

A webinar for EU-Alliance INDONESIA mission

Welcome to the EU-Alliance webinar!



26 October 2022

Agenda

○ Welcome and introduction to EU-Alliance project and the call for SMEs selection

Julie RAFTON-JOLIVET, Business Development & International Director, TECHTERA, Coordinator of EU-Alliance project

○ Introduction to Indonesia and the program of the mission

Peter Huis in 'Veld Business Development Manager and International Trade Missions of The Netherlands Industries for Defence and Security NIDV.

○ Perspective on Indonesia Security and Defence market

COL Royal Netherlands Army Norbert Moerkens, Defence Attache of the Kingdom of The Netherlands in the Republic of Indonesia.



Agenda

Why choose Indonesia?

1. How to do business with Government, key economic sectors, soft landing programme

Mr. Gustaaf Reerink, foreign counsel at ABNR Counsellors at Law. He advises on corporate and commercial transactions, specializing in foreign investment, corporate M&A, and antitrust, across a broad ranges of industries.

2. Market Overview Indonesian Defence market

Nico van Dam, programme manager NIDV EU-Alliance Indonesia

Round table of participants and their needs

Questions and answers

Wrap-up and conclusion



Introduction to **EU-Alliance** project

Julie RAFTON-JOLIVET, *Business Development & International Director*,
TECHTERA, **Coordinator of EU-Alliance project**





Applicative markets: defence and security

Target countries

USA
Canada
Japan
Indonesia



Concerned offer and sectors

Dual use technologies, products or services from several industries:
Technical textiles, advanced materials and technologies, connectivity, deeptech,...



techtera
Tissé en Auvergne-Rhône-Alpes
EU-ALLIANCE

Textile, France
Coordinator



NEXT
TECHNOLOGY
TECNOTESSILE
SOCIETÀ NAZIONALE DI RICERCA P. L.

Textile, Italy



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Textile, Italy



NIDV DEFENCE & SECURITY
THE NETHERLANDS INDUSTRIES FOR DEFENCE & SECURITY

Defence and security,
Netherlands



Siit
SISTEMI INTELLIGENTI INTEGRATI TECNOLOGIE

Connectivity, Italy



Systematic
Paris Region Deep Tech Ecosystem

Deep tech, France

A first collaboration during a first phase of the project

Three European countries involved

Cross-sectoral approach:
textiles, advanced materials, connectivity, deep tech for defense and security markets

Objectives of the missions



To make participants discover the local market

Identify concrete business and partnership opportunities through site and event visits, group and/or B2B meetings.
Carry out technological and commercial monitoring while benefiting from logistical support and a preparatory phase.



Facilitate and accelerate contacts with local players

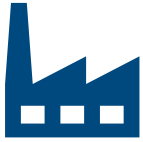
To spread the strength of the European collective to SMEs
To allow access to large companies, principals and institutions that would be difficult to reach at the level of a single SME



Strengthen the link between European actors

An opportunity for SMEs to meet other European clusters,
A place for meeting and synergy between the different participating companies

Call for SMEs selection: eligibility and application



SMEs

Located in the European Union



In the fields of technical textiles, advanced and smart materials, ICT, Cyber security, Deep tech, PPE, Automatic & Robotic, Maritime, Defence & Security



Applicants must fill-in the [Survey](#) online, the [application template](#) in English and send it back to jrafton@techtera.org >>> **before November 30th**



EU funding support

Introduction to Indonesia and the program of the mission

Peter Huis in 'Veld, *Business Development Manager and International Trade Missions*

The Netherlands Industries for Defence and Security NIDV



NIDV

The Netherlands Industries for Defence and Security (NIDV) links companies, knowledge institutions, and the government within the Netherlands.

Since being founded in 1984 by the ministries of Economic Affairs and Climate, Foreign Affairs, Defence, and industry partners, NIDV ensures the sustainable positioning of the Dutch defence and security sector both at home and abroad.

The NIDV acts as information provider, advocate and service provider for the Dutch Defence and security sector.

Programme manager: Nico van Dam

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Telephone: +31 6 53726079

Company website: www.nidv.eu

KEY OBJECTIVE EU-ALLIANCE PROJECT

The key objective of the EU-Alliance Project is to support SMEs, new companies in the export markets (defence and security) as well as experienced ones, in the global competition by providing them with internationalisation customized services to enter new international dual-use markets in the fields of technical textile, connectivity and advanced materials and in organising a delegation of SMEs supported by the partners in the Republic of Indonesia.

