, politics, society features and cultural environment, etc.; Chapter II introduces Indonesia's overall business environment; Chapter III gives an introduction about Indonesia's economy and trade policies; Chapter IV outlines Indonesia's industry development and foreign investment conditions; Chapter V gives an account of startup procedures and provisions in Indonesia; Chapter VI introduces relevant laws and regulations for business operation in Indonesia; Chapter VII introduces the ways and approaches for settlement of economic and trade disputes; Chapter VIII demonstrates multi-lateral and bilateral free trade agreements such as the Regional Comprehensive Economic Partnership; Chapter IX introduces Indonesia's economic security and rejuvenation policies and measures after outbreak of the COVID-19 pandemic in 2020; Chapter X includes enterprise-related government departments, chambers of commerce & associations, intermediary organs, and relevant contact info.

We hope that the basic information of Indonesia's economy and trade displayed in this e-book can provide valuable guidance for enterprises and investors, contributing to the investment

facilitation and healthy development of economic globalization.

Time constraints and competence deficiency might lead to inaccuracies in this e-book, and we sincerely look forward to your valuable comments and suggestions for future improvement.



General Information

1.1 Geography

Geographical Location

The Republic of Indonesia (hereinafter referred to as “Indonesia”) is in Southeast Asia and between the Pacific Ocean and the Indian Ocean. With a total area of 1,913,578.68 km², Indonesia is made up of 17,508 islands, among which, the major islands include Java Island, Sumatra Island, Kalimantan Island, New Guinea Island, and Sulawesi Island.

Natural Resources

Indonesia boasts abundant natural resources, so it is reputed as “Tropical Treasure Island”. Indonesia is rich in agriculture and forestry products such as palm oil and rubber, of which, its palm oil output ranks first in the world, and its natural rubber output ranks second in the world. Indonesia also abounds with mineral resources, such as oil, natural gas, coal, tin, bauxite, nickel, copper, gold, and silver. In January 2021, Indonesian Energy and Mineral Resources Minister Arifin Tasrif disclosed that in Indonesia, the oil reserves totaled 4.17 billion barrels, with proven reserves of 2.44 billion barrels, and the natural gas reserves totaled 62.4 trillion cubic feet, with proven reserves of 43.6 trillion cubic feet.

Climate

Indonesia is in tropics and has a warm and moist climate all year round, with average temperature of 25-27°C and average humidity of 70-90%. Indonesia only has 2 seasons, and for most regions of Indonesia, dry season lasts from April to October each year, and rainy season lasts from November to March of the next year. There is no obvious summer or winter in Indonesia.

Administrative Division

Indonesia has 34 level-1 administrative regions (provincial level), including 3 local special zones (namely, Jakarta, Yogyakarta and Aceh) in Java Island and 31 provinces.

Indonesia's capital is Jakarta. According to the World Population Review, it was estimated that permanent resident population in Jakarta would amount to 10,915,364 by 2021.^①

1.2 Politics

Constitution

The 1945 State Constitution of the Republic of Indonesia (Indonesian: Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, UUD 1945) is the constitution of Indonesia currently in force, and it was promulgated and implemented in 1945. Constitution stipulates that Indonesia is a single republican country that was founded based on 5 principles, including belief in God, justice and civility among peoples, unity of Indonesia, democracy through deliberation and consensus among representatives, and social justice for all the people of Indonesia (Pancasila for short).

People's Representative Council

The People's Representative Council, functioning as the national legislative body of Indonesia, consists of the Indonesian House of Representatives (Congress) and Regional Repre-

① World Population Review: <https://worldpopulationreview.com/en/world-cities/jakarta-population>

sentative Council (RRC). It is responsible for instituting, modifying, and enacting the constitution, as well as supervising the president. If the president's behavior is unconstitutional, it has the right to impeach and recall the president and organize the presidential reelection every 5 years. Current People's Representative Council of Indonesia was founded in October 2019, and it has 711 members, including 575 congress members and 136 RRC members. There are 1 chairman and 4 vice chairmen serving on the People's Representative Council. Bambang Soesatyo is the incumbent chairman.

The People's Representative Council is the national legislative body of Indonesia and exercises the general legislative powers other than amendment of the constitution. Founded in October 2019, current congress has 1 speaker and 4 vice speakers. Puan Maharani is incumbent speaker.

Regional Representative Council is a legislative body that was founded in October 2004, and it is responsible for the legislation work in respect of local autonomy, relationship between the central government and local governments, regional division of provinces and cities, and national resources management, etc. There are 1 chairman and 2 vice chairmen serving on the Regional Representative Council. La Nyalla Mattalitti is the incumbent chairman of the Regional Representative Council.

Chief of State

President of Indonesia functions as chief of state, executive head, and supreme commander of the armed forces of Indonesia. As of 2004, President and Vice President of Indonesia came from direct election by all people. Herein, the presidential term is fixed at 5 years, and a president can only serve for 2 terms. Joko Widodo, incumbent president of Indonesia, was sworn in as President in October 2016, and reelected President of Indonesia in 2019, and his term of office lasts till 2024.

Government

The cabinet is nominated by and responsible for the president. Current cabinet of Indonesia was founded in October 2019. Currently there are 34 cabinet members, with term of office lasting till 2024.

Political Parties

In the General Election of 2019, there were 16 political parties running for the election, of which, 9 political parties secured seats of the Congress, and the Democratic Party of Struggle (Partai Demokrasi Indonesia-Perjuangan or PDI-P) is the predominant party of the Congress. Main political parties in Indonesia include: PDI-P, PARTAI GOLONGAN KARYA, PARTAI KEADILAN SEJAHTERA (Justice and Prosperity Party), PARTAI AMANAT NASIONAL (National Mandate Party), and PARTAI PERSATUAN PEMBANGUNAN (Construction and Solidarity Party), and so on.

1.3 Economy

Macro Economy

According to data released by the Indonesian Central Bureau of Statistics (BPS), the overall Indonesian economy has shown an upward trend in recent years. Affected by the COVID-19 pandemic, Indonesia's GDP in 2020 was Rp 15,434.2 trillion (about US\$ 1.06 trillion), growth rate of the real GDP fell by 2.07% on a yearly basis, and per capita GDP amounted to Rp 56.90 million (about US\$ 3,911.7).

Since the pandemic is under control, The economy of Indonesia is expected to recover. Vice Financial Minister of Indonesia Suhasil Nazara noted that in 2021, Indonesia's economic growth rate would range between 4.5% and 5.5%. The International Monetary Fund (IMF), the World Bank, and the Asian Development Bank (ADB) respectively predicted that Indonesian economy in 2021 would grow by 4.8%, 4.4%, and 4.5% on a yearly basis.

Table1-1 Macro economy data of Indonesia, 2017–2020^①

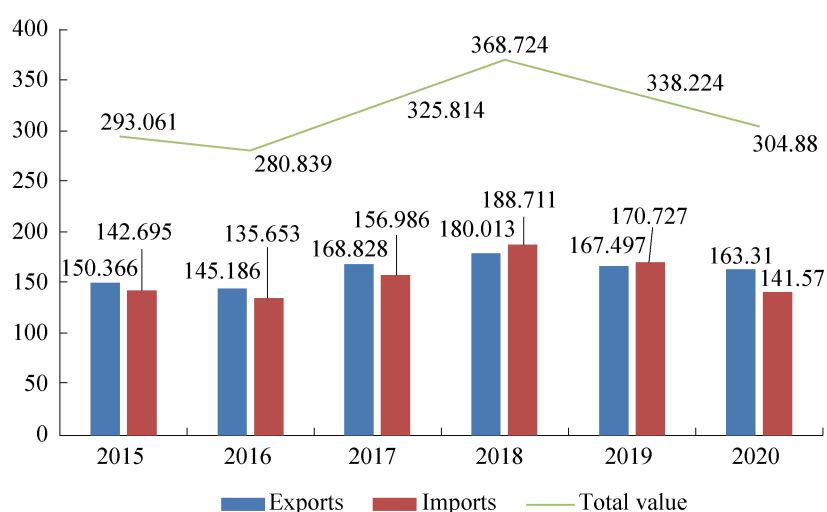
Macro economy data				
Index	2017	2018	2019	2020
Nominal GDP (Rp 1 trillion)	13,589.8	14,838.8	15,832.6	15,434.2
Per capita GDP(US\$)	3,836	3,893	4,450.7	3,911.7
Growth rate of real GDP (%)	5.07	5.17	5.02	–2.07

Trade scale

Data from the Central Bureau of Statistics shows that Indonesia's total value of merchandise imports and exports amounted to US\$ 304.88 billion in 2020. Herein, the imports totaled US\$ 141.5 billion, representing a year-on-year decline of 17.34%; the exports totaled US\$ 163.31 billion, representing a year-on-year decline of 2.61%.

Main products exported include oil, natural gas, textiles and ready-made clothes, timbers, rattan works, handicrafts, shoes, copper, coal, pulp and paper products, electrical equipment, palm oil, and rubber, etc. Main products imported include mechanical transport equipment, chemical products, auto and auto fittings, power generation equipment, iron & steel, plastics and plastic products, and cottons, etc.

Indonesia's main trade partners include China, Japan, Singapore, and the USA, etc.

**Fig. 1-1 Indonesia's commodity trade volume, 2015–2020 (Unit: US\$ billion)^②**

① Indonesia Central Bureau of Statistics: <https://www.bps.go.id/>

② Indonesia Central Bureau of Statistics: <https://www.bps.go.id/>

Local market

Consumption Expenditure. Data from the Central Bureau of Statistics shows that in 2020, ratio of household consumption expenditure to GDP of Indonesia was 53.9%, implying more than half of contribution rate to GDP.^①

Price Level. In 2020, Indonesia's CPI posted a year-on-year increase of 1.68%, recording a historical low as of 2014.

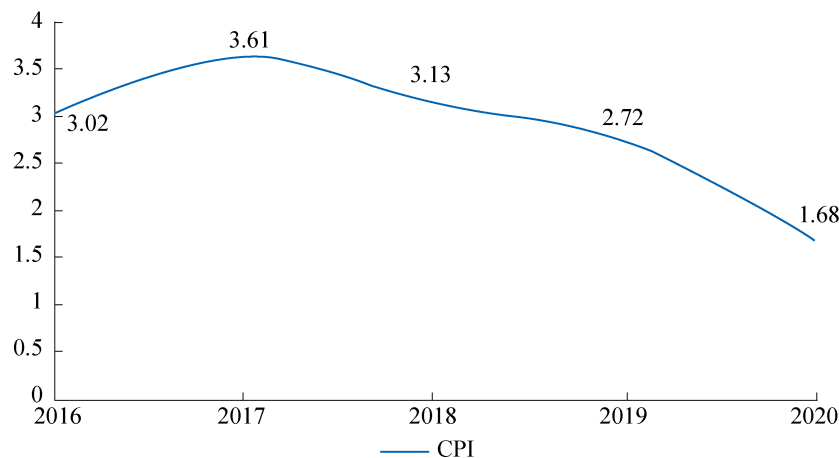


Fig. 1-2 Trend of Indonesia's CPI, 2016–2020 (Unit: %)^②

1.4 Society and Culture

Population

As of September 2020, Indonesia's population totaled 270 million.^③

Language

Indonesia's official language is Bahasa Indonesia, and English is widely used. There are more than 200 indigenous languages in Indonesia.

① Indonesia Central Bureau of Statistics: <https://www.bps.go.id/indicator/169/1956/1/-2010-version-gdp-at-constant-market-prices-by-expenditure.html>

② Indonesia Central Bureau of Statistics: <https://www.bps.go.id/statictable/2009/06/15/907/indeks-harga-konsumen-dan-inflasi-bulanan-indonesia-2006-2021.html>

③ Indonesia Central Bureau of Statistics: <https://www.bps.go.id/news/2021/01/21/405/bps--270-20-juta-penduduk-indonesia-hasil-sp2020.html>

Religion

85.2% of Indonesian people believe in Islam, making Indonesia a country with the biggest Muslim population in the world.

Festivals and Holidays

Indonesia implements a 5-day workweek, with Saturday and Sunday as weekend.

Its main statutory holidays include New Year (January 1st); Islamic New Year (vary by time each year); Spring Festival of China; Hindu Seclusion Day (Day of Silence); Birthday of Prophet Mohammed; Jesus Good Friday; Ascension Day; VESAK Day; Indonesian Independence Day (August 17th); Eid Al-Fitr; and Christmas Day, etc.

Public Security

In recent years, Indonesia's public social order was generally good, and individuals are prohibited from possessing guns.



Business Environment

2.1 Overall Evaluation

In recent years, Indonesia actively optimized its business environment, and enhanced foreign investors' confidence by successfully implementing measures such as strengthening fairness of distribution, promoting infrastructure construction, improving business environment, facilitating investment and export, and adjusting negative list of investment.

World Bank Evaluation^①

The Doing Business Report released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to *the Doing Business Report 2020*, Indonesia advanced from 129th in 2013 to 73rd in 2020 in “Ease of Doing Business Rank”, of which, it ranked 33rd in getting electricity, 48th in getting credit, 37th in protecting minority investors, and 38th in resolving insolvency.

World Economic Forum Evaluation^②

The World Economic Forum evaluated and released *the Global Competitiveness Report* based on the performance of 141 economies' 98 indicators in 12 areas. According to *the Global Competitiveness Report 2019*, Indonesia ranked 50th, down 5 places from the previous year. It

① The World Bank, *Business Environment 2020*.

② The World Economic Forum, *Global Competitiveness Report 2019*.

ranked fourth within ASEAN, and its main strengths were its market size (82.4, 7th) and macroeconomic stability (90.0, 54th).

World Intellectual Property Organization Evaluation^①

The Global Innovation Index Report issued by the World Intellectual Property Organization in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 indicators: innovation input and innovation output. According to *the Global Innovation Index 2020*, Indonesia ranked 85th.

Heritage Foundation Evaluation^②

The American Heritage Foundation calculated and evaluated the economic freedom index of various countries with 4 guidelines and 12 indicators and released the Global Economic Freedom Index Report. According to *the Global Economic Freedom Index Report 2021*, Indonesia scored 66.9 points in economic freedom index, ranking 56th, a decline of 0.3 points from the last year.

2.2 Infrastructure

Highway

Data from STATISTA show that as of 2019, the length of city roads in Indonesia totaled about 563 thousand km, the length of all provincial roads totaled approximately 47.5 thousand km, the length of national highways totaled around 47 thousand km, and the length of expressways totaled 2.1 thousand km or so. In Indonesia, regions with developed road transport include Java, Sumatra, Sulawesi, and Bali Island, etc.^③

Railway

Railways in Indonesia are owned by the state and operated by Indonesian state-owned assets

① The World Intellectual Property Organization, *Global Innovation Index 2020*.

② The Heritage Foundation, *Global Economic Freedom Index Report 2021*.

③ STATISTA Database: <https://www.statista.com/statistics/978198/indonesia-length-of-streets-by-type/>

management company. Data from STATISTA show that as of 2018, total length of railways in Indonesia was 5,483.3km^①. In 2018, total freight turnover volume by railway was 15.091 billion ton-km.^② Java Island and Sumatra Island are relatively developed in railway transport.

Aviation

Indonesia has 179 airports, 23 of which meet international standards. So far, Indonesia has put into running international flights, domestic flights, hajj flights, and pioneer flights, etc. According to STATISTA data, as of 2019, Indonesia's freight turnover volume by airport rose from 14.20million ton-km in 1970 to 981.7 million ton-km in 2019, with average annual growth rate of 11.79%.^③

Water Transport

Indonesia's main water transport systems include interisland transport, traditional transport, ocean shipping, and special shipping, with water transport channels totaling 21,579km and ports of various kinds touching the number of 670 or so. Herein, there are 25 main ports, such as Tanjung Priok Port, Tanjung Perak Port, Jakarta Port, and Port of Surabaya.

Table2-1 Indonesia's main ports and advantages^④

Port name	Port scale	Businesses
Tanjung Priok Port	The most advanced freight port with the largest handling capacity in Indonesia, handling more than 50% of the total ship transport capacity of Indonesia, with annual handling capacity of approximately 2,500,000 TEUs.	Exporting rubber, coffee, tea, quinine and oil, and currently functioning as manufacturing area for export commodities
Tanjung Perak Port	The second largest port in Indonesia, with annual handling capacity of approximately 2,040,000 TEUs.	Since it has a short distance to Singapore, the port is called "The Second Channel of Singapore". It directly connects to Malaysia Expressway, and mainly serves container transport.
Jakarta Port	An important commercial port in Indonesia, ranking top among comprehensive commercial ports of Indonesia in terms of annual handling capacity.	Indonesia's pepper output port, boasting the largest container transport wharf in Indonesia.

① Knoema database: <https://knoema.com/atlas/Indonesia/Length-of-rail-lines>

② Knoema database: <https://knoema.com/atlas/Republic-of-Korea/Length-of-rail-lines>

③ Knoema base: <https://knoema.com/atlas/Indonesia/Air-transport-freight>

④ Global Business Guide: <http://www.gbgindonesia.com/>

Continued

Port name	Port scale	Businesses
Surabaya Port	Located in the southwest of Indonesia Surabaya Strait, developing offshore trade while relying on nearby industries, such as shipbuilding, oil refining, and machinery manufacturing.	Mainly exporting sugar, cotton, coffee, rubber, coconut, leather, oil, tapioca flour and pepper, and importing electrical equipment, glassware, and textiles, etc.

Information and Communication

Information communication in Indonesia posts rapid development, and a lot of transnational operators and capitals invest in this sector. In Indonesia, Telkomsel is domestic largest telecommunications operator, whereas Indosat is the largest foreign-funded telecommunications operator. Internet is available in most of Indonesian regions, but bandwidth in Indonesia is relatively small, leading to low surfing speed. Indonesia has about 133 million Internet users. Currently, Indonesia's telecommunications networks include 2G/3G/4G base stations, and 5G network has been applied in the manufacturing industry.

Electricity

According to the Ministry of Energy and Mineral Resources of Indonesia (ESDM), as of the end of June 2020, installed capacity of power plants in Indonesia totaled 71GW, up 1.87% over the end of 2019. In 2020, Indonesia's electrification ratio amounted to 99.2%.^①

2.3 Production Cost

Electricity Price

Indonesia ESDM issues electricity price adjustment information every quarter. See the table below for electricity price^② of Indonesia from April 1, 2021, to June 30, 2021.

① The Ministry of Energy and Mineral Resources of Indonesia: <https://www.esdm.go.id>

② The Ministry of Energy and Mineral Resources of Indonesia: <https://www.esdm.go.id/id/media-center/arsip-berita/tarif-tenaga-listrik-pelanggan-non-subsidi-periode-april-juni-2021-tetap>

Table 2-2 Electricity price of Indonesia in 2021Q2

Electricity price (per KWH) during January-June, 2021		
Charge level	Scope	Price (Rp /kWh)
Low-voltage users (TR)	Home users (1,300VA/2,200VA/3,500VA/6,600VA and above) Enterprise users (6,600VA-200kVA)	1,444.70
Medium-voltage users (TM)	Commercial, industrial, and governmental clients of greater than 200kVA	1,114.74
High-voltage users (TT)	Greater than or equal to 30,000kVA	996.74

Water Price

Water price varies by location in Indonesia. Take water price in Jakarta as an example (see the table below).

Table 2-3 Water price in Jakarta

No.	User category	Price (Rp/M ³)		
		0-10 M ³	11-20 M ³	>20 M ³
1	Category I	1,050	1,050	1,050
2	Category II	1,050	1,050	1,575
3	Category III A	3,550	4,700	5,500
4	Category III B	4,900	6,000	7,450
5	Category IV A	6,825	8,150	9,800
6	Category IV B	12,550	12,550	12,550
7	Category V/special purpose	14,650	14,650	14,650

Note: I: religious places; II: government and hospitals; III A: residential buildings; III B: small industrial enterprises; IV A: diplomatic corps; IV B: star hotels.

Manpower Supply and Wages

Data from Indonesia Central Bureau of Statistics show that as of August 2020, Indonesia's labor forces amounted to 182.2 million, implying an increase of 2.36 million from the same period last year. According to Indonesia Investment Coordinating Board^①, the minimum wage of Central Java Province represents the national average US\$ 117/ month; Jakarta's minimum average is the national highest level US\$ 285 /month.

Land Price

As of 2020 Q3, average land price in the Jakarta Industrial Zone was approximately Rp 5.75

① Indonesia Investment Coordinating Board: <https://investinindonesia.uk/regional-minimum-wage>

million per square foot. Jakarta is the capital and financial center of Indonesia, and its land price is relatively high as against other regions.^①

2.4 Financial Services

Currency and Exchange Rate

Indonesia's currency is Indonesia Rupiah ("Rp" for short). US\$ 1 is equivalent to Rp14,030 (based on exchange rate of January 20, 2021).

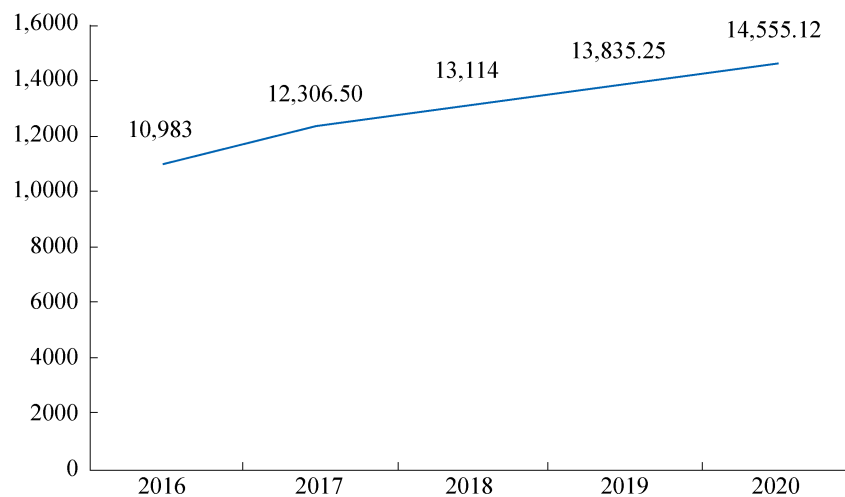


Fig. 2-1 Exchange rate of Rp against US dollar, 2016–2020 (average value for the year)

Foreign Exchange Management

Indonesia's foreign exchange control is relatively loose, for example, its exchange rate can float freely, Rp is freely convertible, and capital is freely transferrable.

According to Peraturan Bank Indonesia (PBI) Nomor 20/2/PBI/2018 Tentang Perubahan, local currency of up to Rp 100 million or foreign currency of equivalent value may be carried when passing customs of Indonesia, and a declaration shall be made to the customs. If local currency of Rp 100 million to Rp 1 billion or foreign currency of equivalent value is carried, a permission from PBI is required. If local currency of more than Rp 1 billion is carried, a fine,

^① STATISTA Database: <https://www.statista.com/statistics/1042205/indonesia-industrial-areas-average-land-price-in-greater-jakarta/#:~:text=As%20of%20the%20third%20quarter,to%20the%20other%20outlying%20areas.>

which is equivalent to 10% of the permissible maximum amount, will be imposed.

Financial Institutions

Financial Regulators. Otoritas Jasa Keuangan (Administration of Indonesia for Financial Services)^① exercises the responsibility of supervision over financial services of the banks, the capital market, and non-banking financial industries.

