Investment Potentials in Metal, Machineries and Electronics Industry

Presented by:

Willem P. Riwu
(Deputi Director for Industrial Model Analysis - Agencies for the Assessment of Industrial Policy, Climate and Standard)

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Indonesia Investment Coordinating Board and ASEAN – Korea Center
Indonesia

- **The largest archipelagic country**
  - Islands: more than 17,508
  - Land: ± 2 million km²
  - Sea: ± 5.8 million km²
  - Coastal line: ± 81,000 km

- **Population**: 238 millions

- **Natural Resources**: petroleum, tin, natural gas, nickel, timber, bauxite, copper, fertile soils, coal, gold

- **Industries**: petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, plywood, rubber, CPO, cocoa food, tourism

- **Export commodities**: oil & gas, electrical appliances, plywood, textiles, rubber, transport equipments, electronics, automotive, pulp and paper
### Malaysia

**Key indicators (2008)**
- Population (millions), 27.0
- GDP (US$ billions), 222.2
- GDP per capita, US$ 8,140

GDP (PPP) (%) of world total, 2008: 0.56

### Thailand

**Key indicators (2008)**
- Population (millions), 64.3
- GDP (US$ billions), 273.2
- GDP per capita, US$ 4,115

GDP (PPP) (%) of world total: 0.80

### Korea, Rep.

**Key indicators (2008)**
- Population (millions), 48.4
- GDP (US$ billions), 947.0
- GDP per capita, US$ 19,504

GDP (PPP) % of world total: 1.85

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The ASEAN region, with its 10 member states, a total population of 600 million people and $1.7 trillion economy, is strategically nestled between India and China, and has become an attractive alternative for investment amid the global volatility triggered by concerns about the European sovereign debt crisis and economic slowdown in the US.
1. Manufacturing Industry Strategy
LONG TERM VISION

“to become a strong industrial nation by 2025”
MANUFACTURING INDUSTRY

BASED FUTURE PRIME/LEADING INDUSTRIES

TRANSPORT EQUIPMENT INDUSTRY

HUMAN RESOURCES

AGRO INDUSTRY

ICT INDUSTRY

CHEMICAL

CEMENT

STEEL ETC.

CAPITAL GOODS INDUSTRY

COMPONENT INDUSTRY (SME’s BASED)

TEXTILE FOOTWEAR

ELECTRONICS ETC.

RENEWABLE RESOURCES

NON-RENEWABLE RESOURCES

HUMAN RESOURCES

RESEARCH & DEVELOPMENT

FUTURE PRIME/LEADING INDUSTRIES

MANUFACTURE INDUSTRY BASED

REGIONAL BASED CORE COMPETENCE INDUSTRIES

INNOVATION
“to strengthen the competitiveness of sustainable base manufacturing industry and built a pillar of future prospective industry by 2014”

7 Strategic Goals 2010-2014

- Promote an increase of industrial value-added
- Expanding domestic and international market expansion;
- Encourage the quality of industry support services;
- Facilitate the strengthening of industrial structure;
- Facilitate mastery of industrial technology;
- Pushing the role of SMEs to GDP;
- Encouraging the spread of industrial development outside of Java island;
Background

Contraction in industrial growth and rapid global change in the industrial environment has encouraged Ministry of Industry to review all existing measures for better future of growth of manufacturing industry.
Direction of Industrial Development

Selected industries are intensively promoted in order to increase capacity, strengthen the industrial structure, and improve the overall competitiveness.
Focus on 6 (six) groups of industrial Priority

- Labor Intensive Industry
  - Textile industry
  - Footwear industry
  - Furniture industry

- Small and Medium industry

- Capital Intensive Industry
  - Sugar industry
  - Fertilizer industry
  - Petrochemical industry

- Special Priority Industry
  - Automotive, electronics and IT industry

- High Growth Industry
  - Food and Beverages industry
  - Downstream CPO industry
  - Downstream rubber industry
  - Downstream cocoa industry
  - Downstream iron metal and steel industry
  - Seaweed industry

- Capital goods industry
- Shipbuilding industry

- Fashion industry
- Craft industry
- Precious Stone industry
- Ceramic industry
- Essential oil industry
Indonesia Economic Development Corridors (IEDCs)

“Production Centers for Crops Processing and National Energy“
- CPO
- Coal
- Rubber
- Shipbuilding

“Production Centers for Mines Processing and National Energy“
- Oil & Gas
- Coal
- Aluminum
- Steel

“National Production & Processing Centers for Agricultural, Plantation & Fisheries Products”
- Nickel
- Fisheries
- Food crops
- Plantation

“Utilization of Abundant Natural Resources & Prosperous Human Resources”
- Food & Energy Estate
- Mining
- Oil & Gas

“National Service & Industrial Pillars”
- Textiles
- Machineries & Transport Equipments
- Food & Beverages
- ICT

“The Gate to National Tourism & National Food Support”
- Tourism
- Agriculture & Fisheries

Sumatera Corridor
Kalimantan Corridor
Sulawesi Corridor
Java Corridor
Papua-Maluku Corridor
Bali-Nusa Tenggara Corridor
# Development of 13 Industrial Priorities based on IEDCs

