



COORDINATING MINISTRY  
FOR ECONOMIC AFFAIRS  
REPUBLIC OF INDONESIA

76<sup>TH</sup>  
INDONESIA  
TANGGUH  
INDONESIA  
TUMBUH



# SOCIALIZATION

*of*

PRESIDENTIAL REGULATION NO 10 OF 2021 CONCERNING  
INVESTMENT BUSINESS FIELD, JUNTO PRESIDENTIAL  
REGULATION NO 49 OF 2021

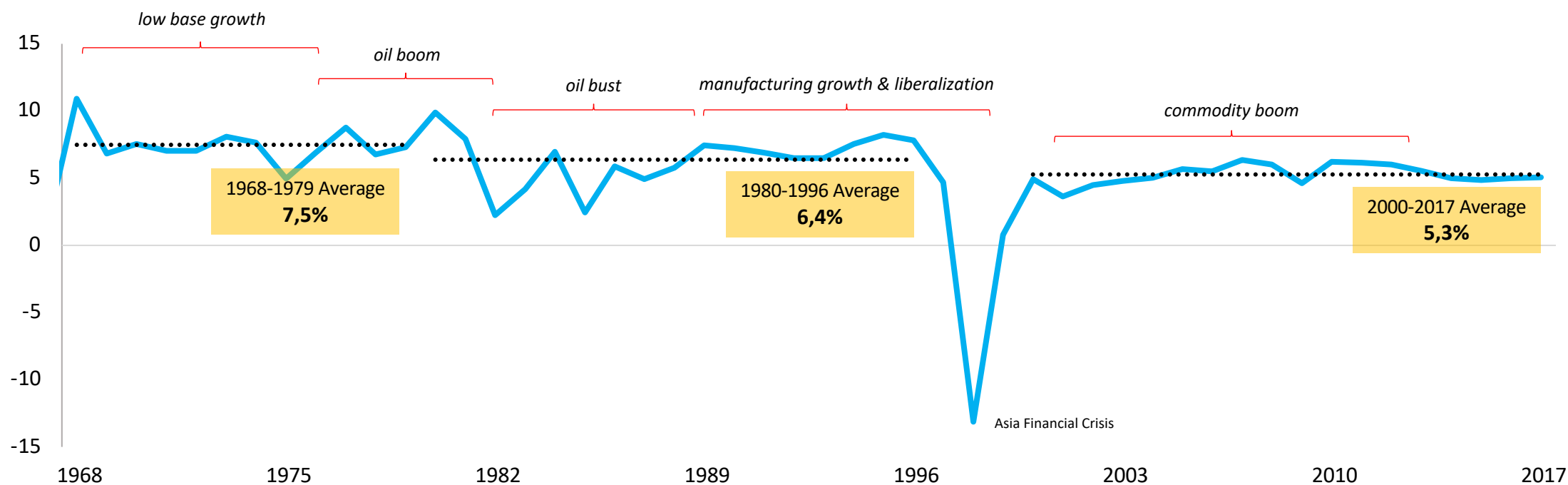
DEPUTY MINISTER FOR TRADE AND INDUSTRY

*August 20, 2021*

# INDONESIA'S ECONOMIC GROWTH TENDS TO STAGNATE

The average economic growth of Indonesia since 1968 has continued to decline to the level of 5.3% in the period 2000-2017. In 2018 and 2019, the rate of economic growth reached 5.17% and 5.02%, respectively.

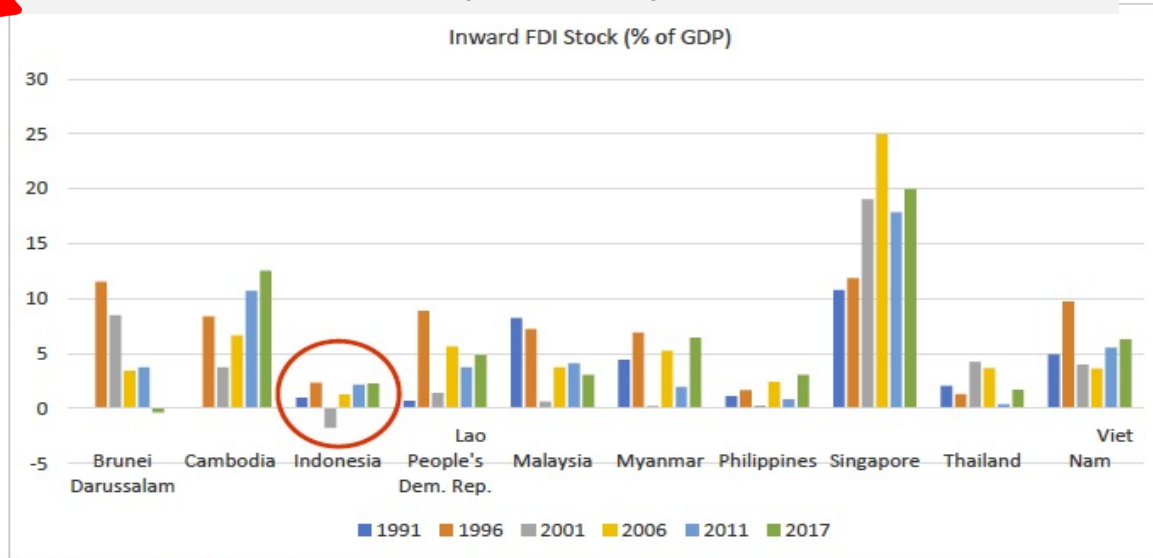
## Indonesia's Economic Growth (% YoY)