Banks. Statistical data from Otoritas Jasa Keuangan show that as of February 2021, there were a total of 107 commercial banks in Indonesia.^② Main commercial banks include: Bank Mandiri, Bank Rakyat Indonesia, Bank Tabungan Negara, and Bank Negara Indonesia. Main foreign-funded banks include HSBC, Citibank, JP Morgan Chase, MUFG Bank, American Express, ABN-AMRO BANK, Deutsche Bank, Standard Chartered Bank, Bank of China, Industrial and Commercial Bank of China, and China Construction Bank.

Insurance. With continuous growth of Indonesian economy and improvement of per capita income, market size of Indonesia insurance industry keeps expanding. Statistical data from Otoritas Jasa Keuangan show that as of December 31, 2020, in Indonesia there were a total of 160 insurance companies, mainly including: PT AA Pialang Asuransi, PT Abadi Proteksindo Artha, and PT Adi Antara Asia etc.; there were a total of 42 reinsurance companies, mainly including: PT Adhi Lintas Tanase, PT Adonai Pialang Reasuransi, and PT Aon Reinsurance Brokers Indonesia, etc.^③

Securities. Headquartered in Jakarta, Indonesia Stock Exchange (IDX) was founded in 2007 and incorporated from Jakarta Stock Exchange (JSX) and Surabaya Stock Exchange (SSX). Statistical data from Indonesia Stock Exchange show that as of May 11, 2021, on Indonesia Stock

① Otoritas Jasa Keuangan: <https://www.ojk.go.id/en/default.aspx>

② Otoritas Jasa Keuangan: <https://www.ojk.go.id/id/kanal/perbankan/data-dan-statistik/statistik-perbankan-indonesia/default.aspx>

③ Otoritas Jasa Keuangan: <https://www.ojk.go.id/id/kanal/iknb/data-dan-statistik/direktori/asuransi/Default.aspx>

Exchange there were a total of 728 listed companies, with total market value of Rp 9.422 trillion^①. According to relevant laws of Indonesia, foreign companies registered in Indonesia enjoy the same treatment as local companies when dealing in securities (including equity M & A).

① Trading Summary of Indonesia Stock Exchange (IDX): <https://www.idx.co.id/en-us/market-data/trading-summary/trading-summary/>



Economy and Trade Policies

3.1 Market Access

Administrative Authorities

The Investment Coordinating Board (“BKPM” for short), as Indonesia’s investment authority, is directly responsible for the president. On the BKPM is appointed 1 chairman, who currently serves as investment minister and is mainly responsible for assisting the president in instituting investment policies, transacting investment permission and license, and supervising and implementing the investment projects.

Restricted / Prohibited Sectors

Before making investment in Indonesia, investors shall first choose the business sector for investment according to Indonesian Standard of Industrial Classification. After that, they shall observe the Negative List for Investment specified in the Presidential Regulation No. 10 of 2021 to check if the target investment is conditionally open or not open to foreign investors. Negative List^① for Investment includes:

- (1) Fully prohibited investment categories (Table 3-1);
- (2) Investment activities that shall conform to given conditions-businesses reserved for SMEs;

① One Stop Service: https://oss.go.id/portal/referensi/content/list_dni/tertutup

(3) Investment activities that shall conform to given conditions-upper limit for foreign investment ratio (Table 3-2).

If the investor's target industry is unregulated and free of other restrictions by relevant technical ministries and commissions, it means this industry is open to foreign direct investment, and foreign investors are entitled to control 100% shares.

Table 3-1 Fully prohibited investment categories

No.	Business sector	Indonesian Standard of Industrial Classification (KBLI)
1	Liquor industry	11010-alcoholic beverages manufacturing
2	Beverages- alcoholic: grape wine	11020-Brewed wine and other agricultural beverages manufacturing
3	Beverages with malt:	1031-Alcoholic beverages from malt fermentation
4	Corals from nature are used in building materials /lime/calcium, aquarium, souvenirs/ jewelry, and living corals or dead corals (short time since the death) in nature;	03117-Sea fishing
5	Chemical industry and Ozone Depleting Substances industry (BPO): polychlorinated biphenyl (PCB), hexachlorobenzene; carbon tetrachloride (CTC), chloroform, methyl bromide, trichlorofluoromethane (CFC-11), dichlorotrifluoroethane (CFC-12), 1,1,1-Trichlorotrifluoroethane (CFC-113), 1,2-dichlorotetrafluoroethane (CFC-114), CFC-115, CFC-13, CFC-112, CFC-111, CFQ-217, CFC -216, CFC-213, CFC-211, Halon1211, Halon-1211, Halon-2402, R-500, and R502.	20119-Other organic and basic chemical industries
6	Chemical weapons manufacturing industry	20119-Other organic and basic chemical industries
7	Gambling and /or casino activities	92000-Gambling and lottery activities
8	Narcotic drugs planting and processing	01289-Aromatic /fresh, food plants and other drugs for plant agriculture
9	Capturing fishes specified in Appendix I Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)	03115-Fishing in the sea

Table 3-2 Investment activities that shall meet upper limit of foreign investment ratio

No.	Business sector	Indonesian Standard of Industrial Classification (KBLI)	Provision
1	Postal activities	5310-Postal activities	Maximum foreign shares: 49%
2	Regular commercial air transport	51101-Regularly scheduled domestic air transport	Maximum foreign shares: 49% National capital owners must be greater than foreign capital owners in number.

Continued

No.	Business sector	Indonesian Standard of Industrial Classification (KBLI)	Provision
3	Air transport activities	51109-Air transport for other passengers	Maximum foreign shares: 49% National capital owners must be greater than foreign capital owners in number.
4	Domestic offshore tourism transport	50113-Domestic tourism sea transport	Maximum foreign shares: 49%
5	River/lake transport for dangerous articles	50223-River/lake transport for dangerous cargo	Maximum foreign shares: 49%
6	Vegetables, fruits, and other agricultural products of tuber kind	01139-Other vegetable horticulture and agriculture	Maximum foreign shares: 30%



Investment Practice:

South Korean Pharmaceutical Enterprise swiftly sets up pharmaceutical JV with the help of Indonesia Investment Coordinating Board

In 2015, the South Korean pharmaceutical company Chong Kun Dang Pharm Corp. and PT Otto Pharmaceutical Industries, a member of the Indonesian famous pharmaceutical corporation MENSA Group, spent only 1 week in founding the JV firm PT CKD Otto Pharmaceuticals thanks to the one-stop service from the Investment Coordinating Board. The JV firm will produce tumor drugs for local hospitals of Indonesia. Pursuant to its plan, the JV firm will expand its market to ASEAN, Middle East, North Africa, and the EU.

Comment: in recent years, Indonesia made remarkable achievements in optimization of business environment. Before entering the Indonesian market, investors are advised to keep abreast of the official website of the Investment Coordinating Board, to win support from the government to the maximum extent.

3.2 Foreign Investment Incentives

Tax Incentive for Pioneer Industries

According to the No. 150/PMK.010/2018 Regulation that was promulgated by Indonesian Financial Minister in 2018 and the No. 20 Regulation of BKPM, as of January 1, 2019, the

corporate taxpayers, who make investment in pioneer industries, may obtain corporate income tax concession (up to 100% of corporate income tax payable) for their principle operating activities or their business incomes.^① Pioneer industries mainly include:

- (1) Upstream metal integration industry;
- (2) Combination of semiconductor or other main computer components manufacturing industry and the computer manufacturing industry;
- (3) Combination of main ship parts manufacturing industry and ship manufacturing industry;
- (4) Integrated crude oil refining industry;
- (5) Combination of main communication parts manufacturing industry and smart phone manufacturing industry;
- (6) Combination of main aircraft parts manufacturing industry and aircraft manufacturing industry;
- (7) Integrated crude oil/natural gas /coal-based petrochemical industry;
- (8) Combination of main medical equipment parts manufacturing industry and irradiation/electromechanical equipment manufacturing industry;
- (9) Combination of main railway parts manufacturing industry and railway manufacturing industry;
- (10) Integrated basic industry for inorganic chemical engineering;
- (11) Main industrial machinery parts manufacturing industry and machinery manufacturing industry;
- (12) Power generation machinery industry, including waste power generation machinery industry;
- (13) Integrated basic organic chemical planting industry/forestry from the agriculture;
- (14) Main machinery parts manufacturing industry and 4-wheeled (or above) automobile

① One Stop Service: https://oss.go.id/portal/insentif/content/tax_holiday

manufacturing industry;

(15) Economic infrastructure;

(16) Pharmaceutical raw materials industry;

(17) Combination of robot parts manufacturing industry and manufacturing machinery manufacturing industry;

(18) Digital economy covering data processing, data hosting, and related activities.

Table 3-3 Tax incentive policies for corporate taxpayers that invest in pioneer industries

No.	Investment amount (Rp mil.)	Investment category	Concessionary income tax	
1	100-500	New investment	50%	5 years
2	500-1,000,000	New investment	100%	5 years
3	1,000,000-5,000,000	New investment	100%	7 years
4	5,000,000-15,000,000	New investment	100%	10 years
5	15,000,000-30,000,000	New investment	100%	15 years
6	>30,000,000	New investment	100%	20 years

Tax Incentive for Labor-intensive Industries, Training and R&D

According to the Ministry of Finance Regulation No. 16/2020, Indonesian government provides a series of preferential tax policies^①.

Table 3-4 Tax incentive policies for corporate taxpayers that invest in Labor-intensive Industries, Training and R&D

Investment activity	Policy content
Investment in labor-intensive industries	Companies that invest in labor-intensive industries will enjoy net income tax relief that is equivalent to 60% of the investment in fixed assets. Labor-intensive industry refers to the industry in which at least 200 workers are employed, and the manpower cost is not greater than 15% of the production cost.
Training activities	Investors that improve employees' capability through training activities will enjoy the income tax relief that accounts for up to 200% of the training expenditures. Herein, improving employees' capability refers to the process in which human resources are exploited to meet the industry and the enterprise's requirements about labor force.
R&D	Companies engaging in R&D will enjoy the income tax relief that accounts for up 300% of the R&D costs.

① Indonesia Investment Coordinating Board: <https://investinindonesia.uk/step-by-step/incentives-for-investment/>

Tax Incentive Policies on Reduction and Exemption

Pursuant to the Government Regulation No. 78/2019 and the Ministry of Finance Regulation No. 96/2020, 183 commercial activities can enjoy tax relief ^①, covering oil, natural gas, power generation, agriculture, and manufacturing industry, etc.

Table 3-5 Tax incentive policies on reduction and exemption

Conditions	<ul style="list-style-type: none"> • Employ local labor forces of specified number • Export-oriented industry • Make use of local resources of given proportion
Incentive plan	<ul style="list-style-type: none"> • Accelerated depreciation of tangible fixed assets and accelerated amortization of intangible assets • Only 10% income tax is levied on dividends • Subsidies for losses of more than 5 years to 10 years
Economic benefits	<ul style="list-style-type: none"> • Offset the company's net income with 30% of the total investment within 6 years (equivalent to 5% of deduction rate each year).



Investment Practice:

South Korean company PT Sejin Fashion Indonesia receives the first concessionary tax

Sejin (the Company for short) is a subsidiary of Parkland Co., Ltd. and belongs to export-oriented clothing enterprise. In 2020, Sejin relocated its plant from China to Central Java Province, with total investment amounting to US\$ 35 million or so. The Investment Coordinating Board strongly supports the Company's relocation plan. Not only did the Board approve of the Company's application for tax relief, but also appointed special team to dispose of the permit the Company applied for. Tax relief for Sejin is the first tax incentive that was issued by the Investment Coordinating Board since the Board was authorized by the Ministry of Finance.

Comment: before entering the industries in Indonesia, investors are advised to first choose the industries within the scope of the tax incentive policies issued by the government. To be precise, the tax incentive policies cover 18 pioneer industries and 183 industries for tax relief, etc.

^① Indonesia Investment Coordinating Board: <https://investinindonesia.uk/step-by-step/incentives-for-investment/>

By doing so, investors can not only enjoy the preferential policies, but receive support from the Investment Coordinating Board and shorten the time for investment and permit application.

Import Tax Incentive

Pursuant to the Ministry of Finance Regulation No. 66/PMK.010/2015 and the Investment Coordinating Board Regulation No. 16/2015, import tax incentive is given to 7 categories of commodity production and/or service industries (e.g., tourism & culture, public transport, public health service, mining, construction, telecommunication, and port), as detailed below: exemption from import tax for 2 years; enterprises that purchase at least 30% of local production equipment are exempt from import tax for 4 years.



Special Reminder:

Import tax incentive applies to the following equipment, goods, and raw materials: raw materials that cannot be produced locally; locally manufactured equipment is available, but it cannot meet required equipment conditions; locally manufactured equipment is available, but it cannot meet required equipment quantity.^①

3.3 Special Economic Zones

To promote the national economy and the balanced development of different regions, Indonesia successively set up 15 special economic zones. Companies that develop business in special economic zones can enjoy preferential policies in respect of taxes (including VAT, sales tax, and import tax) and use of land, etc. Investors are advised to visit National Council for Special Economic Zone^② to check information on the special economic zones, such as geographical location, key industries, preferential policies, contact info.

① Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/en/how-we-can-help/incentives>

② National Council for Special Economic Zone: <https://kek.go.id/>

Table 3-6 Information of special economic zones

Special Economic Zone (SEZ)	Location	Main industries	Updated policies	Contact info
Sei Mangkei	North Sumatra	Palm oil, rubber, textile, logistics, and tourism	https://kek.go.id/kawasan/Sei-Mangkei	Tel.: +62-61-8452244, 8453100 Fax: +62-61-84455177, 8454728 Email: kendir@ptpn3.co.id Website: www.ptpn3.co.id
Tanjung Api-Api	North Sumatra	Palm oil, rubber, and petrochemical	https://kek.go.id/kawasan/Tanjung-Api-Api	Tel.: +62-71-15710776 Email: admin@srimsansel.com Website: www.tanjungapiapisez.com
Tanjung Kelayang	Bangka Belitung	Tourism	https://kek.go.id/kawasan/Tanjung-Kelayang	Tel.: +62-21-27518352 Email: rizky.ariens@dharmaraya.com
Tanjung Lesung	Banten	Tourism	https://kek.go.id/kawasan/Tanjung-Lesung	Tel.: +62-21-5727225 Email: info@tanjunglesung.com Website: www.tanjunglesung.com
Mandalika	Nusa Tenggara Barat	Tourism	https://kek.go.id/kawasan/Mandalika	Tel.: +62-21-80642790 Email: info@kek.ekon.go.id
Maloy Batuta	Kalimantan Timur	Palm oil, timber, coal, and mining	https://kek.go.id/kawasan/Maloy-Batuta-Trans-Kalimantan	Tel.: +62-541-202993 Kode Pos 75618 Email: admininfo@perusdambs.co.id Website: www.perusdambs.co.id
Bitung	Sulawesi Utara	Fishery, agriculture, and logistics	https://kek.go.id/kawasan/Bitung	Tel.: +62-431851756 Email: jennykarouw@yahoo.com
Palu	Sulawesi Tengah	Smelting, agriculture, and logistics	https://kek.go.id/kawasan/Palu	Tel.: +62-811454999 Email: mulhanan@yahoo.co.id Website: https://palukota.go.id/v2/
Morotai	Maluku	Tourism, manufacturing, and logistics	https://kek.go.id/kawasan/Morotai	Tel.: +62-21-8934570 Email: windy@jababeka.com Website: www.jababeka.com/morotai
Arun Lhokseumawe	Aceh	Oil, natural gas, petrochemical, agriculture, logistics, and papermaking	https://kek.go.id/kawasan/Arun-Lhokseumawe	Tel.: +62-853-12994955; +62-811-673250
Sorong	Papua Barat	Tourism, shipbuilding, fishery, processing, mining, and logistics	https://kek.go.id/kawasan/Sorong	Tel.: +62-0951-3178032 Website: www.ptmow.com
Galang Batang	Riau	Ore processing, energy, and logistics	https://kek.go.id/kawasan/Galang-Batang	Tel.: +62-0771-23646 Fax: +62-0771-23647 Email: bintan_alumina@yahoo.com



Industrial Development

4.1 Development Planning

National Development Plan System

Indonesian government has promulgated the Long-term National Development Plan, the Mid-term National Development Plan, and the Master Plan for Acceleration and Expansion of Indonesian Economic Development 2011–2025. The 3 development plans are interconnected and interdependent.

In 2005, the Ministry of National Development Planning of Indonesia issued Long-term National Development Plan^①. This Plan is effective from 2005 to 2025 and falls into 4 stages, each of which lasts for 5 years. It consists of 4 independent mid-term national development plans, which will be implemented by subsequent Central Governments, respectively.

On the premise of complying with the Long-term National Development Plan, Indonesian government can determine development priorities through these mid-term plans. Herein, Indonesia has brought forth 41 strategic projects for key development in its mid-term national development plan (Annex 1) and set forth “6 Economic Corridors” policy for development of relevant industries in its Master Plan^② for Acceleration and Expansion of Indonesian Economic

① The Ministry of National Development Planning of Indonesia: https://www.bappenas.go.id/files/6715/3173/4665/RPJPN_2005-2025.pdf

② The Ministry of National Development Planning of Indonesia: <http://klhs-mp3ei.bappenas.go.id/documents/a0b1227f-2f7b-423f-b11e-0bd3b69e1a2a/SEA%20MP3EI%20Executive%20Summary%20Final.pdf>

Development 2011–2025.

(1) Java EC-Driver of National Industry and Service Provision, mainly for development of food and beverage, textile, transportation equipment, transportation, information communication, the Greater Jakarta Area, and defense equipment, etc.

(2) Sumatra EC-Centre for Production and Processing of Natural Resources as the Nation's Energy Reserves, mainly for development of iron & steel, transportation, palm oil, rubber, coal, and Selat Sunda Special Area, etc.

(3) Kalimantan EC- Center for Production and Processing of National Mining and Energy Reserves, mainly for development of iron & steel, bauxite, palm oil, coal, oil and natural gas, and timber, etc.

(4) Sulawesi EC- Center for Production and Processing of National Agricultural, Plantation, Fishery, Oil and Gas, and Mining, mainly for development of nickel, food and agriculture, oil and natural gas, cocoa, and fishery, etc.

(5) Bali-Nusa Tenggara EC-Gateway for Tourism and National Food Support, mainly for development of tourism, animal husbandry, and fishery, etc.

(6) Papua-Kepulauan Maluku EC- Center for Development of Natural Resources, mainly for development of nickel, copper, food and agriculture, oil and natural gas, and fishery, etc.

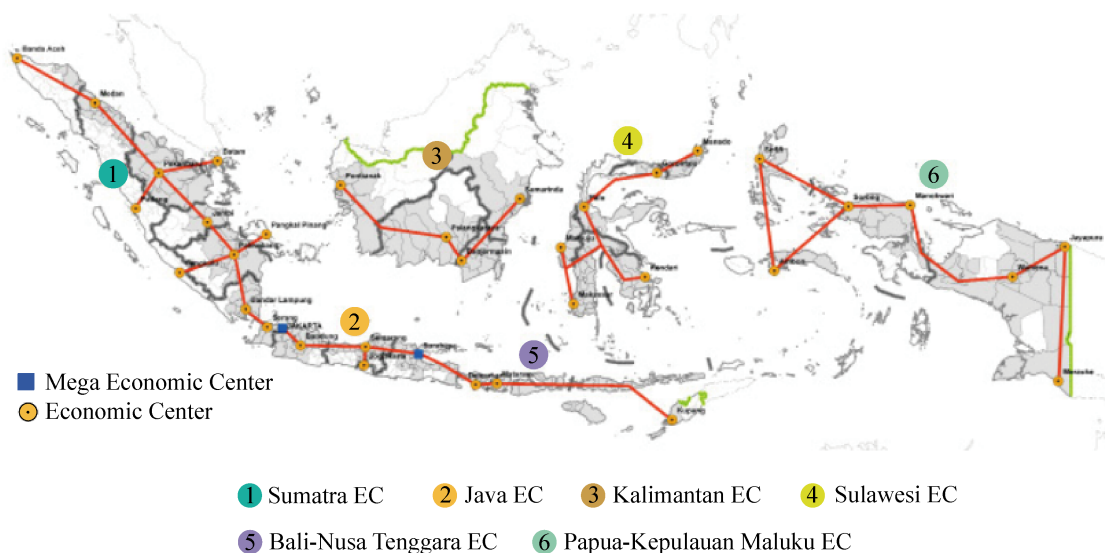


Fig. 4-1 Distribution of the 6 Economic Corridors

Making Indonesia 4.0

The “Making Indonesia 4.0^①” was first launched in 2018. According to the plan, Indonesia, by 2030, will become the World Top 10 Economies, with labor productivity reaching the India’s level in 2018 and investment in R&D reaching China’s level in 2018. Development path in “Making Indonesia 4.0” stresses that Indonesia should give play to its strengths in resources and manpower, improve quality of basic industrial products and manpower, and merge into the global industry chain.

Table 4-1 Cross-department plans in “Making Indonesia 4.0”^②

Improve logistics conditions and services	Ministry of Transportation and Ministry of Industry work closely to build logistics infrastructure, in response to demands for material & commodity logistics in the industrial and commercial sectors.
Refine on industrial path planning	The Ministry of Industry joins hands with main industry associations to devise the industrial development path. Herein, the associations play a dominant role, and the Ministry of Industry is responsible for examination and approval.
Update national product standards	Refer to product standards of China and developed SE Asian countries, to improve and update Indonesia’s national product standards.
Focus on support to SMEs	Simplify the examination & approval flows and procedures to lower the SMEs access level, and support development of collective economic cooperatives and SMEs.
Advance digital infrastructure	Build state-level communication trunk network, improve urban and rural civil networks, and upgrade network facilities in main industrial parks.
Renew foreign investment attraction policies	Further revise foreign capital access policies, open more industrial sectors, and lower requirements about shareholding ratio.
Raise quality of human resources	Intensify cooperation with top-level institutions and colleges of China, Japan, and South Korea, join forces to build vocational training center, and improve the quality of workers.
Keep protecting ecological environment	Simplify environmental protection examination & approval flows and create the result-oriented environmental assessment system.
Support and reward investment in technology	Enact tax incentive policies to encourage enterprises to raise their investment in R&D to China’s level in 2018
Unify the central government and local governments’ policies and regulations	Withdraw some local governments’ authorities, unify policies and regulations among different regions, and optimize the business environment.

4.2 Key Industries

As of May 2021, the Investment Coordinating Board issued a series of Business Oppor-

① Ministry of Industry of Indonesia: <https://www.kemenperin.go.id/download/18384>

② CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Indonesia (2019).

tunities^① (Annex 2) for investors' reference.

