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Inward FDI in Indonesia and its policy context, 2013

by
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Inward foreign direct investment (IFDI) in Indonesia has been an important element of the country's economic development process. Following the introduction of the first foreign direct investment (FDI) law early in the "New Order" era (1966-1998), IFDI flows to Indonesia were relatively high. Indonesia was hit hard during the Asian financial crisis in 1997-1998, when net IFDI inflows fell sharply. In the first half of 2004, IFDI started to grow again, and it kept growing during the global financial crisis (2008-2009) and the euro crisis that started in 2010. Indonesia still faces some uncertainties relating to the implementation of regional autonomy and to the high costs of running businesses caused by inadequate infrastructure, restrictive labor regulations and corruption. Nevertheless, the availability of vast reserves of highly diversified natural resources, a huge domestic market potential, a cheap labor force, and continued reforms in the direction of a market-based economy, including privatizations and open access to almost all sectors, are likely to boost IFDI. [1]

Trends and developments

Country level developments[2]

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[1] See the discussion on this issue in two reports on world investment from UNCTAD, *World Investment Report 2010: Investing in a Low-Carbon Economy* (New York and Geneva: United Nations, 2010), and *World Investment Report 2012: Towards a New Generation of Investment Policies* (New York and Geneva: United Nations, 2012), and from fDi Intelligence, *The fDi Report 2013: Global Greenfield Investment Trends* (London: the Financial Times Ltd, 2013).

[2] The historical background and trends in FDI in Indonesia were analyzed in a previous *Columbia FDI Profile* (see Tulus H. Tambunan, "Inward FDI in Indonesia and its policy context," *Columbia FDI Profiles*, April 25, 2011, available at: www.vcc.columbia.edu). This *Profile* is an update of that profile and extends the analysis to Indonesia's IFDI stock and flows to 2011, as well as other recent developments relating to FDI in Indonesia.

Although the share of IFDI in Indonesia's gross domestic product (GDP) is relatively low compared to that in other countries in the region, such as Thailand, Singapore and Malaysia, IFDI has played a crucial role in Indonesia's economic development process, not only in boosting overall productivity and exports, but also in achieving sustainable economic growth and employment creation. Especially during the "New Order" era under President Suharto (1966-1998) and after the introduction of the first investment law (Law Number 1 of 1967 on Foreign Investment, amended by Law Number 11 of 1970), FDI flows into the country were relatively large.

During the 1960s and 1970s, IFDI in Indonesia was concentrated in the oil and natural gas sector. In the 1980s and 1990s, the Indonesian Government introduced a number of deregulation packages to liberalize its domestic market as well as several fiscal incentives to foster IFDI in the manufacturing and services sectors to reduce the country's dependency on the primary sector. Since then, the secondary and tertiary sectors have attracted the bulk of foreign investment in Indonesia.

Between 1967 and 1996, approved IFDI accumulated to US$ 154 billion. The Asian economic and financial crisis in 1997-1998 pushed the Indonesian economy into a deep economic recession, with real GDP nose-diving by over 13% in 1998. In the same year, IFDI also fell, although not as sharply as GDP. In 1999, the Indonesian economy started to recover, while IFDI began to increase again in 2002. Indonesia's IFDI stock as a percentage of nominal GDP declined from 30% in 1998 to 15% in 2000. IFDI flows as a percentage of gross fixed capital formation dropped from 8% in 1997 to -14% in 2000.[3] Indonesia experienced net FDI outflows from 1998 to 2001, mainly caused by uncertainties arising from Suharto's fall from power in 1998.[4]

In 2007, Indonesia's IFDI stock reached almost US$ 80 billion. In 2008, it declined to US$68 billion, then rose again in 2009 to almost US$ 73 billion and in 2011 it reached US$173 billion (annex table 1). Inward FDI flows continued to increase until 2008 and then dropped to almost US$ 5 billion in 2009, and then rose up again to US$13.8 billion and US$18.9 billion in 2010 and 2011 respectively (annex table 2). It is not clear whether the decline of IFDI flows in 2009 was caused by the global economic crisis or by internal factors such as local market distortions in some districts resulting from the implementation of regional autonomy, inadequate infrastructure, restrictive labor regulations, and corruption. Nevertheless, the availability of vast, highly diversified natural resources, a huge domestic market, a cheap labor force, and recent policy liberalization toward a market based economy, including privatizations and open access to almost all sectors, are likely to improve FDI prospects. Indonesia now has a better environment for FDI, as the country has a clear and certain law on investment, has established a one-stop service for foreign investment projects, developed special economic zones (SEZs), and taken measures to facilitate cost reductions.[5]