<table>
<thead>
<tr>
<th>No</th>
<th>Corridor</th>
<th>Industrial Priorities</th>
</tr>
</thead>
</table>
| I  | Sumatera               | a. Palm Oil Processing  
|    |                        | b. Rubber Processing  
|    |                        | c. Coal Processing  
|    |                        | d. Shipbuilding                                             |
| II | Java                   | a. Rubber Processing  
|    |                        | b. Shipbuilding                                             
|    |                        | c. ICT                                                       
|    |                        | d. Machineries & Transportation Equipments                 
|    |                        | e. Textile                                                  |
| III| Kalimantan              | a. Palm Oil Processing  
|    |                        | b. Steel Processing                                          
|    |                        | c. Metal (Aluminum) Processing                              
|    |                        | d. Coal Processing                                           |
| IV | Sulawesi – Northern Maluku | a. Cocoa Processing  
|    |                        | b. Nickel Processing                                         |
| V  | Bali – NT              | *) Agriculture & tourism                                    |
| VI | Papua - Maluku          | a. Copper Processing                                         
|    |                        | b. Oil and gas Processing                                   |

*) Under the Ministry of Agriculture and the Ministry of Culture & Tourism
2. Insentif Investment
1. 30 percent reduction on net income of investment value distributed in 6 years with 5 percent of each.
2. Accelerated amortization (categories: 2, 4, 8, and 10 years depend of group of assets).
3. Income tax of the dividend paid to the foreign investor for 10 percent, or lower tariffs according to the agreement on the double taxation avoidance.
4. Compensation for the lost that is more than 5 (five) years but less than 10 (ten) years
Legislative Measures for Incentives

- Government Regulation Number 1 of 2007 concerning income tax facilities in investing in several special sectors in particular regions, renewed by Government Regulation No. 62 of 2008
- Incentives offered will be reviewed every 2 years
Industries Entitled for Incentive

The incentives for industrial sector will be provided for specific industry:

a. High priority Industry, including national priority industry, regional priority industry and regional core competency industry;
b. Pioneer industry;
c. Industry in isolated region, abandonment, outskirt or other region if necessary;
d. Industry which is supporting R & D;
e. Industry which is supporting infrastructure development;
f. Industry with technological shifting;
g. Green industry;
h. Industry which is cooperating with small and medium Enterprise;
i. Industry with high local content; or
j. Labor intensive industry.
Policies supporting industrial competitiveness

Incentives

**Fiscal Incentives:**
1. Income tax reduction for investment in particular sectors and/or particular regions;
2. Tax Holiday;
3. Tariff redemption in importing machine, raw material for particular industries for new investment and expansion; and

**Non-Fiscal Incentives:**
1. Interest rate reduction for particular industries (restructuring of machineries);
2. Integrated One Stop Services in Investment Sector (PTSP) and
3. Electronic Investment Licensing and Information Service System (SPIPISE)

Other Policies
(Competitiveness and Security Policies)

- Indonesian National Standard (SNI)
- Export duties
- Export Restriction
- Trade Remedies:
  - Safeguards Duties
  - Anti Dumping Duties
  - Countervailing Duties
**Fiscal Incentives**

**Income tax reduction for investment in particular sectors and/or particular regions (Amendment of Government Regulation No. 62/2008)**

**Investment Incentive is offered to:**

### I. Certain Industries

<table>
<thead>
<tr>
<th>NO</th>
<th>BIDANG USAHA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Food products industry</strong></td>
</tr>
<tr>
<td></td>
<td>Cocoa, chocolate and sugar confectionery industry</td>
</tr>
<tr>
<td>2</td>
<td>Industri Makanan Bayi</td>
</tr>
<tr>
<td>3</td>
<td><strong>Textile industry</strong></td>
</tr>
<tr>
<td></td>
<td>Facbris manufacture industry</td>
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<tr>
<td>4</td>
<td><strong>Coke and refined petroleum products industry</strong></td>
</tr>
<tr>
<td></td>
<td>Refined petroleum products industry</td>
</tr>
<tr>
<td>5</td>
<td><strong>Chemicals and chemical products industry</strong></td>
</tr>
<tr>
<td></td>
<td>Other inorganic compounds industry</td>
</tr>
<tr>
<td>6</td>
<td>Basic organic chemicals from agricultural industry</td>
</tr>
<tr>
<td>7</td>
<td>Basic organic chemicals for dyes and pigments industry</td>
</tr>
<tr>
<td>8</td>
<td>Basic organic chemicals from coke and natural gaseous industry</td>
</tr>
<tr>
<td>9</td>
<td>Organic chemicals for special chemical products industry</td>
</tr>
<tr>
<td>10</td>
<td>Synthetic resin and plastic material industry</td>
</tr>
<tr>
<td>11</td>
<td><strong>Synthetic rubber industry</strong></td>
</tr>
<tr>
<td>12</td>
<td>Cosmetics and cosmetics material, and toothpaste industry</td>
</tr>
<tr>
<td>13</td>
<td>Synthetic staple fiber industry</td>
</tr>
<tr>
<td>14</td>
<td><strong>Pharmaceuticals, Medicinal Chemical and Botanical Products Industry</strong></td>
</tr>
<tr>
<td></td>
<td>Pharmaceutical material industry</td>
</tr>
<tr>
<td>15</td>
<td><strong>Rubber and Plastics Products Industry</strong></td>
</tr>
<tr>
<td></td>
<td>Tubes for tyres industry</td>
</tr>
<tr>
<td>16</td>
<td><strong>Basic Metals Industry</strong></td>
</tr>
<tr>
<td></td>
<td>Iron and Steel Making Industry</td>
</tr>
</tbody>
</table>
## II. Certain Industries and Certain Regions