Source: CEIC, Bappenas

# LOW FOREIGN INVESTMENT IS ONE OF THE CAUSES..

## TOTAL FDI INVESTMENT (% OF GDP) IS STILL LOW

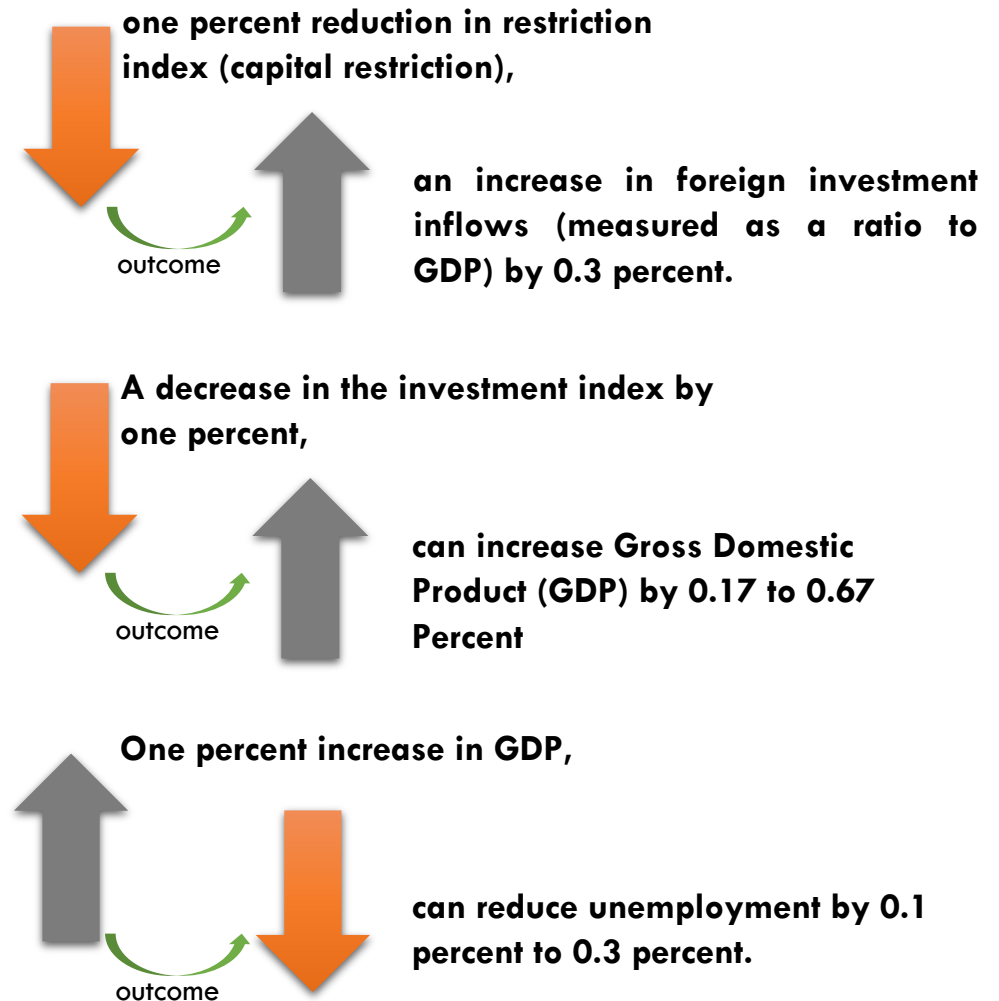


Source: UNCTAD Stat (processed)

## DUE TO HIGH RESTRICTIONS ON FDI

Restrictions on investment and foreign workers, especially in the service sector, resulted in the Indonesian economy being 10% smaller and employment 10% lower than it should have been, this was because higher restrictions led to a reduction in foreign investors.

