
INDONESIA



Nigel Zanenga

Milan, 16 September 2013

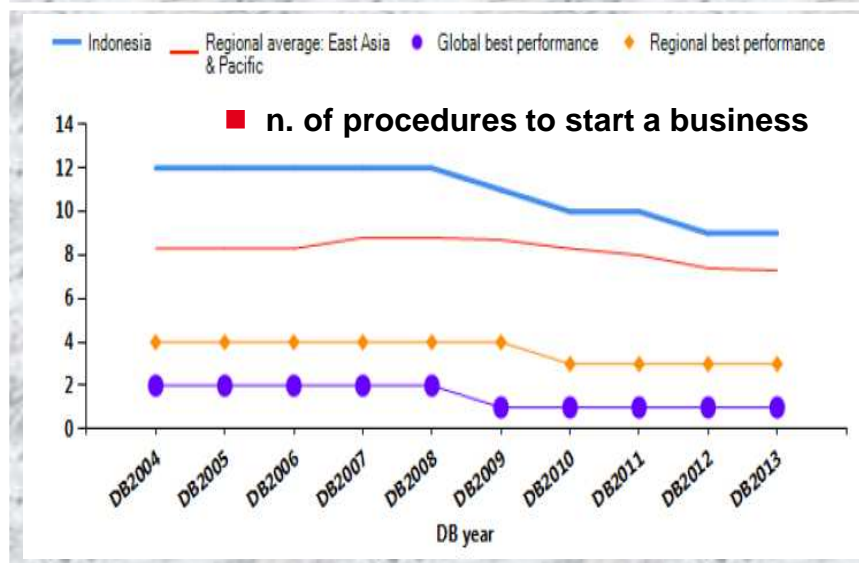
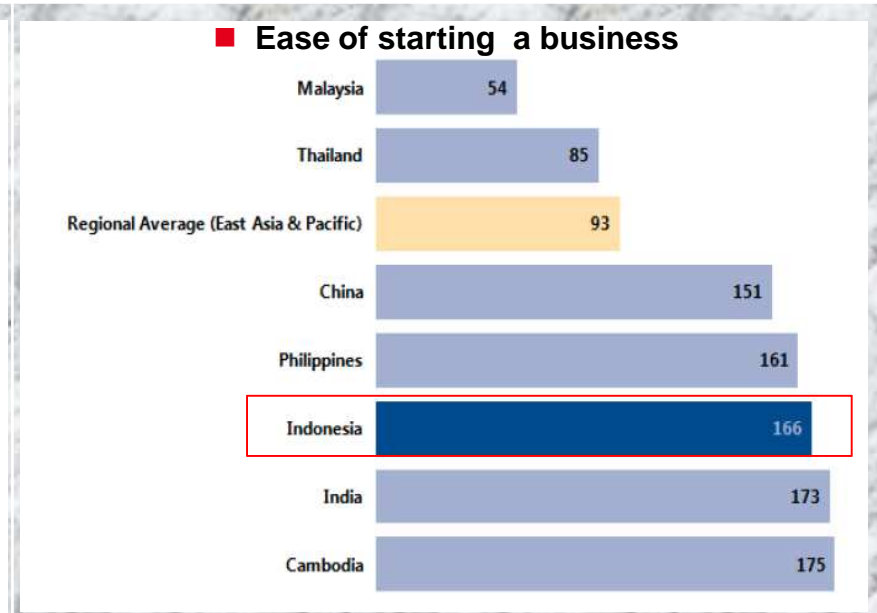
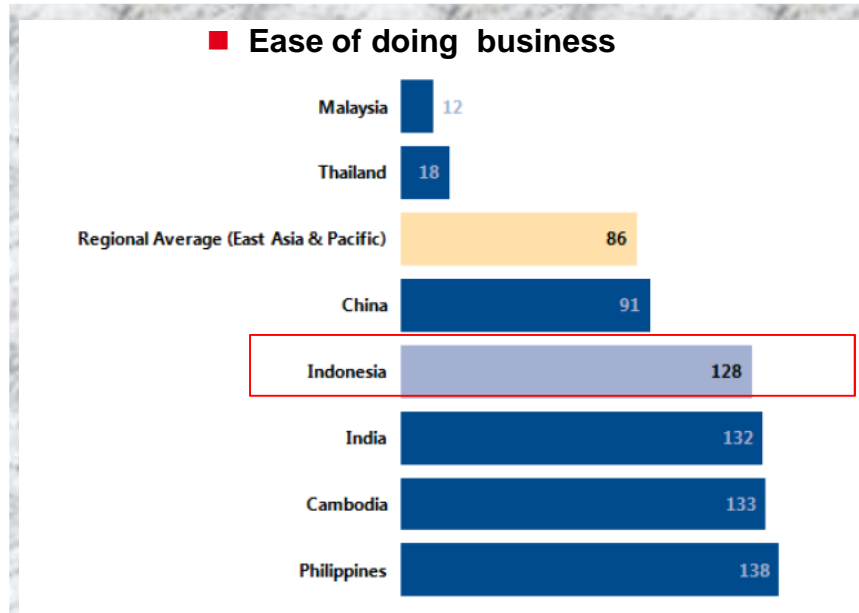
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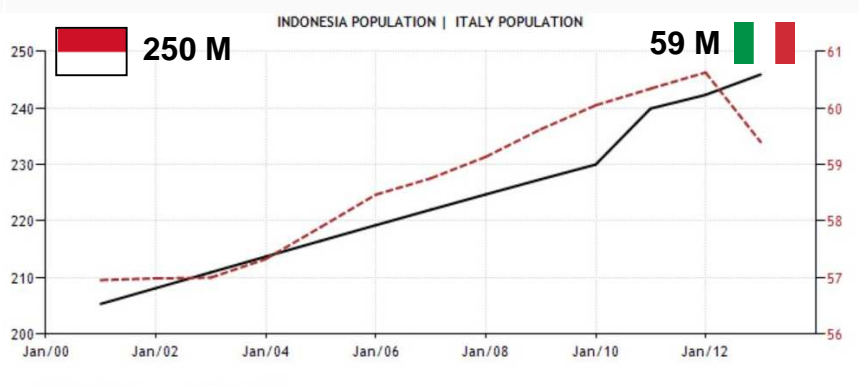
