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Indonesia: Economic Report 2019 (public)

Contents

Executive Summary

The second term of President Joko Widodo 2019-24 instilled confidence of businesses, expecting a stable further 5 years and at least some economic reforms. If parliament adopts the Omnibus Bill on Job Creation possibly second half of 2020, relatively substantial economic reforms will likely see the day.

However, as is the case for essentially all other countries, the Covid-19 crisis is heavily impacting Indonesia's economy. For 2020, the World Bank estimates a GDP growth of between +2.1% to -3.5%. The wide spectrum shows the degree of uncertainty about developments over the next 12+ months. Many observers expect Indonesia's economy to regain speed in 2021 and to reach soon again the 5% GDP growth rate usually seen in the past decade – always under the assumption that a vaccine will be found in 2021 and lockdowns will not last a full 12 months.

Indonesia's economy

Indonesia's **GDP grew at 5.0% in 2019**, confirming the long-term trend of growth of a good 5%, but slightly lower than the 5.2% in 2018, possibly due to the election year. Household consumption remained robust and strategic infrastructure projects saw large investments.

Macro-economic conditions looked relatively healthy, which many accredit to the Finance Minister: 2019 Inflation decreased to 2.72% (yoy), the lowest since 1999. The budget deficit again remained relatively low at 1.84% of GDP, as already in 2018, also thanks to an increase of tax revenue. The total debt ratio was 30% of GDP. In 2019, the Indonesian Rupiah appreciated by 3,64% against USD.

The **trade** deficit also narrowed in 2019, from USD 8.7 billion (2018) to USD 3.2 billion. Indonesia's total **trade** in 2019 was USD 338 billion (-9.1%**)**. Exports decreased by 6.94%, while imports decreased by even 9.53%. ASEAN is still Indonesia's leading export destination, while China became the leading import source in 2019.

Overall, Indonesia remains a country with interesting business opportunities. Already Southeast Asia's largest economy, Indonesia is predicted to become the **7th largest economy by 2030** and possibly the 4th-largest by 2050. Half of the population is under 30 years, urbanization and modernization occurs relatively fast, and the middle class expands rapidly.

The **re-election of President Joko Widodo** in 2019 promises stability and continued gradual economic reforms and gives a certain boost to business confidence. The President's top priorities are, besides continued infrastructure development, to increasingly promote human resource development, in particular education, including vocational training and tax incentives for human resource development. Besides, he intends to promote technology sectors such as e-commerce and Fintech. The aim is to become a high-income country and the fifth-largest economy by 2045.

Most particularly, the President proposed substantial economic reforms in several sectors through the **Omnibus Bill on Job Creation**, including easing business permits and activity, opening more sectors to foreign investment or annulling Art. 20 Patent Law (which requires the company that patented a product to manufacture it in Indonesia within 3 years after patent registration). The proposal of extensive labor reforms – Indonesia has one of the most rigid labor regulations in Asia-Pacific – in the same Bill has met with more controversy, in particular by labor unions.

Also, the Government has decided in 2019 to **move its capital city from Jakarta to East Kalimantan by 2024**, even if Covid-19 has slowed down planning.

However, government and parliament have resorted and may continue to resort at times to **protectionist measures, such as import restrictions**, such as Art. 20 Patent Law (making local production mandatory, contrary to WTO/TRIPS), export duties, foreign ownership limitation policies or resource nationalism. With these measures, government and/or parliament often hope to strengthen the domestic industry and the export e.g. of manufactured goods. Further framework conditions, including very inflexible labor regulations, may hold of investments. Nonetheless, Foreign Direct Investment increased in 2019 by 7.7% yoy, after a decline the previous year.

In consequence of the economic reforms – and in spite of remaining (at times even new) trade and investment restrictions - Indonesia's economic rankings have indeed somewhat improved in various studies over the past years, but somewhat less in the election year 2019 when fewer reforms were enacted. Since 2015, Indonesia for instance rose 33 places to 73rd place (May 2019) in the World Bank's Ease of Doing Business ranking. In 2019, however, progress in many areas covered by the EDB stagnated. Indonesia's logistical performance improved over the past years, from 63rd in 2016 to 46th in 2018, out of 168 countries in the World Bank's Logistic Performance Index, not even counting the most recent infrastructure improvements.

Business sentiment in 2019 continued to be positive. According to the Joint European Chambers' Business Confidence Index, in mid-2019 60% of the businesses (2017/18: 62%) surveyed were positive about their business outlook in Indonesia, with 11% negative (2017/18: 4%). The outlook was most positive in infrastructure and construction (76%), hospitality, travel and tourism (68%), and food and beverage (63%); services are at 56%. Businesses' outlook on investment climate (+1%) and the regulatory environment (-1%) was largely stable. They saw the greatest challenges in bureaucratic inefficiency/red tape, regulatory environment and customs, import regulations and protectionism. 35% considered further investment in Indonesia, and an additional 43% "maybe".

Some rankings have started to take into account the Covid-19 crisis. For instance, in 2019, Indonesia's prudent macroeconomic policies and progress in structural reforms had been recognized by credit rating agencies, improving their credit ratings. However, in May 2020, S&P revised Indonesia's credit rating down from BBB to BBB-, reflecting Indonesia's stable institutional settings, but also the negative outlook considering the expected additional fiscal and external risks related to COVID-19.

Also, in 2018/19, Indonesia had climbed up 11 places in terms of competitiveness, due to the Indonesian government's increased efficiency as well as improved infrastructure and business conditions). However, in the 2019/20 IMD World Competitiveness Report, Indonesia fell 8 places year-on-year (yoy), ranking 40th out of 63 economies analyzed. The IMD points mostly to Covid-19 related challenges, including the downturn of export-import activities due to a decrease in global demand and supply, an unclear strategy for supporting SMEs due to a lack of SME data mapping, and the potential of a financial sector crisis caused by the increase of non-performing loans. Regionally, Indonesia currently is ahead of the Philippines (45th), but behind Malaysia (27th) and Thailand (29th).

Bilateral trade and economic relations

The bilateral Swiss-Indonesia trade in 2019 was CHF 854 million without gold, and CHF 1.46 billion with gold, slightly increasing from 2018 (CHF 841 million without, and 1.38 billion CHF with gold). Products of the chemical and pharmaceutical industry, followed by machines, appliances, and electronics, still make the most significant contribution to exports from Switzerland to Indonesia. Switzerland imported mostly precious metals (primarily gold) and textile, clothing and shoes.

Both the Indonesian and Swiss governments strive to ratify the Indonesia EFTA Comprehensive Economic Partnership Agreement (IE-CEPA) signed on 16 December 2018, a milestone in bilateral relations and the first free trade agreement Indonesia signed with European countries. Norway and Iceland have already ratified the IE-CEPA. In Switzerland, almost 60'000 signatures have been submitted on 22 June 2020 calling for a referendum vote on the IE-CEPA by the Swiss people.

After the Indonesian government terminated all 67 bilateral investment treaties (BIT) in 2015, it started negotiations on a bilateral BIT with three countries, including Switzerland. The negotiations have progressed well, with a 6th negotiation round having taken place by videoconference in May 2020. In September 2019, Indonesia and Switzerland realized the first bilateral automatic exchange of information of non-resident financial account information dating from 2018.

The Swiss-Indonesian Chamber of Commerce ("SwissCham") and a new "SwissCenter" strive to facilitate business by Swiss companies in Indonesia. Swiss companies have created more than 50'000 jobs in Indonesia, and most of them plan further investments – even despite Covid-19. However, companies planning to newly set up shop in Indonesia should be prepared to invest time and resources over a longer period before seeing returns.