<table>
<thead>
<tr>
<th>No</th>
<th>Certain Industries</th>
<th>Certain regions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food Products Industry</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Canned Fruits and Vegetables preservation and processing industry</td>
<td>Noerth Sumatera , NTB, Riau and Kepulauan Riau, Sulawesi Selatan, West Sulawesi, West Kalimantan , West Java and East Java Jawa .</td>
</tr>
<tr>
<td>2</td>
<td>Essence of fruits and vegetables processing industry</td>
<td>North Sumatera, South Sulawesi, Riau, West Sulawesi and NTB</td>
</tr>
<tr>
<td>3</td>
<td>Margarine industry</td>
<td>Sumatera corridor and Kalimantan corridor</td>
</tr>
<tr>
<td>4</td>
<td>Coconut cooking oil industry</td>
<td>North Sulawesi, South Sulawesi , Central Sulawesi, Southeast Sulawesi, West Sulawesi Barat and Gorontalo</td>
</tr>
<tr>
<td>5</td>
<td>Cooking oil industry</td>
<td>Sumatera corridor and Kalimantan corridor</td>
</tr>
<tr>
<td>6</td>
<td>Vegetable oil industry</td>
<td>All Provinces except Java island</td>
</tr>
<tr>
<td>7</td>
<td>Cocoa industry</td>
<td>Sulawesi corridor</td>
</tr>
<tr>
<td>8</td>
<td>Coffee and tea processing industry</td>
<td>Aceh, North Sulawesi, Bengkulu, South Sumatera, Lampung, Bali, South Sulawesi, NTT, Papua and Papua Barat, West Sulawesi</td>
</tr>
</tbody>
</table>

| **Textile Industry** | | |
| 9 | Textile fibre preparation industry | North Sulawesi, Central Sulawesi, Southeast Sulawesi, West Sulawesi, Gorontalo, NTB and NTT |
| 10 | Carpet and rug industry | Java corridor |
| 11 | Non woven industry | Java corridor |

| **Leather and Product Leather and Footwear Industry** | | |
| 12 | Tannery industry | NTT, NTB, West Sumatera |
| 13 | Footwear industry | NTT, NTB, West Sumatera |
| 14 | Sportshoes industry | NTT, NTB, West Sumatera |
| 15 | Boot/technical shoes industry | NTT, NTB, West Sumatera |

| **Paper and Paper Product Industry** | | |
| 16 | Pulp Industry | All Provinces except Java island |

| **Chemicals and chemical products industry** | | |
| 17 | Paper culture industry | All Provinces except Java island |
| 18 | Valuable paper industry | All Provinces except Java island |
| 19 | Specialty paper industry | All Provinces except Java island |
| 20 | Paper and corrugated board paper industry | All Provinces except Java island |
| 21 | Packaging box from paper and cardboards industry | Out of Java island |
| 22 | Tissue paper industry | All Provinces except Java island |

| **Non Metal Mineral Goods Industry** | | |
| 23 | Basic chemistry of inorganic chlorine alkali industry | NTT |
| 24 | Basic organic chemicals from agricultural industry | North Sumatera, Riau, Jambi, Lampung, Bengkulu, West Kalimantan, East Kalimantan, Central Kalimantan, South Kalimantanl, Aceh, Papua and West Papua, West Sumatera, South Sumatera |
| 25 | Explosive material industry | West Java |

| **Other transportation equipment Industry** | | |
| 26 | Cement industry | Out of Java Tuban and Grobogan |
| 27 | Iron and steel making industry | Kalimantan corridor |
| 28 | Basic precious metal processing industry | All Provinces except Java island |
| 29 | Non ferro processing metal industry | Kalimantan, papua, and Sulawesi corridor |
| 30 | Non iron metal milling industry | Kalimantan, papua, and Sulawesi corridor |

| **Repair and Installation of Machinery and Equipment** | | |
| 31 | Ship and boat industry | East Jawa , Kalimantan, Sulawesi, Maluku, Papua, NTB and NTT |
| 32 | Ship equipment and supplies industry | Java and Sumatera corridor |

| **Waste treatment industry** | | |
| 33 | Repair of Ship, boat, and floating building industry | East Jawa, Kalimantan, Sulawesi, Maluku, Papua, NTB and NTT |
| 34 | Treatment and disposal of harmless waste industry | All Provinces except Java island |
Fiscal Incentives

**Tax Holiday (Government Regulation No. 94/2010)**

The tax holiday incentive for industrial sector will be provided for investment amounting Rp. 1 Trillion or more to certain industries:

1. Basic metal industries
2. Refinery and basic petrochemical industries
3. Machinery industries
4. Renewable resources industries
5. Telecommunication component industries.

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**Import duty redemption in importing machine, raw material for particular industries for new investment and expansion (Minister of Finance Decree No.176/2009)**

**Criteria:**

1. For new and expansion investment (Foreign & Domestic Investment)
2. For machines and raw materials that:
   a. Not yet produced in Indonesia
   b. Have been produced in Indonesia but not fulfill for technical requirements
   c. Have been produced in Indonesia but not yet enough to supply the needs of industries
Government Borne Value Added Tax (PPN-DTP)

The PPN-DTP incentive is being provided to stimulate the development of the real sector and to help industries. This incentive covers certain matters:

a. Cooking oil;
b. Geothermal;
c. CO₂ Emission Reduction;
d. Certain fuel and 3 kg LPG tubes
Non-Fiscal Incentives

Interest rate reduction for particular industries (restructuring of machineries)

Since 2007 Government has launched incentive for restructuring machineries in order to increase productivity and competitiveness for textile, sugar, and footwear industries.

