

The 19th Joint Economic Cooperation Conference
between Taiwan and Indonesia

Enhancing Trade and Investment between Indonesia and Taiwan

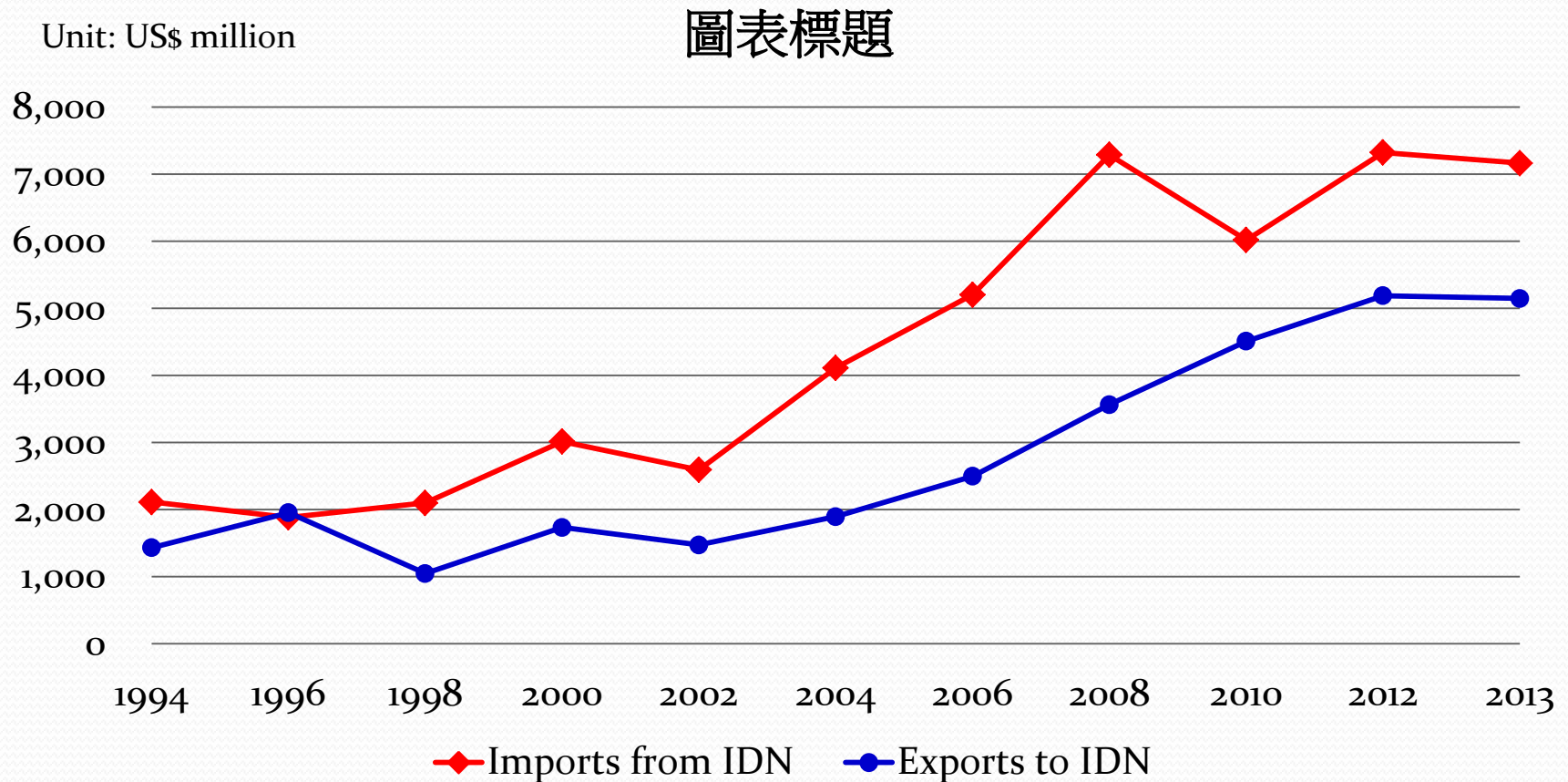
Office of Trade Negotiations
Ministry of Economic Affairs
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Outlines

- Bilateral trade and investment at a glance
- Opportunities and challenges for strengthening bilateral trade and investment
- Ways toward a closer economic partnership

Indonesia's exports to Taiwan triples from US\$ 2.1 billion to US\$7.1 Billion ^(1/5)

• Bilateral trade in goods (1994 – 2013)



Source: Taiwan Customs

Taiwan imports energy, minerals, precious metals and natural rubber from Indonesia (2/5)

Taiwan's Major imports from Indonesia

- Coals
- Liquefied natural gas
- Petroleum oil, fuel oil
- Nickel oxide sinters
- Waste and scrap gold
- Unwrought, unalloyed tin
- Wood (construction material)
- Chemicals (liquified ammonia)
- Natural rubber
- Copper waste and scrap