The impact of Covid-19

Indonesia might face a negative GDP growth in 2020, with estimates ranging from 2.3% to -0.4% (Government) to 2.1 to -3.5% (World Bank). Humanitarian actors estimate that up to 8.5 million Indonesians could fall into poverty, and some think up to 15 million could become jobless. The achievement of several Sustainable Development Goals could be thrown back by years.

To address this, the government is planning a large 2020 budget deficit of, according to current estimates, 6.34% of GDP, and is spending around 4% of GDP on stimulus measures, to strengthen the health sector and the social safety net and provide incentives and special measures to sustain economic and financial stability and the companies, in particular SMEs. In contrast to the Asian financial crisis end at the end of the 1990s, Indonesia seems to be better prepared in terms of financial stability.

Also, the Government has so far not signaled to make much change to its key objectives like infrastructure and human resources promotion and economic reforms, even if delays may occur.

1. Recent economic developments and challenges

1.1 Economic Priorities of the President for 2019-24

At his inauguration for a second five-year term, President Joko Widodo presented his vision of developing Indonesia into a manufacturing and service-oriented economy becoming the fifth-largest economy by 2045, with a GDP per capita of USD 22'000, five times today's GDP per capita. To reach these goals, he defined five priorities for 2019-24, all with a clear economic focus:

1) Develop skilled human resources mastering science and technology, including cooperation with the industry on vocational education and welcoming global talent.
2) Continue development of infrastructure to connect production areas with distribution areas, facilitate access to tourist areas and boost new employment.
3) Simplify regulations, reducing regulations hindering job creation and SMEs, including reducing regulatory overlaps and improving the ease of doing business ranking and investment attractiveness. To reach this, "Omnibus Bills" are planned (see below).
4) Simplify bureaucracy, cut procedures and lengthy bureaucracy, including for export/import, to improve the ease of obtaining licenses and making investment.
5) Transform the economy, from dependency on natural resources to a competitive modern manufacturing and service-oriented economy with high added value for the prosperity of the nation and social justice for all Indonesians.

The National 2020-24 Medium-term Development Plan (RJPMN) provides detail on how to achieve the priorities described above and the key 'economic transformation' goal by 2045. It adds some policy direction, such as the focus on high value-added exports and increase of local content, which includes better integration into global value chains and better use of free trade agreements, or also the strengthening of renewable energy (even if strong vested interests may try to counterweigh this). The protection of the environment and climate change, the fight against corruption, rule of law or human rights are not among the top priorities of the President and only partially figure in the RJPMN.

1.2 Omnibus Bills on Job Creation and on Taxation

Part of the Indonesian President's ambitious economic reform agenda are several "Omnibus laws" aimed at boosting investment and competitiveness. In its National Legislation Program 2020, the Parliament confirmed focusing on the four Omnibus Bills on Job Creation, Taxation, Pharmacy and the State Capital.

1.3.1 Omnibus Bill on Job Creation

The Omnibus Bill on Job Creation was submitted on 12 February 2020 to the Parliament (DPR) and on 1028 pages proposes to modify 79 laws. The Government stated its hope to pass the Omnibus Law by fall 2020, an ambitious timeline. Here are a few of the many significant economic reforms proposed:

Easing business permits and activity:

- Improving the ease of doing business by removing several administrative and other requirements.
- Scaling down the environmental impact analyses (AMDAL) to facilitate more business, including centralizing this as well as other business permit processes at the level of the central government.
- Opening more sectors to foreign investment. A new priority sector investment list would replace the negative investment list (DNI)
- Opening investment in agriculture, liberalization of certain agricultural imports.
- Some categories of foreign workers no longer need work permits, including members of boards of directors and commissioners, start-ups, business visits and machine maintenance in "emergency situations", and doing research for a "certain" period.
- Annulling Art. 20 Patent Law, deemed incompatible with TWTO/TRIPS since it obliges to manufacture the product or use the process in Indonesia within 3 years after patent registration.

Labor Reforms, given Indonesia fares one of the most rigid labor regulations compared to other middle to lower income countries in Asia-Pacific: Reduction of severance compensation at the end of employment (one of the highest in the world); decreasing the role of labor unions in layoffs; changes to the minimum wage.

A new *power of the President to revoke local regulations* would be introduced, according to which the President could revoke any provincial, regency or city administration regulation which, in his view, contradicts higher laws. Opponents criticize that this would contradict the Regional Autonomy Law, which gives the authority to revoke local regulations to the respective provincial Governor.

On 24 April 2020, President Widodo decided to postpone the debate of the labor reforms in the Omnibus Bill, facing rising criticism by labor unions and the Covid-19 situation. Students and activists have also

criticized that the bill harms the environment and decentralization authority of regions and districts, given the new power of the central government to revoke local regulations.

1.3.2 Omnibus Bill to reduce Taxes, incl. for Vocational Education, new Digital Services Tax

The Omnibus Bill on Taxation aims to harmonize seven laws, including the laws on value-added tax (PPN), on income tax (PPh), and on regional taxes and levies. The Bill proposes to introduce more tax incentives, including a gradual corporate income tax reduction from 25% to 20% by 2023. Minister of Finance Sri Mulyani stated that these reforms potentially reduce the country's earnings by up to USD 6 billion, but that additional investments and business activity would partially counterweigh this. Two tax reforms have already been adopted:

The Government's Regulation 45/2019 on tax incentives (called 'Super Deductible Tax') aims to encourage the private sector to expand *vocational education* as well as *R&D* for innovation, to upgrade its manufacturing industries to the industrial revolution 4.0. A reduction of 60% net income tax is granted for new investments in specific labor-intensive industries; a reduction of up to 200% on the gross income calculated for tax purposes for apprenticeships and internships and/or human skills training; and a reduction of 300% on the gross income for research and development in Indonesia. Ministry of Finance Regulation 128/2019 on incentives for vocational and educational activities and Regulation 16/2020 on labor-intensive industries implemented the mentioned Regulation 45/2019.

Besides, the Government has introduced a *new 10% value added tax on electronic transactions* (Finance Ministry Regulation 48/2020), applicable as of 1 July 2020. Companies selling digital products to Indonesian consumers, such as music or movie streaming, digital apps and games (Netflix, Zoom etc.), will have to identify where their consumers are based (IP address) and collect the VAT. The Government said it wants to raise more taxes and create a level playing field for conventional and digital companies as well as for domestic and foreign competitors. Companies have shown concern that they might not be ready to apply the tax from 1 July 2020, since implementing modalities are not yet clear. Media have reported the Government wants to focus on large companies.

1.3 Plans to Move the Capital to East Kalimantan

In August 2019, President Joko Widodo announced to move the Indonesian capital from Jakarta to East Kalimantan (North-Penajama Paser and Kutai Kertanegara), 30 car minutes from the port city Balikpapan. The aims is inter alia to reduce Indonesia's Java centered development pattern, relocate to a place not at risk of earthquakes or volcanic activity, and maybe flee Jakarta's traffic and air pollution.

The relocation is budgeted to cost around *USD 33 Billion*. The Government hopes to finance only 19% of the total estimated costs while the rest should come from public-private partnerships and direct investments by state-owned enterprises and the private sector.

To handle domestic and *foreign investments* in the new capital, the government plans to establish a new "National Capital Authority Agency" that would act as a "one-stop shop" and license potential investors. Sectors needing investments include transportation, telecommunications, industry, retail, drinking water, waste management, health-related services. Ministers have encouraged companies from advanced economies like Switzerland to consider investment since the new capital should be a "smart and green city." The definition of projects and financing schemes needing foreign investment is still ongoing.