The Indonesian Government has deregulated the economy and provided fiscal incentives to encourage diversification of the economic structure. In the past ten

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[3] See UNCTAD, *World Investment Report 2000: Cross Border Mergers and Acquisitions and Development* (New York and Geneva: United Nations, 2000).
[4] See UNCTAD, *World Investment Report 2002: Transnational Corporations and Export Competitiveness* (New York and Geneva: United Nations, 2002).
[5] UNCTAD, *World Investment Report 2010*, op. cit.

years, FDI in Indonesian has been markedly reoriented toward manufacturing and services (annex table 3).[6] In 2012, within the manufacturing sector, the top three host industries and their shares of total IFDI stock in all sectors were: the metal, machinery and electronics industry (almost 10%), the motor vehicle and other transport equipment industry (7.5%) and the food industry (7.3%). The considerable increase in the relative importance of manufacturing during the past decade has been due to large greenfield investments in these industries.

Within the services sector, transport, storage and communications are always the most important targets for IFDI, accounting for 11% of total IFDI stock in Indonesia by 2012. The increasing importance of these subsectors can be explained by a wave of privatizations under the growing participation of foreign parent companies that took place soon after the Asian crisis. In the past few years, two major foreign acquisitions took place, namely the Islamic Development Bank (IDB) of Saudi Arabia invested around US$ 2 billion in warehousing, storage and transportation, and Qtel of Qatar acquired the most popular Indonesian telephone company, Indosat, for US$ 884 million.

Although FDI inflows to Indonesia are becoming increasingly diversified by sector, the primary sector, including the coal, gold, oil, and natural gas industries, remains a key IFDI recipient. This extractive sector experienced cross-border deals every year in the past decade. In 2012, these industries accounted for 17% of total IFDI stock in all sectors, and almost 72% of total IFDI stock in the primary sector. IFDI flows in agriculture, especially in food crops and plantations, have also increased considerably. Within the plantation subsector, palm oil is the most important industry for IFDI, driven by growing world demand for Indonesian exports of crude palm oil. By 2012, food crops and plantations together accounted for 7% of total inward FDI stock in all sectors, compared to 1% in 2009.

Asia has been the major source region of IFDI in Indonesia. In 2012, about 45% of Indonesia's inward FDI stock originated from Asia, compared to 10% from Europe and 5% from Africa (annex table 4). FDI inflows to Indonesia from Asia increased from US$ 2.7 billion in 2006 to US$ 6 billion in 2009 and reached around US$11 billion in 2012. Although Australia is Indonesia's direct neighbor on the eastern side, its investments in Indonesia have always been small: its share of Indonesia's IFDI stock was only 2% in 2009 and increased slightly to around 3% in 2012. Malaysia and Singapore are the main South-east Asian sources of FDI in Indonesia, with investments in various sectors, including manufacturing, plantations, real estate, and other services. From the rest of Asia, Japan remains the key investor in Indonesia, with Japanese FDI mainly focusing on manufacturing, including the automotive, metal, and electronics industries, but also in natural resource extraction (coal, oil, natural gas) and electricity. Japan is followed by the Republic of Korea, Hong Kong (China), Taiwan Province of China, India, and China.

The corporate players

According to the Indonesian Investment Coordinating Board (BKPM), Indonesia hosted more than 300 foreign affiliates in 2009, a figure that rose to more than 400 in

[6] Indonesian Investment Coordinating Board (BKPM), available at: www.bkpm.go.id/.

2012. BKPM does not provide names of these companies, their sectors and their foreign equity capital. However, based on data of the number of FDI projects approved by the Government, foreign affiliates are evidently concentrated in several sectors, including food crops and plantations, food industry, textile and garment industry, the machinery industry, electronic industry, and transport and communications.