Source: prospera

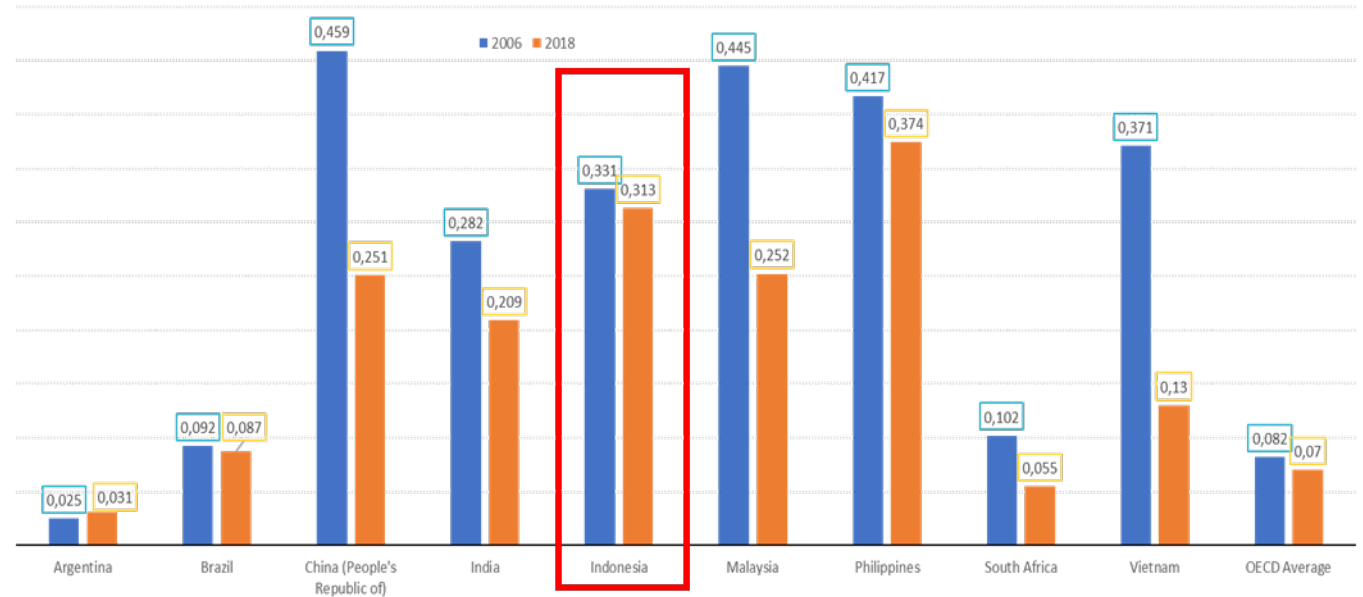


# ...DUE TO THE HIGH LEVELS OF RESTRICTION IN INDONESIA...



INDONESIA OCCUPATES SECOND AS THE MOST RESTRICTIVE COUNTRY

PHILIPPINES 	Restriction Index <b>0,37</b>	BRUNEI 	Restriction Index <b>0,15</b>
INDONESIA 	Restriction Index <b>0,35</b>	VIETNAMESE 	Restriction Index <b>0,13</b>
THAILAND 	Restriction Index <b>0,27</b>	MYANMAR 	Restriction Index <b>0,11</b>
MALAYSIA 	Restriction Index <b>0,26</b>	SINGAPORE 	Restriction Index <b>0,06</b>
LAOS 	Restriction Index <b>0,19</b>	CAMBODIA 	Restriction Index <b>0,05</b>



- OECD indexes such as Regulatory Difficulties for FDI in Indonesia are still high
- Several countries made regulatory improvements between 2006 – 2018, while the level of FDI restriction in Indonesia has not changed much since 2006