Integrated One Stop Services in Investment Sector (PTSP)

Regulations:
• Presidential instruction No. 1/2010 concerning Acceleration of Implementation National Development Priority
• Presidential Decree No. 27/2009 concerning Integrated One Stop Services in Investment Sector

The aims:
• To cut bureaucratic procedures;
• Allow investors to process business license faster;
• Accelerate and simplify the procedures of investment; and
• Reduce administration fees
Non-Fiscal Incentives

Electronic Investment Licensing and Information Service System (SPIPISE)

Regulations:
• Chairman of Investment Coordinating Board Decree No. 14/2009 concerning Electronic Investment Licensing and Information Service System (SPIPISE)

The aims:
• Ease of licensing process tracking,
• Single submission of data & information
• Single and synchronous processing of data and information
• Single Decision-making for investment information & licensing process
Indonesian National Standard (SNI)

**Regulations:**
- Government Regulation No. 102/2000 concerning National Standardization
- Minister of Industry Decree No. 86/M-IND/PER/9/2009 Concerning National Standardization in Industrial Sectors

**The aims:**
- Improve the quality of domestic products
- Efficiency and fair competition of products
- Consumer protection

Present condition of SNI application:
Out of 3,969 SNI applications, 73 are mandatory SNIs.
Export duties (Minister of Finance Decree No. 67/2010)

**Regulations:**
- Minister of Finance Decree No. 67/2010 concerning imposition of tax and duty of export products

**The aims:**
- Ensuring the availability of raw materials for domestic needs
- Environment conservation of natural resources

**Present condition:**
Raw materials that have been imposed export tax and duty: Leather, Cocoa, Rattan, CPO and its derivatives.
Export Restriction

Due to excessive exploitation of non-renewable resources which have been exported without any further processed, the Government plans to manage the exploitation of such resources in the proper ways through export restriction.

The aims:
- Environment conservation
- Maintain the raw material supply for industries
- Increase value added

Trade Remedies: (Safeguards Duties, Anti Dumping Duties, Countervailing Duties)

In the case of injury to domestic industries caused by surge import, dumped prices and subsidy of other countries, the Government can take action through trade remedy policies.
1. Act No.25/2007 concerning capital investment: necessary to create a more conducive and promotable investment climate; the business sectors that are closed for foreign investment, weapons, ammunition, explosives and war equipment, (Article 12); Facilities for new capital investment and expansion are income tax, import duty (capital goods & raw material), value added tax (Article 18)


3. President Regulation No.28/2008 concerning National Industry Policy; Fiscal & Non Fiscal Facility (Article 4), Forming Investment & Export Promoted National Team or Tim PEPI (Article 5)

4. Government Regulation of RI No 20/2000 and No 147/2000 concerning Tax Treatment at Integrated Economic Development Zone (KAPET)/ Industrial Zone. *(The Industrial Zone located in 13 provinces and 26 district in Indonesia. Nowadays the Industrial Zone contribute for 74% non oil & gas export from 86 Industrial Zone with values about US$ 45 billion and provide work for 618.0n 00 employees)*


6. Minister of Industry Regulation No.102/2009 concerning Promoted of Local Production Utilization of Government Expenditure (APBN/APBD/PHLN/KKKS) and Forming P3DN Team in each
3. NATIONAL INDUSTRI PERFORMANCE
## GDP STRUCTURE (CP), Periode 2006 – 2011 (Q2)

<table>
<thead>
<tr>
<th>NO</th>
<th>Economic Sector</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(Q1)</td>
<td>(Q2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1</td>
<td>Agriculture, livestock, Forestry and Fishery</td>
<td>12.97</td>
<td>13.72</td>
<td>14.46</td>
<td>15.29</td>
<td>15.34</td>
<td>15.61</td>
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<tr>
<td>2</td>
<td>Mining and Excavating</td>
<td>10.98</td>
<td>11.15</td>
<td>10.92</td>
<td>10.54</td>
<td>11.15</td>
<td>11.75</td>
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<td>3</td>
<td>Manufacture Industry</td>
<td>27.54</td>
<td>27.05</td>
<td>27.89</td>
<td>26.38</td>
<td>24.82</td>
<td>24.11</td>
</tr>
<tr>
<td></td>
<td>a. Oil &amp; Gas Industry</td>
<td>5.15</td>
<td>4.61</td>
<td>4.89</td>
<td>3.81</td>
<td>3.27</td>
<td>3.06</td>
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<tr>
<td></td>
<td>b. Non-Oil &amp; Gas Industry</td>
<td>22.38</td>
<td>22.43</td>
<td>23.00</td>
<td>22.57</td>
<td>21.55</td>
<td>21.05</td>
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<tr>
<td>4</td>
<td>Electricity, Gas and Clean Water</td>
<td>0.91</td>
<td>0.88</td>
<td>0.82</td>
<td>0.83</td>
<td>0.78</td>
<td>0.76</td>
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<td>5</td>
<td>Construction</td>
<td>7.52</td>
<td>7.72</td>
<td>8.48</td>
<td>9.89</td>
<td>10.29</td>
<td>10.01</td>
</tr>
<tr>
<td>7</td>
<td>Transport and Telecommunication</td>
<td>6.93</td>
<td>6.69</td>
<td>6.31</td>
<td>6.28</td>
<td>6.50</td>
<td>6.61</td>
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<tr>
<td>8</td>
<td>Finance, Leasing and Service</td>
<td>8.06</td>
<td>7.73</td>
<td>7.43</td>
<td>7.20</td>
<td>7.21</td>
<td>7.41</td>
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<tr>
<td>9</td>
<td>Services</td>
<td>10.07</td>
<td>10.08</td>
<td>9.73</td>
<td>10.22</td>
<td>10.19</td>
<td>10.08</td>
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<tr>
<td></td>
<td>Product Domestic Bruto</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td>Product Domestic Bruto Exclude Oil &amp; Gas</td>
<td>88.85</td>
<td>89.46</td>
<td>89.41</td>
<td>91.68</td>
<td>92.23</td>
<td>91.97</td>
</tr>
</tbody>
</table>