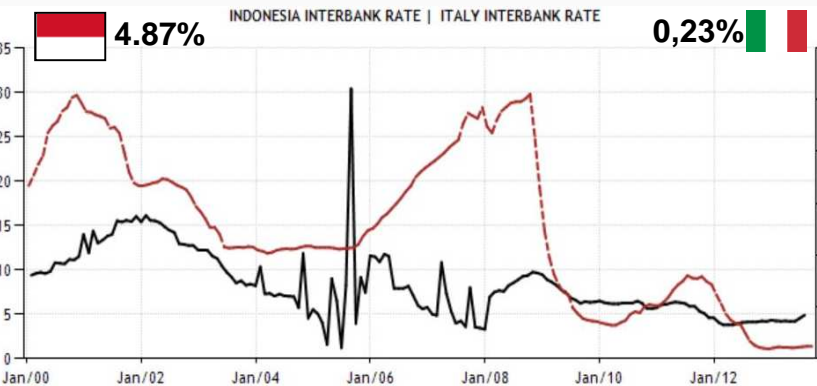
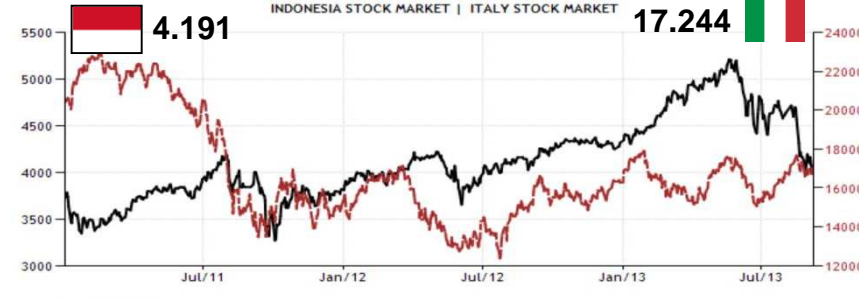
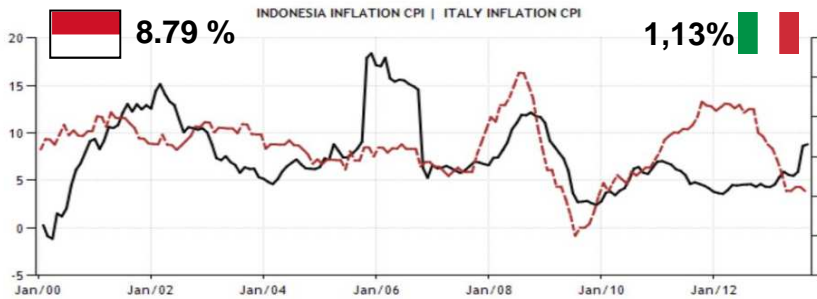
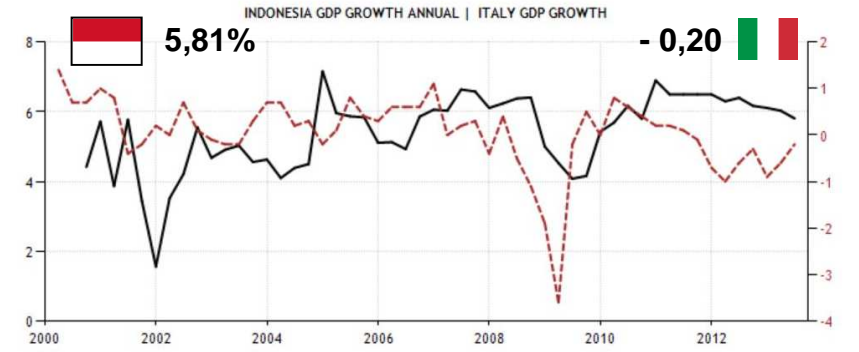
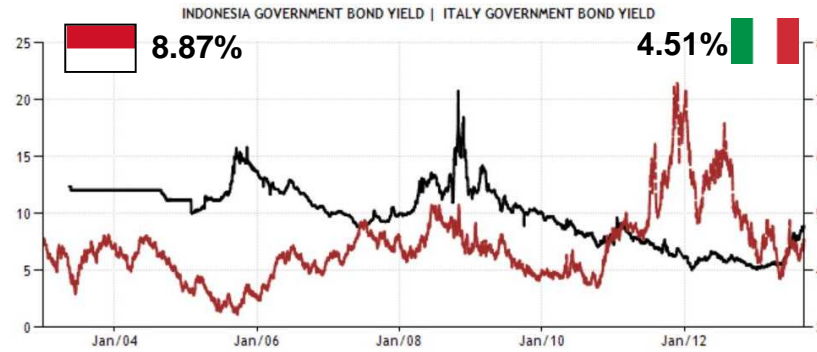
INDONESIA MODERN HISTORY