The *original time plan* was: adopt the legal basis as well as the Masters and Technical Plans and create the new National Capital Authority Agency in 2020; start first construction works end of 2020; construct government buildings and major facilities 2022-24; and start the relocation to the new capital city in 2024. The best-case scenario would thus see a few first government agencies starting in East Kalimantan in 2024, i.e. before the second term of President Widodo ends. After 2024, the government would expect to develop diplomatic compounds, education, health facilities and business centers until 2029 and develop the new capital into a new metropolitan city by 2045.

However, the COVID-19 pandemic affects the budget and probably also the time plan for the new capital city. On 23 April 2020, the Minister of Finance announced that the new capital's infrastructure budget would be re-allocated to Covid-19 measures. Also, the Omnibus Bill on the Capital City has been drafted, but seems to have been put on a backburner. Nonetheless, the National Development Planning Agency (Bappenas) continues with the tender for the masterplan of the new capital.

1.4 The Economic Impact of COVID-19

Covid-19 shows a heavy impact on economies around the world. The IMF projects a 4.9% contraction of the global economy. In Indonesia, the economy is projected to drop to 2.1% to -3.5% in 2020 (World Bank). In 2020 Q1, Indonesia still registered a growth of 2.97% (down from 4.97% 2019 Q4). However, the impact will be more significant in 2020 Q2, since most restrictions to daily life and the economy have

been introduced only from mid-March 2020, after the first Covid-19 case was officially confirmed on 1 March. The Indonesian Finance Minister projects a contraction of 3% for Q2 and a 2020 GDP growth of 1% to – 0.4%. The OECD projects a GDP growth of -2.8%, or even -3.9% if a second wave hits the country. The World Bank in April foresaw a GDP growth of between 2.1 to -3.5%. The unusually large ranges show the high level of uncertainty. The Finance Ministry estimates the five sectors to be most severely hit are: manufacturing, wholesale and retail trade, repairs of motor vehicles and motorcycles, transportation and storage, and accommodation and services.

For 2021, the IMF end of June projected a growth of 6.1%. In any event, GDP growth in 2020 and 2021 will depend particularly on, first, the (uncertain) development of international trade and investment. The daily infection rates continue to increase in many countries, e.g. in the Americas, Africa and South Asia. Until an effective vaccine has been developed – optimists hope for it in early 2021, pessimists end of 2021 or later – and people have been vaccinated widely, some negative impact is likely to continue on economies, including the Indonesian economy.

Second, GDP growth in Indonesia will depend on how long lockdowns in Indonesia will last. End of June 2020, most large cities still have some form of restrictions to the economy, while Jakarta has eased somewhat its restrictions on 4 June 2020. Immigration to Indonesia is not yet possible for business people and tourists (even if there is discussion about some tourist bubbles/corridors), and travel within Indonesia continues to be partially restricted.

The negative socio-economic impact to be expected is considerable. Sectors like tourism, SMEs and the very large informal sector – about 70 million Indonesians, 55% of the workforce – are particularly threatened. According to humanitarian and development actors, the development progress achieved in the past years could be endangered, some SDGs (Sustainable Development Goals) thrown back by years, in particular poverty, food security, reducing inequalities, health and education, in particular in far-away regions. About 53 million pupils have seen their schools closed.

In 2019, Indonesia had reached, for the first time, a poverty rate of below 10%, namely 9.6%. However, many Indonesians could lose their jobs, maybe 15 million, as the Indonesian Chamber of Commerce estimates. About 40% of Indonesians – more than 100 million people – are just above the poverty rate, with little reserves, and could therefore slip back into poverty. Humanitarian actors estimate that 1.3 to 8.5 million Indonesians could fall back into poverty (Ministry of Finance: 1.89 to 4.89 million), with the poverty rate rising from 9.6% to between 10.1 to 13%, thus wiping out much of the progress on poverty alleviation achieved over the last decade.

Economic stimulus measures by the Government

The government has adopted stimulus measures totaling IDR 686.2 trillion (about almost USD 50 billion). This represents about 4% of GDP; the Indonesian Chamber of Commerce calls on the Government to expand the stimulus budget to 1600 trillion, which would be almost the 10% of GDP spent by several countries on Covid-19 stimulus measures. The measures decided will support three areas: health, social protection, and economic-financial measures:

Healthcare (IDR 87 trillion) to address additional Covid-19 healthcare needs and promote preparedness.

Social Protection (IDR 204 trillion): To strengthen the social safety net, the government expanded the pre-existing Family Hope Program, a cash assistance program for impoverished families to improve children's education and maternal health. It also increased the number of food aid recipients from 15 to 20 million people, introduced electricity subsidies and support to village funds, logistics and groceries. In view of the increasing unemployment, a Pre-Employment Card to support training was launched.

Economic and Financial Measures (IDR 395 trillion): The economic recovery program provides incentives to rescue Indonesian business from bankruptcy and protect workers from layoffs and includes tax incentives, capital injections into SOEs and interest rate subsidies for MSMEs: *Business and MSMEs Incentives (IDR 244 trillion),* including **t**ax incentives (individual and corporate tax, import tax, preliminary returns of VAT) to 18 business sectors, including tourism and food & beverages sector. For MSMEs, additional interest subsidies, support to MSME credit restructuring, and investment financing for cooperatives. *Corporate Financing (IDR 45 trillion)*, including state equity participation, funds to restructure labor-intensive business, and guarantee support. *Sectoral and Regional Fund (IDR 106 trillion)*, including labor-intensive program managed by authorities, housing incentives, tourism support/incentives.

Government Regulation in Lieu of Law 1/2020 creates the legal basis for the government, banking and financial authorities to take extraordinary steps to save the national economy and ensure financial system stability, including an increase of the State Budget and allowing Indonesia's budget deficit to surpass its legal limit of 3% of GDP until 2022. The Minister of Finance currently (end of June 2020) estimates to reach a 2020 budget deficit of 6.34%, due to added expenses and lesser incomes (tax

etc.). The law also facilitates a reduction of corporate income tax until 2022 and grants authority to the Minister of Finance to provide emergency custom facilities.

Impact on Government priorities and planning

While the priorities set by the President for his second term and the National Development Plan are not expected to change much in their direction, the Covid-19 crisis will reduce the budget available and slow down the realization of some plans, leading to some delays. It is expected that most large infrastructure plans, possibly including the moving of the capital, will remain in the planning, but may face some delays. Certainly, the high GDP growth target to achieve the long-term 2045 vision may not be realistic for the next few years, although many analysts think that Indonesia will find its way back to 5% growth in 2021, 2022 or 2023. To reach this goal, the government continues to push economic reform plans to increase investment attractiveness, including those contained in the Omnibus Bill on Job Creation, with the Government hoping for its passage in parliament this summer 2020.

2. International and Regional Economic Agreements

2.1. Indonesia's trade agreement policy and priorities

According to the Trade Barrier Index 2019, Indonesia ranks only 72nd out of 86 countries and 2009-17 actually increased barriers to goods import, tariffs and non-tariffs, more than any regional competitor.

However, President Joko Widodo continues to place strategic importance on strengthening domestic industry and attracting foreign investment, and directs his administration to enter more free trade agreements and promote international trade cooperation. He also strengthened, in 2019, the economic diplomacy of the Foreign Ministry, with the mandate to 1) expand export markets (including alternative markets in Latin America, Africa, Eastern Europe and Middle East), 2) diversify export products (not only commodities), and 3) improve national branding.

2.2. Free Trade Agreements

According to the Directorate General of Bilateral Negotiations at the Indonesian Ministry of Trade, there are eight ongoing trade negotiations: Indonesia-EU CEPA, Indonesia-Turkey CEPA, Indonesia-Pakistan TIGA (Trade in Goods Agreement), Indonesia-Tunisia PTA (Preferential Trade Agreement), Indonesia-Bangladesh PTA, Indonesia-Iran PTA, Indonesia-Mauritius PTA and Indonesia-Morocco PTA.