Source: CBS, modified by MOI
The Role of Manufacturing Sector and Others Economic Sector
(Contribution to PDB in %)

- Agriculture, livestock, Forestry and Fishery: 15.34%
- Manufacture Industry: 24.82%
- Trade, Hotel and Restaurant: 13.72%
- Construction: 10.29%
- Mining and Excavating: 11.15%
- Transport and Telecommunication: 6.5%
- Finance, Leasing and Service: 7.21%
- Electricity, Gas and Clean Water: 0.78%
- Services: 10.19%

Source: Statistical Centre Bureau (BPS) - 2010
## Contribution of Uindustrial Sector to GDP
(2006 – Quartal II 2011)

<table>
<thead>
<tr>
<th>NO</th>
<th>Economic Sector</th>
<th>2006</th>
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<th>2008</th>
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<th>2011</th>
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<tr>
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<td>(Q2)</td>
<td>(Q1)</td>
<td>(Q2)</td>
<td>(Q1)</td>
<td>(Q2)</td>
</tr>
<tr>
<td>1</td>
<td>Industry Sector (Exl Oiil &amp; Gas)</td>
<td>22.38</td>
<td>22.43</td>
<td>23.00</td>
<td>22.57</td>
<td>21.55</td>
<td>21.05</td>
</tr>
<tr>
<td>2</td>
<td>Food, Drinks and Tabaco</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Textile, Leather Articles and Footwear</td>
<td>2.70</td>
<td>2.37</td>
<td>2.12</td>
<td>2.08</td>
<td>1.93</td>
<td>1.99</td>
</tr>
<tr>
<td>4</td>
<td>Wood and Other Forest Products</td>
<td>1.34</td>
<td>1.39</td>
<td>1.48</td>
<td>1.43</td>
<td>1.25</td>
<td>1.20</td>
</tr>
<tr>
<td>5</td>
<td>Paper and Printing Articles</td>
<td>1.19</td>
<td>1.15</td>
<td>1.05</td>
<td>1.09</td>
<td>1.02</td>
<td>0.99</td>
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<tr>
<td>6</td>
<td>Fertilizer, Chemical, and Rubber Articles</td>
<td>2.82</td>
<td>2.80</td>
<td>3.11</td>
<td>2.90</td>
<td>2.74</td>
<td>2.56</td>
</tr>
<tr>
<td>7</td>
<td>Cement and Non Metal Excavation</td>
<td>0.87</td>
<td>0.83</td>
<td>0.81</td>
<td>0.77</td>
<td>0.71</td>
<td>0.69</td>
</tr>
<tr>
<td>8</td>
<td>Basic Metal, Iron and Steel</td>
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<td>0.59</td>
<td>0.48</td>
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<td>9</td>
<td>Transports, Machineries and Equipment</td>
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<td>6.44</td>
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<td>6.17</td>
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<td>100.00</td>
<td>100.00</td>
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<td>92.23</td>
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</table>

Source: CBS, modified by MOI

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<td><strong>Exclude Oil and Gas</strong></td>
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<td>-1.48</td>
<td>6.27</td>
<td>1.64</td>
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<tr>
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<td>-2.05</td>
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<td>9.79</td>
<td>-2.94</td>
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<td>-0.96</td>
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<td>4.67</td>
<td>3.66</td>
<td>2.11</td>
<td>4.48</td>
<td>5.02</td>
</tr>
</tbody>
</table>

*Source: CBS, modified by MOI*
Sectoral Development Target
Electronic & ICT Industry Development Target

2010
- Toward Digital/ICT based and environment friendly products.
- Financial and Management Software Application, Animation and Content Industry
- Computer industry

2015
- Manufacturing Software Application, Animation and Content Industry
- Digital/ICT based and environment friendly products and component developed
- Computer component industry and its supporting industries
- Wireless communication products (Mobile phone, 4G Application)

2020
- Shopisticated Software Application, Animation and Content Industry already developed
- Electronic and ICT Products using nano technology
- Local Telecommunication Industry plays significant role in domestic as well as international market

2025
- Domestic Software Application, Animation and Content Industry dominate domestic and regional markets.
- Domestic wireless telecommunication industry has high competitiveness in domestic market and global market
- Indonesia become production base for consumers electronics and control/measurement devices industry in ASEAN and Asia

Area of Cooperation:
1. ICT system for road transportation (Electronic Toll card system, etc)
2. Digital base Electronic Industry
3. Mobile Phone Industry
Machinery Industry Development Target

**2010**
- Spread and improvement of agricultural machinery industries outside Java, one of the efforts is establishing center of agricultural machinery
- Reestablishment of national tooling machine industry, although still limited within certain specification product
- Establishment Medical Device Industries in Indonesia

**2015**
- Realization of turbine manufacturing in power plant as well as industrial purposes
- Realization of some of the use of machine-made equipment in the country in a restructuring program sugar mill

**2025**
- Increase the human resource capacity to support industrial machinery equipment
- Increasing the ability of industrial machinery equipment to fulfill the needs of machinery equipment
- Increasing the new investment / business expansion and spread of common equipment machinery industries in Java and outside Java
- Increasing the ability of industrial machinery equipment to produce capital goods