In 2009, cross-border mergers and acquisitions (M&As) into Indonesia amounted to around US$ 3 billion in value, and reached almost US$ 6.4 billion in 2011.[7] Up to 2009, the acquiring companies were mainly from the United Kingdom, Singapore, Japan, Malaysia, Qatar, Australia, India, and the British Virgin Islands. The largest such transaction by value and also the most publicly debated cross-border M&A was the above-mentioned acquisition of 24% of the shares of Indosat by Qtel of Qatar. The second largest acquisition was undertaken by British American Tobacco PLC of the United Kingdom, which acquired almost 100% of PT Bentoel International Investama Tbk for US$ 728 million.[8] In 2010, a total of 514 deals were recorded for a total disclosed value of US$ 12.9 billion.[9]After a steady activity during the first three quarters of that year, deal activity saw a surge in the last quarter, with 186 deals recorded. A breakdown of M&A deals by sector in Indonesia in 2010 shows that the largest sector was materials with around 31% of the deal volume and 43% of the deal value. Deals done by foreign investors represented 37% of the deal volume and 64% of the deal value. Eight foreign deals out of ten were Asian companies, with firms from Singapore and Malaysia making up the bulk of these Asian buyers. The largest completed deal in 2010 involved KEPCO from the Republic of Korea; it acquired a 20% stake in Bayan Resources for a total value of US$523 million[10]. In the first quarter (Q1) of 2011, Vallar, a natural resources fund founded by Nathaniel Rothschild, made two large deals in the Indonesian coal mines industry: Bumi Resources with US$ 1.4 billion and Berau Coal Energy with US$1.6 billion[11] (annex table 5). In the second quarter (Q2) of 2011, most important M&A deals in Indonesia with inward investing companies were in mining, e.g., China Nickel Resources Holding Co, Ltd. [12] It is generally expected that in coming years more inward M&A activities will take place in Indonesia as a result of the introduction of a new law on investment, Investment Law No. 25 of 2007, which makes it easier for foreign companies to do business in Indonesia, and also facilitates the Government's plan to continue privatizations of state-owned enterprises.

According to UNCTAD estimates, greenfield investments by inward-investing firms accounted for around US$ 31 billion in 2009 and US$ 24.1 billion in 2011;[13] the number of greenfield investments in Indonesia continues to increase every year, and

[7] Indonesian Investment Coordinating Board (BKPM), available at: www.bkpm.go.id/.
[8] Thomson ONE Banker. Thomson Reuters.
[9] Pickering Pacific (2010), "ASEAN 6-M&A deals", Shanghai and Singapore, www.pickeringpacific.com (M&A Specialists in East Asia).
[10] Pickering Pacific (2010), "ASEAN 6-M&A deals", Shanghai and Singapore, www.pickeringpacific.com (M&A Specialists in East Asia).
[11] Sacha Winzenried (2012), "Indonesian mining investment climate", PwC Asia School of Mines, available at: www.pwc.com/id.
[12] Sacha Winzenried (2012), "Indonesian mining investment climate", PwC Asia School of Mines, available at: www.pwc.com/id.
[13] UNCTAD , *World Investment Report 2013: Global Value Chains, Investment and Trade for Development* (New York and Geneva, 2013): annex table 19, available at: www.unctad.org/wir.

has risen from 121 in 2009 to 150 in 2011.[14] The major source economies from Asia are Japan, China and India, followed lately by the Republic of Korea in manufacturing and retail. Measured by investment value, the bulk of greenfield IFDI was concentrated in the coal mining, oil and natural gas extraction, and metal industries; these three groups of industries are among the key promoted sectors for private investment. Since the end of the 1997-1998 Asian financial crisis, the Government has been streamlining various regulations such as licensing and customs procedures, and providing investment incentives to these industries. Therefore, it is likely that FDI inflows into them will accelerate. In the food and tobacco industry, there is only one greenfield investment, by Lotte Group from the Republic of Korea (annex table 6). According to unofficial information from BKPM, the Lotte Group is planning to expand its investment in Indonesia in the services sector as well as in the food and tobacco industry.

Effects of the global crisis

Indonesia was affected by the global economic crisis in 2008-2009, but – in contrast to many other countries – maintained economic growth throughout. In sharp contrast to the aftermath of the Asian crisis of 1997-1998, Indonesia did not suffer from a credit crunch, a serious deterioration of asset prices, significant divestments of foreign affiliates, postponements of investment projects, or a decline in reinvested earnings. Indonesia's gross fixed capital formation grew by nearly 1% in the first half of 2009. In the previous two years, fixed investment had been increasing at double-digit rates. Another important reason that Indonesia faced few negative effects on its economy, including trade, is that the economy is less tied to multinational value chains than, for instance, those of Singapore and Malaysia. Hence, whereas Malaysia, experienced a sharp drop in its exports over 2008-2009 (which caused a decrease in GDP in 2009), Indonesian export growth remained strong in 2009.