- **1942:** Japan invades Indonesia, the exploitation on Indonesian resources continues
- **1945:** On the 17th of August 1945 the First President Sukarno declares Indonesian Independence
- **1949:** On the 2nd of November 1949 the Dutch agreed to recognize Indonesia's independence
- **1957:** President Sukarno introduces a new political system, which he called guided democracy where he reduced Parliaments powers while greatly increasing his own. The army remained loyal to Sukarno so he stayed in power.
- **1960:** Indonesian economy starts to falter, which in turn produces very high inflation, Indonesia starts to exploit oil reserves
- **1965:** In September 1965 the Communist attempted a coup in Indonesia, however General Suharto reacted quickly and the coup was crushed.
- **1966:** On march the 11th President Sukarno signed over his presidential powers to Suharto, although a "de facto" dictatorship was created, under him the Indonesia economy recovered
- **1973:** Indonesia starts to benefit from the high process of oil
- **1997:** Financial crisis hits Indonesia, as a result of the economy contracting, riots break out and Suharto resigns in May 1998.
- **1998:** President Suharto resigns
- **1999:** Elections are held and Indonesia returns to Democracy
- **2004:** Susilo Bambang Yudhoyno is elected as President of Indonesia

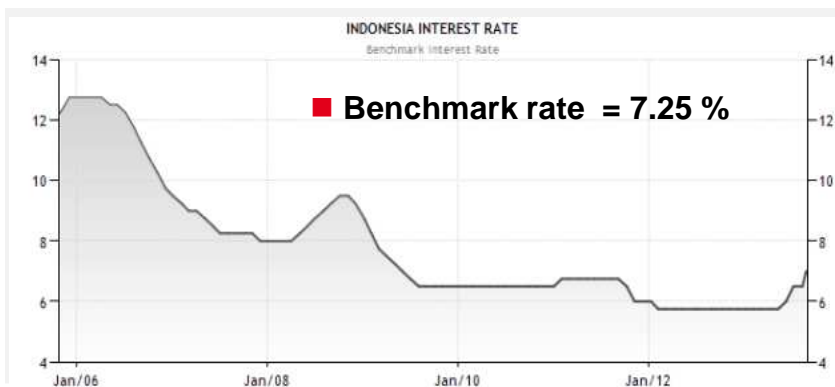
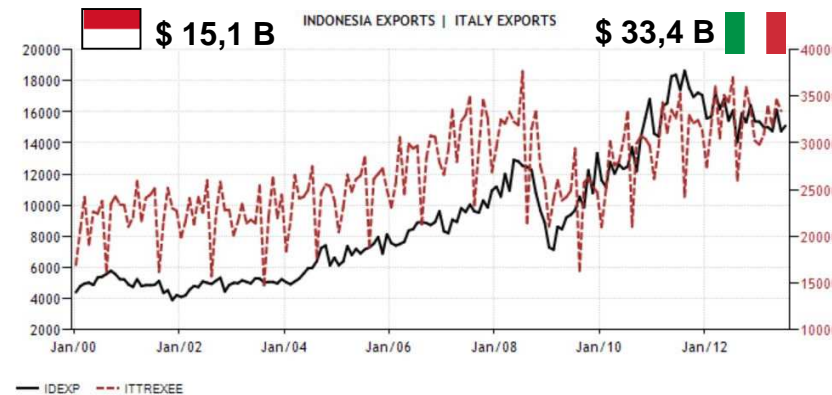
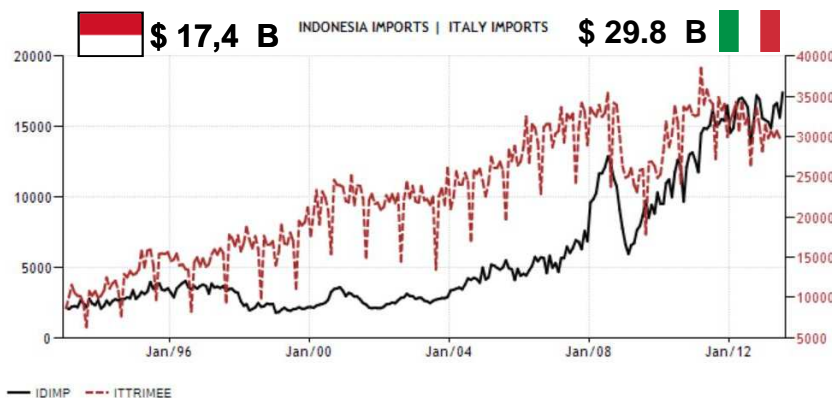
DOING BUSINESS 2013 “The World Bank”