A number of negotiations are at an exploratory stage: Indonesia-S.African Customs Union (SACU), Indonesia-ECOWAS PTA, Indonesia-Colombia PTA, and Indonesia-Eurasian Economic Union (EAEU).

2.2.1. Indonesia – EFTA CEPA

The Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA) was signed in December 2018 and will enter into force on the 1st of the month at least 60 days after Indonesia and two EFTA States ratified the Agreement. Norway ratified on 13 Dec. 2019, Iceland on 29 Jan. 2020.

In Indonesia, the Trade Ministry submitted the IE-CEPA for ratification to the Parliament on 13 June 2019. A first hearing of the competent DPR Commission VI (Trade and Investment) held several hearings since October 2019. The Government has expressed the hope that the IE-CEPA will be ratified before the end of 2020.

In Switzerland, the two Chambers of Parliament adopted the IE-CEPA in the second half of 2019. However, on 22 June 2020, a referendum committee submitted almost 60'000 signatures to the Federal Chancellery. If at least 50'000 signatures are valid, a popular vote will need to take place in Switzerland to decide whether the IE-CEPA will be ratified or not.

2.2.2. Indonesia-Australia CEPA: ratified

The Indonesia-Australia CEPA was signed on 4 March 2019 and ratified on 10 February 2020. The framework of the IA-CEPA is based on five principles: enhancing economic and development partnerships; connecting people through social, arts, and cultural collaboration; maritime cooperation, and contributing to the prosperity and stability of the Indo-Pacific region. Furthermore, the agreement also agreed to a skill development package, which includes skill exchange programs and technical assistance to improve the institutional capacity building. Australian companies can hold majority ownership of businesses e.g. in telecommunications, professional services, education and energy.

2.2.3. Indonesia-South Korea CEPA

On 25 November 2019, the negotiations on the Indonesia-South Korea Comprehensive Economic Partnership Agreement (IK-CEPA) were officially concluded by signing a Joint Declaration. The two partners planned to sign the IK-CEPA in the first half of 2020, after some "legal scrubbing".

The IK-CEPA covers trade in goods, services, investment, and economic cooperation. 93% of the Indonesian market would be opened (today 80.1%). South Korea is Indonesia' 8th largest investor.

2.2.4. Regional Comprehensive Economic Partnership (RCEP): "near conclusion"

The RCEP is being negotiated between the 10 ASEAN countries and their FTA partners China, South Korea, Japan, Australia, New Zealand and India. Fifteen out of these 16 countries have concluded text-based negotiations on the RCEP on 4 Nov. 2019 in Bangkok. India still had unresolved issues and opted out. The negotiating partners hope to sign the agreement end of 2020, possibly at the East Asia Summit scheduled in November in Hanoi, after several months of "legal scrubbing" and translation. While a deal including India would include nearly half of the world's population, a RCEP-15 would cover 29.6% of the world population, 29% of global GDP and 27.1% of total world trade.

2.2.5. Indonesia-EU CEPA: ongoing negotiations

The 9th round of the Indonesia-EU CEPA negotiations took place in Brussels from 2-6 Dec. 2019. The Vice Minister of Trade stated that the Indonesian government planned to conclude the substantive negotiations before the end of 2020, including subsidy policy, state-owned enterprises and government procurement. The 10th round planned on 16-20 March 2020 in Bali had to be postponed due to COVID-19. The EU decision to restrict palm oil for biofuel in the future has not prevented the negotiations, but looms over the negotiations since Indonesia views this measure as "discriminatory" and has requested a WTO dispute consultations with the EU on 9 Dec. 2019.

2.3 Negotiations on a Bilateral Investment Treaty with Switzerland

In 2014, Indonesia terminated all of its 67 Bilateral Investment Treaties (BIT). The BIT with Switzerland from 1974 was terminated with effect from 8 April 2016. New Swiss investments made after that date are no longer protected by the bilateral treaty. Swiss investments made prior to that date are protected during the duration that was authorized by Indonesia for that investment.

However, Indonesia has entered negotiations on a new bilateral BIT with a handful of countries, including Switzerland with a 1st round of negotiations in July 2018, the 6th round on 6 May 2020. A 7th round is planned in summer 2020.

3. Foreign Trade

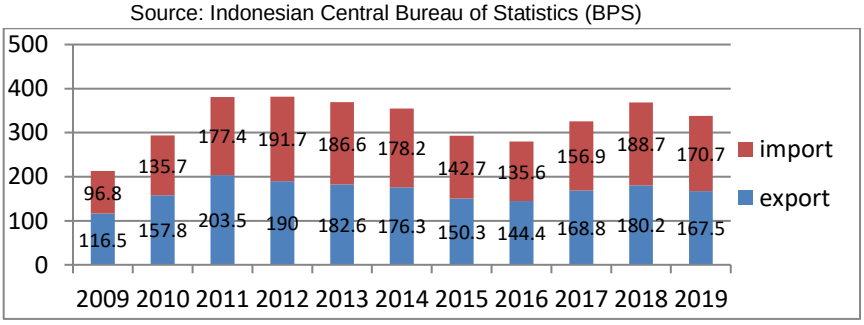
3.1. Development and general outlook

3.1.1. Trade in goods

Indonesia experienced a year-on-year (yoy) decline of 9.1% in total trade value, down to USD 338 billion in 2019. Exports decreased by 6.94%, while imports fell by 9.53%. Overall, Indonesia experienced a trade deficit of USD 3.2 billion, mainly due to a strong deficit of USD 9.35 billion in the oil and gas sector. In contrast, in the non-oil and gas sector, Indonesia experienced a surplus of USD 6.15 billion. At the beginning of March 2020, a USD 743.4 million trade surplus was recorded thanks to improved non-oil & gas sector. In 2019, Indonesia continued to experience a deficit in total trade with ASEAN (USD 2.4 billion) and China (USD 17 billion).

Indonesia's trade 2009-19 (in USD billion)

Source: Indonesian Central Bureau of Statistics (BPS)



Export: In the non-oil and gas sector, some of the leading export commodities are animal/vegetable fats and oils (in USD: 17.61 billion), machinery and electrical equipment (8.54 billion), vehicles and parts (8.16 billion), precious metals (6.62 billion) and clothing and accessories (4.48 billion). China is still the top destination country for Indonesia's non-oil and gas exports (17% or 25.85 billion).

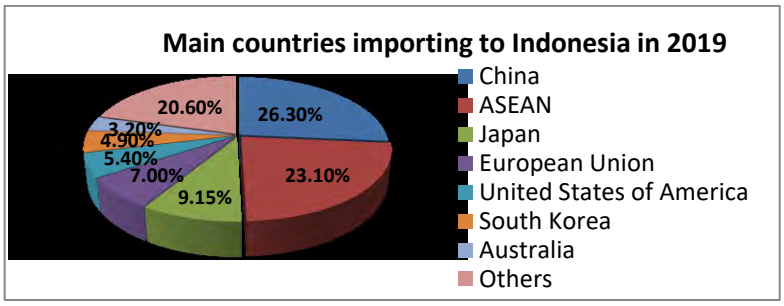
Overall, the ASEAN region continues to be the leading export destination, with a slight decrease by 0.3%. Exports to China have increased by 2.8%. The USA have replaced Japan as the 3rd largest Indonesian export partner. Meanwhile, exports to European Union countries fell by 18%.