Indonesia imports intermediate goods from Taiwan (3/5)

Taiwan's major exports to Indonesia

- Gasoline, diesel fuel and fuel oil
- Chemicals (Ethylene)
- Knitted or crocheted fabrics of synthetic fibers
- Product of iron or non-alloy steel
- Electronic integrated circuits
- Plastics (polypropylene)
- Parts and accessories of vehicles

Taiwan is Indonesia's 9th largest Foreign Direct Investor accumulatively (4/5)

- **Bilateral investment** (as of December 2013)

- Amount: US\$15.36 billion
- Covering agriculture, fishery, clothing, **footwear**, electronics, **ICT products**, paper, **metal and auto parts**; catering, logistics, **finance** and consultancy services.
- More than 1,000,000 jobs created.



Amount: US\$114 million

Bilateral Cooperation in varied Trade in Good and Service Sectors (5/5)

- **Bilateral agreements / MOUs :**
 - Investment promotion and protection (1990)-**9th largest FDI to Indonesia**
 - Double taxation avoidance (1995)-**1,600 Taiwanese Investments in Indonesia**
 - Agricultural cooperation-**OVOP**
 - Marine and fishery cooperation-More investments and trade
 - Labor **recruitment**-200,000 Indonesian friends work in **nursing service and industrial sectors.**
 - Financial securities cooperation-**China Trust Bank**
 - Higher education-More students from ASEAN

Opportunities and challenges for strengthening bilateral trade and investment (1/2)

- **Opportunities**

- Indonesia's large domestic consumer base
- The vast natural resources of Indonesia
- The relatively low cost production in Indonesia
- Indonesia's strong economic growth rate at 6.2% in 2014
- Taiwanese investors diversify and relocate production facilities
- Successful Taiwanese small and medium enterprises looking outward

Opportunities and challenges for strengthening bilateral trade and investment (2/2)

• Challenges

- Indonesia's foreign ownership restrictions in a number of sectors, such as Banking, franchising restaurant
- Legal and regulatory uncertainty in Indonesia
- Deficient infrastructure in Indonesia
- Rising wages and cost of utilities in Indonesia
- Indonesia's high tariffs on intermediate goods, semi products and machine tool
- ASEAN Comprehensive Investment Agreement makes Taiwanese investors suffer less favorable treatment
- The existing bilateral investment promotion and protection agreement is obsolete, nonbinding and unenforceable.

Geo-political ,Geo-economic and Energy Security Implications (7/)

- **GVCs in the north**

- Mainland China

- **GVCs in the south**

- ASEAN countries:
 - Vietnam
 - Thailand
 - Indonesia**
 - Malaysia
 - Philippines



Ways toward a closer economic partnership

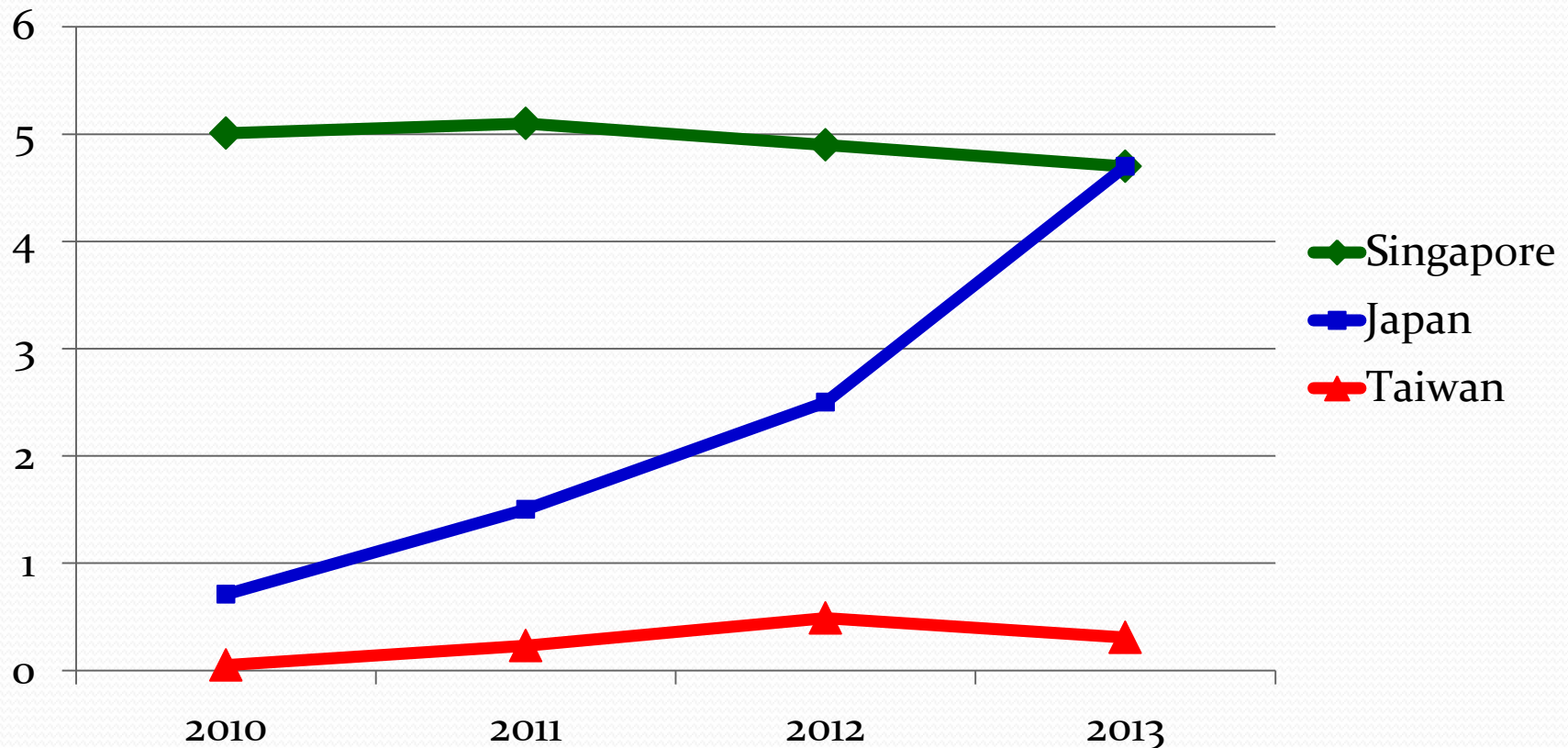
(1/)