STRUCTURAL ECONOMIC INDICATORS (2013)



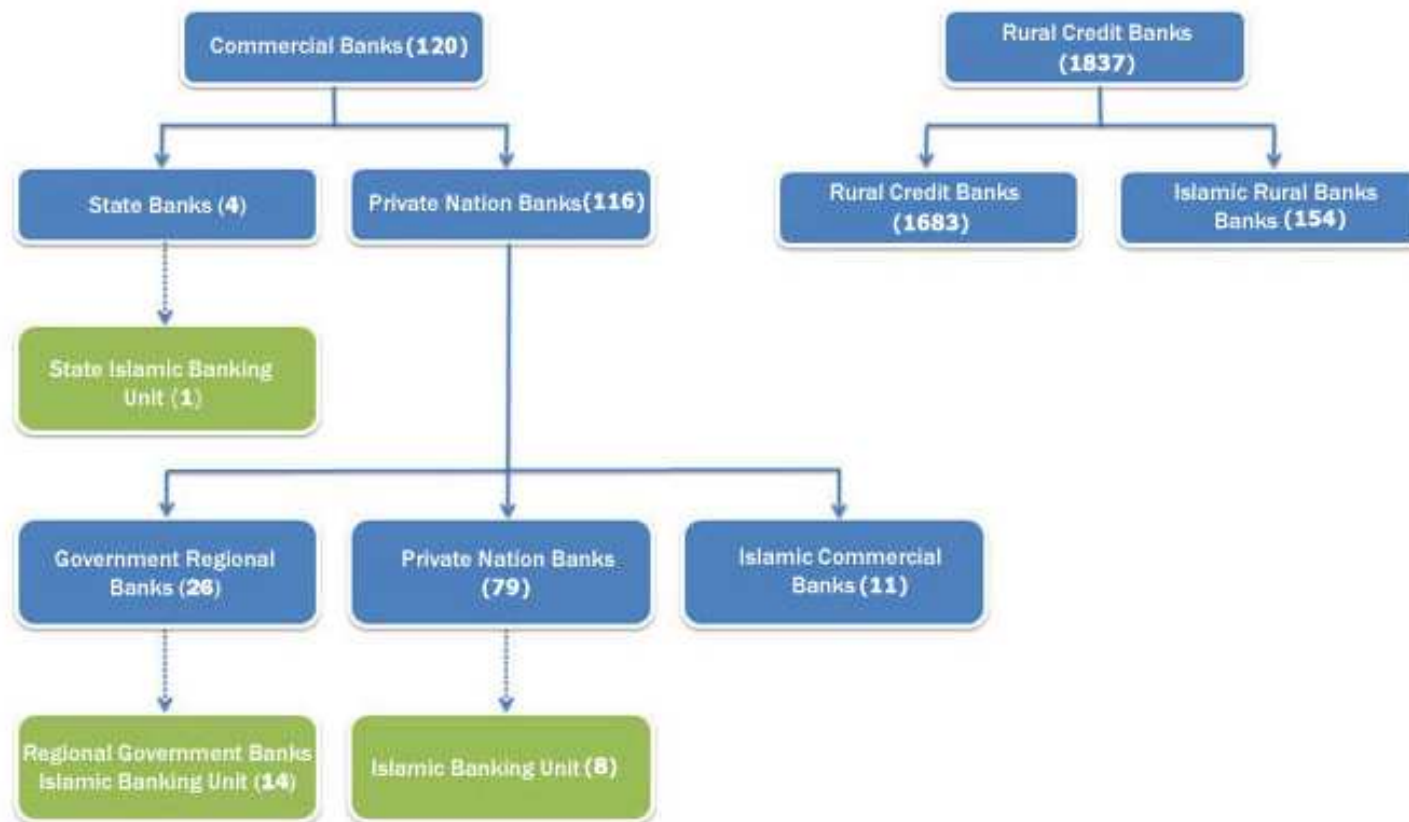
ECONOMIC INDICATORS & FX



- From 1991 until 2013, the USDIDR averaged 7,783 reaching an all time high of 16,650 in June of 1998 and a record low of 1,977 in November of 1991.
- In the past the IDR has been the subject to extreme volatility
- At some point in the future the Indonesian Central Bank has announced that it will redenominate the the currency by removing three zeroes
- Bank Indonesia decided on September the 12th to raise the BI Rate by 25 bps to 7.25 percent, in an attempt to stabilize the rupiah, amid high inflation and a stock market sell-off. This is the highest it has ever been in 4 years and this is the second raise by BI in two weeks