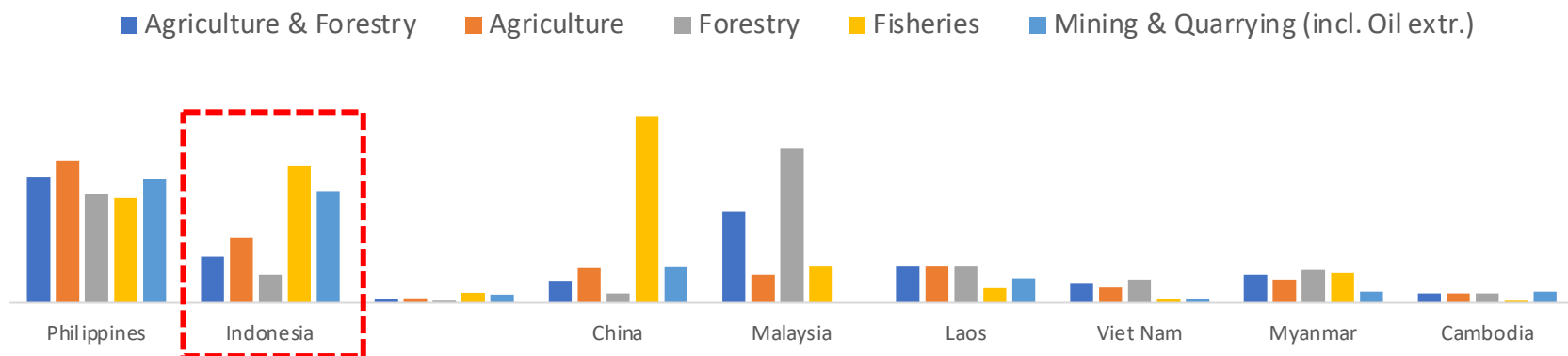
Source: OECD, BKPM, 2020



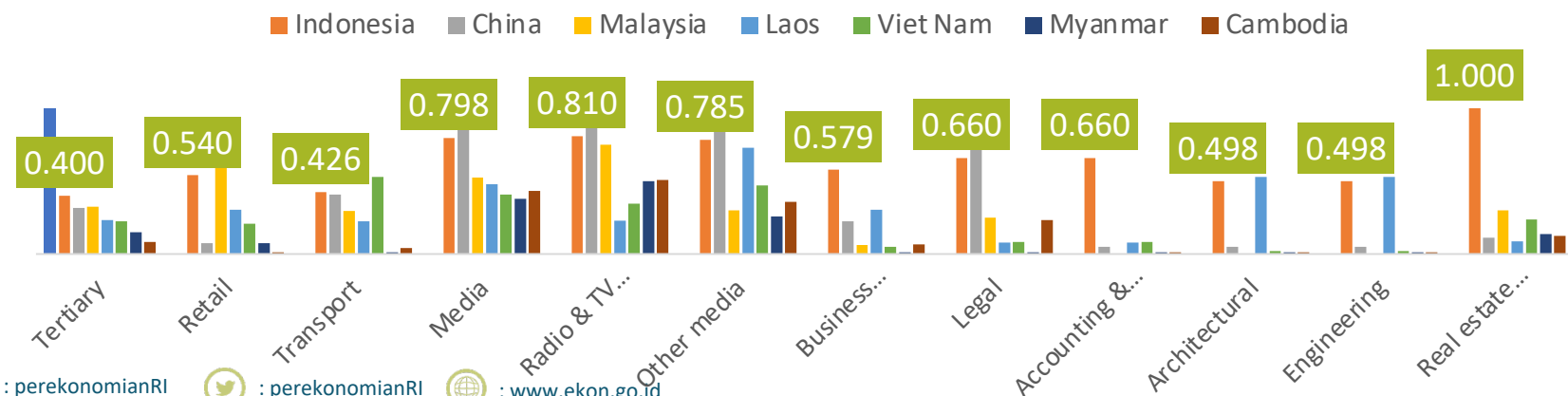
# ...WHAT HAPPENED IN ALMOST ALL SECTORS.

FROM 40 BUSINESS SECTORS THERE ARE 17 SECTORS IN INDONESIA IS STILL A HIGH INDEX

## RESTRICTION INDEX ON FDI IN THE PRIMARY SECTOR



## RESTRICTION INDEX ON FDI IN THE SECONDARY SECTOR



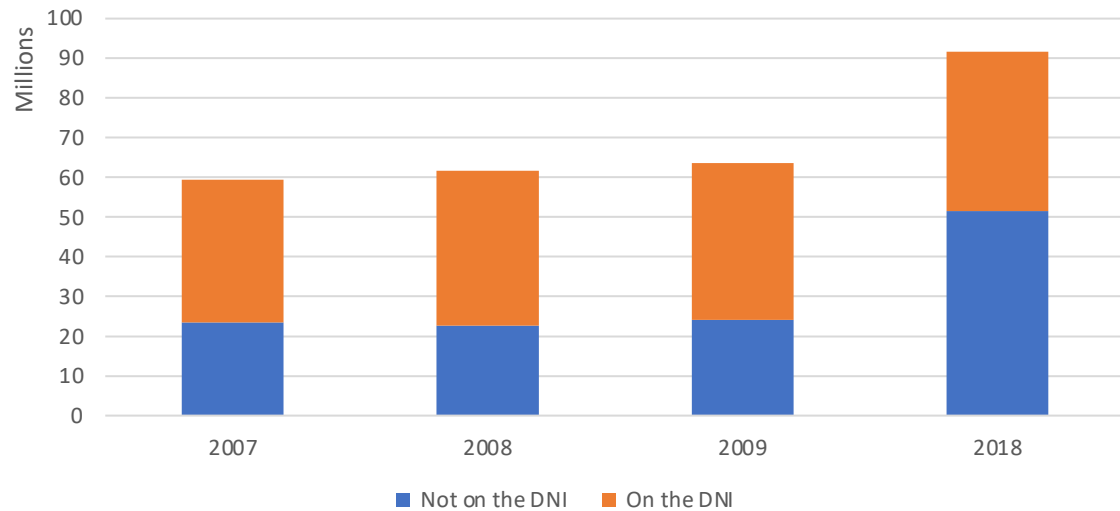
As the country with the most restrictive index in ASEAN with the second rank, there are restrictive business fields through the Restriction of Foreign Capital on the Negative Investment List, namely:

- Agriculture 0.347
- Forestry 0.150
- Fishing 0.735
- Mining 0.598
- Retail 0.540
- Transport 0.426
- Press 0.810
- Service 0.579
- Engineering 0.498

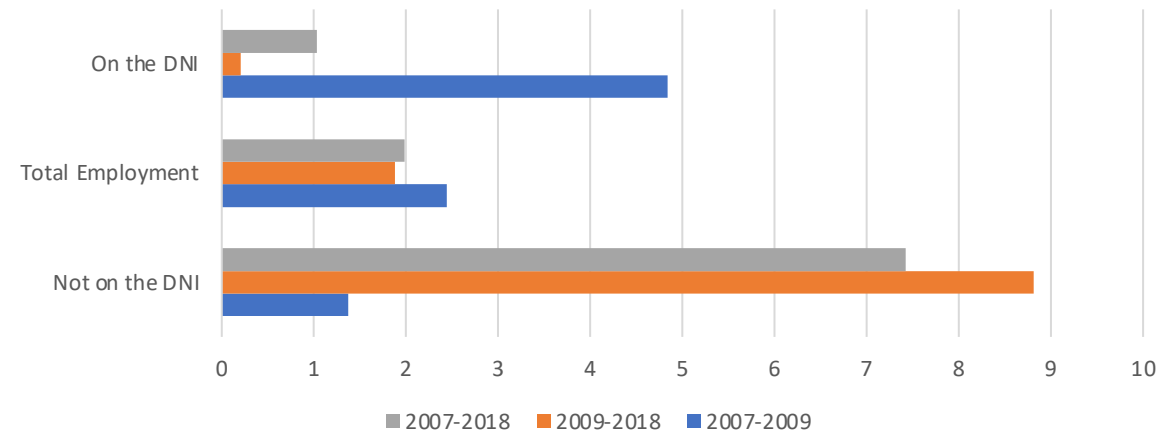
Source: OECD

# IN FACT, RELAXATION CAN INCREASE INVESTMENT AND OPEN MORE WORK OPPORTUNITIES

After 2009, Indonesia opened up more business sectors for FDI



The sector contained in the Presidential Decree DNI absorbed more labor ten years ago, because the sector is more open to FDI.



Type of Investor	ISIC Relaxation Amount	Presidential Regulation 34/2014 (Q2 2014 - Q2 2016)		Presidential Regulation 44/2016 (Q3 2016 sd Q2 2020)		Percentage Increase
		Project Totals	Investment Totals	Project Totals	Investment Totals	
Foreign Investment	18 ISIC	6,752	US\$ 8,881.2 juta	32,200	US\$ 15,281.8 mio	72%
Domestic Investment	18 ISIC	1,865	IDR 60,675.7 miliar	24,901	IDR 280,227.6 bio	361%

# ELIMINATION OF INVESTMENT RESTRICTIONS WILL BENEFIT THE RELATED SECTOR AND THE OVERALL ECONOMY

## When Indonesia lifted its air airline investment restrictions in 2001:

- ❖ The number of airlines increased from 7 in 2000 to 27 in 2004,
- ❖ Airfare prices have dropped drastically
- ❖ The number of domestic passengers tripled between 2001 and 2005,
- ❖ The Garuda-Merpati duopoly is gone: Garuda is becoming more efficient and the inefficient Merpati is out of the airline industry.

## When Mexico removed FDI restrictions in the retail sector in 1993/94:

- ❖ The amount of FDI in the retail sector increased dramatically,
- ❖ The average price in supermarkets fell by 6%,
- ❖ The number of workers in the retail sector has also increased significantly

Source: World Bank







# ELIMINATION OF INVESTMENT RESTRICTIONS WILL BENEFIT THE RELATED SECTOR AND THE OVERALL ECONOMY



<https://www.tokome.id/syaifulartwork/jokowinwagapart-9>

“The President approved that the Negative Investment List be changed to a Priority Investment List, not a negative list, so that the existing image will be built properly.”