- **A comprehensive economic cooperation agreement**
 - **Broader scope and coverage** – **Greater gains**, due to the complementary nature of bilateral trade and investment.
 - **Guarantee** the commercial operations of Taiwan businesses in Indonesia and attract **greater investment flows** through institutional arrangements in areas of ICT, Automotive, Agriculture ,Energy and renewable energy
 - Minimize the negative impacts on sensitive sectors and products
 - **Regulatory cooperation** in customs procedures and trade facilitation
 - **Capacity building** and technical assistance in vocation education and training , agricultural projects (OVOP) as well as best SME practices.

Alternatives progressively ...

Japanese investment in Indonesia soured after signing the EPA with Indonesia (4/)

Unit:
billion US\$



Ways toward a closer economic partnership (2/)

- **Building-Turbo Engines approach**

1. **Bilateral investment agreement (BIA)**

Why a BIA is a must?

- Addressing investors' needs regarding transparency in laws and regulation, **non-backward policy**, eliminating performance requirements, free fund transfer, etc.
- Legal protection , commitment and enforcement by the government- **enforceable life and properties protection**
- Strengthen **investors' confidence** and investment willingness

Ways toward a closer economic partnership (3/)

- **Building Turbo-engines approach**

1. **Bilateral investment agreement (BIA)**

How?

- **Updating** the 1990 bilateral investment promotion and protection agreement

What elements should be covered?

- Investment promotion, *protection*, facilitation and liberalization (**ASEAN Investment Agreement Model?**)

Who?

- Signed by **authorized** institutions and responsible **persons**

Ways toward a closer economic partnership (4/)

- **Building Engines approach**

2. Preferential Trade Agreement (PTA)

What is an PTA?

- Eliminating or reducing tariffs on selected goods

How is a PTA workable?

- Pursuant to the WTO's **Enabling Clause**
- Examples:
 - ✓ PTAs signed by ASEAN with China, South Korea, and India
 - ✓ Indonesia – Pakistan PTA

Ways toward a closer economic partnership (5/)

- **Building Turbo Engines approach**

- 2. **Preferential Trade Agreement (PTA)**

- **Benefits to both sides**

- ✓ Import more Indonesia's products to Taiwan's market
 - ✓ Avoid negative impacts on sensitive sectors
 - ✓ Increase the number of Taiwanese investors in Indonesia (Supply Chains and Value Chains Effects)
 - ✓ Enhance Indonesia's key role in regional value chains

Indonesia is Taiwan's Top Priority Trade Partner and Investment Destination in the Region (6/)

- **Bayu Krisnamurthi, Vice Minister of Trade**
Taiwan's GNI (PPP)-one of the highest in Asia
 - **Exports to Taiwan: US\$10 billion (US\$7 billion, 2013)**
 - **Trade surplus: US\$ 4 billion (US\$ 2 billion, 2013)**

Muhammad Lutfi, of Trade Minister
More Taiwan's Investment in Indonesia

- **Taiwan's plan to enhancing trade and investment in South-Eastern Asia (2014~2016)**
 - **Action plan:**
 - ✓ **Indonesia is Taiwan's top priority investment destination in the region.**
 - ✓ **Join regional integration**

Terima kasi ! Thank you!



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