INDONESIA BANKING SYSTEM

Banks in Indonesia are run on the basis of prudent principles. Indonesian Banking Institutions are classified into Commercial and rural Banks. The operations of Commercial Banks differ from rural banks in the sense that these do not have direct access to the payment system and have a restricted operational area. In terms of operational definition Indonesian banks are classified into Sharia and non Sharia compliant banks



- _____ BANK MANDIRI
- _____ BANK RAKYAT INDONESIA
- _____ BANK CENTRAL ASIA
- _____ BANK NEGARA INDONESIA
- _____ BANK CIMB NIAGA
- _____ BANK DANAMON INDONESIA
- _____ PANIN BANK
- _____ BANK PERMATA
- _____ BANK INTERNASIONAL INDONESIA
- _____ BANK TABUNGAN NEGARA
- _____ BANK OCBC NISP
- _____ HSBC
- _____ CITIBANK
- _____ BANK JABAR BANTEN
- _____ BANK UOB INDONESIA
- _____ BANK BUKOPIN
- _____ BANK MEGA
- _____ BANK OF TOKYO-MITSUBISHI
- _____ BANK TABUNGAN PENSUNAN NASIONAL
- _____ STANDARD CHARTERED BANK
- _____ BANK DBS INDONESIA
- _____ BANK KALTIM
- _____ BANK JATIM
- _____ ANZ PANIN BANK
- _____ BANK JATENG
- _____ BANK DKI
- _____ BANK MIZUHO INDONESIA

INDONESIA ECONOMIC MASTERPLAN 2011 – 2025

The MP3EI is designed to accelerate the transformation of Indonesia into a developed economy by the year 2025. The goal is to achieve economic growth of 7 to 8% in every year that the plan shall be in action. The Private sector will play an important role in implementing and sustaining this growth rate, they will be active in Investment, production and distribution, together with Government that will act as a the regulator and also as facilitator

The ambitious objectives of the Master Plan for the Acceleration and Expansion of the Indonesian economy - to be achieved by 2025 are to be obtained by focusing on three lines of action:

1. Developing 6 economic corridors, with each corridor having its own center of development, its own specific cluster of Industrial segments and special economic zones
2. Increasing connectivity within and between each corridor, developmental center and Industrial cluster in order to facilitate and increment International Trade
3. Increased investment in science and technology in order to sustain in future years the development program

\$US 150 Billion is being spent by Government in the first expansion phase (till 2014). The Government has already implemented regulatory change which is favorable to facilitating investments, and is in the process of evaluating regulations which may be hindering the increase of free trade and the free flow of goods

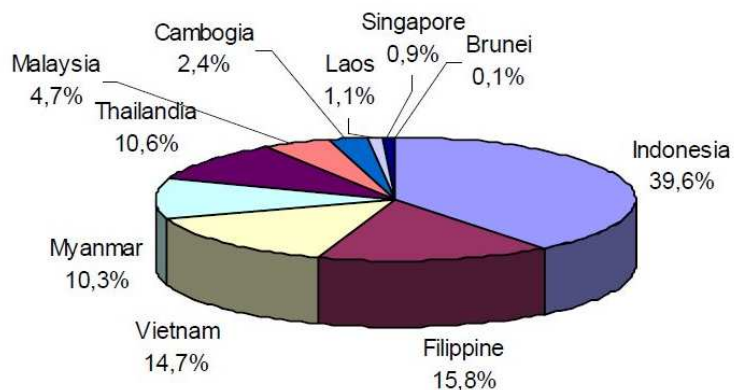
ASEAN AREA: INDONESIAN ECONOMY RANKED FIRST IN GROWTH

Comparison of the Growth of the Indonesian economy with other Asean Nations

AMT. \$USA	2008	2009	2010	2011	2012	2013	GROWTH %	RANK
INDONESIA	510,313	538,764	708,371	846,450	894,854	1,006,888	97.31	1ST
VIETNAM	90,302	93,170	103,575	122,722	137,681	151,876	68.19	2ND
INDIA	1,262,523	1,266,249	1,630,472	1,826,811	1,946,765	2,117,279	67.70	3RD
THAILAND	272,578	263,711	318,908	345,672	376,989	412,711	51.41	4TH
MALESIA	231,072	202,284	246,828	287,943	307,178	340,002	47.14	5TH
SINGAPORE	189,964	185,638	227,382	259,849	267,941	277,860	46.27	6TH
S. KOREA	931,405	834,060	1,014,890	1,116,247	1,151,271	1,234,037	32.49	7TH