**AREA OF COOPERATION:**
- Joint Investment of Textile and Sugar Machinery Industry to support restructuring program for Textile and Sugar Industry (Modernizing production Facility).
- Joint Investment and/or joint operation to build Power Plant to support 10,000 MW second stage program.
- Joint Investment to develop supporting industry (Machinery) for Energy Sector
- Joint Investment to develop Medical Device (Disposal product)
**Steel Industry Development Target**

**Mid Term Target (2010-2014)**

1. Optimized installed capacity of crude steel industry (6.0 million tons / year)
2. Developed domestic supporting industries / workshops
3. Increasing steel consumption from 29 kg/capita in 2004 to 44 kg/capita in 2010
4. Established of information exchange to encourage synergies among the upstream and downstream national steel industry with associated institutions

**Long Term Target (2015-2025)**

1. The growth of making coal-based iron industry (coal base), which used gas and iron ore local with capacity of 5 million tons / year
2. The growth of pelletizing and pig iron with a capacity of 2.5 million tons / year
3. The development of iron making industry from 1.5 million tons / year to 3.0 million tons / year
4. The development of crude steel industries from 6.0 million tons / year to 10 million tons / year
5. Integrated steel smelting industry with stainless steel industry (slabs, HRC and CRC)
6. The development of steel industry (HRC, Plate, CRC, and long product to 20 million / year
7. The increase in steel consumption to 100 kg/capita in 2025

**Area of Cooperation:**

- **Slab and HRC Industry**
  
  PT Krakatau POSCO, a joint venture between PT. Krakatau Steel and POSCO (Pohang Iron and Steel Corporation) located at Krakatau Industrial Estate Cilegon has been established to produce slab and HRC with capacity 3,000,000 MT/year. Plant construction will be done in two phases, the first phase the factory will be built with a capacity of 3 million tons which will be completed in 2013. The second phase will be completed two years later.
<table>
<thead>
<tr>
<th>Core Industries</th>
<th>Supporting Industries</th>
<th>Related Industries</th>
</tr>
</thead>
</table>

### Medium Term Objectives (2010-2014)
1. Optimizing crude steel industry installed capacity (10 million ton/year).
2. Growing pelletizing and pig iron industry by 2.5 million ton/year capacity.
3. Domestic supporting industry/workshop growth;
4. Iron making (gas base) industry capacity development from 1.5 million ton/year to 3 million ton/year.
5. Crude steel industry development from 6 million ton/year to 10 million/year.
6. HRC, plate, CRC, and long product production capacity development become 10 million ton/year.
7. HRC steel plate, plate, CRC, and long product production capacity development to support shipping industry, oil and gas pipe, automotive, construction, packaging, and home appliances.
8. Increasing steel consumption per capita from 29 kg/year to 44 kg/year.
9. Building information exchange media to boost national steel industry synergy with its upstream and downstream industry, also other related agencies.

### Long Term Objectives (2015-2025)
1. Growing coal base or gas base, and local iron ore iron making industry by 5 million ton/year capacity.
2. Crude Steel industry development become 20 million ton/year.
3. Building stainless steel smelting industry (slab, HRC, and CRC) with local iron ore and nickel base.
4. Building strong synergy between national steel industry with its upstream and downstream industry, also other related agencies.

### Strategy
- **Sector**: Domestic market utilization as national steel industry development basis, local natural resources utilization (iron ore, natural gas, and coal), to develop domestic supporting industry/workshop, steel base downstream industry integrated development with national steel industry, steel industry partnership with other industry including mining industry and research institution and also college.
- **Technology**: Boost strategic alliance with technology sources, adopt more competitive new technology (from production and product quality point of view).

### Primary Medium Term Action Plans (2010-2014)
1. Facilitating partnership between upstream with downstream industry to fulfill upstream industry raw material requirement.
2. Increasing steel rolling and its downstream industry installed capacity utilization.
3. Boosting national steel industry strategic alliance with local resources based technology.
4. Increasing Indonesian National Standard (SNI) control for steel industry products.
5. Increasing domestic steel product utilization for infrastructure development (railway, bridge, construction), automotive and oil gas pipe.
6. Developing CRC, Zinc-Aluminum Steel, Oil and gas pipe, tin plate, heavy profile, and steel base building material industry.
7. Boosting exchange media establishment to boost national steel industry synergy between its upstream and downstream industry, also other related agencies.

### Primary Long Term Action Plans (2015-2025)
1. Building and developing local coal and iron ore base iron making process technology by 10 million ton/year capacity together with technology owner, Ministry of Energy and Mineral Resources, Ministry of Trade, Ministry of Finance, Local government, and industry.
2. Building iron and steel making industry, to reach 20 million ton/year steel production capacity, by using proven technology.
3. Building integrated steel smelting industry (slab, HRC, and CRC plant) by 600,000 capacity with local iron ore and nickel basis from South Kalimantan and South Sulawesi.
4. Boosting strong synergy between national steel industry and its upstream and downstream industry, also other related agencies.

### Supporting Factor
- **Improvement Technology Period**
  - c. Fully Developed 2016-2025

### Human Resources:
- a. Increasing technology and management transfer;
- b. Increasing research and development role;
- c. Partnership with college to result high skill human resources

### Market:
- a. Developing foreign market;
- b. Increasing domestic market share;

### Human Resources:
- a. Giving incentive to new investor and industrial expansion for upstream steel industry and its supporting industry.
- b. Giving incentive to industry which able for energy consumption efficiency.
INDONESIAN STEEL INDUSTRY POSITION

- Indonesia
- Singapore
- Japan
- EU
- USA

Per capita in KG

- 0
- 100
- 200
- 300
- 400
- 500
- 600
- 700
- 800

Ministry of Industry
INDONESIAN IRON ORE MAP
1. Upstream and downstream sector of steel industry is still attracting for investment.