Country data provided by the Asian Development Bank[15] and the International Monetary Fund[16] show that, while inflows of short-term investment (e.g., portfolio equity) and loans were interrupted in 2008 as the crisis deepened in highly globally-integrated economies of the region (China, Hong Kong (China), India, Indonesia, the Republic of Korea, Malaysia, Philippines, Singapore, Taiwan Province of China, Thailand, Cambodia, Vietnam), FDI inflows kept increasing in most of these countries during the crisis. By contrast, inflows to Indonesia decreased from US$ 9.3 billion in 2008 to US$ 4.9 billion in 2009 (annex table 2).

With the ongoing euro crisis that started some years ago, the Indonesian economy has also been affected, though modestly; exports of some manufactured goods to European countries, a main important destination, started to decline in 2011 and have not yet fully recovered. FDI inflows from the European Union have not been affected however.

The policy scene

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[14] UNCTAD , *World Investment Report 2013*, op. cit., annex table 22, available at: www.unctad.org/wir.

[15] ADB, "Key indicators," available at: www.adb.org/keyindicator/.

[16] IMF, Financial Soundness Indicators, available at: http://fsi.imf.org/.

The Indonesian Government has realized that private investment, including IFDI, is important for the modernization of the economy and sustainable economic growth. Therefore, foreign investment policy has always been an important component of economic development policies in Indonesia since the "New Order" era (1966-1998). To attract IFDI, the Government introduced the Foreign Investment Law (FIL) Number 1 of 1967. With this Law, Indonesia started to open sectors and lift quantitative restrictions on foreign equity participation. In addition to FIL Number 1 of 1967, foreign companies were subject to many sector-specific laws. The FIL, accompanied by conducive macroeconomic policies (including a gradual shift from protectionism to export promotion) and political stability, encouraged large FDI inflows in the "New Order" era.[17]

To administer the FIL, the Indonesian Investment Coordinating Board (Badan Koordinasi Peranaman Modal or BKPM) was established in 1973. BKPM is a central body that screens investment applications, grants licenses and permits and also offers investment incentives. In addition, there are sub-national investment bodies (BKPMDs) in the provinces.[18]

After the 1997-1998 Asian financial crisis, the Government took many measures to promote economic recovery in line with IMF emergency-funding loan conditionalities. It also reoriented FDI policies and initiated reforms in many areas related to private investment, including the legal system. Since 1998, many presidential decrees and regulations have been introduced to improve the investment climate and attract IFDI.[19]

Among the new investment laws mentioned above, the Law on Investment Number 25 of 2007, is widely seen as the most important investment reform effort ever undertaken by the Indonesian Government. This law covers all private investment, both domestic and foreign. From the point of view of FDI, this new investment law is generally considered as much more open than FIL Number 1 of 1967, since in the new Law the negative list has become shorter (i.e., more sectors or subsectors are open now for IFDI), and many new incentives in various forms have been introduced that make it easier for foreign investors to do business in Indonesia. The new investment law has also removed *pribumi* (indigenous) ownership conditions that were previously a major issue for IFDI.[20] Although Indonesia still faces problems in

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[17] Arumugam Rajenthran, "Indonesia: An overview of the legal framework for foreign direct investment", *Economics and Finance,* no. 4 (Institute of Southeast Asian Studies, Singapore 2002), available at: www.iseas.edu.sg/documents/publication/ef42002.pdf.

[18] However, with the Regional Autonomy Law (RAL) introduced soon after the 1997-1998 crisis, the BKPM/BKPMD framework has become less relevant. The RAL empowers the regencies and municipalities, amongst other things, to run their economies, including administering governance of investments. Many articles and reports have been published on investment climate in the era of decentralization and regional autonomy in Indonesia. See e.g. Arumugam Rajenthran, op. cit., and Arianto A. Patunru and Siti Budi Wardhani , "Political economy of local investment climates: a review of the Indonesian literature," PAPI Background Paper, Political Economy of the Local Investment Climate in Indonesia' Project, June 2008 (http://www2.ids.ac.uk/gdr/cfs/pdfs/PatunruLitRev.pdf).

[19] For more complete information on laws and regulations on investment (including procedures, licenses, taxation), see the BKPM website, available at www.bkpm.go.id.

[20] This issue has been discussed extensively by e.g., Hal Hill and Terry Hull (eds.), *Indonesia Assessment 1990* (Canberra: Australian National University Political and Social Change Monograph

attracting IFDI, including a lack of infrastructure and inadequate security, it is generally expected that the new investment law will be the main engine of growth of IFDI in Indonesia.