Natural Resources Industry

Indonesia has favorable geological conditions for mineralization, so that it boasts an abundance of and complete categories of mineral resources, with main mineral products including tin, aluminum, nickel, iron, copper, gold, and silver, etc. Indonesia is the world second largest tin and nickel producer, and it stands at the forefront of Asian countries in terms of diamond reserves. Also, Indonesia is a major country for fossil energy and renewable energy. Herein, Indonesia's coal reserves (about 28 billion tons) account for 3.1% of the world's total, making it the fourth largest coal producer and exporter in the world. In Indonesia, most coalmines belong to open pit mine with good exploitation conditions and high coal quality, and the coalmines are mainly located in Kalimantan Island, Sumatra Island, and Sulawesi. Indonesia is the second largest oil producer in Asia, but its oil exploration and development depend highly on foreign oil companies. In Indonesia, most oil is distributed in Sumatra Island, Java Island, Kalimantan Island, Seram Island and Irian Jaya. In terms of natural gas reserves, Indonesia ranks third in the Asia-Pacific region, second only to China and Australia, making it the largest natural gas supplier in SE Asia, and natural gas is mainly distributed in Arun of Sumatra and Badak of Kalimantan Timur. Besides, since it is in collision zone between the Pacific Plate and the Asian-European Plate, Indonesia boasts abundant subterranean heat, wind energy, solar energy, and hydropower resources, implying a huge potential for development of renewable energy.^②

Agriculture

Indonesia is a large agricultural country, and agriculture (including forestry and fishery) is

① Indonesia Investment Coordinating Board: <https://www2.investindonesia.go.id/en/why-invest/business-opportunities>

② Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Indonesia (2019)

one of Indonesia's pillar industries. In 2019, agriculture contributed 12.7% of Indonesia's GDP. Before 1960s, affected by historical factors (colony), Indonesia's agricultural development structure was unreasonable, so that Indonesian economy was weak, leading to serious food shortage. After it gained independence, Indonesia improved its agricultural economy and basically realized self-supply in agricultural products thanks to its advantaged natural and geographical environment, Indonesian government's strong support to and domestic & overseas private capitals' inflow into the agriculture. Indonesia's main crops and agricultural products include rice, maize, palm oil, soybean, copra, rubber, and cassava. Herein, Indonesia's cash crops grow in profusion and are available for mass export, for example, Indonesia stands at the forefront of the world in output of palm oil and copra.

However, Indonesia is weak in production of agricultural products. For example, Indonesia has the largest coffee planting area in the world, but it lags Brazil and Vietnam in coffee output. In Indonesia, small-scale farms support development of Indonesian agriculture, and agricultural production is labor-intensive, leading to small output of agricultural requisites and domestic output's failure to meet the demands. Today, Indonesia still depends on mass import of some products, such as rice, wheat, soybean, and sugar.

Automobile Industry

As one of the critical industries in Indonesia, the automobile industry contributes about 10% of Indonesia's GDP. Indonesia is the fastest growing automobile market within ASEAN, and the largest automobile sales market and the second largest automobile producer in SE Asia. However, Indonesian automobile market is monopolized by Japanese automobile manufacturers including Toyota, Mitsubishi, Suzuki, and Honda, etc., and local automobile R&D technologies are relatively backward. In recent years, Indonesian government has successively promulgated policies in favor of development of local automobile industry, and then investment in Indonesia

automobile sector ascended year by year, making Indonesia become the main destination for major transnational automakers to expand the SE Asian market. Relative to automobile manufacturing, localization rate of auto fittings is higher, and Indonesia government gives more supports to car models with more local auto fittings.^①

Indonesian motor vehicle market is of strong development potential, and market size of the Top 4 city passenger car manufacturers only accounts for 26% of Indonesia's total market size. However, in Indonesia the cities are in scattered distribution, the urbanization rate is low, there are many islands, and local landforms are unique, thus automobile distribution and service coverage are faced with challenges from logistics. Due to this, low-cost environment-friendly cars, and motorcycles, aside from passenger cars, are also promising consumer markets in the Indonesia motor vehicle industry.

Construction Industry^②

In 2019, the construction industry contributed 10.8% of Indonesia's GDP, and its growth rate was 5.37%. Herein, the real estate industry is widely favored. Indonesia's growth in real estate sales is premised on ever-increasing city population's needs for housing, a rigid demand. In 2019, a report from Indonesian government showed that real housing supplies in Indonesia were 1,250,000 units, whereas the demands for housing touched 12.20 million units. Shortage of supply in Indonesian housing market implies the country's strong development potential.

Real estate investment arouses interest from local investors of Indonesia, and a lot of Indonesian people purchase the real estate not only for satisfying their housing needs, but for a long-term investment. Investment potential in Indonesia real estate industry arouses attention from both local investors and foreign merchants. So far, multiple world-famous real estate developers have given attention to Indonesian real estate market, and they come from China,

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Indonesia (2019).

② CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Indonesia (2019).

Hong Kong, China, Australia, Japan, South Korea, and New Zealand.

Tourism

Indonesia is the world largest archipelagic country where there are a lot of picturesque tropical natural landscapes, and diverse and colorful ethnic cultures and historical sites. There are 17,508 islands in this country. In terms of tourism development, Indonesia ranks 9th in the world and 3rd in Asia. It is the fastest growing tourist market in SE Asia.

As of 1970s, Indonesian government strongly developed the tourist industry, built tourist infrastructure such as star hotels, promulgated regulations for tourism development, and gradually expanded the tourism to countries with exemption of Indonesian tourism visa. Moreover, Indonesia adopted other strong measures to attract foreign tourists. In 2019, 16.10 million foreign tourists visited Indonesia, an increase of 1.9% from 2018. To increase the foreign exchange earnings and attract foreign investment, the Ministry of Finance of Indonesia plans to provide tax relief for export and tourism, the Central Government will give interest rate subsidy, and the Ministry of Industry, the Ministry of Tourism, and the Otoritas Jasa Keuangan will enact preferential policies as well.

4.3 Foreign Investment

Data from the Investment Coordinating Board show that in recent years, the amount of foreign investment in Indonesia posted large fluctuation. Affected by the COVID-19 pandemic, amount of foreign investment in Indonesia totaled Rp 412.8 trillion (approximately US\$ 28.666 billion) in 2020, representing a year-on-year decline of 2.4%.

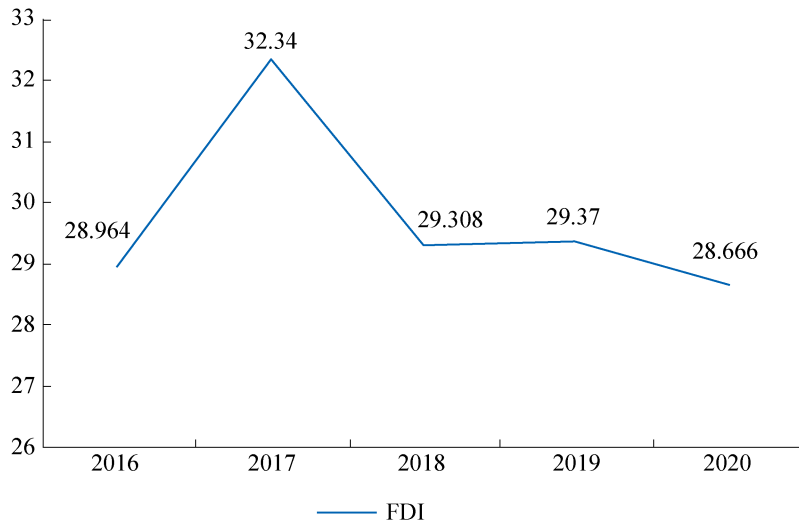


Fig. 4-2 Amount of foreign investment in Indonesia, 2016–2020 (in US\$ billion)^①

Foreign Capital Sources

In 2020, Indonesia's top sources of foreign capital were successively Singapore (US\$ 9.8 billion, 34.19%), China (US\$ 4.8 billion, 16.74%), Hong Kong, China (US\$ 3.5 billion, 12.21%), Japan (US\$ 2.6 billion, 9.07%) and South Korea (US\$ 1.8 billion, 6.28%).

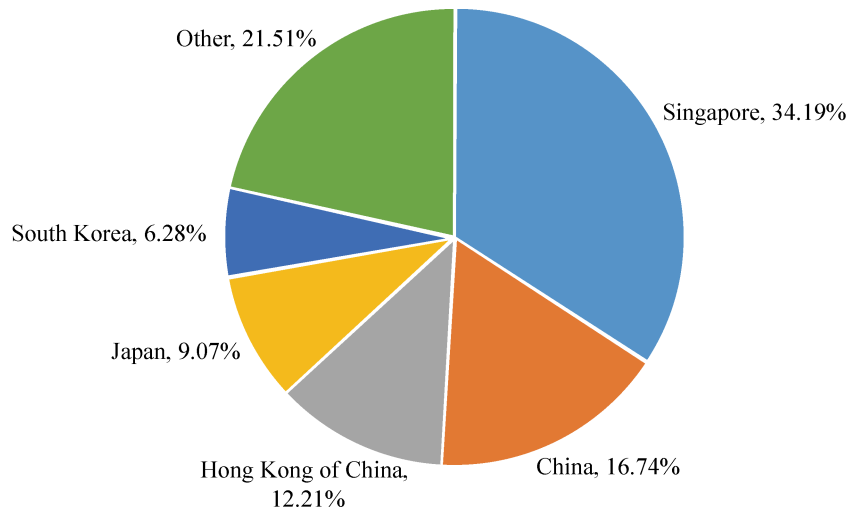


Fig. 4-3 Origin of Indonesia's FDI 2020^②

Industry Distribution of Foreign Investment

In 2020, there were a total of 16,786 foreign-invested projects in Indonesia. Herein, amount of foreign investment in metal, machinery, and equipment industries totaled US\$ 5.969 billion

① Indonesia Investment Coordinating Board: <https://www.bkpm.go.id/>

② Indonesia Investment Coordinating Board: <https://www.bkpm.go.id/>

(accounting for 20.82%); amount of foreign investment in electricity, natural gas, and water sectors totaled US\$ 4.614 billion (accounting for 16.10%); in transportation, warehousing, and telecommunication industries, US\$ 3.581 billion (12.49%); in housing/industrial communities and office buildings, US\$ 2.191 (accounting for 7.64%); in mining industry, US\$ 2.005 billion (6.99%); in chemical and pharmaceutical industries, US\$ 1.743 billion (6.08%); in automobile and other transport vehicles industry, US\$ 942 million (3.29%); in papermaking and printing industry, US\$ 938 million (3.27%); in other industries, US\$ 6.684 billion (23.31%).

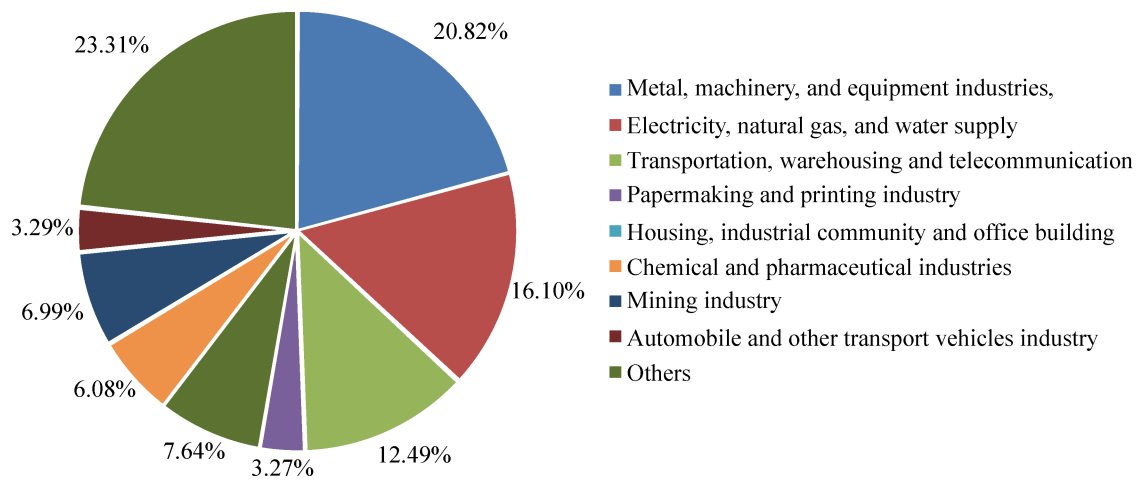


Fig. 4-4 Industry Distribution of Indonesia's foreign investment 2020^①

① Indonesia Investment Coordinating Board: <https://www.bkpm.go.id/>



Starting a Business

5.1 Registering a Business

Competent Authorities

In Indonesia, the Investment Coordinating Board is the competent authority in charge of matters in relation to business registration.

Investors are advised to get through the application for business registration through the One Stop Service. Foreign investors that make investment in the special economic zones shall submit the investment application to the Investment Coordinating Board via the special economic zones.

Entity Types^①

Entities, which are found in Indonesia by foreign investors, mainly include foreign-invested company with limited liability and representative office.

Registering a foreign-invested company with limited liability. Required documents in application: articles of association, information on the founder, information on the Board of Directors and the Board of Supervisors, and information on shareholders other than the founder, etc. Estimated duration: 4 weeks.

Registering a representative office. Required documents in application: duplicate of the

① One Stop Service: <https://oss.go.id/portal/>

Articles of Association (in English or in Bahasa Indonesia), letter of appointment and letter of intent accredited by the embassy in Indonesia/trade commissioner/investment promotion center, statement of the Representative Office Head about the representative's stay and work at the Indonesia-based Representative Office, letter of recommendation from the embassy in Indonesia/trade commissioner/investment promotion center, identity certificate and letter of authorization of the representative. Estimated duration: 2 weeks.

Registration Procedure^①

Step 1: Required documents for founding of foreign-invested company with limited liability

Step 2: Inquire about the Negative List for Investment

Step 3: Register an account at One Stop Service

Step 4: Get the business identification number

(1) Log in National uniform online submission system;

(2) Fill in the data, and get the Business Identification Number (BIN);

(3) After filling in all data, the applicant will receive the BIN, which may be used as business registration certificate (Tanda Daftar Perusahaan, TDP), importer identification number (Angka Pengenal Impor, API) and customs clearance pass (Akses Kepabeanan).

Step 5: Get the license

(1) The applicant will receive the letter of commitment on the Business License, Site Permit, Environmental Permit, and Construction Permit;

(2) The Investment Coordinating Board will monitor the progress for transaction of these permits every 3 months;

(3) If all commitments, including payment for invoice (if required), have been fulfilled, the applicant will receive a notice from the One Stop Service.

① One Stop Service: <https://oss.go.id/portal/>

Requirements about Business Registration Priority Service on the One Stop Service^①

If the investor meets the following requirements, it can spend only 3 hours in getting through the business registration via the One Stop Service.

- (1) Planned investment amount of at least Rp 100 billion and /or employment of at least 1,000 local labor forces;
- (2) Investment sector belongs to industry or region within the scope of “Inland free trade agreement facility”;
- (3) Investment project is a component of the industry supply chain;
- (4) Investment project belongs to national strategic project;
- (5) Potential shareholder directly submits the application.

Provisions on Submission of Investment Activity Report by Foreign-funded Enterprise^②

According to the Investment Coordinating Board Regulation No. 6/2020, foreign-funded enterprises have the obligation to submit the investment activity report (LKPM)^③ to the Investment Coordinating Board via the One Stop Service. The investment activity report is prepared by foreign-funded enterprise and centered on introduction of the foreign-funded enterprise’s business achievements and restrictive factors in Indonesia. The Investment Coordinating Board will sum up and analyze these reports, to resolve foreign-funded enterprises’ challenges in Indonesia.

Deadline for foreign-funded enterprise’s first submission of investment activity report depends on the time when the business license is obtained from the Investment Coordinating

① One Stop Service: <https://www.investindonesia.go.id/en/how-we-can-help/procedure/investment-license>

② Asean Briefing: <https://www.aseanbriefing.com/news/indonesia-issues-new-regulation-on-investment-activity-reports/>

③ One Stop Service: <http://lkpmonline.bkpm.go.id/>

Board and the total investment made by the enterprise.

Table 5-1 Time for first submission of investment activity report by foreign-invested company with limited liability

	Business License issuing time	Time for first submission of investment activity report
Foreign-funded enterprises with investment amount of Rp 50 million to Rp 500 million	Within the first 5 months in the first half year since receipt of the Business License	Submit the report in the first half year since receipt of the Business License.
	Within the sixth month in the second half year since receipt of the Business License	Submit the report in the next half year
Foreign-funded enterprises with investment amount of Rp 500 million to Rp 10 billion and investment amount of more than Rp 10 billion.	In the first 2 months within the first quarter since receipt of the Business License	Submit the report in current quarter
	Within the third month in the first quarter since receipt of the Business License	Submit the report in the next quarter

Table 5-2 Timetable for submission of investment activity report by representative office of the foreign-funded enterprise

Representative office type	Obligation to submit investment activity report	Deadline for submission
General Representative Office (KPPA)	Report must be submitted once every 6 months	Deadline for the first submission: July 10, 2021. Deadline for the second submission: January 10, 2022
Foreign Trade Company Representative Office (KP3A)		
Foreign Oil and Natural Gas Company Representative Office (KPA Migas)		
Foreign Construction Company Representative Office (BUJKA)	Report must be submitted once every 12 months	January 10, 2022

5.2 Project Contracting

Acquiring Information^①

In Indonesia, engineering projects for contracting mainly fall into 4 categories: first, aid projects by international financial institutions, for example, funded projects by the World Bank, the Asian Development Bank, the Asian Infrastructure Investment Bank (AIIB), and the European Bank for Reconstruction and Development, etc.; Indonesian government projects funded by

^① Ministry of Commerce of China, Guide on Cooperation with Foreign Countries for Investors-Indonesia (2019)

foreign capitals; government projects invested by foreign and domestic capitals; private-funded projects. For projects of the first 3 categories, the National Development Planning Agency of Indonesia and relevant project implementation departments (e.g., the Ministry of Public Work and Housing, the Ministry of Energy and Mineral Resources, the Ministry of Transportation, and the Indonesia National Power Company) make public the project tendering information; for private-funded projects, cooperation is usually based on business relations.

Most of the aforesaid information is acquired through different channels, including Indonesia's local newspaper, TV, and Internet, etc.

Tendering and Bidding

Pursuant to national laws of Indonesia and project requirements & regulations of international financial institutions, tendering means shall be adopted for projects funded or aided by international financial institutions; for projects that introduce government loan from specified country, open tendering is usually adopted among companies from the aid-giving country, or the project implementation company may be determined through negotiation between governments of both sides; for projects funded by Indonesian government itself, the tendering means is optional between international tendering and tendering towards local companies of Indonesia; for private-funded projects, the project owner chooses big negotiation or tendering within its discretion.

Government Procurement

To better support development of domestic industries, Indonesian government has enacted relevant regulations, stipulating that if the governmental departments' purchase value exceeds Rp 5 billion (approximately US\$ 560,000), they must purchase local products and services.

Licensing Procedures

The Ministry of Public Work and Housing is the competent authority in charge of Indonesia's

project contracting. Bid-winning foreign companies shall not sign contract with the project owner until they have set up limited liability company or representative office in Indonesia, and obtained the project contracting permit issued by the Ministry of Public Work and Housing of Indonesia. For foreign companies engaged in project contracting business, their copartners in Indonesia must be members with Class A qualification from Indonesia Construction Contractors Association and Indonesian Federation of Construction Contractors. For foreign companies engaged in engineering counseling, their copartners in Indonesia must be members with Class A qualification from Indonesia Counseling Association. Herein, the contractor with Class A qualification refers to the engineering contractor that has equipment worth Rp 100 million, at least 3 engineers, and annual sales revenue of no less than Rp 1 billion.



Special Reminder:

(1) Earnestly investigate the credit standing of the engineering project for contracting whether the engineering project obtains approval document from the Indonesian government; whether the funds for the engineering project have been paid up, and whether the source of funds is secure (in case of self-raised funds). In case the project requires credit granted by supplier, check whether or not there is loan from a foreign bank, and whether or not there is acceptable bank in Indonesia that offers guarantee letter and letter of credit for the foreign bank; whether or not the project scheme has been determined, whether or not there is analysis and research report on economic and technical feasibility, whether or not current engineering project's feasibility has been proven and land for construction of the engineering project has been determined. In addition, a practical and feasible credit survey shall be conducted to the engineering owner and the copartners for project contracting, to avoid being cheated.

(2) Since the Indonesian government bans input of general labor services, it is necessary to cooperate with 1 local engineering company engaged in civil construction or simple equipment

installation when contracting for engineering project in Indonesia. A proper and correct copartner, aside from meeting basic project subcontracting requirements, shall make contribution to success in winning the bid for project contracting. Before bidding for the project contracting, clarify the cooperative relationship with the subcontractor, to facilitate the economic accounting along with the general contractor.

(3) Offer for project contracting should be competitive while benefits are stressed, to ensure adequate profits. Malicious competition and bidding at lower price between companies should be avoided.

(4) Ensure quality of exported products in project contracting.

5.3 House Leasing

For investors that doing business in Indonesia, before renting an office as the registered address, the company shall first check whether current building is located on commercial land. Investors are advised to inquire about the land nature through 2 methods: first, check the building's construction permit IMB, which is the primary document for legal construction of buildings in Indonesia, and one of the requisite documents for business registration; second, visit Jakarta Spatial Planning System website <https://tataruang.jakarta.go.id/> (if the business is registered in Jakarta).

Table 5-3 Main channels for house leasing in Indonesia

House leasing channel	Introduction
Housing agent	If target area or target apartment is determined, pay an on-site visit via housing agent in the area.
Real estate website or APP	In Indonesia there are a lot of vertical real estate websites including rumah.com and rumah123.com, etc., thus house leasing information may be searched via vertical real estate websites.
Search engine	House leasing information may be searched via search engines including Google in Indonesia, for example, search apartment(rumah/ruko) disewakan, etc.
Field visit	In Indonesia, the house for leasing will be hung with a flag that contains "DISEWAKAN" and contact info of the housing agent or owner. If there is special requirement about the place, field visit is recommended for direct talk with the house owner.



Special Reminder:

enterprises shall apply for business site license at given location. Site permit may be transferred as the right.

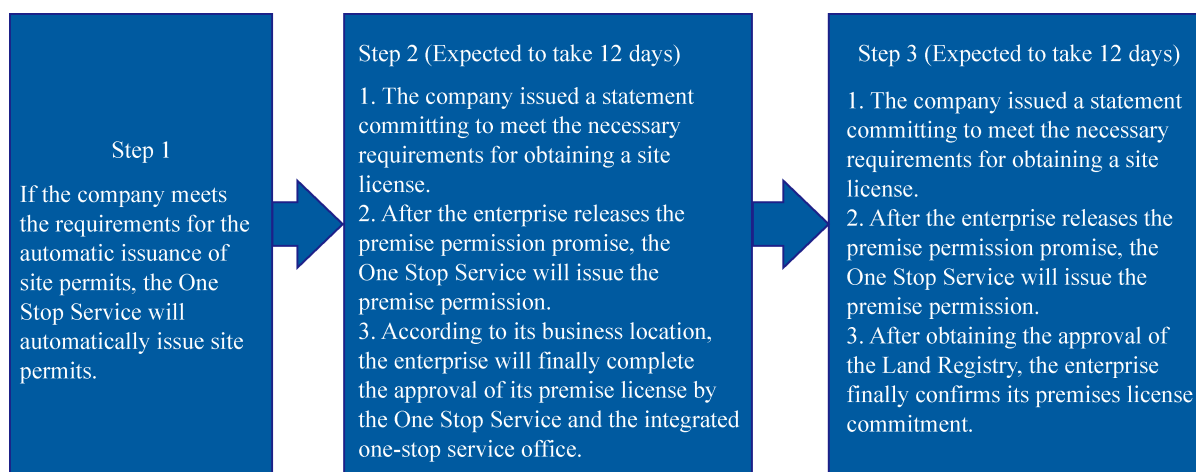


Fig. 5-1 Business site permit application flow^①

Conditions for automatic issuing of the site license: 1) comply with specific spatial planning and /or general location/urban space planning; 2) located in industrial zone, special economic zone, free trade zone, and port zone; 3) the site is the land owned by the company and used for operation; 4) land managed by local development bureau; 5) land adjacent to current business site (applicable to the business expansion or capacity expansion); 6) Arable land in application is not greater than 25 hectares, non-agricultural land is not greater than 1 hectare, and occupied housing area for impoverished people is not greater than 5 hectares; 7) Land used for national strategic projects.