- Indonesia, the world's 16th largest economy, is currently one of the most attractive defense markets in South Asia.
- Indonesia was the 8th largest economy in the world in 2016, with a GDP of around USD 3.0 trillion at PP, and it is expected to be the 4th largest economy by 2050.
- With a consuming class of 45 mio and 55 mio skilled workers in the domestic economy, Indonesia has assumed a strategic position in the evolving global market;
- Representing an estimated value of \$0.5 trillion regarding market opportunity in consumer services, agriculture/fisheries, resources and education.
- Indonesia is known to be among the major players in the manufacturing of good quality textile, textile products and footwear.
- While consistently meeting the domestic market demand, these sub-sectors have developed to become major export-oriented industries.
- Netherlands has an extensive and historical relation with Indonesia that will make it easier to collaborate and cooperate between EU-ALLIANCE project and local entities. Close ties and a good knowledge of local actors will provide our partnership great opportunities to enter in a new market.

- To deepen interclustering and crosssectoral collaboration at the European level.
- To support SME engagement and internationalisation through the implementation of tailored services and a co-building strategy.
- To establish and to support cooperation and business agreements with international business in countries beyond Europe.
- To implement an innovative communication strategy that puts SMEs as principal targets.
- To develop a long-term support services strategy ensuring the sustainability of the EU-Alliance project.

Mr. Peter Huis in 't Veld – manager NIDV

Ms. Gabriella Solaini – partner NIDV

Mr. Robbert van de Rijdt – specialist Indonesia on behalf of the NIDV

Mr. Nico van Dam – programme manager on behalf of the NIDV

- Q3 and Q4 preparations for implementation Programme EU-Alliance.
- October 30 –November 6, 2022, visit Team NIDV to Jakarta to discuss Programme with relevant stakeholders (during Indo Defence).
- October 26 EU Alliance webinar for interested and dedicated companies which will be part of the Programme.
- November 16-18, 2022 participation in the NEDS 2022; EU Alliance with own booth.
- Implementation Programme in Jakarta EU-Alliance January 28– February 2, 2023

	Saturday January 28, Sunday January 29
	Saturday: start travel from Rome, Paris, Amsterdam
	Sunday: Arrival at CGK (Soekarno-Hatta International Airport, Jakarta)
	Transport from CGK to Hotel Shangri La, Jakarta
17:00-19:30	Welcome delegations by NIDV, briefing on Programme and “Ice breaker event”, location Hotel Shangri La Jakarta (SLJ)

	Monday January 30
09:30-10:30	Briefing session on local and regional ecosystem by 'to be decided'; location Hotel SLJ
10:30-12:00	Legal and tax briefing by 'to be decided'; Hotel SLJ
13:00-15:00	EU companies elevator pitch; 14 companies/5 mins; location Hotel SLJ
15:00-17:00	Matchmaking Event; location Hotel SLJ
18:00-20:00	Reception hosted by

	Tuesday January 31
10:00-12:00	Visits (company or official agency)
13:00-16:00	Visits (company or official agency)
13:00-15:00	Wrap-up experiences EU companies, organised by NIDV; location Hotel SLJ
18:00-20:00	Drinks and 'walking dinner' hosted by 'to be decided'

	Wednesday, February 1
09:30-10:30	Follow-up Visits (company or official agency)
10:30-12:00	Wrap-up with EU companies; way forward and ambitions; Hotel SLJ
13:00-15:00	Visit to the Dutch War Cemetery Menteng Pulo in Jakarta
18:00-20:00	Farewell drinks tbd

	Thursday, February 2
19:00	Transport Hotel SLJ to CGK.. Flight to Rome, Paris, Amsterdam

Perspectives on Indonesia **Security and Defence market**

COL Royal Netherlands Army Norbert Moerkens, *Defence Attache*
Kingdom of The Netherlands in the Republic of Indonesia



Why choose **Indonesia** ?