From 2006 to 2010, many regulations were issued that specifically mentioned the steps the Government has taken to improve the investment climate. Among these was Regulation Number 36 of 2010 that regulates 17 business sub-sectors that are conditionally open to FDI: agriculture, banking, communications and information technology, culture and tourism, defense, education, energy and mineral resources, finance, forestry, health, manufacturing, manpower and transmigration, marine and fisheries, public works, trading, transport, and security. [21]

Under the 2010-2014 National Mid-Term Development Plan, the Government has identified the following priority sectors for private investment: infrastructure/transportation, oil and gas, power, mining, telecommunications, manufacturing (including automotive products), and agriculture (including palm oil and rubber plantations).

In 2010, BKPM has launched a one-door integrated service and an electronic automation platform for investment licenses and non-licensing services, not only to reduce the number of procedures and amount of documentation needed to invest in Indonesia, but also to bypass the need physically to come to the relevant offices to apply for certain services. The new system has revamped internal processes and rectified human resource constraints to increase the speed and improve the quality of investor services. The system was first launched in January 2010 in the Free Trade Zone and Free Port of Batam. [22]

In June 2010, the Government revised the negative list for FDI and offered both increased sectoral liberalization and an improved presentation. To ensure the stability in the list and avoid sudden changes to the status quo, the Government proposed new procedures to require ministries to perform cost-benefit analyses to justify any future changes in restrictiveness under the negative list. Such analyses can also be applied to existing restrictions when they are reassessed in light of the policy objectives they are intended to achieve. [23]

As in many other countries, Indonesia has also offered special tax incentives to promote investment. These incentives include tax holidays for new firms, tax credits for new investments and exemptions from import duties, particularly on capital goods, and also in the form of providing special/bonded zones for exporting companies (the largest bonded zone is on the island of Batam, located just south of Singapore).

No.11, 1990), and Hal Hill, *Indonesia's Industrial Transformation* (Singapore: Institute of Southeast Asian Studies (ISEAS), 1997).

[21] For more complete information on this new law on investment, e.g., which industries are open (and to what extent) and which are closed for foreign investors, and what kinds of incentives are available, see the BKPM website, available at: www.bkpm.go.id.

[22]See the BKPM website: www.bkpm.go.id.

[23]Misuzu Otsuka, Stephen Thomsen and Andrea Goldstein, "Improving Indonesia's investment climate", *Investment Insights*, 2011, Issue 1 (www.oecd.org/daf/inv/47556737.pdf).

The Indonesian Government had also concluded bilateral investment treaties with more than 50 countries as of June 1, 2010. [24] To avoid double taxation on profits, dividends, interest, fees, and royalties, Indonesia has signed double taxation treaties with 59 countries.[25]

In the past ten years, Indonesia has also been more aggressive in investment promotion. In this regard, BKPM acts as the national investment promotion agency, coordinating all investment promotion activities of individual economic departments and ministries.[26]

Many local governments in Indonesia are implementing good investment promotion practices. For instance, a one-stop service for investment has been put into effect by some local governments (e.g., Solo, Yogyakarta, Pare-pare, Sragen). The national government has attempted to reduce "nuisance" local regulations by abolishing bad local tax regulations (more than 3,000 nuisance local taxes have been abolished by the central government), and also by issuing a new law on local taxes and user charges (Law No.28/2009) which adopts "positive lists." With the new local tax law, local governments are only allowed to issue a new local tax regulation as long as it is listed by the law. The new local tax lists are already considered as not harmful for business and the economy.

The implementation of the ASEAN Economic Community (AEC) in 2015 is expected to boost not only the free movement of goods and services and skilled labor, but also investment among the economies of the ASEAN region. One important pillar of AEC is the ASEAN Comprehensive Investment Area (ACIA) which is the common framework for encouraging FDI into ASEAN. Two main important principles of the ACIA, which should be followed by all member states (including Indonesia), include: (i) immediate opening up of all industries for investment, with some exceptions as specified in the Temporary List (TEL) and the Sensitive List (SL), to ASEAN investors; and (ii) granting immediate national treatment, with some exceptions as specified in the TEL and the SL, to ASEAN investors.[27]

Conclusions

Indonesia weathered the 2008-2009 global economic crisis better than many other countries, and IFDI has already started to recover and to increase steadily. Even now, there are no signs of negative effects of the current Euro crisis on IFDI into Indonesia. To an important extent, the continued increase of IFDI into Indonesia, despite slow global economic growth caused partly by the Euro crisis, has been attributed to the success of Indonesia not only in preventing the decline of the annual national economic growth rate but also in managing to maintain macroeconomic stability.