COMPARISON OF INDONESIA'S NEGATIVE INVESTMENT LIST (DNI) WITH ASEAN COUNTRIES

	 Indonesia	 Singapore	 Malaysia	 Thailand	 Philippines	 Vietnamese
CLOSED BUSINESS FIELD	20	0	0	0	1	6
OPEN WITH CERTAIN REQUIREMENT	495	4	11	43	33	243
<b>TOTAL*)</b>	<b>515</b>	<b>4</b>	<b>11</b>	<b>43</b>	<b>34</b>	<b>249</b>

\*) amount of business field

Source: BKPM

## INDONESIA'S OMNIBUS LAW ON JOB CREATION

### PASAL 12

- **ALL BUSINESS FIELDS OPEN TO INVESTMENT ACTIVITIES,**
  - except for business fields that are declared closed for investment or activities that can only be carried out by the Central Government
- Further provisions regarding investment requirements as referred to in paragraph (1) and paragraph (2) shall be regulated by **PRESIDENTIAL REGULATION**





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# PRESIDENTIAL REGULATION NO. 10 OF 2021






# PRESIDENTIAL REGULATION NO. 10 OF 2021 ON INVESTMENT BUSINESS FIELD






# COMPARISON OF THE NUMBER OF BUSINESS FIELDS REGULATED IN PRESIDENTIAL REGULATION NO. 44 OF 2016 AND PRESIDENTIAL REGULATION NO. 10 OF 2021

(outside of priority business field)

## PRESIDENTIAL REGULATION NO. 44 OF 2016

	CRITERIA	AMOUNT
	Closed Business Field	20
	Partnership and Reserved Business Sector MSME-K	145
	Open Business Fields With Certain Requirements	350
<b>TOTALS</b>		<b>515</b>

## PRESIDENTIAL REGULATION NO. 10 OF 2021

	CRITERIA	AMOUNT
	Closed Business Field	6
	Allocated Business Field Or Partnership With Cooperatives And Msme	89
	Open Business Fields With Certain Requirements	46
<b>TOTALS</b>		<b>141</b>

Through **OMNIBUS LAW OF JOB CREATION** Indonesia has begun to move out of the restrictive countries:

- 11 business fields that were originally closed have been opened for investment
- open business sector with conditions reduced by 89% from the number in 2010
- The number of business sectors allocated to UMKMK is less than the number in 2010, it does not mean that the Government does not side with UMKM-K but the Government applies the concept of protecting and empowering UMKMK by providing various incentives for UMKMK in conducting business activities.

# ATTACHMENT I

## PRIORITY BUSINESS FIELD

### CRITERIA:

- National Strategy Programs/Projects;
- Solid Capital;
- Labor Intensive;
- High Technology;
- Pioneer Industry;
- Export Orientation And/Or;
- Orientation In Research, Development, And Innovation Activities.

The Business Fields listed in this list are a compilation of businesses that have been determined to obtain tax facilities (Tax Allowance/Tax Holiday/Investment Allowance) based on PP, PMK, and BKPM Regulations.

### Incentive:



Fiscal incentives (taxation and customs and excise incentives)



Non-fiscal incentives (easy business licensing, provision of supporting infrastructure, energy, guaranteed availability of raw materials, immigration, employment, and other facilities)



## ATTACHEMENT II BUSINESS FIELDS ALLOCATED OR PARTNERSHIPS WITH COOPERATIVES AND MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)

### CRITERIA OF BUSINESS FIELDS ALLOCATED FOR COOPERATIVES AND MSMEs:

- ⦿ Business activities do not use technology, or use simple technology,
- ⦿ Business activities have specific processes, are labor-intensive, and are hereditary cultural heritages
- ⦿ Business capital < Rp 10 billion (excluding land and building value)

### CRITERIA FOR BUSINESS FIELD MUST PARTNERSHIP WITH COOPERATIVES AND MSMEs:

- ⦿ Business field which are mostly managed by Cooperatives and MSMEs, and/or
- ⦿ Business field pushed into the supply chain

# ATTACHMENT III BUSINESS FIELD WITH CERTAIN REQUIREMENTS

**CRITERIA:** can be entered by all investors including Cooperatives and MSMEs with the following conditions:

 Domestic Investment

 Foreign Investment Restrictions do not apply if:

- Investments that have been approved before this Presidential Regulation is published
- Investors with privileges under international treaties