5.4 Opening a Bank Account

Pursuant to provisions of the Center Bank Indonesia, all bank transactions of the newly founded foreign-invested company with limited liability shall be managed through a special foreign investment bank account, and these bank transactions include but are not limited to

^① One Stop Service: <https://oss.go.id/portal/>

capital inflow, loan management, capital equipment, and payment for raw materials, etc.

Documents required for opening a bank account: registered number (NIB), business registration certificate, business domicile certificate (SKDP), taxpayer identification number (NPWP), letter of authorization for opening a bank account; authorized person's identity card or passport for opening a bank account, and minimum deposit amount of Rp 10 million or US\$ 1,000, etc.^①

5.5 Employee Recruitment

Indonesia's employee recruitment channels fall into 3 categories: online recruitment, employment outsourcing, and headhunting recruitment.

Table 5-4 Employee recruitment channels in Indonesia

Channel	Company	Website	Remarks
Online recruitment	Glints	www.employers.glints.id	Attraction of numerous job seekers is considered one of the strengths in online recruitment.
	JobStreet	www.jobstreet.com.sg	
	Karir	www.karir.com	
	Jobs.id	www.jobs.id/	
Employment outsourcing	OS SELMAJAYA	www.os-selnajaya.com	Pursuant to provisions of the Law on Manpower Affairs, outsourcing in Indonesia is only limited to non-critical work. And the work types cover security workers, cleaning service workers, and operators, etc.
	EMERHUB.ID	www.emerhub.com/id/	
Headhunting recruitment	Monroe Consulting Group	www.monroeconsulting.com	Headhunting recruitment provides the companies with precise and high-efficiency recruitment services.
	Talent Search Recruitment	www.talentsearch.co.id	

5.6 Financing

Bank Loans

In Indonesia, contents of financial services vary by bank. For example, Mandiri Bank, the largest commercial bank in Indonesia, provides the loan products including short-term credit (up

① Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/en/invest-with-us/faq>

to 1 year) and investment credit (middle/long-term credit). Documents required for the loan mainly include: the applicant's legal documents (e.g., business registration certificate) and the commercial project's legal documents.

Data from the Center Bank Indonesia show that as of April 20, 2021, Indonesia's benchmark interest rate (7-day reverse repo interest rate) was 3.5%.^①

Bond Issuance

Statistical data of Asian Bonds Online show that as of December 2020, total size of Indonesia local bond market amounted to Rp 4,517.3 trillion (US\$ 321.5 billion.), a rise of 10.0% monthly and a rise of 28.7% on a yearly basis.^② Indonesia Stock Exchange (IDX)(<https://www.idx.co.id>) is Indonesia's only bond exchange.

To petition for bond issuance, the bond issuer shall meet the following conditions: comply with general requirements about registration of bond; the issuer shall be a legal entity; with a business history of at least 3 years; with effective registration statement.^③

General requirements about registration of bond: the owner's equity of the bond issuer shall reach at least Rp 20 billion; the bond issuer shall be rated above BBB by the registration rating agency; the bond issuer shall make profits in the previous year; the bond issuer shall receive the certified public accountant's qualified opinion about its financial reports of the last 3 years (in other words, there is no major misstatement for most information of the financial statements). In addition, the Company's bond par value is contingent upon the bond issuer.^④

Listing on the Exchange^⑤

Enterprises may choose to go public at the Main Board, the Development Board, or the

① Peraturan Bank Indonesia: <https://www.bi.go.id/id/default.aspx>

② Asianbondsonline: <https://asianbondsonline.adb.org/economy/?economy=ID>

③ Otoritas Jasa Keuangan: <https://www.ojk.go.id/Files/regulasi/pasar-modal/baepam-pm/emiten-pp/bentuk-isi/1.IX.A.1.pdf>

④ Practicallaw: [https://uk.practicallaw.thomsonreuters.com/5-527-1606?transitionType=Default&contextData=\(sc.Default\)&firstPage=true#co_anchor_a609309](https://uk.practicallaw.thomsonreuters.com/5-527-1606?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a609309)

⑤ Indonesia Stock Exchange: <https://www.idx.co.id/en-us/products/stocks/#Acceleration%20Board>

Acceleration Board of the Indonesia Stock Exchange. See table below for listing requirements:

Table 5-5 Listing requirements of Indonesia Stock Exchange

CRITERIA		LISTING BOARD			
		MAIN BOARD		DEVELOPMENT BOARD	
Incorporation		Limited Liability Company (PT)		Limited Liability Company (PT)	
FINANCIAL & ACCOUNTING	Operational Lifetime	≥ 36 months		≥ 12 months	
	Operating Profit	> 1 year		May Experience Loss request: should record operating profit& net profit by the end of 2 nd year (end of 6 th year for certain fields)	
	Audited Financial statement	Min. 3 years (2 years unqualified opinion)		Min. 12 months (1-year unqualified opinion)	
	Financial Test	NTA* $> \text{Rp}100$ billion		NTA* $> \text{Rp}5$ billion	
				OR	
				Op. Profit $\geq \text{Rp}1\text{B}$ & Market Capital $\geq \text{Rp}100\text{B}$	
				OR	
OFFERING STRUCTURE	Number of Shares Offered to The Public	Min. 300 million shares:		Min. 150 million shares:	
		Equity Value	Total share	Equity Value	Total share
		$< \text{Rp}500$ billion	20%	$< \text{Rp}500$ billion	20%
		$\text{Rp}500\text{B}-\text{Rp}2\text{T}$	15%	$\text{Rp}500\text{B}-\text{Rp}2\text{T}$	15%
		$> \text{Rp}2$ Trillion	10%	$> \text{Rp}2$ Trillion	10%
	Shareholders	$\geq 1,000$ parties		≥ 500 parties	
	Initial Stock Price	$\geq \text{Rp}100$		$\geq \text{Rp}100$	
	Underwriting Contract	Full Commitment		Full Commitment	

* Net Tangible Assets: Total Assets reduced by Intangible Assets, Deferred Tax Assets, Total Liabilities and Non-Controlling Interests

Table 5-6 Stock listing expenses on Indonesia Stock Exchange

CRITERIA	LISTING BOARD		
	MAIN BOARD	DEVELOPMENT BOARD	ACCELERATION BOARD
Registration Fee	Rp 25 million	Rp 25 million	Rp 10 million

Continued

CRITERIA	LISTING BOARD		
	MAIN BOARD	DEVELOPMENT BOARD	ACCELERATION BOARD
Initial Listing Fee	Rp 1 million per Billion of Market Capitalization	Rp 1 million per Billion of Market Capitalization	Rp 25 million(fixed)
Minimum Initial Listing Fee	Rp 25 million	Rp 25 million	–
Maximum Initial Listing Fee	Rp 250 million	Rp 150 million	–
Annual Listing Fee	Rp 500,000 per Billion of Market Capitalization	Rp 500,000 per Billion of Market Capitalization	Rp 25 million(fixed)
Minimum Annual Listing Fee	Rp 25 million	Rp 50 million	–
Maximum Annual Listing Fee	Rp 250 million	Rp 250 million	–

5.7 Applying for Patents and Registering Trademarks

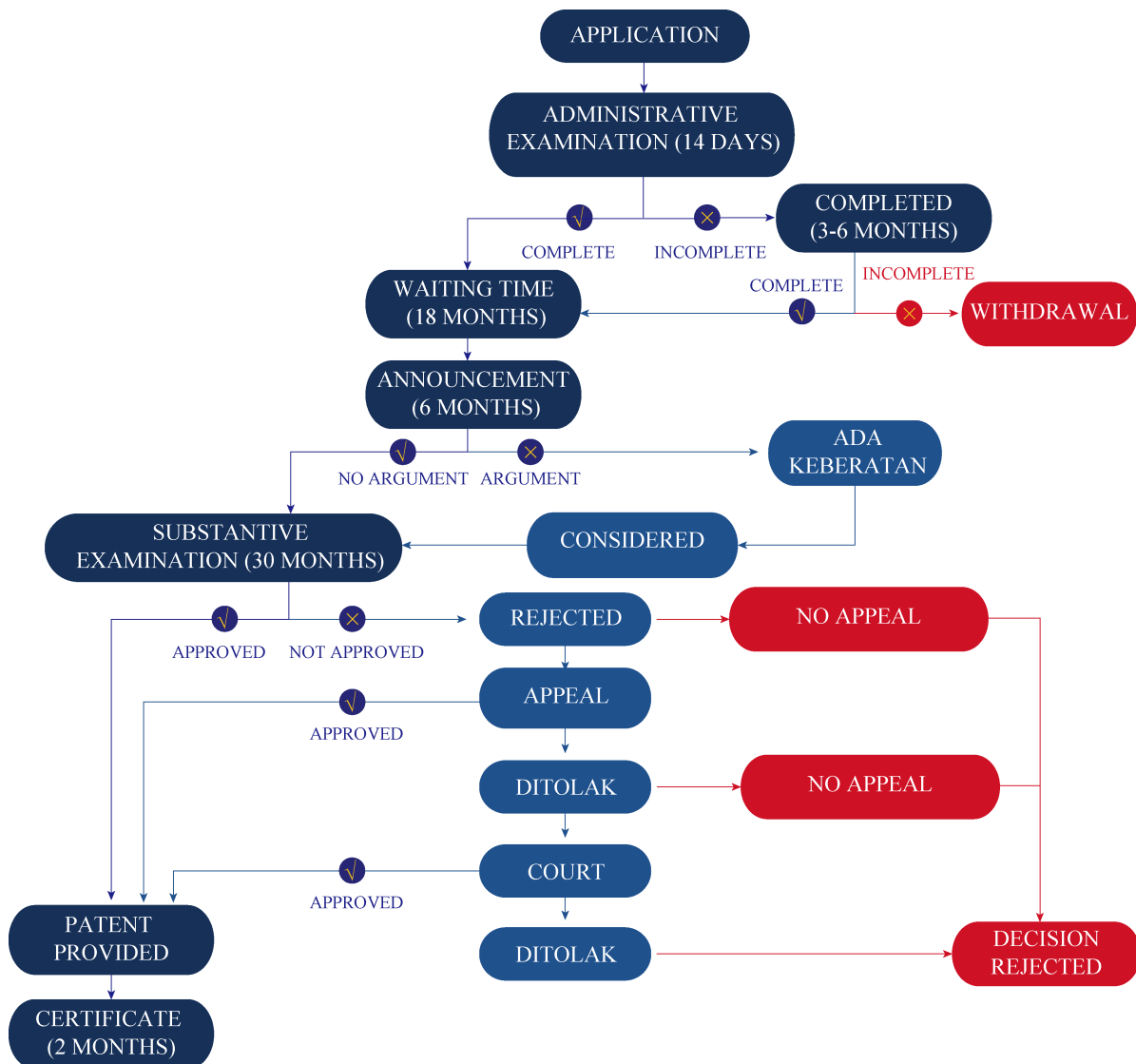
Application for Patents

Patent application shall be submitted in writing and in Bahasa Indonesia to the Indonesia Intellectual Property Office^① by the inventor or the applicant.

Application documents include application date, applicant address, inventor name and nationality, patent agent's name and address (required if the application is submitted via the patent agent), specially authorized patent agent, patent request, name of the patent for invention for application, patent claim, patent specification, pictures of current patent, and abstract of the patent.

Fees applications include application fee, patent advertising fee, patent transfer record and advertising fee, patent license registration and advertising fee, compulsory license application fee and patent annuity.

^① Indonesia Intellectual Property Office: <http://en.dgip.go.id/>

Fig 5-2 Invention patent application process in Indonesia^①

Registration for Trademark

Application for trademark registration shall be submitted in writing and in Bahasa Indonesia to the Indonesia Intellectual Property Office.

The letter of application shall include application date, applicant's name, nationality, and domicile, the agent's name and domicile, trademark color, country name, and the date when the application for trademark registration is first filed. Application for trademark registration may be filed by individual, by the collective, or by the entity.

① Indonesia Intellectual Property Office: patent application flowchart, <https://dgip.go.id/menu-utama/paten/pengenalan>

Application fees include filing trademark registration application and renewal application, filing application for trademark catalogue photocopy, trademark right transfer registration, change of registered trademark holder's name and address, trademark licensing agreement registration, bringing forth disagreements about trademark registration application, filing trademark registration application and reviewing, etc.

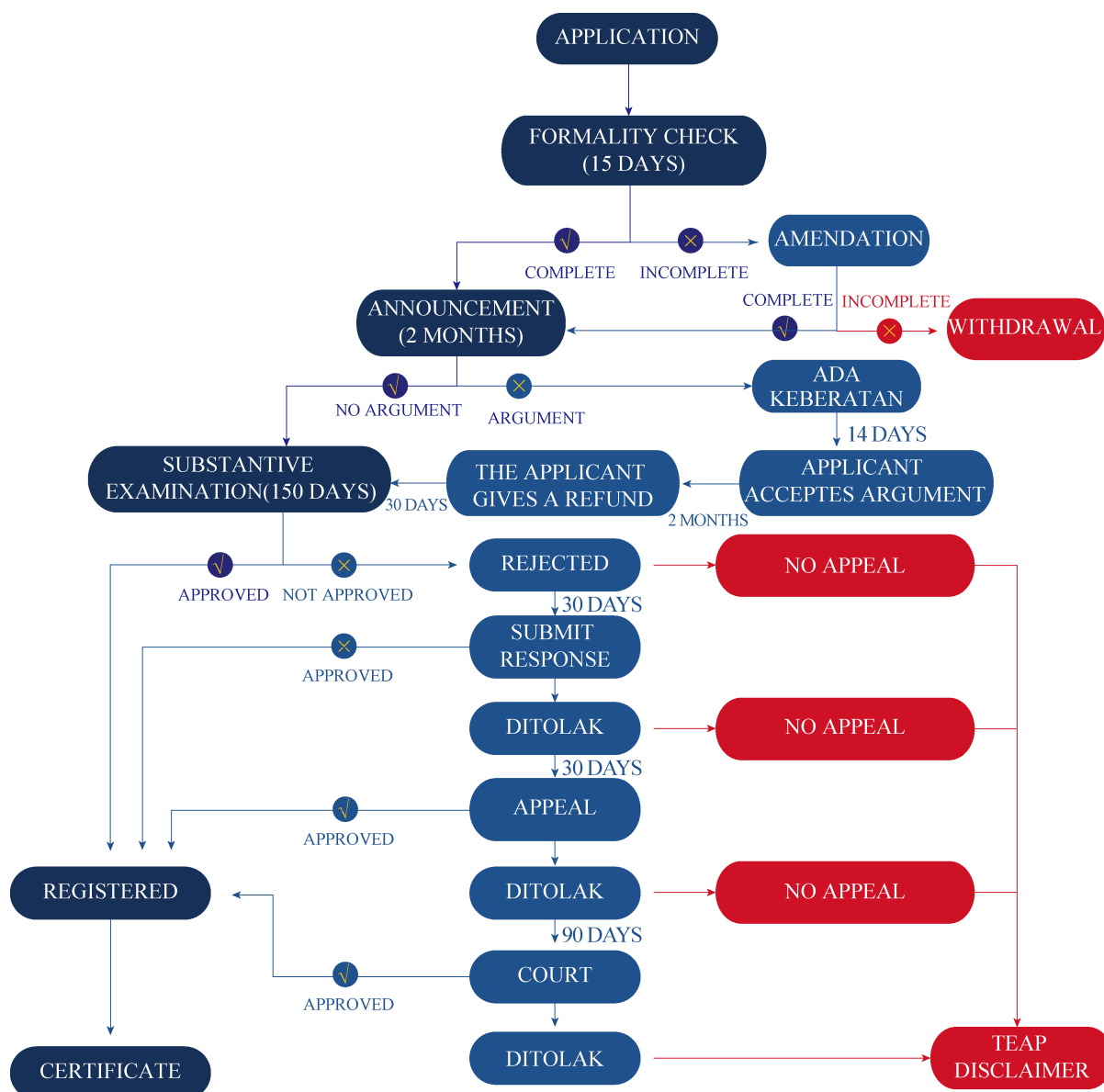


Fig. 5-3 Application process for trademark registration in Indonesia^①

① Indonesia Intellectual Property Office: trademark application flow, <https://dgip.go.id/menu-utama/merek/syarat-prosedur>

5.8 Tax Payment

Tax Declaration

Enterprises may choose between fiscal year and accounting year for tax declaration, and they can extend the period of submission of the Annual Income Tax Return for 2 months at the maximum by submitting notification to the Indonesia Tax Authority. A written application shall be submitted prior to the declaration deadline in case of postponement of the tax declaration.

In general, the Tax Return (by month and by year) must be submitted to Indonesian Tax Authority in the form of electronic document. Investors are advised to reasonably arrange the tax declaration work by referring to the tax compliance timetable.

Table 5-7 Tax compliance timetable^①

Tax type	Monthly payment deadline	Monthly filing deadline	Annual filing deadline
Corporate income tax	15th of the following month	20th of the following month	End of the 4th month after the fiscal year ends
Individual income tax	15th of the following month	20th of the following month	
Withholding tax on employees' remuneration	10th of the following month	20th of the following month	N/A
Other withholding income tax	10th of the following month	20th of the following month	N/A
VAT and luxury goods sales tax	VAT tax refund	End of the following month	N/A

Tax Declaration Channels

Indonesia has virtually realized online tax declaration. In general, taxpayers other than specified ones shall declare tax via electronic form (Online Tax Declaration)^②.

Tax Declaration Procedures

During the tax year, the taxpayers shall pay the tax installments every month. Before expiry of the Annual Income Tax Return of the previous tax year, the taxpayers shall immediately pay

^① Deloitte Touche Solutions Indonesia Tax Guide 2019-2020: <https://www2.deloitte.com/content/dam/Deloitte/id/Documents/tax/id-tax-indonesian-tax-guide-2019-2020-en.pdf>

^② Indonesian Tax Authority: <https://www.pajak.go.id/>

the tax installments for the last month of the year.

If tax assessment of the previous tax year is issued during current tax year, amount of tax installments shall be recalculated based on relevant tax assessments, and the tax assessment shall take effect in the last month of the previous tax year.

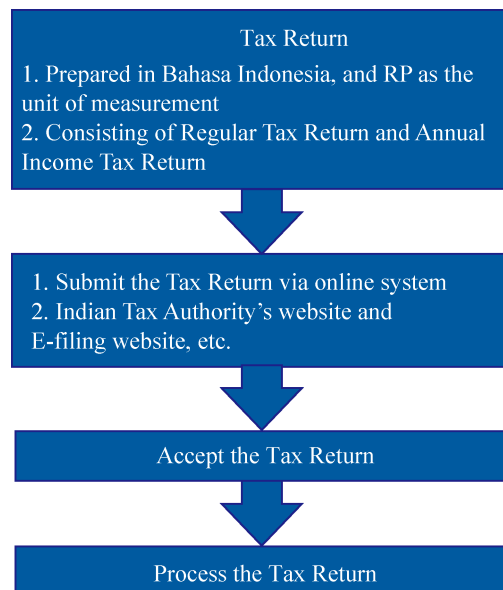


Fig. 5-4 Tax declaration procedures



Investment Practice:

Multiple Internet enterprises obliged to pay off taxes Indonesia^①

To allay short-term tax dilemma, the Indonesian government actively launched the massive investigation of tax evasion in 2016, as well as conducted tax audit to Internet tycoons, such as Google and Facebook. According to Indonesian Tax Authority, Indonesia's Internet advertising scale was about US\$ 830 million, of which, market shares of Google and Facebook exceeded 70%, and both companies were suspected of recording their revenue from Indonesia into their Singapore-based headquarters, to evade tax in Indonesia. Measurement and calculation by Indonesian Tax Authority showed that Facebook had more than 88 million users in Indonesia, and its outstanding taxes and penalties might range between Rp 2 trillion and Rp 3 trillion. Google's outstanding taxes and penalties in the previous 5 years totaled Rp 5.5 trillion.

^① Sources: Zaobao Singapore and Bloomberg News

In 2017, through rounds of negotiation, the Indonesian government and Google entered a tax settlement, but specific settlement amount was not disclosed. Despite this, it's estimated that Google paid more than Rp 1 trillion of settlement fees. To cope with the issue that enormous operating revenue of the Internet tycoons is out of proportion to local tax payment amount, Indonesia announced in 2020 that it would additionally impose 10% VAT on 6 entities. Herein, there were 3 entities under Google, such as Google Inc., Google Asia-Pacific, and Google Ireland).

Comment: Investors in Indonesia shall strictly observe local laws and refrain from taking a chance in this regard. Indonesian Tax System is faced with problems including narrow tax base, small number of taxpayers, and small percentage of law-abiding tax payments, but a hefty fine will be imposed on enterprises that are discovered for their tax-evading behaviors, and credit of these tax-evading enterprises will be prejudiced, which will do harm to their long-term development in Indonesia.



Legal Provisions

6.1 Land

Competent Authorities and Relevant Laws

The Ministry of Agriculture and Space Planning of Indonesia is the administrative authority for land management, and it is responsible for verifying and issuing the land ownership certificate. Also, there are land administration bodies at local governments of different levels. Land-related laws mainly include *Basic Act on Agriculture, Land Expropriation Act, Land Expropriation Statute and Act (based on Public Welfare Construction) (2011)* and *Draft for Land Expropriation Statute*.^①

Land Classification

In Indonesia, the land falls into 2 types (namely, registered, and unregistered) according to their registration status at local land management authority. Unregistered land mainly refers to hereditary land, which is usually owned by certain family (or clan) or the collective. Land of this type exists in most of Indonesian regions, particularly in remote autonomous provinces typified by Papua Barat, Papua, and Aceh.

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Indonesia.

Provisions on Acquisition of Land by Foreign-funded Enterprises

Foreign companies and citizens are prohibited from acquiring land ownership in Indonesia, but they are entitled to land farming, development, and use. Therefore, foreigners can purchase a land with the right to use.

According to Government Regulation No. 103 on foreigners' house ownership that was issued by Indonesia in 2015, foreigners with residence permits (e.g., resident permit for foreign affairs, residence permit for official business, resident permit, limited residence permit, or permanent resident permit) can purchase the houses under the category of the right to use land, with holding period being not greater than 80 years. House owned by foreigners in Indonesia can be transferred in the form of inheritance.

6.2 Tax

Competent Authorities and Relevant Laws

Indonesian Tax Authority (ITA) is the department in charge of tax collection and management, and its subordinate departments include: ITA Office, Tax Data and Document Processing Center, Jakarta Special Taxation Regional Office, ITA Regional Office, VIP Enterprises Taxation Office, Tax Authority Office, Tax Counselling Office. *Income Tax Act* is the main law for Indonesian taxation.

Tax System

Indonesia implements taxation system of 2 levels (namely, central government and local government), but the central government is mainly in charge of tax revenue legislation and tax collection. Any enterprise that exists in Indonesia and engages in business operation is regarded as “Standing Body”, which will be taxed on its worldwide income in Indonesia. Withholding Tax (Pajak Pemotongan) system is used in Indonesia to collect the income tax. Where a particular

item of income is subject to withholding tax, the payer is responsible for withholding or collection of the tax. For example, employers are required to withhold income tax on the salaries payable to their employees and pay the tax to the tax office on their behalf.

