

Indonesia Widens Door to Foreign Investment

The Indonesian government released its tenth economic policy package on February 12, 2016, with a focus on boosting foreign direct investment into Indonesia and protecting small and medium enterprises (SMEs) and cooperatives. The package offers hints of the coming revisions to the Negative Investment List, commonly known as the DNI. It is expected that a presidential regulation regarding the new DNI will be issued in February or March.

Business Sectors Open to 100% Foreign Investment

Thirty-five business sectors will not be included in the new DNI, meaning they are open to 100% foreign ownership. Some of these sectors were previously closed, partially or completely, to foreign investment. The 35 business sectors include drug ingredient/pharmaceutical raw material manufacturing, cold storage, film production, crumb rubber industries, sports centers, restaurants, toll road concessions, and telecommunications testing agencies.

The Indonesian government is also relaxing foreign investment restrictions in certain business sectors. These include distribution and warehousing, with the cap on foreign investment increasing to 67% from 33%; private museums, catering services, convention services and exhibition services (67%, previously 51%); business training, travel agencies, golf courses, and air transport supporting services (67%, previously 49%); telecommunications services (67%, previously 65%); and construction services with a project value exceeding 10 billion Rupiah (67%, previously 55%).

Protection for SMEs and Cooperatives

In an effort to help SMEs and cooperatives broaden their activities the new DNI will simplify business classifications for SMEs and cooperatives. For example, 19 types of construction services will be merged into one business classification. That is why the number of sectors reserved for SMEs and cooperatives in the new DNI is lower than the previous DNI (from 139 to 92 business sectors).

Importantly, the new DNI will add 62 new business sectors that can only be engaged in by foreign investors if they enter into a partnership arrangement with an Indonesian SME. These sectors include plantation seeding business with an area of 25 hectares or more, and retail via mail order or the Internet.

The stated aim of the new DNI is to improve the investment climate in Indonesia and create more job opportunities.

This publication is intended for informational purposes only and does not constitute legal advice. Any reliance on the material contained herein is at the user's own risk. You should contact a lawyer in your jurisdiction if you require legal advice. All SSEK publications are copyrighted and may not be reproduced without the express written consent of SSEK.