

# Door widens for foreign investors

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THE JAKARTA POST/JAKARTA

Indonesia plans to reduce the foreign ownership cap in the telecommunications and pharmaceutical sectors and open up new industries, such as airport management, to boost foreign direct investment (FDI), which is needed to reverse an economic slowdown.

A meeting to discuss the revised version of the negative investments list (DNI) on Wednesday revealed the government would soon allow offshore-based investors to hold 100 percent ownership in airport and seaport management. Such management is currently closed to foreign investors, and only state-owned operators PT Angkasa Pura and PT Pelindo have that privilege.

The new scheme would allow foreign investors to be involved in airport management, while local enterprises would still have stakes in the ports' tangible assets and facilities, said Investment Coordinating Board (BKPM) chairman Mahendra Siregar.

- » Foreign investors will be allowed to fully control management at seaports and airports
- » Govt is increasing foreign ownership caps to create better investment climate and spur economy

"The offering of public private partnerships for some new airports — such as those in northern Bali and in Yogyakarta — has stalled because foreign investors' involvement in the airports' management remains impossible," he said.

Other revisions to the DNI would also include a relaxation in overseas holdings for industries such as pharmaceutical, telecommunications, ecotourism and movie distribution.

Under the future DNI, for example, foreign investors could own up to 85 percent of shares of pharmaceutical companies, higher than the existing 75 percent, according to Coordinating Economic Minister Hatta Rajasa.

## List of revised investment

Industry	Maximum Foreign Ownersh
Seaport & Airport Management	100% (from zero)
Pharmaceutical	85% (from 75%)
Telecommunication	65% (from 45%)
Movie distribution	49% (from zero)
Ecotourism	70% (from 49%)
Alcoholic beverage	Expansion for existing producers

Source: BKPM

The minister added that the maximum ownership limit for foreigners would be raised from around 45 percent to 65 percent in the telecommunications industry and from 49 percent to 70 percent in ecotourism.

The government would also allow foreigners to hold up to 49 percent shares in companies in the movie distribution industry, which until now was open exclusively to domestic investors, in a move to develop the country's lucrative creative and film industry, he said.

"We'll still hold another meeting to discuss the DNI. Nevertheless, we are committed that the new draft

will be more open [to foreign investors]," said Hatta.

Hatta also said that the government would relax curbs for existing producers of alcoholic beverages from expanding their factories to help limit the import of liquor.

The major revision in the DNI is another effort taken by Indonesia to improve its investment climate and boost the stalling growth of investments.

On Oct. 26, Vice President Boediono unveiled a policy package that would make it easier for investors to set up new firms, establish new buildings, apply for electricity access, borrow funds from banks and pay their taxes.

The recent economic slowdown was attributed to the moderation in investments as investors held back from pouring money into the country due to stalling reforms and intensifying regulatory uncertainty ahead of the 2014 elections. Indonesia posted 5.62 percent gross domestic product (GDP) growth in the third quarter, the slowest in nearly four years.

Sluggish economic performance resulted from the sharp deceleration in gross fixed capital formation — an indicator of investments — that grew only by 4.5 percent, significantly lower than the 10 percent growth recorded in the same quarter last year.

Indonesian Employers' Association (Apindo) chairman Sofjan Wnandi said the presence of foreign investors would be beneficial as they could act as partners, not competitors, for local businesses. "We should seize the opportunity and cooperate with them [foreign investors] for the sake of developing our economy."

BKPM data shows the greater contribution of local investors in the economy. Total realized domestic direct investments grew 33 percent year-on-year in the third quarter, while FDI growth slowed to a three-year low of 18.4 percent.

Total investment realization in the third quarter, which topped Rp 293 trillion, generated 411,543 jobs in total, though the figure might quadruple given investment multiplier effects in the economy.