Current tax categories in Indonesia mainly include^①: corporate income tax, individual income tax, VAT, land and building tax, and stamp duties, etc.

Corporate Income Tax

Table 6-1 Concessionary tax rate for corporate income tax

Corporate income tax	Tax rate
Normal tax rate	25%
Limited company with 40% of its shares traded at stock exchange market	5% of deduction from normal rate
Gross turnover of up to Rp 50 billion	5% of deduction from normal rate
Gross turnover of less than Rp 4.8 billion	0.5% of the total income

Individual Income Tax

Table 6-2 Individual income tax rate

Taxpayer	Taxable annual income (in Rp million)	Income tax rate
Resident individual	<500	5%
	500-2,500	15%
	2,500-500	25%
	>500	30%
Non-resident individual	–	20%

VAT: In normal cases, 10% VAT is applied to imports, manufactured goods, and most services in Indonesia. Adjustable scope is 5%-15% by the goods.

Land and Building Tax: the owners of land & buildings must pay tax annually on land, buildings, and permanent structures. The effective rates are nominal, typically not more than one tenth of 1 % per annum (0.1%) of the value of such assets.

Stamp Tax: according to the *Draft for Stamp Duties Statute* that came into force on January

^① Indonesia the Investment Coordinating Board: introduction of main tax categories, <http://investindonesia.tw/en/page/taxation>

31, 2021, Indonesian government implements the uniform stamp duties rate. The stamp duties nominal is adjusted from either Rp 3,000 or Rp 6,000 to Rp 10,000.

6.3 Employment

Competent Authorities and Relevant Laws

The Ministry of Manpower and Immigration is the competent authority in charge of manpower employment and protection of rights in Indonesia. Laws in relation to employment in Indonesia mainly include *the Employment Act (No. 13/2003 Decree)* and *the Industrial Relations Disputes Settlement Law (2004)*.^①

Main Clauses

Labor Contracts. Any agreement reached by the employee and the employer through oral and/or written means in specified time or unspecified time shall constitute a labor contract, which stipulates the employee and the employer's work conditions, rights and obligations.

Working Hours. The statutory working time is 40 hours per week or 5-6 days per week.

Severance Package. The employer shall pay the employee 9 months of salaries as the severance package. For employees who resign voluntarily or violate criminal laws, the employer needs not pay the severance package, but shall pay off the welfare funds the employee has amassed.

Strike. The employee has the right to strike against the employer's relevant policies. During the strike, the employer still needs to pay the employee salary, but the employee shall inform the employer and administrative authority beforehand and go on strike within the scope of the corporate premises.

Child Labor. Indonesia permits employment of child labor but requires that the child labors shall be aged above 14 and their daily working time shall not exceed 3 hours.

① Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Indonesia.

Casual Labor. Contract period for casual labor shall not exceed 3 years.

Social Security.^① Indonesia's social security programs are run by 2 organizations. The Social Security Administrator for Health (BPJS Kesehatan) is responsible for healthcare, and the Workers Social Security (BPJS Ketenagakerjaan) for pensions. Indonesian government requires that all Indonesian citizens and foreigners shall join the social security programs, and foreign employees shall register the social security programs for their family members. The Indonesia government has made it mandatory for all Indonesian citizens and expatriates to participate in the social security programs. Expat employees must also enroll their families in the programs. In the private sector, the premium for employees is calculated as 5 percent of the monthly salary, the employer must pay 4 percent and the employee the remaining one percent. The pension for employees is calculated as 3 percent of the monthly salary, the employer contributes to 2 % while the employee contributes 1 %.



Investment Practice:

Strike and protest frequently occur in Indonesia, affecting the enterprises' production and operation^②

In 2020, affected by the COVID-19 pandemic (hereinafter referred to as the pandemic), strike and protest frequently took place in Indonesia, which did harm to the enterprises' production and operation. In August, a massive strike took place in Indonesia Grasberg Copper & Gold Mine, the world's second largest copper mine subordinate to Freeport McMoRan Inc. The workers blocked the roads towards the mine using stones, saying that ever since outbreak of the pandemic, a lot of them, due to the company's epidemic prevention and production requirements, had been banned from returning home for 3 consecutive months, and the Company did not give rewards for their work during the pandemic, which jeopardized the workers' legal rights. Almost all of miners at the Grasberg Copper & Gold Mine took part in this strike, which lasted for nearly

① Aseanbriefing: <https://www.aseanbriefing.com/news/indonesia-increases-social-security-premium-2020/>

② Sources: SMM, VOI - Waktunya Merevolusi Pemberitaan, and FRI, etc.

1 week. That month, another strike broke out in the IMIP Industrial Park that was jointly founded by Zhejiang Tsingshan Iron and Steel Group of China and Indonesia 8-star Group, and workers protested inefficient shift during the pandemic, leading to their failure to ask for a leave to go home. What is more, the Park dismissed workers during the strike, which was suspected of dissolving labor contract against laws.

In October, to urge Indonesia to increase job opportunities and improve the business environment and promote rejuvenation of national economy in the post-epidemic period, Indonesian Congress approved of the Jobs Creation Act. After that, multiple trade unions throughout Indonesia organized strike and protest, and noted that the government was more willing to help large enterprises to exploit workers. Chairman of Indonesian Confederation of Trade Unions pointed out that this strike campaign would bring together about 2 million workers from 32 trade unions in Jakarta, Surabaya, and Palembang, etc.

Comment: compared to other countries within ASEAN, Indonesia has a lot of trade unions, some of which engage in political affairs, so that trade union activities are generally active. Trade unions in Indonesia are committed to raising the workers' salary floor, protecting their welfare and remuneration, ensuring their reasonable working hours, and helping them settle employer-employee disputes, etc. In recent years, to fulfill their appeals, the trade unions usually organize workers for parade and demonstration, and even express discontents by besieging governmental organs, highways, and factories, etc. Therefore, while safeguarding legal rights of Indonesian workers, the investors are advised to deal with the trade unions' proposals with caution, maintain a good relationship with the trade unions, and mitigate influence of the strike on the business.



Investment Practice:

Labor dispute between a Japanese company and the trade union

In November 2007, head of the KJI FSPMI Trade Union of Japan KJI Indonesia (the

Company for short) filed a petition for collective bargaining with the Company. In January 2008, the head of KJI FSPMI Trade Union submitted the letter for collective bargaining again, and officially notified the labor competent authority, but KJI continued rejecting the collective bargaining. In March 2008, the labor competent authority issued an official statement, pointing out that collective bargaining with KJI is the Company's mandatory obligation, whereas the Company rejected it again. The Trade Union planned to launch a strike on May 14, 2008, and submitted the duplicate of the letter on strike to the labor competent authority. On May 13, 2008, the Company Management issued a bulletin, clarifying that any worker engaging in the strike will lose the annual bonus, and have no chance to participate in the tourist activities organized by the Company. Despite these threats, the strike still began at 7:30 AM on May 14, 2008, and ended after 1 hour. On May 15, 2008, 4 trade union leaders received the termination letter from KJI. According to the letter, they would be dismissed for the strike they organized that inflicted loss on the Company.

On May 17, 2008, the workers officially reported the case to the Police Office Pasuruan, accusing KJI of breach of *Article 43 and Article 28 of the Trade Union Law*. On November 8, 2008, Pasuruan District Court in Bangil heard this case. On January 12, 2009, the Court announced the verdict that general manager of KJI was sentenced to 1.5 years of imprisonment for infringement upon rights of the trade union. Later, both Surabaya High Court and Indonesia Supreme Court affirmed the original verdict.

Comment: at the very beginning, the aforesaid case was only the common labor dispute between the Company and the trade union. KJI was supposed to settle disputes through legal means, but it chose to violate provisions of *the Trade Union Law* and *Industrial Relations Disputes Settlement Law*, so that a criminal penalty was imposed on the Company. Foreign enterprises should observe Indonesian laws and regulations, and settle labor disputes through legal means, or they might be faced with administrative and even criminal penalties.

Hiring Foreign Employees

To work in Indonesia, foreigners shall first apply for work visa to the embassy in Indonesia, and then the employer submits the Foreign Workers Utilization (RPTKA) application to the Ministry of Manpower and Immigration of Indonesia via the link <http://tka-online.kemnaker.go.id>. After the application is approved, the Ministry of Manpower and Immigration of Indonesia issues Foreign Workers Utilization (RPTKA) to the employer. Subsequently, the employees apply for limited residence visa (Visa Tinggal Terbatas or VITAS).

Foreign Workers Utilization (RPTKA) application procedures.^① Enterprises can access “F.A.Q” at official website of Indonesia the Investment Coordinating Board to check application procedures and documents required.

Application for limited residence visa (VITAS).^② It mainly consists of 2 methods: submission by the employer or the guarantor (Fig. 22); submission by foreign employee (Fig. 23). Documents required include letter of application; duplicate of bank statement; original of passport with stay of at least 18 months and effective period of 1 year or stay of at least 30 months and effective period of 2 years; letter of recommendation: Foreign Workers Utilization (RPTKA).

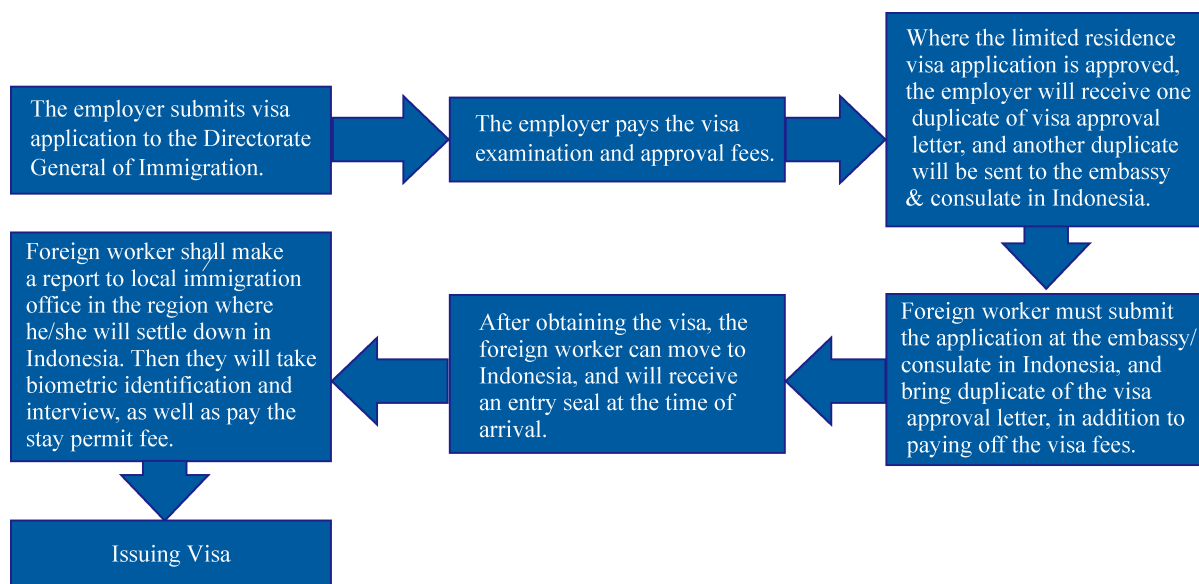


Fig. 6-1 Flowchart for submission of VITAS by the employer or guarantor

① Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/en/invest-with-us/faq>

② Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/en/invest-with-us/faq>



Fig. 6-2 Flowchart for submission of VITAS application by foreign employees

Within 7 days after his/her entry into Indonesia, the foreign employee shall transact the limited stay permit (Kartu Izin Tinggal Terbatas or KITAS) at local immigration office. The procedure above only applies to foreign casual workers and professional technicians, for example, professional technicians engaging in temporary repair work, some experts engaging in short-term work, and foreigners engaging in given work functions.



Special Reminder:

To protect local labor forces and resolve local employment problems, Indonesia now only permits introduction of foreign professionals rather than ordinary labor workers. The Ministry of Human Resources and Immigration of Indonesia issued Decree No. 228^① in 2019, and stipulated specific posts and positions open to foreign employees, including: building construction; real estate, education, processing, water management, water waste management, waste management, recycling, and repair activities -only apply to main wastewater management group; transportation and warehousing; art, entertainment, and leisure; catering service and accommodation; agriculture, forestry, and aquaculture; option-free leasing activities, human resources, travel

^① Indonesia Manpower Minister Decree No. 228 of 2019: <https://jdih.kemnaker.go.id/katalog-1609-Keputusan%20Menteri.html>

agencies, and other businesses; financial and insurance activities; human health activities and social activities; information and telecommunication; mining and excavation industry; electricity, natural gas, steam, or hot water and air conditioning purchase; wholesale and retail trade, and automobile/motorcycle repair and maintenance; other service activities; professional, scientific, and technical activities.

6.4 Protection of Intellectual Property Rights

Competent Authorities and Relevant Laws

The Intellectual Property Office of Indonesia is the competent authority that manages intellectual property rights in Indonesia, and under the Intellectual Property Office there are the Secretariat, the Patent Office, and the Trademark Office, etc. Main laws in respect of intellectual property include *Law on Patents*, *Law on Trademarks and GIs*, *Law on Copyrights*, *Law on Industrial Design*, *Commercial Secrets Law*, and *Law against Competition by Inappropriate Means*.^①

In addition, Indonesia has acceded to a series of international conventions on intellectual property protection and is a contracting state of some significant conventions and treaties (e.g., *the Hague Agreement*, *Paris Convention for the Protection of Industrial Property*, and *the World Intellectual Property Organization Copyright Treaty*).

In Indonesia, intellectual property rights under protection cover copyrights, patents, industrial designs, trademarks, IC layout diagrams, commercial secrets, and geographic indications. This E-book only gives brief introduction on patents and trademarks. For other contents, see the Intellectual Property Office of Indonesia.

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Indonesia.

Applying for Patents and Registering Trademarks

Application for Patent. Pursuant to the *Patents Law* ^① No. 13 of 2016, the patents must be of creativity and can be applied in the industrial sector. Contents below shall not be registered as patent: issuing and use of products in breach of laws, religions, and public orders/moralities; inspection, therapy, pharmaceutical, or operation methods that apply to human beings or animals; theories and methods (other than organisms and microorganisms) in science and mathematics; bioprocesses (except non-biologic process or microbial process) that is critical to production of plants and animals.

Patent application shall be opened to the public within 18 months as of the application day, and the duration for opening is 6 months. The case shall be settled within 36 months as of the date when the applicant files the petition for examination. If the petition is rejected, the applicant may file the petition for reexamination within 3 months. The period for protection of patents is 20 years as of the application date, and the period for protection of small patents (there are no patents for utility models in Indonesia) is 10 years as of the application date. Both patents cannot be renewed.

Registering a Trademark. Pursuant to *Law on Trademarks and GIs No. 20 of 2016*^②, the trademark is any visible sign used by individuals, groups, and legal entities for trading of commodities and services. In Indonesia, the trademark application shall be submitted to the Intellectual Property Office for examination and approval. If the application is approved, it will be made public in official trademark report (or appropriate alternative products). Approved trademark is valid for 10 years and can be renewed. Application for assignment of trademark is also recommended.

The trademark's public notification period ranges from the 14th day as of filing of the

① Law on Patents No. 13 of 2016: <https://wipolex.wipo.int/en/legislation/details/16392>

② Law on Trademarks and GIs No. 20 of 2016: <https://www.dgip.go.id/unduh/download/uu-nomor-20-tahun-2016-tentang-merek-32>

application to the 6th month. Meanwhile, objection may be filed by anyone. Examination as to substance will be completed within 9 months after expiry of the public notification. Those who are dissatisfied with the decision on denial of authorization can file the request for reexamination within 3 months. In Indonesia, the period for protection of trademark is 10 years as of the application date, and it can be renewed at expiration. Indonesia's Law on Trademarks protects appellation of origin and stipulates that if the registered trademark has been left unused for 3 years, the qualification for trademark registration will be revoked.

Punishment Measures

In case of infringement upon others' patent rights, up to 4 years of imprisonment and/or Rp 500 million of fine will be imposed. In case of infringement upon small patents, up to 2 years of imprisonment and/or Rp 250 million of fine will be imposed.^①

In case of use of the sign akin to the whole or a component of certain registered trademark in identical product, service, or manufacturing area, up to 5 years of imprisonment and/or Rp 1 billion of fine will be imposed on the infringer; in case of use of the trademark virtually akin to others' geographic indications in registered commodities of the identical kind, up to 4 years of imprisonment and/or Rp 800 million of fine will be imposed; in case of use of the sign that might deceive or mislead the general public regarding the name of origin of relevant commodities or services, up to 4 years of imprisonment and/or Rp 800 million of fine will be imposed.



Investment Practice:

DC's lawsuit against Marxing Fam Makmur for malicious registration of trademark dismissed

In 2019, American DC Comics Inc. (hereinafter referred to as "DC") filed a suite with Indonesian court against local Marxing Fam Makmur's malicious squatting and hoarding of its "SUPERMAN" trademark, requiring the court to render a verdict of revoking this trademark.

^① Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Indonesia.

“SUPERMAN” is the world’s first superhero character that was designed by DC in 1938, and it unveiled the prelude of the golden times for American comics along with the “Batman” that occurred later. DC always set store by protection of the “SUPERMAN” trademark, and it has registered multiple trademarks in the USA, Japan, and China, etc., which cover a host of commodity categories.

However, Indonesian court denied the request and made a verdict that benefited the local enterprise. Evidence showed that as early as 1993, Marxing Fam Makmur registered the “SUPERMAN” trademark and for years it had been producing the “SUPERMAN” chocolate waffle bar in conjunction with another large-scale public catering enterprise Siantar Top. Moreover, there is no evidence manifesting Marxing Fam Makmur registered the trademark for malicious purposes.

Comment: In Indonesia, trademark squatting and hoarding frequently occurred, and quite several companies and organizations, such as Japan Monteroza, China Tobacco Hunan Industrial, IKEA, and Chelsea F.C., were ever involved in intellectual property disputes regarding the trademark in Indonesia. In general, Indonesia’s judicial system does not favor local enterprises, but investors still need to act with caution. Before their entry into Indonesia, investors are advised to retrieve the trademark for use. In case that there is malicious squatting and hoarding or the trademark has been registered, actions taken depend on the circumstance and the registration stage. During the stage of public notification, investors can file a dissent application. During the stage of examination as to substance, investors can send a lawyer’s letter to the opposite and submit the informal letter of opposition to the Indonesian government. In Indonesia, registered trademark cannot be revoked until a lawsuit is filed, and the proof-proving party shall get through the procedure of revocation. Period of litigation for the first instance is about 8 -12months and consumes much time and effort. In case of trademark squatting and hoarding, investors are advised to first analyze the likelihood in purchase of the registered trademark. Only after no

consensus is reached, can the legal proceedings be recommended.



Investment Practice:

Pierre Cardin's trademark dispute

In 2015, the French fashion company Pierre Cardin brought a suit against an Indonesian businessman Alexander Satryo Wibowo for His sales of fashion products of the identical brand name. However, the Supreme Court dismissed this suit for Alexander registered Pierre Cardin trademark as early as 1977. French Pierre Cardin has been widely known abroad, this trademark, however, was registered in Indonesia in 2009. In addition, Alexander's trademark always conveyed, in the form of manufacturer name and information, the message that there is difference between this brand and French Pierre Cardin.

Comment: before their entry into Indonesian market, international famous brands shall do well the market investigation to check whether their trademarks have been locally registered, to avoid intellectual property disputes. For all disputes regarding trademark application or registered trademark, suit must be filed with commercial court, and evidence on the trademark applicant's malicious registration and the trademark's popularity in Indonesia shall be provided. Investors are advised to have an intimate knowledge of and comply with Indonesia's local intellectual property system. Before their entry into Indonesian market, investors should plan on intellectual property, enhance brand protection, and do well relevant work such as trademark application & registration, patent application, and safeguarding right, to avoid such problems as trademark squatting & hoarding and infringed patent.

6.5 Import and Export Management

Competent Authorities and Relevant Laws

The Ministry of Trade of Indonesia is the administrative authority for management of trade affairs, and it takes charge of instituting foreign trade policies, partakes in formulation of foreign

trade laws and regulations, classifies product import and export for management, manages the applications for import license, and designates importers and assigns the quota, etc. Relevant laws include *the Trade Law* and *the Customs Law*.^①

Inspection and Quarantine

Sanitary and Phytosanitary Measures. All imported food must be registered, and the importer shall apply for the registration number to Indonesian Food and Drug Administration and send the imported food to the Indonesian Food and Drug Administration for test. During the test, the Indonesian Food and Drug Administration requires the importer to provide detailed product ingredients and processing specification.^②

National Standard. The Ministry of Trade of Indonesia requires that all products (including imported products) must be accompanied with product instructions in Bahasa Indonesia. The Ministry of Fisheries and Ocean of Indonesia requires that 81 kinds of fishery products must comply with Indonesian national standards, and it has even listed fishing tools, fishery products processing procedures, and microbiology test procedures, etc. into Indonesian national standards. Governmental departments of Indonesia, such as the Ministry of Industry, have imposed mandatory national standards on dozens of products, including electric wire, electronics, auto fittings, household appliances, hardware and building materials, and toys, etc. In import of the aforesaid products, investors shall ensure the products comply with national standards.

Regulations

Import management: when exercising import management, the Indonesian government mainly adopts quota management and license management. Nearly 20% products in Indonesian tariff lines involve import licensing requirements and the protection to domestic industries, and

① Ministry of Commerce of China the People's Republic of China, Guide on Cooperation with Foreign Countries for Chinese Investors-Indonesia (2019).

② Ministry of Commerce of China the People's Republic of China, Guide on Cooperation with Foreign Countries for Chinese Investors-Indonesia (2019).

these products include rice, sugar, salt, some textiles and clothing products, clove, animals & animal products, and horticultural products. Indonesia's import licensing requirements are rather complicated and lack transparency, thus a lot of WTO members have expressed serious concern in this regard. Products, on which the Indonesian government has imposed import quota, include rice, sugar, animals & animal products, salt, alcoholic beverages, and some zone depleting substances. Each year, import quota of the aforesaid products is determined at the ministerial-level meeting of the Indonesian government according to domestic output and consumption, and is implemented through Indonesia import licensing system.

Export management: in export of goods, the exporter must show Commercial Enterprise Registration Number/Commercial Enterprise Permit or commercial license issued by the Technical Department as per relevant laws, as well as Business Registration Certificate. Goods exported fall into 4 categories: controlled goods for export, monitored goods for export, prohibited goods for export, and inspection-free goods for export. Herein, controlled goods for export include coffee, rattan, forestry products, diamond, and bar-shaped lead. Monitored goods for export include cow and buffalo, crocodile skin (Wet Blue), wildlife, napoleon juveniles, napoleon fish, palm kernel, oil and natural gas, pure gold/silver, iron/steel scrap (refer to those from Batam Island), stainless steel, copper, brass, and aluminum scrap. Prohibited goods for export include juvenile fish and gold arowana, unprocessed rattan and semifinished products made of unprocessed rattans from natural forest, round wood, railway track/wooden rail and saw timber, natural sand, sea sand, soil mixed with cement, topsoil (including surface soil), Galena-Cerussite Ore and its chemical compounds & powders, residues containing arsenic, metal or metal compounds, or mainly containing lead carbonate, gemstones (except diamond), unprocessed rubber and raw skin in conformity with quality standard, wildlife under national protection, iron products scrap (except those from Batam Island) and antiques. Other goods, except controlled, monitored, and prohibited goods for export, are all classified as inspect-free

goods for export.