[24]For information on the countries, see UNCTAD's website at: www.unctad.org.
[25]For information on the countries, see the BKPM website at: www.bkpm.go.id.
[26]See OECD, *Investment Policy Reviews: Indonesia* (Paris: OECD, 2010). This is a comprehensive report on some important milestones on Indonesia's investment policies, available at:www.oecd.org.
[27]See ASEAN, "Investing in ASEAN 2012/2013", Jakarta: ASEAN Secretariat, available at: www.asean.org.

In order to encourage more IFDI into Indonesia, in addition to policies to promote macroeconomic stability and economic growth, the Indonesian Government is promoting a number of key sectors for FDI in which it provides special incentives, including for coal mining, food and beverage processing, food processing machinery, beverages, and tobacco. These sectors provide market opportunities not only in exporting but also for the domestic market, given the country's huge population and its steady growth of income per capita. However, this kind of "winner-picking" industrial policy will not be the main driver of IFDI to Indonesia, as there are many other determining factors, including those in which Indonesia still faces serious challenges, such as infrastructure, logistics, law enforcement, security, and human resource development. These factors are especially crucial to attracting IFDI in footloose industries, i.e., those that are less dependent on local natural resources, such as textiles and garments, footwear, electronics, and the automotive industry.

Additional readings

APEC, *Guide to the Investment Regimes of the APEC Member Economies* (Singapore: Asia Pacific Economic Cooperation, 2000).

ASEAN, ASEAN Economic Community. *Handbook for Business* (Jakarta: ASEAN Secretariat, 2011).

ASEAN, *On Track to ASEAN Community 2015*. ASEAN Annual Report 2012-2013 (Jakarta: ASEAN Secretariat, 2013).

Goodpaster, Gary, "The rule of law, economic development & Indonesia", in Timothy Lindsey (ed.), *Indonesia Law and Society* (The Federation Press, 1999), pp. 21-31.

Useful websites

For FDI policy in Indonesia: www.bkpm.go.id

For FDI data: www.bkpm.go.id; www.bps.go.id

For industrial policy: www.deperin.go.id

For trade policy: www.mot.go.id

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The Vale Columbia Center on Sustainable International Investment (VCC), led by Lisa Sachs, is a joint center of Columbia Law School and the Earth Institute at Columbia University. It is the only applied research center and forum dedicated to the study, practice and discussion of sustainable international investment, through interdisciplinary research, advisory projects, multi-stakeholder dialogue, educational programs, and the development of resources and tools. (www.vcc.columbia.edu)

Statistical annex

Annex table 1. Indonesia: inward FDI stock, selected years, 1995-2011

(US$ billion)

Economy	1995	2000	2007	2008	2009	2011
Indonesia	20.6	25.1	79.9	68.0	72.8	173.1
Memorandum: comparator economies						
Singapore	65.6	110.6	322.98	326.8	343.6	518.3
India	5.6	16.3	105.8	123.3	163.96	201.7
Thailand	17.7	29.9	94.1	93.0	99.0	139.7
Malaysia	28.7	52.8	76.6	73.3	74.6	114.6
Viet Nam	7.2	20.6	40.3	48.3	52.8	72.8

Source: UNCTAD's FDI/TNC database, available at: www.unctad.org/fdistatistics.

Annex table 2. Indonesia: inward FDI flows, selected years, 1999-2011

(US$ billion)

Economy	1999	2000	2006	2007	2008	2009	2010	2011
Indonesia	-1.8	-4.5	4.9	6.9	9.3	4.9	13.8	18.9
Memorandum: comparator economies								
Singapore	16.6	16.5	36.7	46.9	11.8	24.4	48.6	64.0
India	2.2	3.6	20.3	25.5	43.4	35.6	24.2	31.6
Thailand	6.1	3.4	9.5	11.4	8.5	4.9	9.7	9.6
Malaysia	3.9	3.8	6.1	8.6	7.2	1.5	9.1	11.97
Viet Nam	1.5	1.3	2.4	6.7	9.6	7.6	8.0	7.4

Source: UNCTAD's FDI/TNC database, available at: www.unctad.org/fdistatistics.