Indonesia's Major Export Partners by Rank (2018 - 2019)

Country/ Region	2018		2019	
	Rank	Value (USD Mio.)	Rank	Value (USD Mio.)
ASEAN	1	41'913	1	41'785
China	2	27'132	2	27'908
USA	4	18'439	3	17'720
Japan	3	19'465	4	15'946
EU	5	17'087	5	14'469

Source: Indonesian Central Bureau of Statistics (BPS)

Import: Some of the main non-oil and gas import commodities include machinery and electrical equipment (in USD: 19.77 billion), iron and steel (10.39 billion), vehicles and parts (7.16 billion), precious metals (1.92 billion) and sugar or its derivative products (1.68 billion). Imports from China amount to almost 30% of total non-oil and gas imports. China also became the leading overall goods supplier of Indonesia in 2019, amounting to 26.3%.



Source: Indonesian Central Bureau of Statistics (BPS)

3.1.2. Trade in services

Among the 46 countries examined in the 2019 Services Trade Restrictiveness Index (STRI), Indonesia scored worse than the average score in all 22 services sectors. Distribution services, telecommunication and legal services are the sectors with the worst score. For instance, foreign lawyers are not allowed to practice law in Indonesia and can only be hired as consultants.

In 2018, Indonesia exported services worth USD 28 billion (0.5% of world services exports), and its services import value was USD 35 billion (0.6% of world services imports). Services account for about 23% of Indonesia's exports and about 27% of its imports. Travel services contributed as the main services exporting sector.

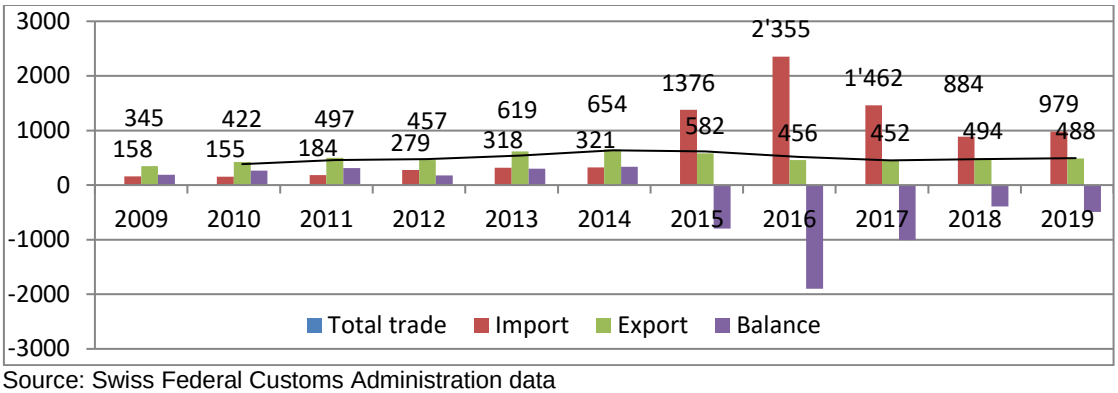
3.2. Bilateral Trade

3.2.1. Trade in goods

In 2019, the total bilateral trade (including gold) between Indonesia and Switzerland amounted to CHF 1.4 billion, a yoy increase of 6.4%. Swiss exports (including gold) decreased slightly by 1.2%, while imports increased by 10.7%, mainly due to the increase of precious metal imports from Indonesia.

According to Indonesian Central Bureau of Statistics, Swiss market share represents 0.4% of Indonesia's imports, increasing 9% from the previous year. Meanwhile, according to the Swiss Federal Customs Administration, Indonesia ranked as 48th trading partner in general total trade in 2019.

Swiss-Indonesia Trade – without Gold (in million CHF)



Source: Swiss Federal Customs Administration data

Based on the Indonesian Ministry of Trade, in 2019, bilateral trade valued USD 1.4 billion, a decrease by 9.37%, and Indonesia experienced a surplus of USD 44.5 million.

Total Trade Indonesia-Swiss – oil & gas and non-oil & gas (in million USD)

Description	2018	2019	%
Total Trade	1'544	1'435	-9.37%
Total Export	669	739	-17.55%
Total Import	874	695	3.82%
Trade Balance	-204	44.5	121.81

Source: Ministry of Trade, Indonesia

Swiss Exports to Indonesia

Swiss exports to Indonesia decreased by 1.2% in 2019 (CHF 488 million), compared to 2018 (CHF 494 million). Chemical and pharma exports registered growth in 2018 but declined in 2019 by 10.7%.

Swiss Exports to Indonesia (in million CHF)

Products	2018	2019	Change	%
Chemical and pharmaceutical products	216.7	193.8	-22.9	-10.7%
Machines, appliances, electronics	133.7	175.3	41.6	31.1%
Precious instruments, clocks & watches	40.4	41.2	0.8	2%
Metals	34.5	29.3	-5.2	-15.1%
Forestry and agricultural products	25.9	22	-3.9	-15%
Paper, stationery and graphical products	11.2	10.5	0.7	-6.3%
Overall	494	488	6	-1.2%

Source: Swiss Federal Customs Administration

By sector, chemical and pharmaceutical products contributed to 40% of total exports to Indonesia, followed by machines, appliances and electronics (36%).

Swiss Imports from Indonesia

Swiss imports (incl. gold) from Indonesia grew by 10.7% from a total of CHF 884 million to CHF 979 million. The growth is due to the CHF 84 million (13.7%) increase of precious metals in 2019.

Swiss Imports from Indonesia (in million CHF)

Products	2018	2019	Change	%
Precious metals	529	613	84	13,7%
Textiles, clothing and shoes	164.7	175.3	10.6	6.4%
Forestry and agricultural products	45.2	50.5	5.3	11.7
Machines, appliances, electronics	48.3	40.5	-7.8	-16.2%
Chemical and pharmaceutical products	25.2	27.7	2.5	10%
Various goods	29.5	26.4	-3.1	-10.5%
Overall (incl. Gold)	884	979	95	10.7%
Overall (excl. Gold)	355	366	11	3%

Source: Swiss Federal Customs Administration

Precious metals (63%) are still the primary Swiss import commodities from Indonesia, followed by textile products (18%).

3.2.1.1. Selected key sectors for Swiss companies

A. <u>Medical Technology</u>

Indonesia is likely to remain one of the fastest-growing medical device markets over the next five years with a growth of 9.4% per year, and amount to USD 1.6 billion by 2023. Imports supply about 90% of the market with leading suppliers sourced from China (15%), followed by Malaysia, Germany and Singapore (around 10% each). Imported products are mostly sophisticated medical and surgical instruments and equipment like medical lasers and diagnostic equipment.

The Government announced improving Indonesia's business environment, including government incentives for manufacturers investing in the medical device industry and improved regulatory environment on enhanced procurement system in the healthcare sector. The growing demand for medical equipment is supported by increasing life expectancy and growing demand for better healthcare, especially in Jakarta and Java. Nevertheless, Indonesia still allocates one of the smallest percentages of GDP to healthcare in Asia.