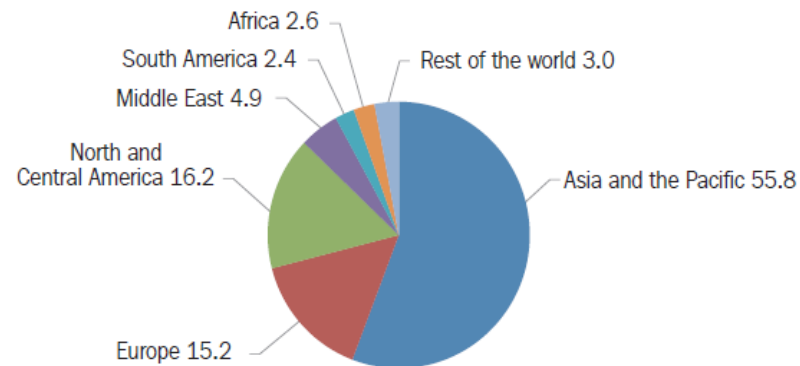
Source: FMI - World Economic outlook Database

Population of the ASEAN area
2011 Over 607 Million people



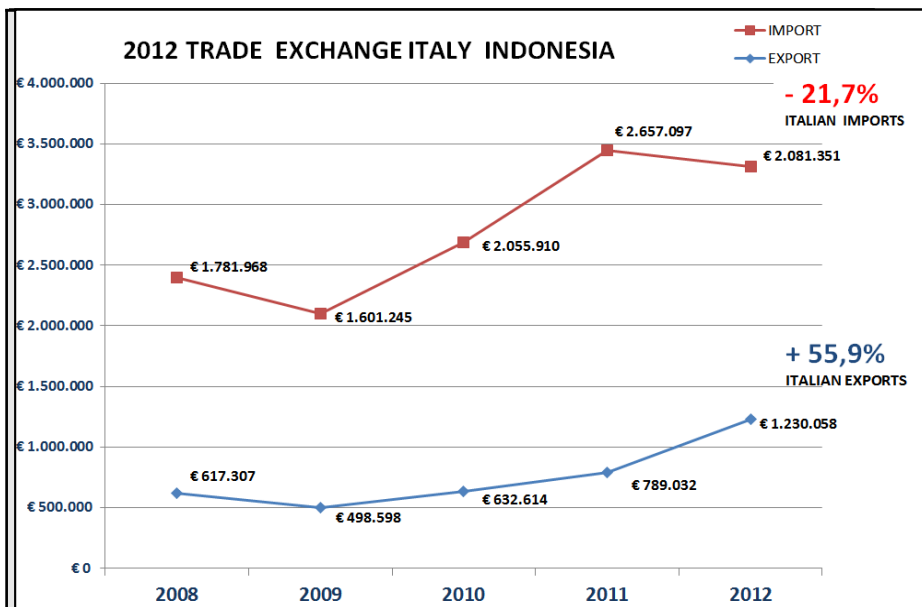
Source: studies, analysis of the IMF-WEO

Destination of merchandise exports
from the Asia pacific region 2012 (%)

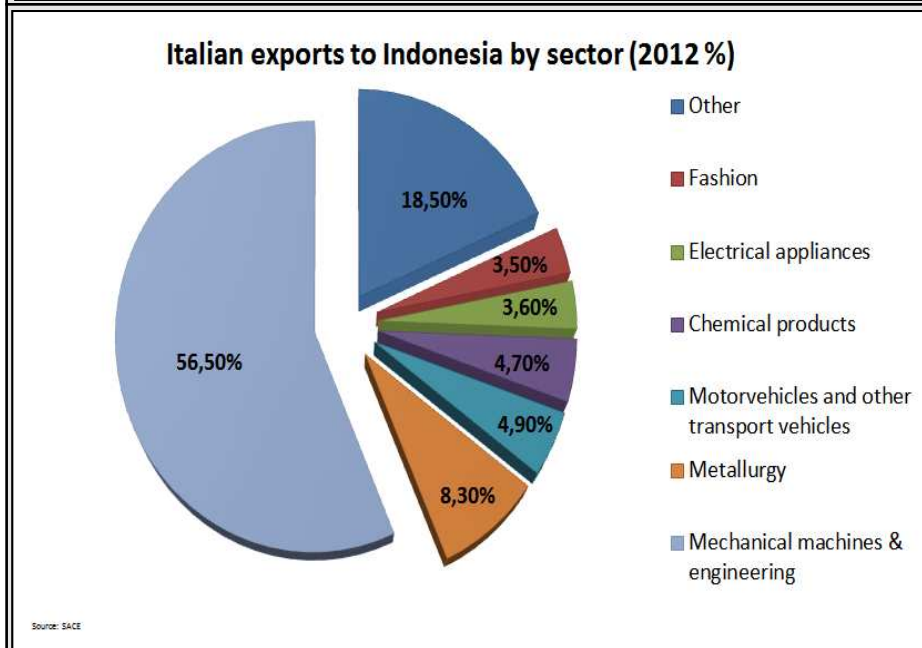


Source: ADB Bank

INDONESIA & ITALY TRADE FLOWS



- **Export of automotive Components were over € 720 M up from € 364 in 2011 a 97% increase**
- **Export of machinery for general use where € 380M up from € 178 M in 2011 a 113% Increase**
- **Export of Boat and navigation instruments were at € 7,4 M a 212% increase on 2011**