Provisions on import & export tariff: on imported commodities the Indonesian government imposes tariff of 4 types below: Type-a commodities. Domestic required commodities from import, including rice, flour, specified steel products, specified chemical fiber products, cottons, drugs, and agricultural machinery and equipment, etc. Import tariff rate for commodities of this type usually ranges between 5% and 40%. Type-b commodities Required components & parts and materials for production of industrial products, with import tariff rate ranging between 5% and 35%. Type-c commodities small demands in domestic market or necessary import protection for domestic related enterprises Higher import tariff for commodities of this type, as against commodities of type-a and type-b. Type-d commodities Luxury goods, certain consumer goods, and those commodities from domestic manufacturers that demand import protection. The maximum tariff is imposed on commodities of this type.

6.6 Environmental Protection

Competent Authorities and Relevant Laws

The Ministry of Environment and Forestry is the competent authority for management of environmental protection in Indonesia, and it fulfills the government's obligations in environmental protection, institutes the environmental protection policies, and penalizes behaviors against environmental protection. In Indonesia, *the Environmental Protection Act* is the law in relation to environmental protection, and it stipulates environmental protection goal, citizens' rights and obligations, environmental protection agency, environmental function maintenance, environmental management, environmental disputes, and investigation and punishment of behaviors in breach of the Environmental Protection Act.^①

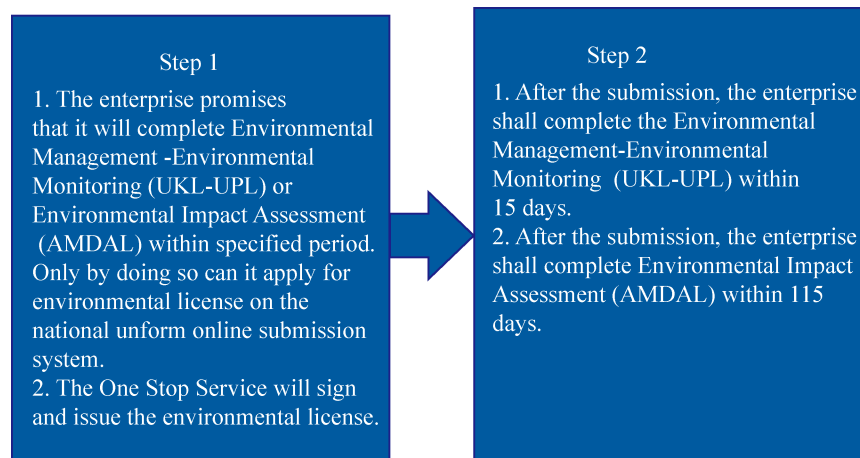
① Ministry of Commerce of China the People's Republic of China, Guide on Cooperation with Foreign Countries for Chinese Investors-Indonesia (2019).

Table 6-3 Basic contents of Environmental Protection Act

Basic system	Main content
Environmental impact assessment system	Make analysis, forecast, and evaluation on possible environmental impact resulting from implementation of planning and construction projects, and bring forth policies and measures for prevention and alleviation of adverse impact.
Pollution discharge license system	To discharge the pollutants, the unit must declare to the environmental protection authority for registration beforehand, and it shall not discharge the pollutants until being examined and approved and granted the license.
Citizens' environmental right, right to participate, and right to know	Every citizen has the right of enjoying favorable and healthy environment; every citizen has the right to acquire the environmental information pertinent to environmental protection tasks; every citizen has the right to fulfill the obligations within environmental protection framework as per relevant laws and regulations.
Environmental organization's litigation in the interest of the public	If the environmental public interest has been or will be jeopardized for illegal behaviors or nonfeasance by natural persons, legal persons, or other organizations, other legal persons, natural persons, or social groups, as per laws and regulations, are entitled to file a suit with the court to safeguard the public interest.

Environmental License Application Flow

Environmental license is provided to enterprises that take “Environmental Impact Assessment (AMDAL)” or “Environmental Management-Environmental Monitoring (UKL-UPL)” as environmental protection and management business. Environmental license is a requisite condition for the enterprise to obtain business permit/activity.

**Fig. 6-3 Flowchart for Environmental License application^①**

Investment Practice:

11 oil & gas and mining companies punished for environmental pollution

From 2017 to 2018, 5 oil & natural gas companies and 6 mining companies were punished

^① Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/>

by the Ministry of Environment and Forestry of Indonesia for their breach of environmental laws and regulations, and the punishments included administrative sanction, removal of senior executives, and hefty fine, etc. The 11 companies refer to PT Chevron Pacific Indonesia, PT Pertamina EP, PT Pertamina Hulu Mahakam, Exxon Mobil Indonesia, PT Pertamina Hulu Energi NSB, PT Inhutani, PT Laman Mining, PT Kuman Kartanegara, and PT Stanindo, etc.

Comment: In Indonesia, local governments and nongovernmental environmental protection organizations keep focusing on mineral exploitation, mining, and smelting, and deforestation, particularly the illegal logging and timber smuggling sector. Investors have the obligation to respect local laws and protect local environment, and they should build a good corporate image while making economic benefits.



Investment Practice:

Batang Toru HEPP Project threatens endangered species

Batang Toru HEPP Project is built jointly by PT North Sumatra Hydro Energy of Indonesia and Sinohydro of China. In 2019, Indonesia Environmental Forum (Walhi), the largest environmental protection organization in Indonesia, filed a suit against Batang Toru HEPP Project for Batang Toru HEPP threatened the living environment of Tapanuli orang utan, an endangered gorilla. However, Local Court of Indonesia Sumatra Island, by reviewing this project's environmental feasibility report, noted that this project complied with provisions of Indonesian laws currently in force, and then dismissed the suit by Walhi. Indonesia Environmental and Forestry Minister also pointed out that mankind can live in harmony with gorillas and required that a living corridor in the jungle shall be specially reserved for gorillas.

Comment: in recent years, Indonesian people's environmental protection awareness has been enhanced, so impact of environmental problems on business operations frequently occurs. On the one hand, enterprises should strictly fulfill obligations as stipulated by local laws and regulations, to ensure production and discharge compliance; on the other hand, on the premise

that their production activities comply with laws and regulations, enterprises, in face of lawsuit filed by local people or environmental protection organizations, should make active responses. If necessary, they shall appeal to laws to safeguard their rights.

6.7 Anti-commercial Bribery

Competent Authorities and Relevant Laws

Police and prosecutors generally have the authority to investigate any suspected corruption case. A Corruption Eradication Commission (Komisi Pemberantasan Korupsi, KPK) of Indonesia was set up in 2002, with the aim of eradicating corruption in a continuous and in-depth way. The KPK is completely independent and free from any influence of power. There are 2 main laws dealing with corruption and bribery in Indonesia, namely *the Anti-Corruption Law*^① and *the Anti-Bribery Law*.

Penalty Measures

The Anti-Corruption Law recognizes the criminal liability of company. If corruption is committed by or on behalf of a company, a criminal charge may be filed against the company or its management (or both). The scope of “management” under *the Anti-Corruption Law* refers to the personnel specified in the Articles of Association of the company and any personnel in the company that has the decision-making power.

Fines are mainly adopted as the form of penalty for companies. The amount of the fine imposed on a company is the maximum fine imposed on an individual plus one third of that amount. Other penalties may include forfeiture of assets, returning of assets, partial or total closure of business, and partial or total revocation of rights.

① Indonesia’s anti-bribery and anti-corruption review: <https://thelawreviews.co.uk/title/the-anti-bribery-and-anti-corruption-review/indonesia#:~:text=Indonesia%20has%20two%20main%20Laws,last%20amended%20by%20Law%20No.&text=There%20is%20also%20no%20regulation%20prohibiting%20bribery%20of%20foreign%20public%20officials>.



Special Reminder:

For the past few years, Indonesia has taken active measures to fight against corruption and commercial bribery, including establishing agencies, promulgating laws and regulations, etc. Indonesia scored 40 points in the Corruption Perception Index of Transparency International for 2019, up 2 points from the 38 points of the previous year. In 2019, Indonesia was ranked 85th out of 183 countries. Foreign investors shall understand Indonesia's policies on anti-commercial bribery before investing in Indonesia.



Investment Practice:

Several Indonesian lawmakers and former senior officials have been sentenced for corruption.

In recent years, Indonesia has ramped up the anti-corruption efforts, and dozens of current and former lawmakers in the national legislatures have been convicted of corruption. In 2012, Mohammad Nazaruddin, former Democratic Party treasurer, was convicted of corruption and bribery on charges of manipulating the construction bids for Athletes Village at the 2011 South East Asia Games sponsored by Indonesia. In 2013, Angelina Songdayin, a Democratic Party parliamentarian and former Miss Indonesia, was sentenced to 4 and a half years in prison for taking kickbacks in the same case. In 2018, Setya Novanto, a former speaker of Indonesia's parliament, was sentenced to 15 years in prison, ordered to return US \$ 7.3 million of illicit money and fined Rp 500 million by the Jakarta Corruption Criminal Court for embezzling public funds from the electronic ID card project with others.

Comment: The anti-corruption efforts of the Indonesian government have been stepped up, especially after the re-election of President Joko, and the anti-corruption actions have been gradually extended from the government to the state-owned enterprises. Investors shall strictly observe Indonesia's relevant laws and regulations against commercial bribery and corruption and avoid being held to account in the corruption cases and subject to justice.



Dispute Resolution

7.1 Judicial System

According to *the Supreme Court Law* and *the Judicial System Law*, Indonesia's courts practice a dual-track system, which is divided into 2 major systems: general courts and special courts. The general court is divided into the Supreme Court, the High Court (including the High Court of Malaysia and the High Court of Borneo), and the Lower Court (including the District Court and the Circuit Court). The special court is divided into the Administrative Court, Constitutional Court, Tax Court, Labor Dispute Court, Military Court, and Religious Court. The Constitutional Court is an independent court, and its duties are held by the Supreme Court of Indonesia.^①

7.2 Dispute Resolution

The main ways to resolve disputes include lawsuit approaches and non-lawsuit approaches. Among them, the non-lawsuit approaches mainly refer to the arbitration system.

Litigation^②

In terms of lawsuit system, if 1 party arrest the judgment made by the District Court, it can appeal to the High Court, and the case will be heard in the High Court. If the party arrest the

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Indonesia.

② Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Indonesia.

judgment of second instance made by the High Court, then it may appeal to the Supreme Court. The judgment made by the Supreme Court is final and binding.

General trial Procedure. (1) Formation of a council of judges: the president of the District Court shall establish a council of judges within 7 working days after accepting the lawsuit. The council is composed of a judge who chairs the council and 2 special judges who serve as members. 2 special judges shall be appointed so that one is recommended by the staff and workers and the other is recommended by the operator's organization. (2) Service of summons. (3) Payment in advance (labor case) : if it can be proved that the operator (enterprise) has clearly violates the provisions of the Labor Law in the first session, the judge shall immediately sentence the execution in advance, that is, the operator (enterprise) shall pay due remuneration and other rights to the workers concerned; if the operator (enterprise) has not executed the judgment during the trial, the judge shall issue a judgment of execution by force. No appeal from such advance execution or enforcement is allowed. (4) Service of a judgment. The council of judges shall make a judgment on the case within 50 working days after the first session. If the judgment is made by default, both parties shall be notified of the judgment within 7 working days from the date of the judgment being read. After the signing of the judgment, the deputy clerk shall make copies within 14 working days, and then the clerk shall send the copies to both parties within 7 working days after the copies are made. (5) Appeal. An appeal shall be submitted to the Supreme Court within 14 working days from the date of sentencing in court or from the date of receiving the notice of default judgment, otherwise the judgment will take legal effect. (6) Withdrawal of a lawsuit. The plaintiff may withdraw the lawsuit at any time before the plea by the defendant; after the plea, the lawsuit can only be withdrawn with the consent of the defendant.

Arbitration

According to Indonesia's "Arbitration and Alternative Dispute Resolution Law", the principle of "arbitration award to be final and binding" is adopted in Indonesia, that is, the result of the arbitration award shall be final and binding on both disputing parties.

Arbitration procedure.

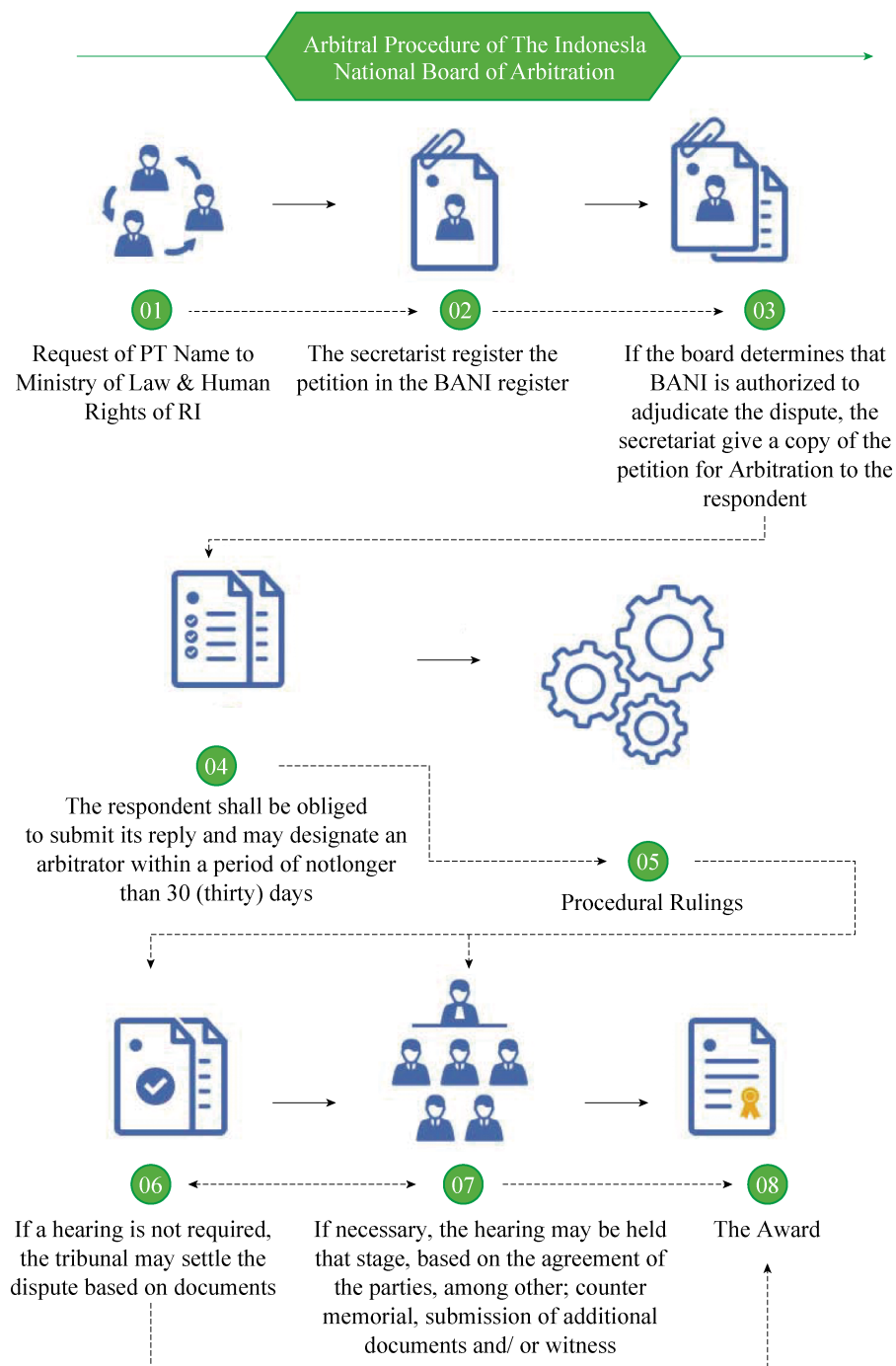


Fig. 7-1 Flow chart of arbitration procedure in Indonesia^①

Arbitration Institution. The Indonesia Federation of Industry and Commerce established the

^① Flow chart of arbitration procedure in Indonesia: <https://www.investindonesia.go.id/en/invest-with-us/arbitral-dispute>

Indonesia BANI arbitration center^① in 1977, and has representative offices in major cities such as Jakarta, Surabaya, Bandung, Medan, Denpasar, Palembang, Pontianak, Jambi, etc. The BANI arbitration center is one of the founding institutions of both the Asia Pacific Regional Arbitration Group (APRAG) and the Regional Arbitral Institute Forum (RAIF) and is also a member of the International Council for Commercial Arbitration (ICCA). The BANI arbitration center has signed cooperation agreements with the arbitration associations and centers of many countries, including: Japan Commercial Arbitration Association (JCAA); Netherlands Arbitration Institute (NAI); Korean Commercial Arbitration Board (KCAB); Australia Center for International Commercial Arbitration (ACICA); Philippine Dispute Resolution Center, Inc. (PDRCI); Hong Kong International Arbitration Centre (HKIAC); International Commercial Arbitration and Alternative Dispute Resolution Foundation (SICA-FICA); Singapore Institute of Arbitrators (SIArb); Association Arbitration of Brunei Darussalam (AABD); Kuala Lumpur Regional Center for Arbitration (KLRCA); Belgian Centre for Arbitration and Mediation (CEPANI).



Special Reminder:

(1) In view of the judicial environment in Indonesia and the 3-instance system adopted by Indonesia's courts, it takes a lot of time and money to settle disputes through litigation.

(2) According to the relevant judicial system of Indonesia, arbitration is still subject to the supervision of the court, thus the court has the right to cancel the arbitration award that it considers unfair. Besides, the execution of the arbitration award must be carried out through the Indonesian court, and the court may interfere in the execution of the arbitration award in favor of foreign investors.

① Indonesia BANI arbitration center: <https://www.baniarbitration.org/>



Investment Practice:

US companies Himpurna and Patuha won an international arbitration against the Indonesian government

In 1999, Himpurna and Patuha signed 2 energy sales agreements with Perusahaan Listrik Negara (PLN) for the development of geothermal energy in the Dieng Plateau and the Patuha region. Meanwhile, Himpurna and Patuha also signed a joint operating agreement with Pertamina to sell the geothermal electric power to Pertamina, which will then be resold to PLN. During the financial crisis, the Indonesian government demanded a delay in the implementation of energy sales agreements and joint operating agreement and prohibited PLN from buying electric power from Himpurna and Patuha. Then, Himpurna and Patuha initiated an international arbitration to the United Nations Commission on International Trade Law (UNCITRAL) against the Indonesian government, and finally won the arbitration. UNCITRAL ordered the Indonesian government to pay Himpurna US \$ 392 million and Patuha US \$.180 million

Comment: The above case shows that the international arbitration institutions will support the claims of foreign investors if the government of a country breaches its contractual obligations. In the investment agreements signed between the investors and the Indonesian partners, it may specify that the dispute shall be submitted to an internationally renowned arbitration center located in a third country other than Indonesia for settlement. For agreements to which the government of a country is a contracting party, disputes may be settled through the mechanism of international conventions such as the “Convention on the Settlement of Investment Disputes between States and Nationals of Other States”.



Investment Practice:

The Indonesian government won an international arbitration against a British company Churchill Mining PLC

In 2008, Churchill Mining PLC established operations in Indonesia through the acquisition of its local partner, Ridlatama Group. 2 years later, the East Kutai government of East Kalimantan

province revoked the mining license of Ridlatama Group for suspected involvement in illegal logging and operations as well as forgery of licenses. Then, Churchill Mining PLC and its Australian subsidiary Planet Mining Pty Ltd filed a lawsuit to the International Center for Settlement of Investment Disputes (ICSID) against the Indonesian government, alleging that such actions have caused a total loss of US \$ 1.3 billion

ICSID subsequently found that the due diligent investigation was inadequate, and the relevant documents were forged by Churchill Mining PLC in obtaining the East Kutai coal mining license, thus it dismissed the claim of Churchill Mining PLC in the arbitration, and ordered the company to pay amount of US \$ 8.64 million, which is used cover the US \$ 800,000 paid by the Indonesian government over the past 4 years for the arbitral tribunal's costs.

Comment: The international arbitration institutions fully respect the national laws of Indonesia. If foreign investors fail to strictly observe Indonesia's environmental protection regulations or protect the local environment in Indonesia according to law, the international arbitration institutions will not support the claims of foreign investors.

7.3 The International Commercial Dispute Prevention and Settlement Organization

Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as "ICDPASO") is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of "Consultation, Contribution and Shared Benefits", ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020,

the Inauguration Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People's Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international

commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

Suggestions for Dispute Prevention and Settlement

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”), including amicable consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Mediation Rules of ICDPASO in force at the time of filling application.

Any settlement reached in the course of the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filling application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Arbitration Rules of ICDPASO in force at the time of filling application.



Free Trade Agreement

As the largest economy in the Association of Southeast Asian Nations (ASEAN), Indonesia has actively signed multilateral and bilateral trade and investment agreements with other economies to promote the economic growth and social progress, improve the business environment and global competitiveness, and help local enterprises develop overseas business.

8.1 Bilateral Free Trade Agreements

Up to now, Indonesia has signed bilateral free trade agreements (FTA) with several countries and regions, including Japan (2008), Pakistan (2012), Chile (2017), Australia (2019) and Mozambique (2019).^①

8.2 Multilateral Free Trade Agreements

In 1950, Indonesia entered the “General Agreement on Tariffs and Trade (GATT)”; in 1995, Indonesia became a full member of the World Trade Organization (WTO). At present, in addition to entry into the ASEAN Free Trade Agreement, Indonesia has also established the relation of multilateral free trade agreement with many countries and regions such as China, Japan, South Korea, Australia, New Zealand, India, Hong Kong, China, etc.

① Free trade agreements: <https://aric.adb.org/fta-country>

Table 8-1 Multilateral free trade agreements signed by Indonesia^①

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
Indonesia-Mozambique Free Trade Agreement	Regional Comprehensive Economic Partnership
Indonesia-Japan Economic Partnership Agreement	Indonesia-EFTA Free Trade Agreement
Indonesia-Australia Comprehensive Economic Partnership Agreement	Preferential Tariff Arrangement - Group of 8
Indonesia-Chile Free Trade Agreement	ASEAN Free Trade Area
Indonesia-Pakistan Free Trade Agreement	ASEAN-South Korea Comprehensive Economic Cooperation Agreement
–	ASEAN-Japan Comprehensive Economic Partnership
–	ASEAN-India Comprehensive Economic Cooperation Agreement
–	ASEAN-Hong Kong, China Free Trade Agreement
–	ASEAN-China Comprehensive Economic Cooperation Agreement
–	ASEAN-Australia & New Zealand Free Trade Agreement

8.3 Regional Comprehensive Economic Partnership (RCEP)

Among various bilateral and multilateral free trade agreements signed by Indonesia, the “Regional Comprehensive Economic Partnership (RCEP)” is one of the most important multilateral free trade agreements.

