



## Indonesian Embassy, Rome

# INVEST IN INDONESIA



### Solid economic fundamentals

As an emerging economy, Indonesia has been a very attractive place to invest. Having a GDP size of nearly US\$ 550 billion in 2009, Indonesia is the third fastest growing economy in Asia and the largest economy in Southeast Asia. Much less affected by the global financial crisis than its neighboring countries, Indonesia's economy grew by 4.5% last year and is predicted to climb to 5.6% in 2010 and 6% in 2011. Future economic expansion is expected to include more inclusive growth as nominal per-capita GDP is expected to quadruple by 2020, according to a Standard Chartered report.

Indonesia's debt to GDP ratio has steadily declined from 83% in 2001 to 29% by the end of 2009, the lowest among ASEAN countries. The country is ranked 1st among Asia-Pacific sovereigns by Standard & Poor's for best fiscal balance.

### Investment grade

In January 2010, Fitch ratings upgraded Indonesia's credit rating to BB+ with a stable outlook.

This rating upgrade is in line with Indonesia's strong and sustained growth, and improving fiscal position. It is an enormous vote of confidence for investments in Indonesia. Indonesia is on the right path towards attracting larger pools of fixed income and capital flows, as well as drawing in those funds which have so far been precluded from investing in non-investment grade countries.

These achievements have increased the frequency with which Indonesia is being compared to middle-income developing nations like Brazil, India and Mexico. Economically strong, politically stable, reform minded, Indonesia is an emerging global powerhouse in Asia.



### Political Stability

Underlying Indonesia's vibrant economy is political stability, Indonesia is the 3<sup>rd</sup> biggest democratic country in the world, after India and the United States. Recently, and for a third time in a row, Indonesia completed another round of a peaceful and successful legislative and presidential election.

### Largest market & industrial base in South East Asia

Indonesia is the 4th most populous nation in the world. Apart from its remarkable fiscal and political transformations during the last decade, Indonesia is also undergoing a major structural shift in terms of demographics. Of the 240 million people, over 50% of the population is less than 29 years old, with the same percentage living in urban areas. This provides for dynamic labor market participation, growing at 2.3 million per year. A rapidly urbanizing population also provides for strategic pools of labor force in centers of investment.

With a population of 240 million people, Indonesia has a large domestic market to offer, over 50% of which lives in urban areas and adopt a modern lifestyle. A growing and affluent middle class supports GDP growth with approximately 70% of GDP accounting for private consumption.

### Prominent regional and global player

Indonesia lies at the intersection of the Pacific Ocean, along the Malacca Straits and the Indian Ocean. Over half of all international shipping goes through Indonesian waters. Increasingly, Indonesia is playing a more dominant role in global affairs.

Indonesia is the only member of G-20 in the South East Asia. the latest global grouping for transnational economic policy. Standard Chartered sees Indonesia's inclusion in the G-7 by 2040, provided that growth achieves its potential by 2012, moving the economy ahead of South Korea by 2016 and Japan by 2024.



Indonesia is also a leading member of ASEAN, shaping integrative approaches in the region for security, economy and culture and will constitute the ASEAN Economic Community by 2015. Indonesia is emerging as a key player on cross-cutting international policy issues as climate change, which will have direct and indirect impacts on business and investment decisions.

### Better climate for business

The Indonesian Investment Agency (BKPM) is implementing a one-stop-shop system (PTSP), to cut bureaucratic red tape and allow investors to process business licenses faster. Its goal is to

streamline and consolidate the number of steps an investor must go for business permit issuances.

The program has been approved by some 16 relevant ministries to delegate its authority to BKPM in granting licensing and non-licensing services. As of February 5, 2009, all relevant ministries have signed the various decrees necessary, and BKPM is moving forward with the implementation process at both the central and regional levels.



In order to facilitate PTSP even further, the National Single Window for Investment (NSWi) was created. NSWi is an electronic platform for investments that enables investors to apply for license and non-license services online. It would significantly enhance the efficiency of licensing services.

Investment climate has also been a central component of the economic reform packages introduced by the government in the last 3 years. These economic policy packages contain specific reform measures across a wide range of areas including general investment policy, custom and ports, taxes, manpower, Small and Medium Enterprises and infrastructure, among others.

Economic Reform Packages in Indonesia have shown positive results. In a report issued by the World Bank, Indonesia's ease of doing business ranking has improved from 129 in 2008 to 122 in 2009, out of 183 countries. The number of days required to start a business, for example, has been reduced from 76 in 2008 to around 60 in 2009. Under the 100-day program set up by the President, the Government is pushing to improve this further.



Moreover, the Indonesian Investment Law of 2007 mandates equal treatment for foreign and domestic investors, allowing for binding international arbitration in the event of disputes between the government and foreign investors. It also provides protections against nationalization. A Tax Administration Law was also passed in 2007, which includes the strengthening of the rights of taxpayers and limits arbitrary decision making by tax officials. Other reforms of tax and customs administrations are also underway.

#### Plentiful potentials

The key investment opportunities in Indonesia include food, agriculture, energy and infrastructure. There are some supporting reasons why Indonesia has been a very attractive place for the investors around the world. Firstly, Indonesia has abundant natural resources.

Indonesia is the world's second largest thermal coal exporting countries. Indonesia has also the largest proven natural gas reserves in the Asia Pacific region at around 106 trillion cubic feet and it holds around 40 percent of the world's geothermal resources. These resources provide a large number of investment opportunities in energy sector.

To further support this endeavour, the Government has prioritized the physical and soft infrastructure development for the next five years. Investment in this sector is widely opened.

Indonesia has over 3.5 billion barrels of proven oil reserves and 90.5 billion tons of coal reserves and is one of the world's largest exporter of copper, tin, cocoa, nickel, palm oil, and gold. Indonesia is home to a biodiversity that is only second to Brazil, just to mention a few. And the list can go on and on.

Investment in food and beverage processing machinery industry has a very good prospect because majority of food and beverage processing machines used here are still imported. Meanwhile, the agriculture sectors offer fertile ground for investment opportunities. Investors who are looking to capitalize on a growing global demand for food may find fertile ground in Indonesia's agricultural sector. Public investment in agricultural research has expanded significantly in Indonesia supported by prominent agricultural research institutions.



Few business lines are closed for investment, both foreign and domestic, on the basis of the following criteria: health, safety, national defense and security, environment, moral, culture, and others which is contradictory with the national interests.

Detailed information could be obtained through the web sites [www.embassyofindonesia.it](http://www.embassyofindonesia.it) and [www.bkpm.go.id](http://www.bkpm.go.id); or call the Economic Section of the Indonesian Embassy in Rome at +39 06 4200911.

Prepared by the Economic Section of the Indonesian Embassy in Rome