Annex table 3. Indonesia: sectoral distribution of inward FDI stock, 2008-2013 (Q1)[a]

(US$ million)

Sectors/industries	2008	2009	2010	2011	2012	Q1-2013
All sectors	14,871.4	10,815.2	16,214.8	19,474.5	24,564.7	7,058.2
Primary	335.6	462.6	3,033.9	4,883.2	5,933.1	1,694.9
Agriculture, forestry, and fishing						
Food crops and plantations	147.4	122.3	751.0	1,222.5	1,601.9	314.3
Mining, quarrying and petroleum						
Mining	181.4	332.7	2,200.5	3,619.2	4,255.4	1,376.3
Secondary	4,515.2	3,831.1	3,337.3	6,789.6	11,770.0	4,552.2
Manufacturing						
Food industry	491.4	552.1	1,025.7	1,104.6	1,782.9	405.5
Textile industry	210.2	251.4	154.8	497.3	473.1	234.3
Leather industry	145.8	122.6	130.4	255.0	158.9	25.4
Wood industry	119.5	62.1	43.1	51.1	76.3	0.9
Rubber and plastic industry	271.6	208.1	104.3	370.0	660.3	122.1
Metal, machinery & electronic industry	1,281.4	654.9	589.5	1,772.8	2,452.6	1,041.9
Motor vehicle and other transport equip. industry	756.2	583.4	393.8	770.1	1,	866.4
Construction	426.7	512.7	618.4	353.7	239.6	30.7
Services	10,020.5	6,521.2	9,225.2	7,448.0	6,622.1	770.5
Transport, storage and communication	8,529.9	4,170.3	5,072.1	3,798.9	2,808.2	51.8
Trade and repair	582.2	706.1	773.6	826.0	483.6	215.5
Electricity, gas and water supply	26.9	349.2	1,428.6	1,864.9	1,514.6	218.0
Real estate and business activities	174.9	315.1	1,050.4	198.7	401.8	116.7

Source: National Coordinating Agency for Investment (BKPM), Indonesia, available at: www.bkpm.go.id.

[a] Note: excluding data for oil and gas, banking, non-bank financial institution, insurance, leasing, mining in terms of contracts of work, coal mining in terms of agreements of work, investment which licenses issued by technical/sectoral agency (e.g. Ministry of Industry, Ministry of Agricultre), portfolio as well as household investment. Information available at: www.bkpm.go.id.

Annex table 4. Indonesia: geographical distribution of inward FDI stock, 2006-2013 (Q1)

(US$ million)

Economy/region	2006	2007	2008	2009	2010	2011	2012	Q1-2013
World	5,991.7	10,341.4	14,871.4	10,815.2	16,214.8	19,474.5	24,564.7	7,048.2
Developed economies								
Europe	895.6	1,952.4	1,091.5	2,109.1	1,302.3	2,179.9	2,573.9	1,139.0
European Union	821.8	1,871.6	1,018.7	1,972.6	1,160.6	2,158.1	2,303.3	1,051.0
France	104.9	9.4	164.0	29.0	3.3	134.3	158.7	42.1
Netherlands	35.2	147.2	89.9	1,198.7	608.3	1,354.4	966.5	330.5
United Kingdom	660.5	1,685.8	513.4	587.7	276.2	419.0	934.4	544.0
Other European economies	74.4	80.8	72.8	136.5	141.7	21.8	270.5	88.0
Switzerland	61.6	77.5	72.2	132.1	129.6	9.4	255.1	84.0
Norway	11.8	3.2	0.4	2.9	6.6	-	7.8	-
North America								
Canada	1.4	0.2	0.9	0.4	147.9	2.2	8.5	64.8
United States	65.8	144.7	151.3	171.5	930.9	1,487.8	1,238.3	885.7
Other developed economies								
Australia	9.0	195.3	36.0	79.7	214.2	89.7	743.6	134.5
Japan	902.8	618.2	1,365.4	678.9	712.6	1,516.1	2,456.9	1,151.7
New Zealand	-	-	-	1.3	3.0	-	-	-
Developing economies								
Africa	700.0	505.7	6,542.8	496.1	150.0	202.1	1,195.7	12.5
Mauritius	385.6	223.9	6,477.9	159.5	23.3	72.5	1,058.8	12.5
Seychelles	306.9	281.0	63.9	322.2	8.4	79.7	136.2	-
Asia	2,678.5	5,942.8	3,871.5	6,003.4	8,416.9	9,135.5	11,098.4	2,914.5
ASEAN economies	926.5	4,028.4	1,855.7	4,536.6	6,131.9	5,841.8	5,460.0	779.0
Malaysia	407.6	217.3	363.3	129.3	472.1	618.3	529.6	155.4
Singapore	508.3	3,748.0	1,487.3	4,341.0	5,565.0	5,123.0	4,856.4	616.0
Other Asia	1,752.0	1,914.4	2,015.8	1,466.8	2,285.0	3,293.6	5,638.4	2,135.5
China	31.5	28.9	139.6	65.5	173.6	128.2	141.0	60.2
Hong Kong (China)	187.8	156.7	120.2	21.0	566.1	135.0	309.6	45.9
India	88.4	11.6	17.8	26.2	8.9	41.9	78.1	29.7
Republic of Korea	475.7	627.7	301.1	624.6	328.5	1,218.7	1,949.7	774.7
Taiwan Province of China	63.6	469.7	69.4	31.7	47.5	243.2	646.9	7.7
Latin America and the Caribbean	153.3	330.6	175.8	173.2	1,636.2	528.8	892.7	159.1
Brazil	-	165.1	0.6	0.3	0.1	-	-	-
Panama	85.0	1.1	0.9	-	0.2	0.1	-	3.9