Overview of RCEP

On November 15, 2020, the 10 ASEAN countries and the 5 countries including China, Japan, Korea, Australia and New Zealand signed the Regional Comprehensive Economic Partnership Agreement (RCEP). This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

RCEP consists of preamble, 20 chapters (including: initial clauses and general definitions,

^① Free trade agreements: <https://aric.adb.org/fta-country>

trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, trade remedies, services trade, temporary flows of natural persons, investment, intellectual property rights, e-commerce, competition, small- and medium-sized enterprises, economic and technical cooperation, government procurement, general terms and exceptions, institutional terms, dispute resolution, final clauses), and 4 attached market access commitment sheets (including: tariff commitment sheet, specific service commitment sheet, commitment sheet on investment reservation and non-conforming measures, and specific commitment sheet on the temporary flows of natural persons).

RCEP allows the unity of high quality and inclusiveness. The share of final zero-tariff products in goods trade will exceed 90% overall, and the overall opening-up of service trade and investment will expand significantly. Meanwhile, RCEP also considers the national circumstances of different countries and grants special and differential treatment to the least developed countries to promote the inclusive and balanced development of the regions. As a result, all parties can fully share the results of RCEP and significantly improve the level of economic integration in East Asia.

RCEP will promote the integration of regional industrial chains, supply chains and value chains, and regional economic growth. The economic structures of RCEP members are highly complementary, with complete capital, technology, and labor elements in the region. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the

expansion and upgrading of the consumer market in the region. According to the calculations by an internationally renowned think tank, by 2025, RCEP is expected to drive the exports, foreign investment stocks, and GDP of its member countries to increase by 10.4%, 2.6%, and 1.8% respectively from the baseline.

Indonesia's Commitment to RCEP

SCHEDULE OF TARIFF COMMITMENTS. This Schedule is composed of six Sections applicable respectively for Member States of ASEAN, Australia, China, Japan, Korea, and New Zealand. The benchmark tariff rates are based on the national nomenclature of Indonesia, as provided in the 2012 version of “*Indonesian Tariff Rules Book*”. Indonesia shall, as of the effective date of the agreement, grant concessions to the tariffs levied on goods of origin under the agreement. Tariff lines indicated with “U” in each stage of reduction in this schedule shall be excluded from any commitment of tariff reduction or elimination..

The non-linear phasing of tariff elimination in this Schedule is subject to a review, which shall be completed within three years of the date of entry into force of this Agreement. Unless otherwise agreed in the review, linear phasing on all concerned tariff lines shall commence within three years after the completion of such a review.

SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES. Indonesia uses a negative list (i.e., “*Schedule of Reservations and Non-conforming Measures for Service of Indonesia*”) to list the specific commitments related to market access, national treatment, most-favored-nation treatment, local presence, prohibition of performance requirements, senior management and board appointments, etc.

(1) Foreign law firms and service providers are prohibited from engaging in commercial activities.

(2) Foreign service providers are not allowed to set up commercial organizations providing postal or express services in Indonesia, except in a joint venture with an Indonesian postal service

provider, in which the foreign capital participation shall be no more than 49%. Any Indonesian joint venture partner must be wholly owned by Indonesian nationals. The joint venture can operate its business only in provincial capitals with international airports or seaports and shall not provide postal or express services among the cities in Indonesia.

(3) Foreign service providers are not allowed to set up commercial organizations providing international passenger transport or cargo shipping services in Indonesia, except in a joint venture with the foreign capital participation no more than 49%. The joint venture must operate at least 1 ship hanging the Indonesian flag, with a gross tonnage of no less than 5,000 tons. Foreign shipping enterprises can only provide the international passenger transport services between the seaports open to foreign trade and the special ports and shall designate the Indonesian shipping enterprises or shipping agencies as the general agent.

(4) Unless otherwise specified in the Schedule, the commercial presence of foreign service providers shall take the form of a joint venture or a representative office; the commercial presence of joint ventures (*perseran Terbatas*) shall take the form of a limited liability company, and the foreign partner shall not hold more than 49% of the shares in the limited liability company (*perseran Terbatas*).

(5) Non-resident taxpayers receiving the following incomes from Indonesia shall pay a 20% withholding tax: interest, royalties, dividends, or fees derived from the provision of services in Indonesia; according to Indonesia's land acquisition regulations, foreigners are not allowed to own Indonesia's land, but joint ventures may have the land use right (*Hak Guna Usaha*) and building right (*Hak Guna Bangunan*) and can also rent or lease the land and property.

(6) Any joint venture providing services through Indonesian commercial institutions is required to have a total investment of over Rp 10 billion (excluding land and buildings), except for specific sectors to which the Indonesian Government has made commitment under the "General Agreement for Trade of Service".^①

① Schedule of Reservations and Non-conforming Measures for Investment in Indonesia: <https://rcepsec.org/>

(7) Other relevant provisions.

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. The *Schedule of Reservations and Non-conforming Measures for Investment of Indonesia* sets out the minimum restrictions with respect to Indonesia's market access, national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board appointments, etc.. This List sets out, pursuant to the *Schedules of Non-Conforming Measures*, Indonesia's existing measures that are not subject to some or all of the obligations imposed by the *Article 8* of RCEP.

Related regulations on the investment fields of Indonesia:

(1) Indonesia prohibits foreign investors from engaging in the fishery.

(2) Indonesia prohibits foreign investors from carrying out and operating the business investment related to sea sand mining.

(3) Indonesia prohibits foreign investors from engaging in the manufacturing of major defense security equipment, traditional medicinal materials, and natural extracts.

(4) Indonesia prohibits foreign investors from engaging in the planting and trade of natural forest products, forest trees or plants and their seeds, water resources development in forest areas, capture and trade of wild animals and plants in natural wildlife habitats, etc.

(5) Other relevant provisions.

Rights Reserved or Maintained by Indonesia:

Land ownership (hak milik) is limited to Indonesian citizens only.



Special Reminder:

Notwithstanding the foregoing, foreign citizens and foreign companies registered and domiciled in Indonesia have the following rights to acquire land and property: lease right (hak guna usaha), the land lease term granted by the Indonesian government to foreign companies is

up to 35 years and can be extended for another 25 years; the building right (*hak guna bangunan*) granted by the Indonesian government to foreign companies is up to 30 years and can be extended for another 20 years; the land use right (*hak pakai*) granted by the Indonesian Government: the land use term of foreign citizens is up to 30 years and can be extended for another 20 years, and the land use term of foreign companies is up to 25 years and can be extended for another 20 years; for the lease right (*hak sewa*) granted by the Indonesian government to foreign citizens or foreign companies, the term shall be agreed upon by both parties.

Such means of acquiring land and property must be approved by the authorities concerned and limited to the conditions and restrictions as may be imposed by the authority.

(2) The total amount of foreign investment shall be over Rp 10 billion (excluding land and buildings), except for specific industries in which the investment amounts are otherwise required under Indonesia's laws and regulations. For example, if a foreign-invested enterprise is a large enterprise in the industrial field, its total investment shall be over Rp 15 billion (including land and buildings) according to the relevant regulations.

(3) According to Indonesia's law, the foreign investments shall be made in the form of limited liability companies. If a foreign investor conducts business under the laws of another country and desires to seek opportunities for direct investment in Indonesia, it must establish an Indonesian limited liability company (*perseran Terbatas*) in accordance with Indonesia's "Law No.25 on Investment of 2007".

(4) Foreign investment shall designate local distribution agents to sell its products to end users in Indonesia. To be more specific, "foreign investment" refers to a foreign investor or a corporate organization that has established a limited liability company in Indonesia under the item 3 of reservation clauses in the schedule.

(5) For the foreign investment made under "Law No.40 on Limited Liability Companies of 2007", the positions related to Human Resources must be undertaken by the Indonesian citizens.

(6) Other relevant provisions.

Financial Annex. The “*Schedule of Reservations and Non-conforming Measures for Service of Indonesia*” also contains annex of financial services, which provides for financial market access restrictions, national treatment restrictions and other additional commitments, and make cooperation arrangements for mutual recognition of professional qualifications.

(1) For foreign service providers engaged in the non-bank financial services, their stock ownership shall be governed by the existing laws and regulations from the effective date of the agreement. For the establishment of existing individual joint venture in the field of non-bank financial services, the ownership conditions and ownership ratios set out in the respective shareholder agreements shall be observed. The ownership of a joint venture shall not be transferred without the consent of all parties to the joint venture.

(2) For the non-bank financial service enterprises listed on the stock exchanges, foreign investors may hold 100% of the shares.

(3) All joint ventures shall provide training for their employees.

(4) Indonesia will not impose restrictions on the investment made by foreign investors in life insurance services (CPC 81211) and non-life insurance services (CPC 8129), excluding CPC 81293 (air and sea transport, etc.), unless: No insurance company in Indonesia can deal with the insurance risk of the subject concerned; no insurance company in Indonesia desires to insure the subject concerned.

(5) The reinsurance service providers must, at a minimum, have a BBB rating of Standard & Poor’s or an equivalent rating agency.^①

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. The schedule sets out the categories of natural persons and its respective conditions and limitations for the temporary entry and temporary stay, including length of stay in

① Schedule of Reservations and Non-conforming Measures for Investment in Indonesia: <https://rcepsec.org/>

Indonesia. The entry and temporary stay for visitors is permitted for a period of 60 days, extendable to a maximum of 120 days. The entry and temporary for intra-corporate transferees stay is permitted for up to two years and could be extended for a maximum two times subject to two years extension each time, and any foreign natural persons supplying services are subject to charges levied by the Government.^①

^① Schedule of Specific Commitments on Temporary Movement of Natural Persons in Indonesia: <https://rcepsec.org/>



Support Measures against COVID-19

9.1 Economic Security Policies

To fight against the COVID-19 epidemic, Indonesian President Joko specially revised the law to temporarily lift the limit that the national budget expenditure does not exceed 3% of GDP, to promote the economic rescue efforts. For this purpose, the Indonesian government issued 3 rounds of economic stimulus plans, with a total amount of over US \$ 50 billion or about 6.34% of GDP, to guarantee the basic livelihood of the people, reduce or exempt the corporate taxes, bail out the small and medium-sized enterprises, relax the import and export restrictions, etc. Specifically including:

First stimulus plan: the Indonesian government announced an economic stimulus plan of US \$ 725 million in February 2020. The plan mainly provides the fiscal stimulus measures for the tourism, aviation, and real estate industries. The plan also allocates US \$ 324 million to the low-income families.

Second stimulus plan: the Indonesian government announced a second economic stimulus plan of US \$ 8 billion in March 2020. In which, 4 fiscal incentives are provided to the manufacturing industries. (1) 19 manufacturing industries are granted with a reduction of 30% income tax within 6 months. The 19 industries include: chemicals and chemical products; electronic

equipment; automobile, trailer, and semi-trailer manufacturers; pharmaceutical; pharmaceutical industry; base metals; transportation equipment manufacturing; papers and paper products; food industry; computers, electronics and optical products; mechanical industry; textiles; rubber and plastics products; furniture; printing and recording industry; non-metal mining; beverage industry; non-mechanical metal industry; finished product industry; leather products and footwear leather. (2) The government relaxes the added-value tax (VAT) rebates for these 19 industries over the next 6 months. (3) The import duties of the enterprises in the 19 industries mentioned above are deferred for the next 6 months. (4) The manufacturing workers with annual income less than 200 million Rp (US \$ 13,000) are exempt from individual income tax for 6 months. Non-fiscal incentives include simplify the import and export procedures, simplify import process of raw materials, etc.^①

Third stimulus plan: the Indonesian government announced a bigger economic stimulus plan in June 2020. The total budget is worth Rp 677.2 trillion (US \$ 47.6 billion). The plan is intended to strengthen the health care system, use more expenditure to stimulate consumption, and save Indonesian businesses from bankruptcy and layoffs.^②

9.2 Economy Revitalization Measures

Fiscal policy

President Joko proposed to increase the government budget up to Rp 2,747.5 trillion (about US \$ 185.2 billion)^③ in 2021, to boost growth and drive the economy back on track by increasing the government expenditures. Moreover, he proposed several measures to develop the economy: the government cooperates with the private sectors in establishing the grain production areas to

① Aseanbriefing: <https://www.aseanbriefing.com/news/indonesia-issues-second-stimulus-package-dampen-covid-19-impact/>

② The Jakarta Post: <https://www.thejakartapost.com/news/2020/06/04/indonesia-unveils-bigger-stimulus-worth-47-6-billion-to-fight-coronavirus-impacts.html>

③ Bloomberg News: <https://www.bloomberg.com/news/articles/2020-08-14/indonesia-sets-2021-gdp-growth-target-at-4-5-5-5>

ensure Indonesia's food security; building more industrial zones to create more jobs; promoting the local processing of palm oil, coal and mineral resources to reduce the trade deficit, etc.

Indonesia launched a national economic recovery plan on May 11, 2020.^① The plan includes:

(1) Support the health care sector to improve the testing and treatment capabilities of COVID-19 cases;

(2) Increase the benefits and coverage of the existing social assistance programs for low-income families, such as food aid, conditional cash transfer payments, and electricity subsidies;

(3) Expand the unemployment benefits, including the benefits for workers in the informal sectors;

(4) Tax cuts, including the tax cuts for tourism sector and individuals (with revenue cap), and the corporate income tax rate is permanently reduced from 25% in 2020 to 22%~21% and will be reduced to 20% from 2022.

The plan also includes capital injections into state-owned enterprises, interest subsidies, credit guarantees, and loan restructuring funds for micro, small and medium-sized enterprises. In 2021, the total budget for the national economic recovery plan is Rp 699.4 trillion.^②

Monetary policy^③

The Central Bank of Indonesia reduced the policy rates by 125 basis points cumulatively in February, March, June, July and November 2020, and reduced by 25 basis points to 3.5% in February 2021.

① Department of Finance (Indonesia): <https://www.kemenkeu.go.id/publikasi/siaran-pers/siaran-pers-desain-program-pemulihan-ekonomi-nasional-untuk-umkm-dan-dunia-usaha-rampung-pemerintah-terbitkan-aturan-pp-2320-20/>

② Reuters: <https://www.reuters.com/article/indonesia-economy-idUKL4N2KL20U>

③ International Monetary Fund: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>

The Central Bank of Indonesia also announced other liquidity mitigation measures, mainly including reduce the reserve ratio for banks; extend the maximum term of repurchase and reverse repurchase operations (up to 12 months); introduce the daily repurchase auctions; increase the frequency of foreign exchange swap auctions with 1-, 3-, 6- and 12-months maturities from 3 auctions weekly to daily auctions; increase the amount of major weekly refinancing business as needed.

The Central Bank of Indonesia adjusted the macro-prudential regulation to ease the liquidity conditions and support the stability of bond market. From March 1, 2021, to December 31, 2021, the minimum down payment requirements for automobile loans and the loan-to-value ratios for residential real estate are relaxed. The provision of liquidity assistance for banks are promoted to allow the Central Bank of Indonesia to purchase the government bonds in the primary market, addressing the bank solvency issues by financing the deposit insurance agencies (LPS).

The Indonesian government and the Central Bank of Indonesia announced a sharing plan on July 6, 2020, to fund the economic measures against COVID-19. Specifically including: (1) The Central Bank of Indonesia will purchase the interest-bearing government bonds at the policy rate to finance the priority expenditures on public goods (e.g. health and social protection); (2) The interest costs of the commercial support budget will be subsidized through the transfer by the Central Bank of Indonesia to the budget; (3) The Central Bank of Indonesia will serve as the ultimate purchaser for long-term purchase of local-currency bonds in order to fund other expenditures. The government issued the first bond under the sharing plan on August 6, 2020. By 2021, Article 3 remains in effect.

To ease the stock market volatility, Indonesia's Financial Services Authority (OJK) introduces a new stock repurchase policy (allowing the listed companies to repurchase stock without holding a prior stockholders' meeting) and adopts a policy to arrest the stock price decline. Indonesia's Financial Services Authority also relaxes the banks' loan classification and loan restructuring

procedures to encourage loan restructuring and extends the deadline by 2 months for the listed companies to issue annual financial report and hold annual stockholders' meeting. Indonesia's Financial Services Authority delays the banks' implementation of mark-to-market policy on government and other securities by 6 months; relaxes the obligations to meet the liquidity coverage and the net stable capital ratio requirements; allows the use of capital to protect the buffer area.

Exchange Rate and International Balance of Payments^①

The Central Bank of Indonesia intervenes in the spot and domestic non-deliverable foreign exchange markets, as well as the domestic government bond market, to maintain orderly markets. The Central Bank of Indonesia also reiterates that the global investors may conduct investment and trading activities in Indonesia through global and domestic custodian banks. The stimulus package also includes the measures to remove the import and export restrictions, to deal with the global supply chain disruption caused by COVID-19 outbreak.

① International Monetary Fund: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#K>



Contact Information of Relevant Departments and Institutions

10.1 Contact Information of Government Departments and Related Institutions

Indonesian government departments and related agencies

Investors may contact the Indonesian departments and agencies to consult the investment and business problems encountered in Indonesia.

Table 10-1 Contact information of some government departments and relevant institutions in Indonesia

Name	Contact info
State Secretary	Tel.: +62-21-3843858 Fax: +62-21-3849065 Email: humas@setneg.go.id Website: www.setneg.go.id
Department of Home Affairs	Tel.: +62-21-3450038 Fax: +62-21-3851193 Email: pusdatin@kemendagri.go.id Website: www.kemendagri.go.id
Ministry of Foreign Affairs	Tel.: +62-21-3858171 Email: contact.us@kemendag.go.id Website: www.kemendagri.go.id
Ministry of Laws and Human Rights	Tel.: +62-21-5253004 Fax: +62-21-5253004 Email: rohumas@kemenkumham.go.id Website: www.kemenkumham.go.id
Department of Finance	Tel.: +62-21-3861489 Fax: +62-21-3500842 Email: helpdesk@kemenkeu.go.id Website: www.kemenkeu.go.id

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Name	Contact info
The Ministry of Energy and Mineral Resources of Indonesia	Tel.: +62-21-3804, 242 Fax: +62-21-3507210/3440 649 Email: klik@esdm.go.id Website: www.esdm.go.id
Department of Industry	Tel.: +62-21-5255509 Fax: +62-21-5255509 Email: humas@kemenperin.go.id Website: www.kemenperin.go.id
Department of Trade	Tel.: +62-21-23528404 Fax: +62-21-3846106 Email: contact.us@kemendag.go.id Website: www.kemendag.go.id
Department of Agriculture	Tel.: +62-21-5201587 Fax: +62-21-7806305 Email: webmaster@pertanian.go.id Website: www.pertanian.go.id
Department of Environment and Forestry	Tel.: +62-21-8580067 Fax: +62-21-8580067 Email: pusdata@menlhk.go.id Website: www.menlhk.go.id
Department of Transportation	Tel.: +62-21-3811308 Fax: +62-21-3451657 Email: info151@dephub.go.id Website: www.dephub.go.id
Department of Fisheries and Oceans	Tel.: +62-21-3519070 Fax: +62-21-3864293 Email: humas@kkp.go.id Website: www.kkp.go.id
The Ministry of Manpower and Immigration	Tel.: +62-21-5255733 Fax: +62-21-52963276 Email: humasakertrans@gmail.com Website: www.kemnaker.go.id
Indonesia Investment Coordinating Board	Tel.: +62-21-5252008 Fax: +62-21-5202 050 Email: info@bkpm.go.id Website: www.bkpm.go.id
Audit and Development Supervising Agency	Tel.: +62-21-8591 0031 Fax: +62-21-8590 0608 Email: humas@bpkp.go.id Website: www.bpkp.go.id
Intellectual Property Office	Tel.: +62-21-152 Email: halodjki@dgip.go.id Website: dgip.go.id/
Ministry of Land and Space Planning	Tel.: +62-21-7228 901 Fax: +62-21-7228 901 Email: humas@bpn.go.id Website: www.bpn.go.id

Continued

Name	Contact info
Central Board of Statistic	Tel.: +62-21-3841 195 Fax: +62-21-3857 046 Email: bpsq@bps.go.id; Website: www.bps.go.id
Department of Tourism	Tel.: +62-21-3838 552 Email: support@kemenparekraf.go.id Website: www.kemenparekraf.go.id
Indonesia Food and Drug Administration	Tel.: +62-21-4244 691 Email: halobpom@pom.go.id Website: www.pom.go.id
Ministry of Telecommunication and Information Technology	Tel.: +62-21-3452 841 Email: humas@mail.kominfo.go.id Website: www.kominfo.go.id
Bank Indonesia	Tel.: +62-21-2511946 Website: www.bni.co.id/id-id/
Indonesia Stock Exchange	Tel.: 0800-100-9000 Website: www.idx.co.id/en-us

10.2 Contact Information of Business Association and Service Provider

Table 10-2 Contact information of some chambers of commerce, association and in Indonesia

Name	Telephone	Website
Employer Association of Indonesia	+62-21-83780824	www.apindo.or.id/en
Indonesia Federation of Industry and Commerce	+62-21-22391426	www.kadin-indonesia.com/
Large Equipment Industry Association of Indonesia	+62-21-4400611	www.hinabi.org/
Motorcycle Industry Association of Indonesia	+62-21-3049-0133	www.aisi.or.id/

Appendix 1

Strategic Priority Projects of National Medium-term Development Plan (RPJMN2020–2024)

2024)

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
1	5 priority sub-industries in “Industry 4.0” plan: food and beverage, textiles & clothing, automobiles, electronics, chemicals & pharmaceuticals	The contribution of sub-industries to GDP increases to 21.0%	245.8 • National budget: 13.0 • State-owned enterprises: 125.9 • Private: 106.9	Department of Industry Department of Trade Enterprises (state-owned enterprises/private enterprises)
2	10 priority tourist destinations: Lake Toba, Borobudur, Lombok-Mandariika, Labuan Bajo, Manado, Wakatobi, Raja Ampat, Bromo-Tengg-Zermelo, Bangka Belitung and Morotai	The foreign exchange of the tourism industry increases to US \$ 30 billion (2024) Increase the number of tourists by 3.5~4 million, and increases the number of foreign tourists by 22.3 million (2024)	161 (National budget, PPP, state-owned enterprises, private enterprises)	Tourist Board Ministry of Public Work and Housing of Local Government Enterprises (state-owned enterprises/private enterprises)
3	9 industrial zones and 31 smelters outside Java	Industrialization outside Java can achieve the economic growth targets outside Java	317.4 • National budget: 15.7 • Private: 176.0 • PPP: 14.3 • State-owned enterprises: 111.4	The Ministry of Energy and Mineral Resources of Indonesia Department of Industry Local governments Enterprises (state-owned enterprises/private enterprises)