 Special Permissions

- ❖ Foreign Investment can only carry out business activities in Large Enterprises with an investment value of more than IDR 10 billion (excluding the value of land and buildings), and is carried out in the form of a Limited Liability Company (PT) and domiciled in Indonesia.
- ❖ Limits on foreign capital ownership are specified in the business license for the company that accepts the merger; taken over company; licensing of smelting when a new company is formed and the application of the grand father clause in the business fields that were approved before this Presidential Regulation was enacted
- ❖ Investments in Special Economic Zones (SEZs) in technology-based startups can invest with an INVESTMENT value of less than IDR 10 billion (excluding land and building values)
- ❖ Provisions related to the Open Business Sector do not apply to investment activities in KEK



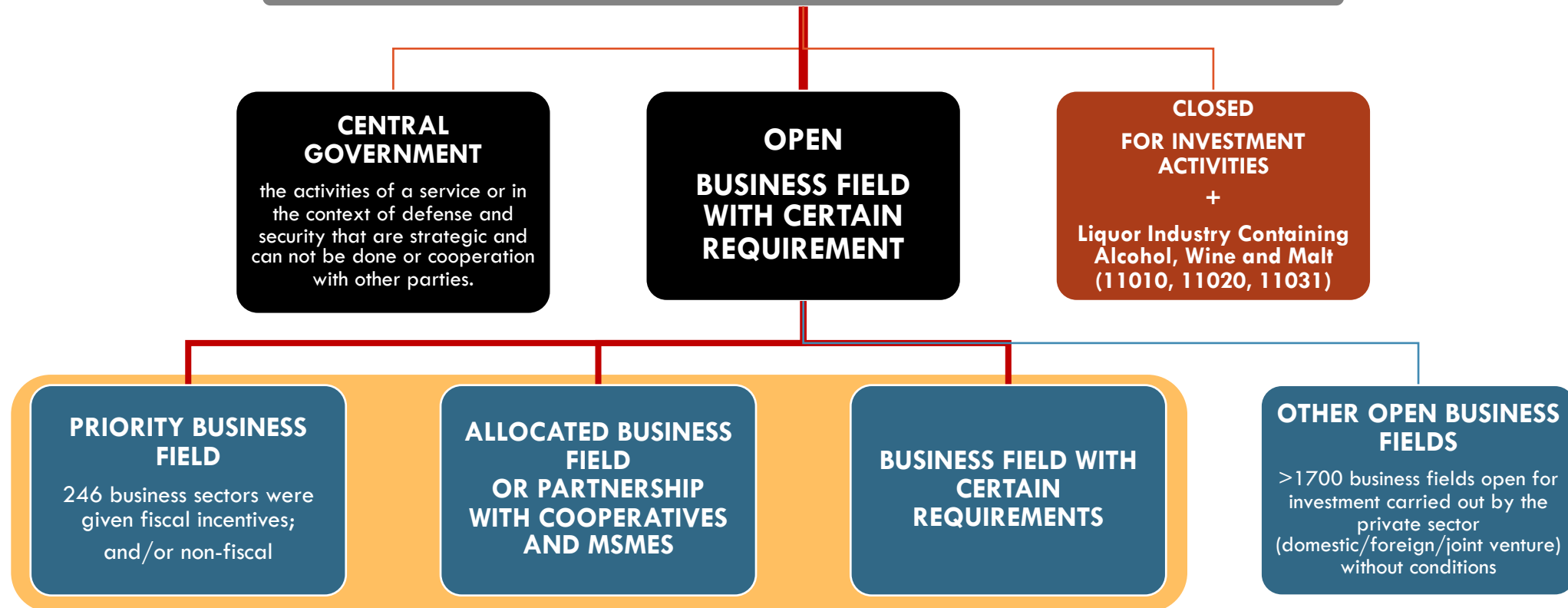
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# J.O PRESIDENTIAL REGULATION NO 49 OF 2021



# J.O PRESIDENTIAL REGULATION NO. 49 OF 2021 ON INVESTMENT BUSINESS FIELD

## INDONESIA'S OMNIBUS LAW ON JOB CREATION






## PRESIDENTIAL REGULATION NO. 10 OF 2021 ON INVESTMENT BUSINESS FIELD








# COMPARISON OF THE NUMBER OF BUSINESS FIELDS REGULATED IN PERPRES NO. 44 OF 2016, PERPRES NO. 10 OF 2021 AND PRESIDENTIAL REGULATION NO. 49 OF 2021 (outside priority business fields)




## PRESIDENTIAL REGULATION NO. 44 OF 2016

	CRITERIA	AMOUNT
	Closed Business Field	20
	Partnership and Reserved Business Sector MSME-K	145
	Open Business Fields With Certain Requirements	350
<b>TOTALS</b>		<b>515</b>

## PRESIDENTIAL REGULATION NO. 10 OF 2021

	CRITERIA	AMOUNT
	Closed Business Field	6
	Allocated Business Field Or Partnership With Cooperatives And Msmes	89
	Open Business Fields With Certain Requirements	46
<b>TOTALS</b>		<b>141</b>