Medical Device Market Forecast 2013 – 2023 (in USD million)

MEDICAL DEVICE MARKET BY PRODUCT AREA, 2013-2023 (USDMN)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CONSUMABLES	98.2	96.1	113.6	131.9	129.4	169.1	182.8	199.0	214.7	235.1	257.6
DIAGNOSTIC IMAGING	149.2	128.3	157.0	228.0	237.6	249.7	271.3	301.9	329.1	363.0	400.2
DENTAL PRODUCTS	14.1	9.8	12.8	22.7	27.9	26.2	28.7	32.5	35.7	39.5	43.6
ORTHOPAEDICS & PROSTHETICS	3.9	6.7	9.3	14.5	15.7	25.3	27.3	30.0	32.3	35.3	38.5
PATIENT AIDS	182.3	166.5	75.2	87.3	89.9	104.2	113.9	125.6	134.8	146.6	160.0
OTHER MEDICAL DEVICES	235.1	207.6	258.8	365.7	392.6	461.0	501.9	554.2	600.8	658.2	719.8
TOTAL	**682.7**	**614.9**	**626.8**	**850.1**	**893.1**	**1,035.5**	**1,125.9**	**1,243.0**	**1,347.4**	**1,477.7**	**1,619.6**

Source: National Statistics, Fitch Solutions

Source: National Statistics, Fitch Solutions Indonesia Medical Devices Report - Q3 2019

B. <u>Manufacturing technology</u>

Indonesia has a substantial need for advanced manufacturing solutions to climb up the value chain. Manufacturing contributed 20% of Indonesia's GDP in 2019. The UN Industrial Development Organization (UNIDO) estimates that the growth of manufacturing value added (MVA) in Indonesia was 5.6% in 2019. The roadmap highlights five promising manufacturing sectors: automotive, chemicals, electronics, food and beverage, and textile and garment. These sectors outgrew the rest of the Indonesian economy. Strong competitive advantages are the locally available resources, growing demand, and the increasing adoption of key technologies and digitalisation. Machinery tools and steel are among some subsectors, which caught the interests of Swiss companies. Biggest growth rates are expected in food & beverage, chemicals & pharmaceuticals. In May 2020, Minister of Industry Agus Gumiwang Kartasasmita stated that several manufacturing sectors were enduring drops of nearly 50% due to stricter measures to contain COVID-19. The minister has announced various measures to uplift manufacturing industry and aims to ease the raw material imports.

<u>C. Infrastructure</u>

Infrastructure development is still a focus of President Joko Widodo's second term. The mid-year development plan (RPJMN) 2020-24 highlighted a number of massive economic infrastructure development projects. Some of the major projects are the Jakarta-Semarang and Jakarta-Bandung fast trains, and the airports development to enhance connectivity within the outer regions.

3.2.2. Trade in services

No recent and official bilateral trade in services data between Indonesia and Switzerland are available at the moment. In general, Indonesians continue to be interested in higher education in Switzerland, markedly so in the hospitality sector, financial services, and tourism. On tourism, Indonesia' market size (on Swiss hotels) is ranked at 27th in 2019.

4. Direct Investment

4.1. Development and outlook

The President has proposed extensive economic reforms. If these prevail in Parliament, and Indonesia realizes to exit the Covid-19 crisis without structural damage, there likely will continue to be extensive investments by Swiss companies, given the large population of Indonesia and the (prior to Covid-19) sustained GDP growth rates of slightly over 5%. However, Indonesia's policy to nationalize in particular in the natural resources sector may scare away potential investors.

The Indonesian Investment Coordinating Board (BKPM) reported IDR 809.6 trillion (USD 53.4 billion) of investment realization in 2019, a 12% increase yoy, of which 52.3% are Foreign Direct Investment (FDI) which grew by 7.7%. Some important sectors are excluded in the statistics, including oil and gas, banking, non-bank financial institution, insurance, leasing, home industry, small and medium enterprises. The highest Foreign Direct Investments (FDI) in 2019 were in electricity, gas, and water supply (21%); transportation, warehouse and telecommunication (16.8%); Metal (12.6%), machinery equipment, as well as Housing/Buildings; and Mining. Most FDIs were realized in Java with (USD 15.5 billion), particularly DKI Jakarta and West Java; Sumatra (USD 4.3 billion); Sulawesi, Kalimantan, Maluku and Papua and Bali/NT.

Despite the COVID-19 crisis, BKPM reported that investment in Indonesia grew by 8.0% yoy in Q1-2020, and 1.2% compared to Q4-2019. However, large scale measures were only introduced in mid-March, and BKPM projects that the total investment realization in 2020 will drop.

4.2. Bilateral investment flows

In 2019, Switzerland has been the 4th largest European investor according to Indonesian data, just behind the Netherlands, Germany and France. The main sectors were chemicals and pharmaceuticals, food and beverages, warehousing, logistics and distributions, and infrastructure projects.

According to BKPM data, Switzerland's investment in Indonesia decreased from USD 243.3 million in 2018 to USD 150.7 million in 2019, the 19th rank in terms of investments in 2019 (2018: 17th). However, the BKPM statistics exclude some sectors where Swiss companies have a substantial footprint in Indonesia, including banking, non-bank financial institution, insurance, and leasing industries. For example, Zurich Insurance's investment alone was three times the Indonesian official investment data by Switzerland. Furthermore, the data was sourced based on the investment value, which has been realized and submitted by foreign (FDI) companies in the form of an online Investment Activity Report (LKPM). Unfortunately, not all Swiss companies report their expansion by way of the LKPM form.

Hence, the investment date of BKPM greatly diverge from the data of the Swiss National Bank (SNB):

Bilateral Investment Data

	SNB data	**BKPM data**
2014	CHF 1'909 million	USD 150.8 million
2015	CHF 1'797 million	USD 61.8 million
2016	CHF 2'023 million	USD 346.7 million
2017	CHF 1'944 million	USD 615.5 million
2018	CHF 2'000 million	USD 243.3 million
2019	n/a	USD 150.7 million

Investment Realization Based on Country of Origin

In May 2020, thus at least 6 weeks after Covid-19 large-scale restrictions were introduced in Indonesia, 40.6% of the responding 32 members of SwissCham still intended to invest about the same amount in 2020 and 2021, mainly from the consultant, legal services, chemical and pharmaceutical industry. Healthcare and laboratory sectors (3.13%) are planning to invest even more than before. Meanwhile, construction & real estate, manufacturing & engineering technologies, Fast-Moving Consumer Goods sectors (FMCG) and several other sectors (34.38%) intend to invest somewhat less. As travel restrictions are currently the biggest challenge faced by Swiss companies, travel, trade & distribution services and hospitality sectors (21.88%) intend to invest much lower (40% less).

In 2018, the stock of Swiss FDI in Indonesia is CHF 6'524 million (SECO).

5. Swiss Trade, Economic and Touristic Promotion

5.1. Swiss Economic Promotion Instruments ("Country advertising")

5.1.1. Swiss Business Hub Indonesia

The Swiss Business Hub Indonesia (SBH Indonesia) is the Jakarta-based representative of the official international trade and investment promotion agency Switzerland Global Enterprise (S-GE). As part of the Swiss Embassy in Indonesia, it is responsible to support Swiss & Liechtenstein companies, especially SMEs, to identify and develop new business opportunities relating to Indonesia. Its mandate is primarily to promote Swiss exports to Indonesia, and Indonesian investments in Switzerland. To implement projects mandated by client companies, the SBH team accesses a variety of professional networks acting as local partners and/or industry experts in desired sectors, including for instance Fintech and Healthcare. Typical services rendered are market intelligence and market analysis, legal and regulatory clarifications, distribution partner search, or tailor made fact finding trips in Indonesia for Swiss companies interested in establishing themselves in Indonesia or trading with Indonesian partners. The Swiss Business Hub Indonesia participated in the Food Hotel Indonesia Exhibition in July 2019, realized a Manufacturing Technologies Fact Finding Mission in November 2019, and mandated/wrote market intelligence reports on Halal regulation, on Indonesia as an alternative manufacturing production location to China as well as on Indonesia's Fintech and Digital Health sectors in April-June 2020.

5.1.2. Swiss Chamber of Commerce

The Swiss Indonesian Chamber of Commerce (SwissCham) continues to focus on advocacy activities in close cooperation with the Swiss Embassy in Jakarta, such as CEO Breakfasts and CEO Talk seminars that facilitate topic-driven meetings with relevant government institutions. SwissCham Indonesia also makes its voice heard with analysis and policy proposals addressed the Indonesian government, e.g. through its Policy Paper "Advancing Indonesia 4.0" that outlines constructive ideas from the business community for boosting investment, trade, and development between Indonesia and Switzerland. As part of its networking, SwissCham also held a number of networking activities in 2019, such as the SwissCham Indonesia Golf Tournament and the Raclette & Fondue Night.