2. The Government has been offering investors to invest in the steel pellet project to raise the production capacity to 5 million tons a year.

3. The Government support the steel industry in maximizing the use of local resources.

4. Domestic steel producers were recommended to build new billet and slab steel plant in order to substitute the import products.

5. The consumption is driven by oil & gas sector, general structures, construction, and automotive.
Shipbuilding Industry Development Target

2010

- Capable to build any kind of ships (commercial ships, passenger ship, working ships) up to 50,000 dwt
- National shipbuilding and Engineering Center (NasDEC)

2015

- Capable to build any kind of ships (commercial ships, passenger ship, working ships) up to 80,000 dwt
- Design and engineering capability increase

2020

- Capable to build any kind of ships (commercial ships, passenger ship, working ships) up to 200,000 dwt
- Design and engineering capability increase

2025

- Capable to build any kind of ships (commercial ships, passenger ship, working ships) up to 300,000 dwt
- Design and engineering capability increase

Area of Cooperation:
- Exchange employees of shipbuilding companies between Indonesian and Korea to Improve the quality of human resources
- Join operation of ship design such as: basic design, contract design, and Detail Engineering Drawing (DED) for the ship that built in Indonesia
- Join Operation and/or Foreign Direct Investment for developing shipyard to produce a good quality of new shipbuilding in Indonesia
- Join Operation and/or Foreign Direct Investment in ship equipment and ship component industry to supply domestic market as well as export.
## Top 12 Non Oil & Gas Industries exported by Indonesia

<table>
<thead>
<tr>
<th>NO</th>
<th>Description Product</th>
<th>Exported by Indonesia</th>
<th>Indonesia’s Exports to Korea</th>
<th>Share in Indonesia’s Exports per product (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2010 (US$ Million)</td>
<td>2010 (US$ Million)</td>
<td></td>
</tr>
<tr>
<td><strong>Top 12 Non Oil &amp; Gas Industries exported by Indonesia</strong></td>
<td>87,691.8</td>
<td>2,673.2</td>
<td>84.37</td>
<td>3.05</td>
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<tr>
<td>1</td>
<td>Coconut / Palm Oil Manufacturing</td>
<td>17,253.8</td>
<td>116.0</td>
<td>3.66</td>
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<tr>
<td>2</td>
<td>Textiles</td>
<td>11,205.5</td>
<td>441.5</td>
<td>13.93</td>
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<tr>
<td>3</td>
<td>Iron Steel, Machinery and Automotive</td>
<td>10,840.0</td>
<td>239.0</td>
<td>7.54</td>
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<tr>
<td>4</td>
<td>Rubber Manufacturing</td>
<td>9,522.6</td>
<td>299.3</td>
<td>9.45</td>
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<td>5</td>
<td>Electronics</td>
<td>9,254.6</td>
<td>328.1</td>
<td>10.35</td>
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<tr>
<td>6</td>
<td>Manufacturing of Copper, Tin, etc..</td>
<td>6,506.0</td>
<td>306.0</td>
<td>9.66</td>
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<tr>
<td>7</td>
<td>Pulp and Paper</td>
<td>5,708.2</td>
<td>396.0</td>
<td>12.50</td>
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<tr>
<td>8</td>
<td>Basic Chemicals</td>
<td>4,568.6</td>
<td>258.0</td>
<td>8.14</td>
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<tr>
<td>9</td>
<td>Wood Manufacturing</td>
<td>4,280.3</td>
<td>141.4</td>
<td>4.46</td>
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<tr>
<td>10</td>
<td>Food and Beverage</td>
<td>3,228.6</td>
<td>47.0</td>
<td>1.48</td>
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<tr>
<td>11</td>
<td>Leather, Leather Goods and Shoes / Footwear</td>
<td>2,665.6</td>
<td>59.7</td>
<td>1.88</td>
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<td>12</td>
<td>Electrical tools</td>
<td>2,657.9</td>
<td>41.1</td>
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<td>Other Industries</td>
<td>10,323.3</td>
<td>495.4</td>
<td>15.63</td>
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<td><strong>Total of Non Oil &amp; Gas Industries</strong></td>
<td>98,015.1</td>
<td>3,168.6</td>
<td>100.00</td>
<td>100.00</td>
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</table>
## Top 12 Non Oil & Gas Industries imported by Indonesia