- **Italy is the 16th supplier on a global level and in 3rd place in the EU after Germany and France**
- **FDI into the Country in 2012 from Italy was USD 19,5 M**
- **The growing middle class which in the period 2003 – 2010 grew 62% from 81 M to 131 M individuals, offers many opportunities for Italian Consumer goods**

INDONESIA SWOT ANALYSIS

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Resistance to external shocks • Sustained growth rates • Large population, growing middle class • Political and financial stability • Long term development plan • Growing FDI into the country • Extensive natural Resources 	<ul style="list-style-type: none"> • Geographical fragmentation • Logistics & Infrastructure • State bureaucracy • Informal business network • State monopolies • Unequal social classes • Scarce Italian presence
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Where to Invest <ol style="list-style-type: none"> 1. Construction & infrastructure 2. Products for agriculture, fisheries and forestry 3. Tourism 4. Renewable energy • What to sell <ol style="list-style-type: none"> 1. Information services and Communication 2. Building materials 3. Moto vehicles, trailers and semi-trailers 4. Machinery 5. Boats and accessories 	<ul style="list-style-type: none"> • Ethnic tensions creating possible social problems • Increase of protectionist measures in the event of International crises • Increased competition from other Asian nations • Natural disasters • Import restrictions

STARTING A NEW BUSINESS IN INDONESIA

<p> Which sectors offer potential ?</p> <ul style="list-style-type: none"> ■ Ports, railway, airports, infrastructure ■ Health care equipment ■ ICT Financial services ■ Power generation ■ Oil & Gas ■ Renewable energy ■ Environment, waste water treatment 	<p> Can foreign companies invest in Indonesia ?</p> <ul style="list-style-type: none"> ■ Investment proposals need to be approved by BKPM (investment coordinating board) all sectors are open to FDI, however the Government publishes a list of areas of investment which are restricted <ol style="list-style-type: none"> 1. Foreign investment Corporate entity is called PMA “Penanaman Modal Asing” a limited liability Company 2. The BKPM is responsible for all aspects of the FDI and also issues approvals and business licences 3. Initial authorization is granted for 3 years , then 30 years
<p> Where should the new company be located? The choice of the location is specific to the type of industry</p> <ul style="list-style-type: none"> ■ <u>Jakarta</u> is the capital city with a population of 9 M economy is based on trading industries (food, textile, beverage, and on services industry (banking Insurance and telecommunication) ■ <u>Surabaya</u> has a population of 3M economy based on services and trading industries ■ <u>Bandung</u> population of 2.5 M economy based around textile ■ Oil & Gas and mining in <u>Papan, Samarinda, Bontang and Papua</u> 	<p> Market entry</p> <ul style="list-style-type: none"> ■ It is not possible for a PMA (Indonesian Company with foreign shareholdings) to import on an unrestricted basis into the country domestic companies can import only if they obtain an import licence ■ Foreign companies exporting to Indonesia will need to establish a commercial relationship with a local import and distribution Company, ■ The restriction on imports is at two different levels <ol style="list-style-type: none"> 1. Goods that are restricted to state owned companies 2. Goods that are restricted to agents that must be approved by Government
<p> What can a Representative office do (Liaison) ?</p> <ul style="list-style-type: none"> ■ It can : <ol style="list-style-type: none"> 1. Represent the Italian Mother Company 2. Act as a channel of communication 3. Conduct market research ■ It cannot: <ol style="list-style-type: none"> 1. Generate profits 2. Sign or execute contracts in the name of the Mother Company 3. Provide advisory services either directly or indirectly 	<p> Taxation</p> <ul style="list-style-type: none"> ■ Standard Corporate Tax rate = 25% ■ Individuale Income Tax based on a scale system from 5 to 30% ■ WHT on dividends, Interest,, loan guarantee fees, royalties 15% ■ General VAT rate 10% ■ Double tax avoidance agreement in place with Italy

UNICREDIT A MAJOR BANKING GROUP

- Employees: more than **150,000**²
- Branches: **9,079**³
- Banking operations in **20** countries
- International network spanning: ~ **50** countries
- Global player in asset management: **€ 165,5bn** in managed assets⁴
- Market leader in Central and Eastern Europe leveraging on the region's structural strengths