## PRESIDENTIAL REGULATION NO. 49 OF 2021

	CRITERIA	AMOUNT
	Closed Business Field	9
	Allocated Business Field Or Partnership With Cooperatives And Msmes	106
	Open Business Fields With Certain Requirements	37
<b>TOTALS</b>		<b>152</b>

# AMENDMENT OF BUSINESS CRITERIA WITH CERTAIN REQUIREMENTS

## PRESIDENTIAL REGULATION NO. 10 OF 2021

**CRITERIA:** can be entered by all investors including Cooperatives and MSMEs with the following conditions:

- a. Domestic investment,
- b. Foreign Investment Restrictions do not apply if:
  - Investments that have been approved before this Presidential Regulation is promulgated
  - Investors with privileges under international treaties
- a. Special Permissions

## PRESIDENTIAL REGULATION NO. 49 OF 2021

**CRITERIA:** can be entered by all investors including Cooperatives and MSMEs with the following conditions:

- a. Domestic investment
- b. Foreign Investment Restrictions do not apply if:
  - Investments that have been approved before this Presidential Regulation is promulgated
  - Investors with privileges under international treaties
- a. Special Permissions
- b. Other Investment Requirements are business fields that are limited and closely monitored and regulated in separate laws and regulations in the field of control and supervision of alcoholic beverages.\*)

\*) Other Investment Requirements: Alcohol/Alcohol Wholesale Trade (46333), Alcohol/Alcohol Retail Trade (47221), and Alcohol/Alcohol Small Retailer Trade (47826)

# GOVERNMENT POLICY FOR REGULATION OF ALCOHOL BEVERAGE BUSINESS FIELD

## CLOSED BUSINESS FIELD

1. ISIC 11010 Alcohol Industry
2. ISIC 11020 Alcohol Industry: Wine
3. ISIC 11031 Manufacture of Beverages Containing Malt

## OPEN BUSINESS FIELD WITH CERTAIN REQUIREMENTS

1. ISIC 46333 Wholesale Alcohol/Alcohol Trade
2. ISIC 47221 Retail Trade on Alcohol/Alcohol and
3. ISIC 47826 Small Retailer Trade on Alcohol/Alcohol

\*) Open Business Fields With Certain Requirements, Business fields that can be managed by all investors, including Cooperatives and MSMEs with the following conditions:

- a. Business fields that can only be carried out by Domestic Investment,
- b. Business fields that can be carried out by foreign investors with restrictions on foreign capital ownership
- c. Open business field with Special Licensing obligations
- d. Business fields that are limited and closely monitored and regulated in separate laws and regulations in the field of control and supervision of alcoholic beverages

# GOVERNMENT POLICIES FOR ADDITIONAL BUSINESS FIELDS ALLOCATED/PARTNERSHIP WITH MSME-K

1. **ISIC 10722** Brown Sugar Industry
2. **ISIC 10750** Food and processed food industry:  
Rendang
3. **ISIC 10794** Industry of Crackers, Chips,  
Crackers and the Like (Paprikan and Non-  
Manufacturers)
4. **ISIC 13134** Batik Industry
5. **ISIC 16293** Wood carving and non-furniture  
handicraft industry
6. **ISIC 25932** Manufacture of cutting tools and  
hand tools for carpentry
7. **ISIC 47911** Retail Trade via mail order and  
internet
8. **ISIC 79111** Travel agency activities
9. **ISIC 79921** Tour Guide Service

10. **ISIC 10311** Fruit and vegetable salting industry
11. **ISIC 10421** Copra Industry
12. **ISIC 10520** Milk powder and condensed milk  
processing industry
13. **ISIC 10771** Soy Sauce Industry
14. **ISIC 16104** Rattan Processing Industry
15. **ISIC 25952** Manufacture of nails, nuts and bolts
16. **ISIC 28113** Industry Engine and turbine components  
and parts
17. **ISIC 28130** industry Other pumps, compressors, faucets  
and valves



# GOVERNMENT POLICY FOR BUSINESS FIELDS REGULATED IN THE BODY OF THE PRESIDENTIAL REGULATION

1. **ISIC 60102** Community Radio Broadcasting Institution
2. **ISIC 60202** Television Community Broadcasting Institution
3. **ISIC 53100** Postal Activities
4. **ISIC 11010** Alcoholic Beverage Industry
5. **ISIC 11020** Alcoholic Beverage Industry: Wine
6. **ISIC 11031** Manufacture of Beverages Containing Malt
7. **ISIC 47221** Retail Trade on Liquor or alcoholic beverages
8. **ISIC 47826** Small Retailer Trade on Liquor or alcoholic beverages



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# THANK YOU