Source: National Coordinating Agency for Investment (BKPM), Indonesia, available at: www.bkpm.go.id.
Note: excluding data for oil and gas, banking, non-bank financial institution, insurance, leasing, mining in terms of contracts of work, coal mining in terms of agreements of work, investment which licenses issued by technical/sectoral agency (e.g. Ministry of Industry, Ministry of Agricultre), portfolio as well as household investment. Information available at: www.bkpm.go.id.

Annex table 5. Indonesia: selected important M&A deals, by inward investing firm, 2010-2011

Year	Acquiring company	Source economy	Target company	Target industry	% shares acquired	Estimated/ announced transaction value (US$)
Q2 2011	China Nickel Resources Holdings Co Ltd	China	Multiple targets	Diversified mining	100	266 m
Q1 2011	Vallar	UK	Bumi Resources	Coal mines	25	1.4 bn
Q1 2011	Vallar	UK	Berau Coal Energy	Coal energy	75.0	1.6 bn
2010	KEPCO	Rep. of Korea	Bayan Resources	Materials	20.0	523 m
2010	First REIT	Singapore	Gold Capital	Healthcare	25.0	132 m

Source: Pickering Pacific (2010), "ASEAN 6-M&A deals", Shanghai and Singapore, available at: www.pickeringpacific.com (M&A Specialists in East Asia), and Sacha Winzenried (2012), "Indonesian mining investment climate", PwC Asia School of Mines, available at: www.pwc.com/id.

Annex table 6. Indonesia: greenfield projects with a minimum value of US$ 500 million in 2009, and most recent project in 2012, by inward investing firm

(US$ million)

Year	Investing company	Source economy	Investment	Estimated investment	Sector	Business activity
2012*	HONDA	Japan	337		Automotive	Manufacturing
2009	Mubadala Development	United Arab Emirates		525.2	Coal, oil and natural gas	Extraction
2009	Arrow Energy	Australia		525.2	Coal, oil and natural gas	Extraction
2009	Trimex Group	United Arab Emirates	4,000		Metals	Manufacturing
			1,000		Coal, oil and natural gas	Extraction
2009	Salamander Energy	United Kingdom		525.2	Coal, oil and natural gas	Extraction
2009	Hess Corporation	United States	1,000		Coal, oil and natural gas	Extraction
2009	Energy World	Australia	590		Coal, oil and natural gas	Manufacturing
2009	Statoil Hydro	Norway		525.2	Coal, oil and natural gas	Extraction
2009	Samsung	Rep. of Korea	500		Chemicals	Manufacturing
2009	Mitsubishi Corporation	Japan	4,600		Metals	Manufacturing
2009	Banpu	Thailand		1,312.5	Coal, oil and natural gas	Electricity
2009	Lotte Group	Rep. of Korea	804		Food & tobacco	Retail
2009	SASOL g	South Africa	2,000		Coal, oil and natural gas	Manufacturing

Source: fDi Intelligence, a service from the Financial Times Ltd., and (*) IHS, "Honda to invest USD337 Mil. to establish second plant in Indonesia," 15 March 2012, available at: www.ihs.com/products/global-insight/industry-economic-report.aspx?id=1065966139.