5.1.3. Swiss Centre Indonesia (SCI)

The Swiss Centre Indonesia "SCI" has been established by Swiss business men with many years of experience in setting up and running successful businesses in manufacturing, trading, sales, and services across Indonesia. Managed under PT Swiss Indonesia Management, SCI delivers services to Swiss SMEs to facilitate a "hassle-free soft-landing" when establishing business in Indonesia. The SCI offers ready access to in-house services like accounting, tax & audit, recruitment & general HR matters, legal assistance, license management, or even warehousing or light manufacturing opportunities.

5.1.4. Switzerland Tourism

Switzerland Tourism (ST) promotes Switzerland as an attractive holiday, travel, and convention destination by working together with various partners and members. In 2019, annual ST activities that took place in Indonesia included Switzerland Travel Experience in Jakarta, a workshop and meeting between ST partners, local travel agents, tour operators and media, and Market Development Tour in Surabaya with a similar concept. Additionally, in collaboration between VFS and the Swiss Embassy in Jakarta, the On-Demand Mobile Visa Centre in Surabaya was launched in 2020 to provide ease of visa application for Surabaya residents and nearby cities. Switzerland was promoted as a tourism destination in media such as Tempo, Kompas, Tokopedia, *detik.com* and *CNN Indonesia*.

In 2019, there were 101'332 overnight stays by Indonesian travelers in Switzerland, an increase of 4.2% from 2018. Popular destinations included Lake Lucerne Region, Zürich Region, Geneva Region, and Bern Region. The average expenditure of Indonesian tourists in Switzerland is ~300 CHF/day. With the advent of Covid-19, tourism to Switzerland has much suffered from February to June 2020.

5.1.5. Swiss Economic Development Cooperation in Indonesia

Switzerland's economic development cooperation partnership with Indonesia under its country strategy 2017-20 is closely aligned with the Indonesian Government's National Medium-Term Development Plan 2015-19, and focuses on two main areas: (i) improved public service delivery through efficient and sustainable use of resources; and (ii) a more competitive and job-creating private sector with access to sustainable resources and markets. In 2019, the Swiss State Secretariat for Economy (SECO) provided CHF 20 million for the implementation of 17 bilateral projects in Indonesia and 21 regional/global projects, which Indonesia is part of. A new Cooperation Program 2021-24 is being elaborated.

Strong areas of cooperation are Public Finance Management, Skills Development, Value-Chain Development (Tourism, Cocoa) and Sustainable Urban Development. Success stories in 2019 include:

- SECO launched three new projects, in close collaboration with the Indonesian Government and other donors: two in the area of infrastructure development (clean water provision), and one related to sustainable trade promotion (development of quality and standards in the fisheries sector).
- SECO supports the reforms of the Ministry of Finance to “collect more and spend better”, by addressing tax reforms at national and sub-national levels, and quality of spending of the national budget. It has contributed in 2019 to the elaboration of the Government Medium-Term Public Finance Management roadmap that will guide the reform process for the years to come.
- Switzerland supports three tourism projects in Indonesia that have started full implementation in 2019: Development of integrated tourism master plans for three destinations; assistance of a new tourism polytechnic in Lombok; and sustainable tourism development in two destinations.
- Technical and Vocational Education and Training (TVET) has become a key focus of Switzerland's partnership with Indonesia: The Swiss-funded Skills for Competitiveness (S4C) project assists six polytechnic schools in the sectors of manufacturing, metal processing, woodworking, food processing, and petro-chemical in different parts of Indonesia. The aim is to "dualize" the teaching-learning process through a close cooperation between schools and businesses. The project is a part of the Indonesian Government's efforts to improve its vocational education system and training.
- The Swiss Import Promotion Program (SIPPO) supports Business Support Organizations, including the Ministry of Trade, Ministry of Industry, Ministry of Marine Affairs and Fisheries, and Indonesia Essential Oil Council (DAI), in improving export promotion services for Indonesian SMEs for more than 15 years already. Aiming to integrate Indonesia into world trade better, the objective is to increase targeted export promotion capacity and last-mile services provision to export-ready companies with regard to regional markets and Switzerland as well as the EU. SIPPO supports three sectors: 1) natural ingredients; (2) fish and seafood; and (3) technical wood. In 2019, several selling and buying missions were conducted, including a lightwood selling mission to Vietnam as well as participation in the Seafood Expo Global (SEG) in Brussels and the trade fair Biofach in Germany.
- To mitigate the negative impacts of palm oil production, while recognizing the importance of palm oil for the Indonesian economy, SECO is partnering with UNDP and the Sustainable Trade Initiative (IDH) to mainstream sustainable palm oil production. Switzerland and its partners have devised projects that bring together key sector stakeholders committed to improve sustainability of palm oil through improving framework conditions, production practices, and adherence to quality standards.

5.2. Interest in Switzerland as location for tourism, education and other services

A) Switzerland as a Location for Tourism and Education: The Swiss Embassy in Indonesia issued 11'460 visas in 2019, a 33.2% increase yoy. 72% of the Schengen visa were for tourism, 14% for business, and 8% to visit family/friends. Swiss Government Excellence Scholarships are annually awarded on a (regional) merit base for post-doctoral or doctoral studies (one scholar for 2020/21 intake).

B) Switzerland as a location for Investment: Several large Indonesian conglomerates are internationally active. However, most of them concentrate their internationalization projects within Asia-Pacific, with a particular focus on the ASEAN region. The SBH selectively approaches senior management of potential target companies, particularly in the healthcare/pharma and Fintech sectors, to introduce Switzerland as an attractive FDI destination and an attractive regional hub. In November 2019, Achiko Ltd., a provider of game payment services in Indonesia and the holding company of the Mimopay and Kryptonite businesses, listed its shares on the Swiss Stock Exchange (SIX), taking a long-term view that Switzerland is a vibrant and growing hub for Fintech innovation, with a strong and supportive regulatory environment. In April 2020, Achiko announced a partnership with Sonect, a leading provider of consumer payment solutions in Switzerland.

C) Interest in Switzerland as financial location: As with other services, Indonesia's financial services are still primarily inward-looking. Financial sector growed well in Indonesia in 2019. A number of banks have expanded their services to digital-platform to capture the millennial groups.

D) Interest in Switzerland’s Start-up Scene: Four Indonesian start-up companies received awards from Ambassador Kurt Kunz at the Asia Entrepreneurship Training Program (AETP) award ceremony on 10 October 2019. The AETP enables two Swiss entrepreneurs to network with the Indonesian business ecosystem and grants four Indonesian start-ups access to Swiss business partners. ETH Zürich offers the program in collaboration with the ZHAW School of Management and Law.