<table>
<thead>
<tr>
<th>NO</th>
<th>Description Product</th>
<th>Imported by Indonesia</th>
<th>Indonesia’s Imports from Korea</th>
<th>Share in Indonesia’s Imports per product (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2010 (US$ Million)</td>
<td>2010 (US$ Million)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Iron Steel, Machinery and Automotive</td>
<td>43,218.6</td>
<td>1,610.3</td>
<td>28.86</td>
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<tr>
<td>2</td>
<td>Electronics</td>
<td>14,176.2</td>
<td>1,039.9</td>
<td>18.64</td>
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<tr>
<td>3</td>
<td>Basic Chemicals</td>
<td>11,431.5</td>
<td>939.1</td>
<td>16.83</td>
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<tr>
<td>4</td>
<td>Textiles</td>
<td>5,031.2</td>
<td>990.0</td>
<td>17.74</td>
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<tr>
<td>5</td>
<td>Food and Beverage</td>
<td>4,514.2</td>
<td>48.2</td>
<td>0.86</td>
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<tr>
<td>6</td>
<td>Electrical tools</td>
<td>3,142.8</td>
<td>79.0</td>
<td>1.42</td>
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<tr>
<td>7</td>
<td>Pulp and Paper</td>
<td>2,731.8</td>
<td>92.9</td>
<td>1.66</td>
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<td>8</td>
<td>Other Chemical Goods</td>
<td>2,199.3</td>
<td>83.8</td>
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<td>9</td>
<td>Animal Feed</td>
<td>1,871.6</td>
<td>21.5</td>
<td>0.38</td>
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<tr>
<td>10</td>
<td>Manufacturing of Copper, Tin, etc..</td>
<td>1,822.1</td>
<td>205.1</td>
<td>3.68</td>
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<tr>
<td>11</td>
<td>Plastic</td>
<td>1,525.1</td>
<td>96.3</td>
<td>1.73</td>
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<td>12</td>
<td>Fertilizer</td>
<td>1,509.2</td>
<td>27.1</td>
<td>0.48</td>
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<td></td>
<td>Other Industries</td>
<td>7,941.8</td>
<td>346.2</td>
<td>6.20</td>
</tr>
</tbody>
</table>

### Total of Non Oil & Gas Industries

|                                     | 101,115.4 | 100.00 | 5,579.3 | 100.00 | 5.52  |

- **Top 12 Non Oil & Gas Industries imported by Indonesia**
Top 12 Non Oil & Gas Industries imported by Indonesia

- Indonesian exports consisted mainly of palm oil/coconut, Textiles, Iron Steel, Machinery and Automotive, Rubber Manufacturing, electronic goods, Manufacturing of Copper, Tin, etc,
- while imports comprised Iron Steel, Machinery and Automotive, Electronics, Basic Chemicals, Textiles, Food and Beverage, Electrical tools.
Share and Import Value of **Electronics** from The Greatest Origin Countries

![Graph showing import value and share by country from 2005 to 2010. The graph includes lines and bars representing different countries: China, Singapore, Japan, Hong Kong, Korea, India, Malaysia, and others.](image-url)
Share and Import Value of **Iron Steel, Machinery and Automotive** from The Greatest Origin Countries

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Import (US$ Million)</th>
<th>Japan</th>
<th>China</th>
<th>Singapore</th>
<th>USA</th>
<th>Thailand</th>
<th>Germany</th>
<th>Korea</th>
<th>Others Countries</th>
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<tr>
<td>2006</td>
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<tr>
<td>2007</td>
<td>5,000</td>
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<td></td>
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<tr>
<td>2008</td>
<td>5,000</td>
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<td>2009</td>
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<tr>
<td>2010</td>
<td>5,000</td>
<td>3.73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Share and Import Value of Textile from The Greatest Origin Countries

![Graph showing the share and import value of textile from various origin countries over the years 2005 to 2010. The graph includes data for Indonesia, China, Korea, Hongkong, Taiwan, Japan, Thailand, USA, and Others Country. The data is represented in both percentage share and total import value (in US$ Thousand).]
TOTAL Man Power = 535.000

16 Companies
(Man Power: 37.000)

4 Companies
(MP: 8.000)

5 Companies
(MP: 9.000)

228 Companies
(MP: 57.000)

± 13.000 Outlets
(MP: ± 65.000)

± 72.000 Outlets
(MP: ± 360.000)
NUMBER OF ELECTRONIC & ICT COMPANY
KOREA, CHINA AND JAPAN

- Japan: 116
- South Korea: 63
- China: 11

Legend:
- Japan
- South Korea
- China
To fulfill the Domestic Demand

- **Oil and Gas Sector**
  - USD 15 Billion/year

- **Electricity Sector**
  - USD 3.5 Billion/year

- **Plant Machinery Sector (Textile and Sugar Industry)**
  - USD 2.2 Billion in 5 years

- **Medical Sector**
  - USD 16.6 Billion in 5 years

- **Industrial Sector (Processing Machinery and Machine Tools)**
  - USD 8 Billion/year
A number of ship component industry already exist but still limited in quantity and production capacity as well as product range such as deck machineries, pump, valve, chain, main switch board, etc.

About 250 shipyard has already exist, absorbed about 45,000 labour force, engaged in new ship building and ship repairing business. Still limited in term of production capacity and capability.
Business Opportunity
Component Industry (IC, LCD, Evaporator and Condenser, Photovoltaic)

Home Appliance (LED TV, 3D TV)

ICT and office Equipment (Mobile phone, Photo Copier, Computer)
Machinery Industry

- Static Equipment (Boilers, Pressure Vessels)
- Rotary Equipment (Turbine, Generator, Engine)
- Textile Machinery (Jet loom)
- Machine Tools
- Medical Device (Disposal Products)
New investment and or expansion in order to enhance existing production capacity up to 500,000 GT/year (equals to Rp. 5.7 Trillion)

Investment in ship equipment and ship component industry to supply domestic market as well as export.
Closing Remarks
Investment opportunities for high technology, agro, natural resources based industry in Indonesia is still promising.

FDI is still expected to invest in, electronic and ICT, machinery, shipbuilding and downstream iron metal & Steel Industry sector.

We invite Investor and Industry to newly establish or expand its production base in Indonesia to take benefit at expanding domestic market in Indonesia with 240 million people, regional market in ASEAN with 590 million people, and international market which has already engaged in Trade Agreement with Indonesia.
Thank You