How to do business with Government, key economic sectors, soft landing programme

Mr. Gustaaf Reerink, *foreign counsel at ABNR Counsellors*



Introduction to Doing Business in Indonesia

Gustaaf Reerink

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EU-Alliance for
International Business
Development of
Advanced Materials and
CoNnectivity for DefenCe
and SEcurity Markets

Agenda

- Introduction
- Opportunities for business in Indonesia
- Reforms and Incentives
- Options for market entry
- Realizing market entry
- Conclusion
- Q&A



Opportunities for business in Indonesia

- general fundamentals (robust economy, growing consumer market), favorable investment policies (including new Omnibus Law), and enhanced ease of doing business)
- specific opportunities for



Opportunities – Robust Economy

- Strong GDP growth of around 5% (higher prices for imported oil and gas compensated by higher commodity prices)
- Low inflation (partly due to regulated pricing / subsidies)
- Relatively stable exchange rate (3rd best performing currency in Asia)
- Investment grade (Fitch: BBB / Stable, S&P: BBB / Stable, Moody's Baa2 / Stable)

Opportunities – Big Consumer Market

2021:

- 16th largest economy in the world
- 85 million people in the consuming class

2030:

- 7th largest economy in the world
- 135 – 170 million people in the consuming class
- US\$ 1.8 trillion market opportunities in consumer services, agriculture and fisheries, resources, education

Opportunities – Defense & Security Specific

- Traditionally, most investment in army, instead of navy and air force
- This is changing, particularly due to potential conflicts in the China South Sea, Taiwan, Nine Dash Line.
- Indonesia being a leader of the non-aligned movement, it procures equipment from a variety of sources, including the US, Europe and Russia. Recent purchase: Rafale Jet Fighters from France
- Defense Minister Prabowo has initiated an ambitious renewal / upgrading program, also triggered by the Nanggala-402 submarine disaster in 2021.
- 2023 Defense budget likely to be increased to US\$ 13.6 billion (from US\$ 9.4 billion in 2022)

Reforms and Incentives

- Improved Ease of Doing Business, OSS system, Omnibus Law



Reforms and Incentives – EODB

- Indonesia's Ease of Doing Business (EODB) ranking is improving, but still lags behind several regional peers

Country	2016	2017	2018	2019	2020
Singapore	1	2	2	2	2
Malaysia	18	23	24	15	12
Thailand	49	46	26	27	21
Vietnam	90	82	68	69	70
Indonesia	109	91	72	73	73
Philippines	103	99	113	124	95
Cambodia	127	131	135	138	144
Myanmar	167	170	171	171	165
<i>Netherlands</i>	28	28	32	36	42

Reforms and Incentives – EODB

	EoDB 2020 Rank	EoDB 2019 Rank	Change in Rank	EoDB 2020 Points	EoDB 2019 Points	Change in Points
Overall	73	73	= 0	69.6	68.0	↑ 1.6
Starting a business	140	134	↓ 6	81.2	81.2	= 0.0
Dealing with Construction Permits	110	112	↑ 2	66.8	66.6	↑ 0.2
Getting Electricity	33	33	= 0	87.3	86.4	↑ 0.9
Registering Property	106	100	↓ 6	60.0	61.7	↓ 1.7
Getting Credit	48	44	↓ 4	70.0	70.0	= 0.0
Protecting Minority Investors	37	51	↑ 14	70.0	63.3	↑ 6.7
Paying Taxes	81	112	↑ 31	75.8	68.0	↑ 7.8
Trading Across Borders	116	116	= 0	67.5	67.3	↑ 0.2
Enforcing Contracts	139	146	↑ 7	49.1	47.2	↑ 1.9
Resolving Insolvency	38	36	↓ 2	68.1	67.9	↑ 0.2

* Higher rank is better, EoDB 2020 was published in October 2019

- Government efforts to boost business growth through deregulations and de-bureaucratization have been recognized by the improvement of EODB
- Structural reforms will continue including in the budget and real sectors

Source: World Bank

Source: [Bank Indonesia](#)

Reforms and Incentives – OSS System

- Online Single Submission (OSS) system is a “one-roof” online licensing system for the handling of licenses previously managed by different ministries and government agencies, including the Investment Coordinating Board (BKPM)
- Since its introduction in 2018, license procedures have become much faster and less cumbersome
- Most important change is that the BKPM can issue a conditional license, making it possible to apply for various licenses in parallel (instead of sequentially)

Reforms and Incentives – Omnibus Law

- Omnibus Law on Job Creation has been approved by the Parliament, enactment pending
- The Law contains 186 articles that amend 79 laws
- The bill addresses the following topics: 1) improvement of the investment and business ecosystem, 2) employment opportunities, 3) improved ease of operation, protection and empowerment for micro, small and medium-scale enterprises and cooperatives, 4) ease of doing business, 5) support for research and innovation, 6) land procurement, 7) economic zones, 8) central government investment and the acceleration of nationally strategic projects, 9) implementation of government administration, and 10) imposition of sanctions