APPENDIX 1: Structure of Indonesian Economy

Sector (% of GDP)[1]	2015	2016	2017	2018	2019
Agriculture, livestock, fisheries and forestry	13.5	13.5	13.1	12.81	12.7
Mining and Quarrying	7.6	7.6	7.6	8.1	7.3
Manufacturing Industry	20.9	20.5	20.2	19.86	19.7
Services	58.0	58.4	59.1	59.23	60.3
Total	100.0	100.0	100.0	100	100

Employment by Sector (%)[2]	2015	2016	2017	2018	2019
Agriculture	33	32	31	30.5	30
Industry	22	21	22	22	22
Services	45	47	47	47.5	48
Total	100	100	100	100	100

Sources:
[1] Indonesian Central Bureau of Statistics
[2] World Bank

APPENDIX 2: Main economic data

	2016	2017	2018	2019	2020
Wirtschaftswachstum (% des BIP)[1 2]	5.1	5.1	5.2	5.0	1.0[1] 0.5[2]
BIP (USD Mrd.)[3]	932.1	1'015.5	1'042.1	1'112	1'140
BIP/Einwohner (USD)[3]	3'620	3'880	3'840	3'986	4'042
Inflationsrate (%)[1]	4.5	3.3	3.13	2.8	1.3
Arbeitslosenrate (%)[1]	5.8	5.4	5.5	5.3	5.6
Leistungsbilanz (% des BIP)[1]	-2.1	-1.7	-3.0	-2.7	-1.5
Handelsbilanz (USD Mrd.)[3]	17.8	18.9	-430	3.5	1.5
Haushaltsbilanz (% des BIP)[1]	-2.1	-2.7	-1.9	-1.6	-5.4
Staatsschuld (% des BIP)[4]	26.0	29.0	30.1	30.5	34.0
Aussenschuld (USD Mrd.) [1]	308.6	335.4	382.2	366.1	380.8
Internationale Reserven (USD Mrd.) [1]	109.4	127.6	120.6	129.2	107.7

Schätzungen

Prognose

Sources:
[1] Economist Intelligence Unit (EIU), Country Report Indonesia, May 2020
[2] IMF World Economic Outlook, April 2020
[3] Asian Development Outlook (ADB), April 2020
[4] S&P Global Ratings, Press Release, April 2020

APPENDIX 3: Indonesia Main Export and Import Partners

Indonesia's Main Export Partners in 2019

No.	Country/ Region	Value (USD Billion)	% of total	% change
1	ASEAN	41.8	25%	-0.2%
2	People Republic of China	27.9	17%	2.9%
3	Japan	15.9	9.5%	-22%
4	European Union	14.5	8.7%	-18%
5	United States of America	17.7	10.6%	-4%
6	South Korea	7.2	4.3%	-32%
7	Taiwan, Province of China	4	2.4%	-17%
8	Australia	2.3	1.4%	-21%
9	Canada	0.8	0.5%	-7%
10	Others	34.7	21%	
11	Switzerland*	0.7	0.4%	9%
	Total	167.5	100.00	

Indonesia's Main Import Partners in 2019

No.	Country/ Region	Value (USD Billion)	% from total	% change
1	People Republic of China	44.9	26.3%	-1.3%
2	ASEAN	39.4	23%	-16%
3	Japan	15.6	9.1%	-15%
4	European Union	12.4	7.3%	-13.6%
5	South Korea	8.4	4.9%	-7.1%
6	United States of America	9.2	5.4%	-9.8%
7	Australia	5.5	3.2%	-5.6%
8	Canada	1.8	1%	-0.1%
9	Others	32.8	19.2%	
10	Switzerland*	0.7	0.4%	-25.7%
	Total	170.7	100.00	

Note:

- source on Swiss-Indonesia trade data: Swiss Federal Customs Administration.
- source of Indonesia and other countries' trade data: Central Bureau of Statistics, Indonesian Ministry of Trade (Kemendag)

APPENDIX 4: Indonesia-Switzerland Trade Development

Period	Import (in million CHF)		Export (in million CHF)		Balance (in million CHF)	
	Value	Change +/- %	Value	Change +/- %	Value	Change +/- %
2010	155	-1.6	422	22.4	267	42.6
2011	184	18.4	497	17.8	313	17.4
2012	279	51.8	457	-8.1	178	-43.3
2013	318	13.8	619	35.5	301	69.7
2014	321	0.9	654	5.6	333	12.2
2015	1'376	328.6	582	-11	-794	-338.4
2016	2'355	71.1	456	-22	-1'899	43.5
2017	1'485	-36.9	459	0.33	-1026	-43.8
2018	870	-33.3	486	5.8	-384	-44.1
2019	979	10.7	488	-1.2%	-491	-33%

Swiss Export to Indonesia 2019

Sector	Export (in million CHF)	Change +/- %	% sectoral export to total export
Products of the chemical and pharmaceutical industry	193.8	-10.7%	39.7%
Machines, appliances, electronics	175.3	31.1%	35.9%
Precision instruments, clocks and watches and jewellery	41.2	2%	8.4%
Metals	29.3	-15.1%	6%
Forestry and agricultural products, fisheries	22	-15%	4.5%
Paper, articles of paper and and products of the printing industry	10.5	-6.3%	2.2%
Leather, rubber, plastics	7.1	53.1%	1.4%
Textiles, clothing, shoes	5.6	28.5%	1.1%
Precious metals, precious and semi-precious stones (including gold and silver bars from 1.1.2012)	1.9	-75.7%	0.4%
Vehicles	1.5	-85.7%	0.3%
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	1	-79.7%	0.2%
Stones and earth	0.8	49%	0.2%
Energy source	0.1	81.2%	0.02%
Works of art and antiques	0.09	-81.7%	0.018%
TOTAL	488.2		100%

Swiss Import from Indonesia 2019

Sector	Import (in million CHF)	Change +/- %	% sectoral import to total import
Precious metals, precious and semi-precious stones (including gold and silver bars from 1.1.2012)	612.9	15.8%	62.6%
Forestry and agricultural products, fisheries	50.5	11.7%	5.1%
Machines, appliances, electronics	40.5	-16.2%	4.1%
Products of the chemical and pharmaceutical industry	27.7	10	2.8%
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	26.4	-10.5%	2.7%
Leather, rubber, plastics	19.6	2.6%	2%
Precision instruments, clocks and watches and jewellery	10.9	29.9%	1.1%
Metals	8.9	-0.5%	0.9%
Vehicles	3.9	1.8%	0.4%
Stones and earth	1.5	1.4%	0.1%
Paper, articles of paper and and products of the printing industry	1.1	132%	0.1%
Works of art and antiques	0.27	175.6%	0.03%
Energy source	0.2	-52.4%	0.02%
TOTAL	978.9		100%

Source: Swiss Federal Customs Administration

APPENDIX 5: FDI Realization in Indonesia

Period: 1 Jan 2018 to 31 December 2019

Rank*	Country	2018	
		Investment Value (in million USD)	Projects
1	Singapore	9’193.1	4'946
2	Japan	4’952.7	3'166
3	China	2’376.5	1'562
4	Hong Kong	2’011.4	1'072
5	Malaysia	1’774.9	1'276
6	South Korea	1’604.7	2'412
7	USA	1’217.6	572
8	British Virgin Island	1’043.2	800
9	Netherlands	943.1	840
10	Australia	597.4	635
11	Thailand	396.3	187
12	Marshall Island	386.5	18
13	Germany	280.4	361
14	United Kingdom	271.1	483
15	Mauritius	267.8	127
16	Cayman Island	250.8	106
17	Switzerland	243.2	225
18	Belgium	216.3	140
19	Taiwan	201.2	471
20	Canada	170.7	90
	Rest of the world	907.40	
Total		29,307	

Rank*	Country	2019	
		Investment Value (in million USD)	Projects
1	Singapore	6’509.6	7’020
2	China	4’744.5	2’130
3	Japan	4’310.9	3’825
4	Hong Kong	2’891.0	1’508
5	Netherlands	2’596.8	1’345
6	Malaysia	1’357.5	1’682
7	South Korea	1’070.2	2’952
8	USA	989.3	788
9	British Virgin Islands	743.8	1’392
10	Australia	348.2	1’049
11	Thailand	342.8	225
12	Seychelles	228.6	110
13	Germany	189.3	533
14	Canada	186.3	123
15	Taiwan	181.1	546
16	Cayman Islands	175.6	137
17	France	167.4	723
18	Marshall Island	154.6	34
19	Switzerland	150.7	34
20	United Kingdom	142.1	324
	Rest of the world	1’052.17	
Total		28’190	

Source: Indonesian Investment Coordinating Board (BKPM)

*Rank based on the BKPM FDI ranking in 2019