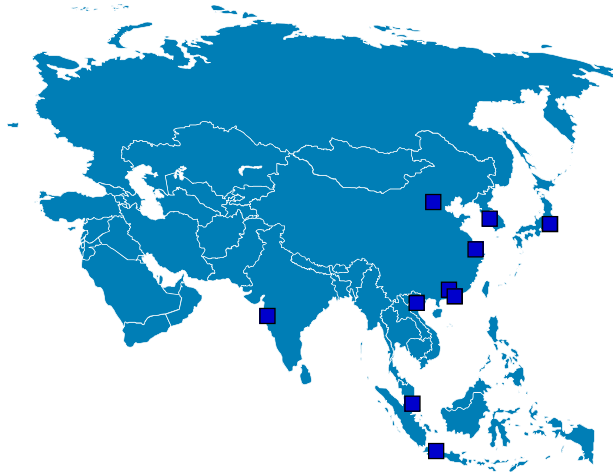
UNICREDIT International Network: Asia – Pacific Region

Strategic Client Focus

- Bringing Asian clients to our European Home Markets and representing a gateway to Asia for European Home Market clients and financial institutions

Our presence in Asia

- More than 30 years of presence on the Asian market through the extensive network of Branches (**Guangzhou, Hong Kong, Singapore, Shanghai, Tokyo**) and Representative offices (**Beijing, Hanoi, Mumbai, Seoul**) and Agent in **Jakarta**



Our expertise

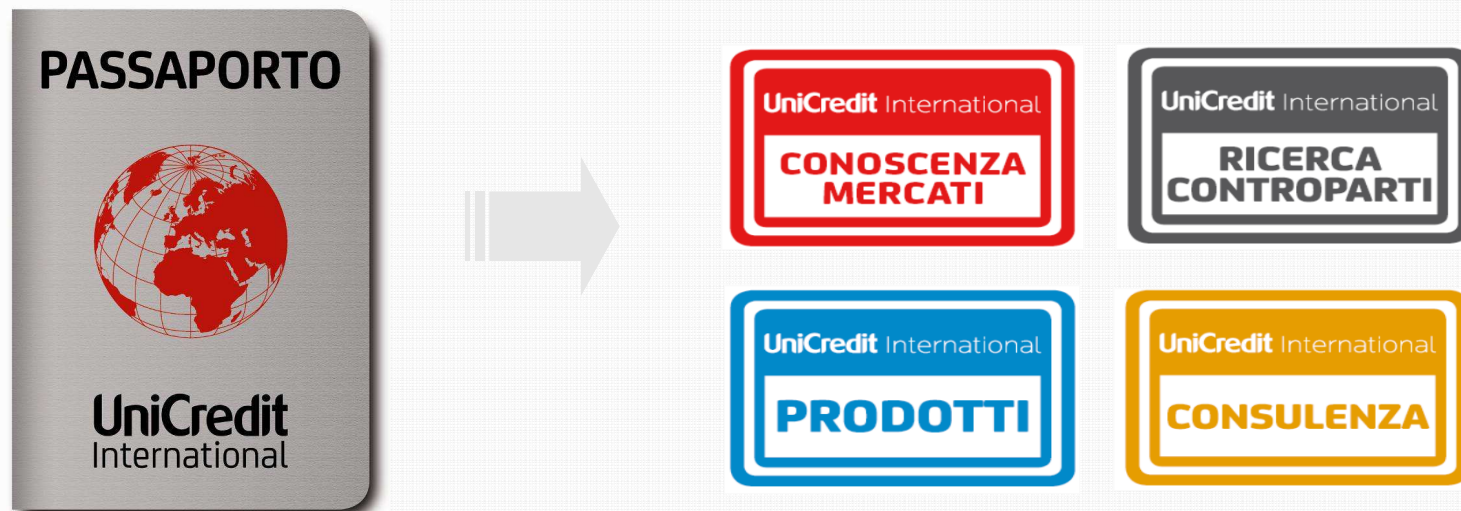
- Internationalization of the **Renminbi (RMB)**
Unique Role of Hong Kong as China's Offshore RMB centre UniCredit Hong Kong branch provides a wide range of RMB services (Remittances, Deposits, Corporate Loans, Trade Finance, FX and Clearing & settlement service)
- Global expertise in our home markets and customised solutions by offering first-class local products/services:
 - ✓ **Financing & Advisory**
 - Corporate Finance Advisory
 - Corporate Loans (G3 and local currency including RMB)
 - ✓ **Global Transaction Banking**
 - Trade Finance & Supply Chain Finance
 - Cash Management & eBanking
 - Structured Trade & Export Finance
 - ✓ **Markets**
 - FX and Interest Rates
 - Fixed Income Sales

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HONG KONG	■ Hong Kong	
JAPAN	■ Tokyo	
SINGAPORE	■ Singapore	
SOUTH KOREA		■ Seoul
VIETNAM		■ Saigon
INDIA		■ Mumbai
INDONESIA		■ Jakarta (Agent)

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