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
4	Income improvement of 350 fishery and agricultural companies	Increase the average annual income of farmers by 5%, increase the average annual income of fishermen by 10% (sustainable development goals), and increase the annual productivity of goods by 5%.	226.4 • National budget: 200.9 • Private: 25.5	Department of Agriculture Department of Fisheries and Oceans Department of Cooperatives and Small & Medium-sized Enterprises Enterprises (state-owned enterprises/private enterprises)
5	Renewable energy Development of palm oil-based green fuels	Increase the share of new and renewable energy in the national energy structure to 23%	32.0 • National budget: 1.1 • State-owned enterprises: 11.9 • Private: 19.0	The Ministry of Energy and Mineral Resources of Indonesia Palm Oil Plantation Fund Management Agency Enterprises (state-owned enterprises/private enterprises)
6	Rejuvenation of ponds in the shrimp and milk production areas	Increase the aquaculture production (up to 10.32 million tons for fish production) The shrimp exports grow by 8% per year	25 • National budget: 3.3 • Private: 21.7	Department of Cooperatives and Small & Medium-sized Enterprises Ministry of Public Work and Housing and Trade Department of Health Local governments Enterprises (state-owned enterprises/private enterprises)
7	Merge of international standard fishing ports and fish market	By 2024, the production of capture fisheries with high economic value will increase to 10.1 million tons By 2024, the export value of fishery products will increase to US \$ 8 billion	30 • National budget: 7.2 • PPP and private: 22.8	Department of Fisheries and Oceans Ministry of Public Work and Housing and Industry Local governments Enterprises (state-owned enterprises/private enterprises)
8	Regional development of Batam Island and Bintan Island	Promote the industrial and tourism growth of Batam Island and Bintan Island	69.9 • National budget: 6.4 • PPP: 9.5 • Enterprises: 54.0	Batam Island Ministry of Public Work and Housing of Local Government Enterprises (state-owned enterprises/private enterprises)
9	Metropolitan area development: Palembang, Bangamasin, Makassar, Denpasar	Increase the share of GDP in the GNP of metropolitan areas outside Java Increase the sustainable city index (IKB) of metropolitan areas/cities	222.9 (national budget, PPP and private)	Ministry of Public Work and Housing and Transportation Ministry of Telecommunication and Information Technology

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
9	Metropolitan area development: Palembang, Bangamasin, Makassar, Denpasar	Increase the share of GDP in the GNP of metropolitan areas outside Java Increase the sustainable city index (IKB) of metropolitan areas/cities	222.9 (national budget, PPP and private)	The Ministry of Energy and Mineral Resources of Indonesia Department of Home Affairs Central Board of Statistic Enterprises (state-owned enterprises/private enterprises)
10	State capital (IKN)	Promote the development of eastern Indonesia.	466.04 • National budget: 90.35 • PPP: 252.46 • Enterprises: 123.23	Department of National Development Planning Department of Agriculture Affairs and Space Planning Ministry of Public Work and Housing Enterprises (state-owned enterprises/private)
11	New city development: Maya Tanjung Therlol Sofifi Sorong	Improve the sustainable city index	134.6 (national budget, enterprises)	Ministry of Public Work and Housing and Transportation Enterprises (state-owned enterprises/private enterprises)
12	Papua customary territory: traditional territory of Lapago and territory of Demebele	Promote the economic growth, equitable development and community benefits in 10 areas of the traditional territory of Lapago and 11 areas of the territory of Demebele. Improve access to the transportation and distribution of high-quality goods	27.4 (national budget)	The Ministry of Energy and Mineral Resources of Indonesia Department of Agriculture Department of Development and Migration of Rural and Disadvantaged Areas Department of Transportation Local governments
13	Post-disaster restoration: Palu city and its surrounding areas, Lombok Island and its surrounding areas, and Sunda Strait coastal areas	Improve the living quality of victims through post-disaster restoration and reconstruction activities Accelerate the economic recovery, support the infrastructure construction, improve the economic conditions, and stimulate the local community economy of the affected areas	15.2 • National budget: 14.8 • Budget for regional revenues and expenditures: 0.4	National Disaster Management Agency Department of Social Affairs Ministry of Public Work and Housing Public Enterprises (state-owned enterprises/private enterprises)
14	National Strategic Activity Center: PKSN Paloh-Aruk, PKSN Nunukan,	Serve as a city center of cross-border checkpoints with neighboring countries Serve as a city center of international gateway to neighboring countries	3.4 • National budget: 3.0 • PPP: 0.4	Ministry of Public Work and Housing and Transportation Department of Fisheries and Oceans

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
14	PKSN Atambua, PKSN Kefamenanu, PKSN Jayapura, and PKSN Merauke	Serve as a city center of main transportation hub connecting the surrounding areas Serve as a city center of economic growth to encourage the development of surrounding areas	3.4 • National budget: 3.0 • PPP: 0.4	Ministry of Public Work and Housing and Transportation Department of Fisheries and Oceans
15	Acceleration in reducing the maternal mortality and growth retardation	Reduce the maternal mortality to 183 per 100000 live births Reduce the prevalence rate of growth retard- ation to 14%	87.1 (national budget)	Department of Health National Population and Family Planning Comm- ission Ministry of Public Work and Housing and Home Affairs Department of Education and Culture Local governments
16	Development of science parks (triple helix optimization of 4 major universities)	Enhance the innovation and product capa- bilities	0.8(National budget)	Department of Research and Technology / Nat- ional Research and Technology Agency Department of Education and Culture State universities (UGM, IPB, ITB and UI) and private universities
17	Industrial Vocational Education and Training 4.0	Increase the number of skilled workers supporting the industry 4.0 development	29.1 (national budget)	The Ministry of Manpower and Immigration Department of Industry Department of Education and Culture Central Board of Statistic
18	Integration of social assistance into comprehensive social pro- tection program	<ul style="list-style-type: none"> • Make the social assistance program more targeted and effective • Increase the coverage of non-cash and formal financial services, especially for the poor and the disadvantaged groups 	406.5 (national budget)	Department of Social Affairs Ministry of Telecommunication and Information Technology Department of Education and Culture Department of Research and Technology / Nat- ional Research and Technology Agency Department of Trade The Ministry of Energy and Mineral Resources of Indonesia Department of Home Affairs Central Board of Statistic
19	Sumatran Aceh-Lampung toll road	Reduce the travel time from Lampung to Aceh from 48 hours to 30 hours	308.5 • National budget: 105.5 • PPP: 203.0	Ministry of Public Work and Housing Enterprises (state-owned enterprises / private)

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
20	Java Island high-speed train (Jakarta-Semarang and Jakarta-Bandung)	Reduce the travel time: • from 5 hours to 3.5 hours for Jakarta-Semarang • from 3 hours to 40 minutes for Jakarta-Bandung	63.6 • National budget: 21.6 • PPP: 42.0	Department of Transportation Ministry of Public Work and Housing and Technical Assessment and Application Agency Enterprises (state-owned enterprises/private enterprises)
21	Makassar-Pare train	The industrial park relates to Calongong port and Makassar new port By 2045, reduce the cargo transport load on the Sulawesi Barat National Road by 20–30% (target of 1.5 million tons/year)	6.4 • National budget: 3.8 • Enterprises: 2.6	Department of Transportation Department of State-owned Enterprises Enterprises (state-owned enterprises/private enterprises)
22	Comprehensive network of main ports	Improve the port capacity through standardization of main ports • Improve the efficiency of domestic routes to 27% by forming regular cycles • Strengthen the integration between inland ports and regions	113.0 (state-owned enterprises/ private)	Department of Transportation Enterprises (state-owned enterprises/private enterprises)
23	Urban mass public transporta system in 6 major metropolitan areas of Jakarta, Surabaya, Bandung, Medan, Semarang and Makassar	Reduce the potential economic losses due to congestion in metropolitan areas	118.8 (National budget, budget for regional revenues and expenditures, enterprises)	Department of Transportation Ministry of Public Work and Housing Local governments Enterprises (state-owned enterprises/private)
24	Development of oil refineries	Increase the oil production to 1.9 million barrels per day by 2026 Improve the trade balance in the oil and gas industry	637.0 (enterprises)	Pertamina (Indonesia's largest state-owned company in the oil industry) enterprises The Ministry of Energy and Mineral Resources of Indonesia Department of Finance Bum
25	27000MW power plant, 19000KMS transmission and 38000MVA substation	• Continue to achieve the target of 35000-megawatt program • Achieve the power supply of 1400kWh per capita by 2024 • Reduce the CO2 emissions of power plants by 6.07 million tons by 2024	1121.0 (National budget, enterprises)	Ministry of Public Work and Housing and Agriculture The Ministry of Energy and Mineral Resources of Indonesia Enterprises (state-owned enterprises / private)

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
25	27000MW power plant, 19000KMS transmission and 38000MVA substation	<ul style="list-style-type: none"> • Reduce the blackout rate (SAIDI) to 1 hour per user by 2024 • Meet the power demand in Indonesia's key areas 	1121.0 (National budget, enterprises)	Ministry of Public Work and Housing and Agriculture The Ministry of Energy and Mineral Resources of Indonesia Enterprises (state-owned enterprises / private)
26	Digital transformation through ICT infrastructure support	<ul style="list-style-type: none"> • Narrow the digital gap • Provide fast Internet services to support the digitization of economic, social and governmental sectors 	435.2 • National budget: 7.2 • Enterprises: 428.0	Ministry of Telecommunication and Information Technology Department of Health Enterprises (state-owned enterprises / private) Related departments and agencies
27	Security of 5 coastal cities in Java	<ul style="list-style-type: none"> • Overcome the tidal flooding in Jakarta, Semarang, Pekalongan, Demak and Cirebon • Reduce the travel time from Semarang to Demak (from 1 hour to 25 minutes) 	54.9 • National budget: 31.4 • Purchasing power parity: 18.7 • Budget for regional revenues and expenditures: 4.8	The Ministry of Energy and Mineral Resources of Indonesia Local governments Department of Environment and Forestry Enterprises (state-owned enterprises / private)
28	18 multi-functional reservoirs	<ul style="list-style-type: none"> • Achieve the raw water supply of 23.5m³ / second reservoir and 2438MW power supply • Increase the water supply in 51 high-quality irrigation areas by 20% to support food security • Improve the irrigation efficiency and performance by over 70% 	92.9 • National budget: 12.9 • ppp: 24 • Private: 60	Ministry of Public Work and Housing Private
29	37 air bridge routes in Papua	Reduce the basic commodity prices in Papua by 50%	7.7(National budget)	Department of Transportation
30	Road construction in 18 important peripheral frontier islands	Enhance the connectivity and mobility of goods and passengers, thus lower the commodity prices	12.4(National budget)	Ministry of Public Work and Housing of Local Government
31	Melanesia-Sorong Highway	<ul style="list-style-type: none"> • Enhance the connectivity and accessibility of inland areas, especially the central highlands of Papua • Reduce the logistics cost of staple food transportation by 50%. 	15.4(National budget)	Ministry of Public Work and Housing

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
32	Adequate and safe water for domestic use (domestic wastewater) (90% of households)	<ul style="list-style-type: none"> • Increase the number of households with adequate sanitation facilities to 90% 	140.9 <ul style="list-style-type: none"> • National budget: 73.5 • Budget for regional revenues and expenditures: 1.7 • State-owned enterprises / private: 65.7 	Ministry of Public Work and Housing and Health Department of Home Affairs Local governments enterprises Social public
33	Access to tap water (10 million housing)	Increase the access to safe drinking water to 100% by 2024	123.5 <ul style="list-style-type: none"> • National budget: 77.9 • APBD: 15.6 • PPP: 29.9 	Ministry of Public Work and Housing of Local Government and enterprises
34	Urban apartments (1 million)	<ul style="list-style-type: none"> • Increase the community access to adequate and safe housing, which is affordable for millions of urban families, and solve the slum problem • Establish the professional public housing system in metropolitan areas (cross-regional/urban) 	397.9 <ul style="list-style-type: none"> • National budget: 18.0 • APBD: 109.2 • State-owned enterprises: 28.0 • Private: 237.5 • Society: 5.0 	Ministry of Public Work and Housing of Local Government Department of State-owned Enterprises Private and society
35	Urban gas network infrastructure for 4 million housing connections	<ul style="list-style-type: none"> • Save the liquefied petroleum gas subsidy worth Rp 297.6 billion per year • Reduce the liquefied petroleum gas imports by 6037.2 million tons per year 	38.4 <ul style="list-style-type: none"> • National budget: 4.1 • State-owned enterprises: 6.9 • PPP: 27.4 	The Ministry of Energy and Mineral Resources of Indonesia Enterprises (state-owned enterprises / private)
36	Restoration of 4 key watersheds	<ul style="list-style-type: none"> • Reduce the erosion in key watersheds by replanting 150000 hectares of key land • Mitigate the impact of flooding in Banten, Jakarta, West Java and North Sumatra 	30.9(National budget)	Ministry of Public Work and Housing of Local Government
37	Trans-Kalimantan natural gas pipeline(2219 km)	<ul style="list-style-type: none"> • Achieve the Trans-Kalimantan natural gas pipeline connection • Meet the gas demand of Kalimantan's industrial sector and power generation sector, and meet the demand of household and commercial natural gas networks 	36.4(enterprises)	The Ministry of Energy and Mineral Resources of Indonesia Enterprises (state-owned enterprises / private)

Continued

No.	Major project	Project Benefit	Capital index (trillion rupiah)	Executive
37	Trans-Kalimantan natural gas pipeline(2219 km)	<ul style="list-style-type: none"> • Support the provision of energy for the candidate cities of national capital • Increase the utilization of natural gas potential in the Natuna area 	36.4(enterprises)	The Ministry of Energy and Mineral Resources of Indonesia Enterprises (state-owned enterprises / private)
38	Construction of hazardous waste treatment facilities	<ul style="list-style-type: none"> • Increase the capacity of treated hazardous waste to 26880 tons/year 	4.6 • National budget: 0.6 • PPP: 3.0 • Private: 1.0	Department of Environment and Forestry Department of Health enterprises (state-owned enterprises / private)
39	Strengthening of disaster early warning system	<ul style="list-style-type: none"> • Increase the speed of disaster early warning from 5 minutes to 3 minutes 	13.0(National budget)	Council for Meteorology, Climatology and Geophysics National Disaster Management Agency The Ministry of Energy and Mineral Resources of Indonesia Technical Assessment and Application Agency
40	Strengthening of national security and establishment of 121 computer security incident response teams	<ul style="list-style-type: none"> • Reduce the incidence of cyber-attacks; • Enhance the integration and sharing of information data among relevant stakeholders (government, private and other net-work communities). 	8.0(National budget)	Department of Defense, etc.
41	Strengthening of maritime security in Natuna	<ul style="list-style-type: none"> • Enhance the deterrence and exercise the sovereignty in Natuna water area; • Reduce the piracy, violence and crime on the sea, as well as transnational crime, and strengthen the navigation safety management system. 	12.2(National budget)	Department of Defense, etc.

Appendix 2

Business Opportunities List

No.	Industry	Project name	Project introduction
1	Infrastructure	4 Stars Hotel at Soekarno Hatta Airport	https://www.investindonesia.go.id/images/uploads/whyinvest_file/4_Stars_Hotel_at_Soekarno_Hatta_Airport.pdf
2	Infrastructure	Aeroland City Development Project at Tangerang	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Aeroland_City_Development_Project_at_Tangerang.pdf
3	Infrastructure	Airport City at Kualanamu International Airport	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Airport_City_at_Kualanamu_International.pdf
4	Infrastructure	Airport City at Supadio International Airport	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Airport_City_at_Supadio_International_Airport.pdf
5	Infrastructure	Water Supply Infrastructure in Lampung	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Infrastructure.pdf
6	Infrastructure	Concession Agreement for Advertising of AP II Airports	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Concession_Agreement_for_Advertising.pdf
7	Infrastructure	Gedebage-Tasikmalaya-Cilacap Toll Road	https://www.investindonesia.go.id/images/uploads/whyinvest_file/gedebage-tasikmalaya-cilacap.pdf
8	Infrastructure	Kamal-Teluknaga-Rajeg Toll Road	https://www.investindonesia.go.id/images/uploads/whyinvest_file/kamal-teluknaga-rajeg.pdf
9	Infrastructure	Patimban Port Access Toll Road	https://www.investindonesia.go.id/images/uploads/whyinvest_file/patimban_port_access_toll_road.pdf
10	Infrastructure	Retail Area Management for AP II Airports	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Retail_Area_Management_for_AP_II_Airports.pdf
11	Infrastructure	Semanan Balaraja Toll Road	https://www.investindonesia.go.id/images/uploads/whyinvest_file/semanan_balaraja_toll_road.pdf
12	Infrastructure	Ship Docking Facility	https://www.investindonesia.go.id/images/uploads/whyinvest_file/ship_docking_facility.pdf
13	Infrastructure	Sky City at Soekarno Hatta Airport	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Sky_City_at_Soekarno_Hatta_Airport.pdf
14	Infrastructure	Solo Convention Exhibition Hall	https://www.investindonesia.go.id/images/uploads/whyinvest_file/solo_convention_exhibition_hall.pdf

Continued

No.	Industry	Project name	Project introduction
15	Infrastructure	Solo-Yogya-Nyia Toll Road	https://www.investindonesia.go.id/images/uploads/whyinvest_file/solo-yogya-nyia.pdf
16	Agriculture	Shrimp Aquaculture	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Shrimp-en.pdf
17	Manufacturing	Nickel	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Nickel-en_1.pdf
18	Manufacturing	Furniture Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Furniture_Industry.pdf
19	Manufacturing	Textile Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Textile_Industry.pdf
20	Manufacturing	Footwear Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Footwear_Industry.pdf
21	Manufacturing	Iron Steel Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Iron_Steel_Industry.pdf
22	Manufacturing	Sugar Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Sugar_industry.pdf
23	Tourism	New Bali	http://flipbook.indonesiaphotogallery.com/mobile/index.html
24	Tourism	Borobudur	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Borobudur.pdf
25	Tourism	Danau Lake Toba	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Lake_Toba.pdf
26	Tourism	Mandarika	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Mandalika.pdf
27	Tourism	Morotai	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Morotai.pdf
28	Tourism	Tanjung Kelayang	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Tanjung_Kelayang_Eng.pdf
29	Tourism	Tanjung Lesung	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Tanjung_Lesung_Eng.pdf
30	Tourism	Agriculture ecological park	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Agro-Edupark_Tlogo_Wening.pdf
31	Tourism	Panjang Island	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Panjang_Island.pdf
32	Tourism	Sigandu Beach	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Sigandu_Beach.pdf
33	Tourism	Bromo Volcano National Park	https://www.investindonesia.go.id/images/uploads/whyinvest_file/bromo_vulcania_theme_park.pdf
34	Tourism	Boom Marina	https://www.investindonesia.go.id/images/uploads/whyinvest_file/boom_marina.pdf
35	Energy	Micro-Hydraulic Station	https://www.investindonesia.go.id/images/uploads/whyinvest_file/ENERGY.pdf
36	Cultural Life	Film Industry	https://www.investindonesia.go.id/images/uploads/whyinvest_file/Greenlab_BKPM_Web_2017_Materi_Download-Film-Eng_20171021.pdf



Appendix 3

Frequently Asked Questions

1. What are the main types of Indonesian visas?

According to different visit purpose and stay time, Indonesia visa can be divided into 6 types: visa-free visa; arrival visa; business visa; work visa; family visitor visa; transit visa. Among them, business visa is further divided into 211 business visa and 212 business visas according to different stay time.

2. How to immigrate to Indonesia?

According to Indonesia's *Nationality Law*, a foreign citizen may apply for citizenship if he/she meets the following requirements: aged 18 years or older or married to an Indonesian citizen; living in Indonesia for at least 5 consecutive years or 10 non-consecutive years; physical and mental health; speaking the Indonesian language and recognizing the Indonesian Constitution; without criminal record about 1 year or above 1 year of fixed-term imprisonment; employed or having a regular income.

3. How is Indonesia's education system?

In Indonesia, the compulsory education is mandatory, and Indonesian government provides compulsory education from Grade 1 to Grade 9 (6-year elementary education and 3-year junior high education), free of charge. The official age of admission is 7, but many students start school at 6.

There are over 30 public universities and 1,000 private universities in Indonesia. Among them, the University of Indonesia, Bandung Institute of Technology, and Gajah Mada University are the most prestigious universities.

4. How is Indonesia's medical and healthcare quality?^①

There are 3 main channels for medical treatment in Indonesia: clinics, hospitals, and pharmacies.

There is generally 1 doctor on duty in the private clinics, while it takes a longer queue time in the better private clinics, which need to make an appointment by telephone. For the corporate clinics, there may have multiple doctors in attendance, with 4 working hours a day. In Indonesia, doctors at clinics do not easily adopt the transfusion therapy for the patients. The use of all antibiotic drugs is also strictly controlled, and it is difficult to directly buy in pharmacies without a doctor's prescription.

The hospitals in Indonesia are more like a medical platform because the laboratories, pharmacies and doctors may not belong to the hospital. A well-known doctor may take turns in many hospitals for a long term. Generally, patients come to hospital only when they are seriously ill or must be hospitalized. The most common hospitalized case in Indonesia is dengue fever. Patients go to the hospital for emergency treatment first, and then handle the hospitalization procedures after blood test. The length of hospital stay for dengue fever is generally 4~7 days, and the patient can be discharged from hospital until all blood indicators return normal.

5. What are the main public transport transportations in Indonesia?

The public transport in Indonesia mainly includes taxis, car rentals, ferries, buses, and trains.

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Indonesia (2019).

6. How to buy a car in Indonesia?^①

When buying a car in Indonesia, the dealers will generally help the customers complete the procedures of tax payment, licensing, insurance, etc. The purchase of car insurance is not compulsory, and the customers can make the decision of buying a car at their own sole discretion. The owner of the car shall pay the motor vehicle tax every year (about 1% of the purchase price, subject to a float). If the vehicle use tax is not paid in time, a late fee will be incurred, and the normal use of the car will be affected.

In Indonesia, to apply for a driver's license, the owner shall go to the local traffic police department with his/her passport and KITAS work visa (equivalent to a temporary residence permit). The procedure is as follows: copy the relevant documents → fill in the form → take photos → record the fingerprint → sign → pay the fee, and the procedure usually takes about 2 hours. The driver's license is valid for 1 year. If the owner has worked in Indonesia for over 3 years, he/she can apply for a 5-year driver's license.

7. Can foreigners or foreign direct investment companies purchase house property in Indonesia?^②

Yes, but the type of house property shall be distinguished. Foreigners or foreign investors are only allowed to use the buildings that include land (e.g. houses, offices, factories). According to Indonesia's Government Regulation No.103 of 2015, foreigners can purchase houses including land with the right of use. The maximum lease term is 80 years (the initial period is 30 years, with an extension of 20 years after application, and an extension of another 30 years can be applied for after 50 years).

For the apartment, it shall be noted that foreigners are only allowed to buy luxury apartments above the price of Rp 10 billion.

① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Indonesia (2019).

② Indonesia Investment Coordinating Board: <https://www.investindonesia.go.id/en/invest-with-us/faq>

8. Contact info about services on the One Stop Service?

Table 11-1 Contact info about services on the One Stop Service.

Consultation category	Contact info
Consultation on services of one stop service (Monday to Thursday: 9.00~14.00, Friday: 9.00~14.30)	Tel.: +62-21-5252008 Extensions: 1135/1137/1145/1148/1163/1164/1167/1172/1181/1184 Email: info@bkpm.go.id
Consultation on investment report (LKPM)	Applicable to companies in Sumatra: +62-21-5202046; +62-21-5252008-2712; Applicable to companies in Kalimantan, Yogyakarta and Jakarta: +62-21-5225839; +62-21-5252008-2821; Applicable to companies in Bantam, West Java, Central Java and Sulawesi: +62-21-5252008-2831; Applicable to companies in East Java, Bali, Nusa Tenggara, Maluku, Papua and Papua Barat: +62-21-5275268; +62-21-5252008-2841;
Consultation on incentives/investment instruments	Tel.: +62-21-5252008-2412; Complaints: +62-21-5275266; Email: masterlist.bkpm@gmail.com Mailing address for submitting the off-line investment documents: Deputi Bidang Pelayanan Penanaman Modal BKPM Jl. Jendral Gatot Subroto No. 44, Jakarta 12190
Consultation on investment in mining and coal industries	Please submit the paper documents via perizinanminerba@esdm.go.id For more information, please contact: 081388224694; 081388224695; 081388224696