Reforms and Incentives – Omnibus Law

- New foreign investment policy:
 - Only 6 sectors are closed, i.e. 1) cultivation and manufacture of class 1 narcotics, 2) gambling and casino businesses, 3) fishing of prohibited species of fish, 4) coral extraction, 5) chemical weapons, and 6) production of industrial chemicals and ozone-depleting substances
 - According to law, all the remaining sectors are open to foreign investment, but there will be a new Negative List (renamed: Investment Priority List) likely creating restrictions on foreign investment within 3 months

Reforms and Incentives – Omnibus Law

- Licensing:
 - Introduction of the concept of risk-based business licensing, which differentiates between different types of business licensing based on the risk factors involved in the relevant business activities, specifically: 1) health; 2) security and safety; 3) the environment; and 4) preservation of the environment, and risk potential, i.e. 1) never happens; b) rarely happens; c) happens; or d) frequently happens
 - Centralization of licensing authority from the regions to the central government

Market entry

Options for market entry:

- overseas trading
- appointment of agent / distributor
- permanent establishment (oil & gas)
- rep office (normal, trading, construction)
- foreign investment company
- other arrangements

How to realize market entry?

- Select partner
- Establishment process
- Realizing the investment
- Corporate maintenance



Options for Market Entry – “Light” Options

- Overseas trading
 - Contracting offshore, careful with visits to Indonesia
 - Regulatory requirements for products (e.g., halal certificate)
- Appointment local distributor / agent
 - Subject to registration and clean break obligation
- Permanent establishment
 - If there are income generating activities in Indonesia, local presence is in principle mandatory. Permanent establishment sometimes allowed, e.g., in oil & gas sector.
 - E-commerce companies still often do not have local presence, but rules are becoming stricter.

Options for Market Entry – Rep Office

- ‘Normal’ Representative office (KPPA)
- Trading representative office (KP3A), i.e. Selling Agent and/or Manufacturers Agent and/or Buying Agent
- Foreign construction company representative office (BUKJA), specifically for construction business
- Representative office of foreign bank, specifically for foreign banks

Options for Market Entry – PT PMA

- Limited liability company (PT PMA) (greenfield)
 - Minimum investment, >IDR 10 billion (around EUR 650,000), which can be used as working capital, remaining can be bank loans, shareholders loans, etc.
 - Foreign investment restrictions may exist, usually in the form of foreign shareholding restrictions. But it is possible nonetheless for the foreign investor to control the company, i.e., based on different classes of shares, board nomination rights, reserved matters
 - Foreign investment restrictions, in principle, does not apply to investments in listed companies (portfolio or otherwise) and investments through a local Venture Capital Company

Options for Market Entry – PT PMA

- Limited liability company (PT PMA) (existing)
 - Acquire shares in an existing company
 - Possibly grandfathered from foreign investment restrictions under current legislation (if any)
 - Potential liabilities, common issues: double bookkeeping, incomplete corporate documents and licenses, employees resigning and claiming severance, change of control clauses

Options for Market Entry - Comparison

No.	Points	Rep Office (KPPA and KP3A)	Limited Liability Company (PT PMA)
1.	Minimum investment value	N/a	> IDR 10 billion (~EUR 650,000), including paid up capital (see below) <u>per business line</u> (excluding land and buildings)
2.	Minimum paid up capital	N/a	IDR 10 billion (~EUR 650,000)
3.	Minimum shareholders	N/a, no shareholders	At least 2 shareholders, but under Omnibus Law (TBD), a PT PMA may have 1 shareholder
4.	Foreign ownership	N/a, representative office represents foreign principal	Possible, subject to foreign investment restrictions under Negative List

Options for Market Entry - Comparison

No.	Points	Rep Office (KPPA and KP3A)	Limited Liability Company (PT PMA)
5.	Management	Representative office has a chief of rep office, who can be foreign and must reside in Indonesia	At least one Director and at least one Commissioner, who can be foreign. At least one Director (foreign or local) must reside in Indonesia
6.	Transactions and revenues	Not allowed to enter into transactions and generate revenues in Indonesia	Allowed to enter into transactions and generate revenues in Indonesia
7.	Employees	At least 2 Indonesian employees	For each foreign employee, there should be an Indonesian employee in a similar position

Options for Market Entry – Local PT

- Limited liability company (Local PT)
 - Nominee arrangement where an Indonesian individual or entity holds shares on behalf of a foreign individual or entity is prohibited by the Investment Law
 - Alternative: loan-pledge arrangement similar to a normal financing arrangement, where the investor indirectly controls the company
 - Advisable to work with a reliable (professional) service provider
 - Residual legal, tax and commercial risks cannot be avoided

Options for Market Entry – Defense specific

- Projects in the field of defense and security will often require a consortium structure, as the Government of Indonesia expects collaboration with the Indonesian state-owned defense industry, so they can advance their capabilities and in the long term compete with foreign weaponry makers
- Indonesia's state-owned defense industry was recently reorganized, now consisted of a holding company names Defend Id, which oversees oversees four other state companies in related sectors: shipbuilder PAL Indonesia, aircraft maker Dirgantara Indonesia, explosives producer Dahana and tank and weaponry manufacturer Pindad
- Projects are often subject to offset and local content requirements

How to realize market entry?

- Select partner
 - Use existing networks to find potential partners
 - Take time to select partner and carry out due diligence
- Establishment process
 - Currently taking just a few weeks, but still a lot of paperwork.
 - Create clear rights and obligations for parties, and a proper exit mechanism!

How to realize market entry?

- Realizing the investment
 - In case of PT PMA: Paid up capital immediately after establishment, other investment over the course of months or years (can be based on loans, retained earnings, etc.)
- Corporate maintenance
 - Reporting of investment realization, fulfil tax and accounting obligations, annual general meetings of shareholders, re-appointment board directors, company regulation (if 10 employees or more)

Conclusion

- Indonesia is an attractive foreign investment destination, offering interesting opportunities to do business, not least for Dutch investors
- The Jokowi administration is pro-foreign investment and there have been significant reforms in recent years, with potentially more fundamental reforms to follow
- Market entry options are setting up a representative office (KPPA, KP3A or BUJKA) or a foreign investment company (PT PMA); investment through a local company with Indonesian shareholders only (PT) poses risks and needs to be well structured

Why choose **Indonesia** ?

Market Overview Indonesian Defence market

Nico van Dam, programme manager *NIDV EU-Alliance Indonesia*



- Total population 274 million
- Square Land Area 1.904.569 km. Coastline Coverage 54.716 km
- Labour Force 129 million people
- Merchant Marine Fleet 10.427
- Ports/Trade Terminals 16, Airports 637
- Invest in R&D, positioning textiles and digital industries as a pillar of the modernisation towards Industry 4.0
- Oil Production 775.000 bbl, Oil consumption 1.601.000 bbl, Oil proven Reserves 3.310.000.000 bbl

- Current Chief of Staff TNI: General Andika Perkasa. In Dec 2022 presumbaly new Chief of Naval Staff
- Total military personnel (est) 1.0 million (active 400.000, 400.000 reserve personnel and 280.000 paramilitary)
- NAVY: Frigates 7, Corvettes 24, Submarines 4, patrol vessels 181 and mine warfare 11
- ARMY: 314 Tanks, Armored vehicles 1444, Self propelled Artillery 153, Towed artillery 413 and Rocket projectors 46
- AIRFORCE: Fighters 64, Transports 66, Helicopters 187, Trainers 126 and Tanker 1

- Increasing Investments for Military Modernisation
- Ministry of Defence biggest winner in the negotiations on the 2023 budget between the Government and the House of Representatives
- Focus strengthening Navy and Air Force
- Focus developing state-owned companies
- Focus on cooperation in stead of buying
- Focus offset obligations
- Tension between partner South Korea and (possible) new partners (FR,IT,NL)

- Since appointment 2019 Defence Minister Prabowo Subianto main objective continuation Minimum Essential Force MEF
- MEF started in 2010; to support armed forces in replacing obsolete weaponry. They did not reach their (financial goals)
- 2020-2045: ambition 5 strategic plans each lasting 5 years, \$ 125 billion.
- Defence Ministry budget 2023 rose by 3,2 % to around \$ 13,6 billion (in July 2022 experts thought a decrease of 42%)
- Budget 2023 will provide some important acquisitions (6 of 42 Rafale fighter, Airbus A400M military transport, Fremm, Scorpene submarines?)

- Indonesia focused on developing state-owned companies
- Cooperation with foreign countries in stead of bying
- ASEAN countries and USA are active in Indonesia
- Recent million dollar contract from the Government helped local companies to prosper
- Prominent players in the market: PT PAL Indonesia. PT Pindad, PT Dirgantara Indonesia, Airbus SE, Ficantieri SpA and Daewoo Shipbuilding & Marine Engineering Co. Ltd.

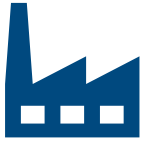
Round Table



Wrap-up & Conclusion



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Thank you for *your* participation!



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See you soon for more information