

Investment Guidelines



BATAM
I N D O N E S I A



REPUBLIC OF INDONESIA
BATAM INDUSTRIAL DEVELOPMENT AUTHORITY

Investment Guidelines

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I N D O N E S I A



Message Batam Industrial Development Authority

Batam Industrial Development Authority (BIDA) was established in 1971 with a mission to develop and promote the region as a prominent place for investment. Today, less than 25 years later, Batam has transformed itself into a major industrial hub and an investment magnet in Asia.

Batam Island, which has been developed as an export-oriented Free Trade Zone, offers investors and businesses compelling reasons for consideration. Strategically located on the Indian and Pacific Oceans, Batam is only 20 km, or a 40-minute ferry ride from Singapore. The easy access to Singapore is one of the benefits to investors who need to be close to the region's financial capital.

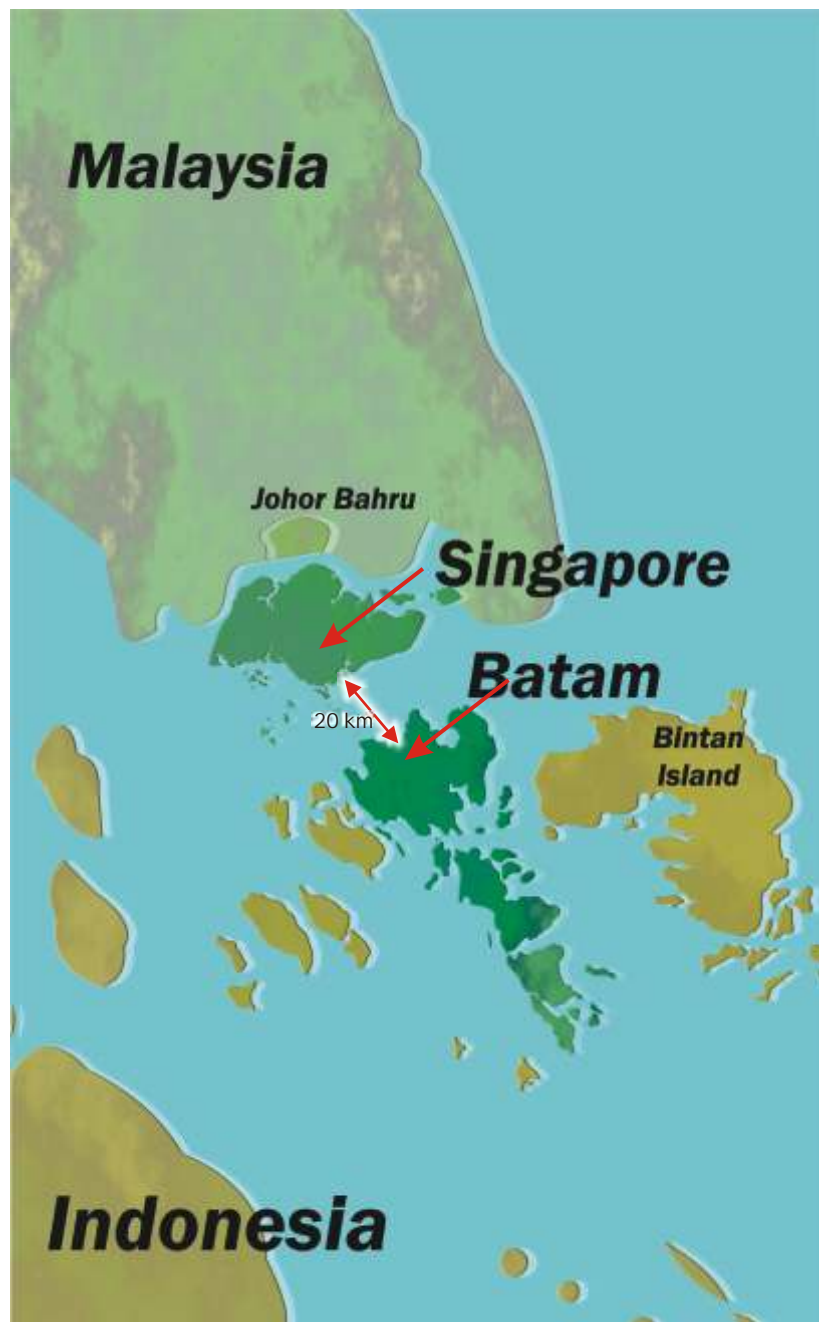
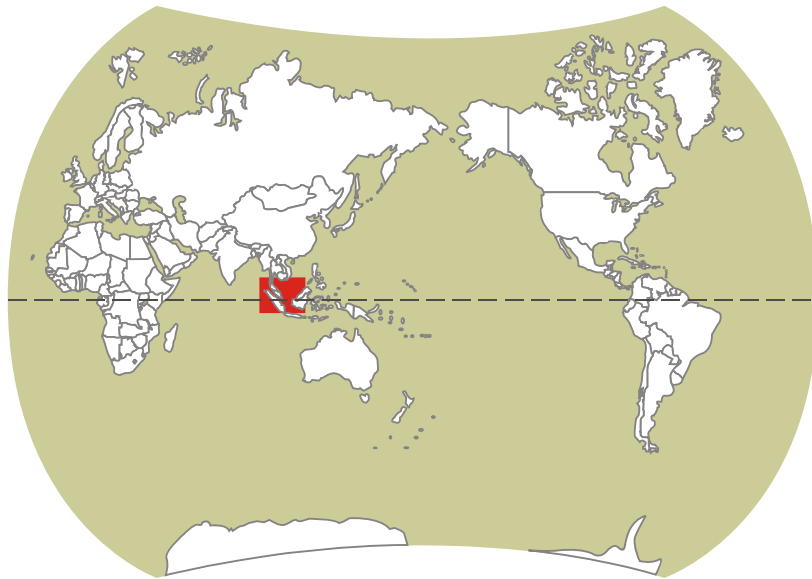
As an investment destination, especially for foreign investors, Batam provides a conducive climate for investment. BIDA has been putting a lot of effort into the investment climate such as creating a safe and comfortable environment, providing superior service, implementing streamlined and consistent regulations, and developing modern infrastructure.

This publication seeks to convey general information on the process of investment in Batam. It is intended to guide prospective investors in understanding the investment policies, rules, and regulations, as well as various incentives offered. Readers will also be informed on the progress of development in the area up to December 2002, and some tips about the city of Batam as well.

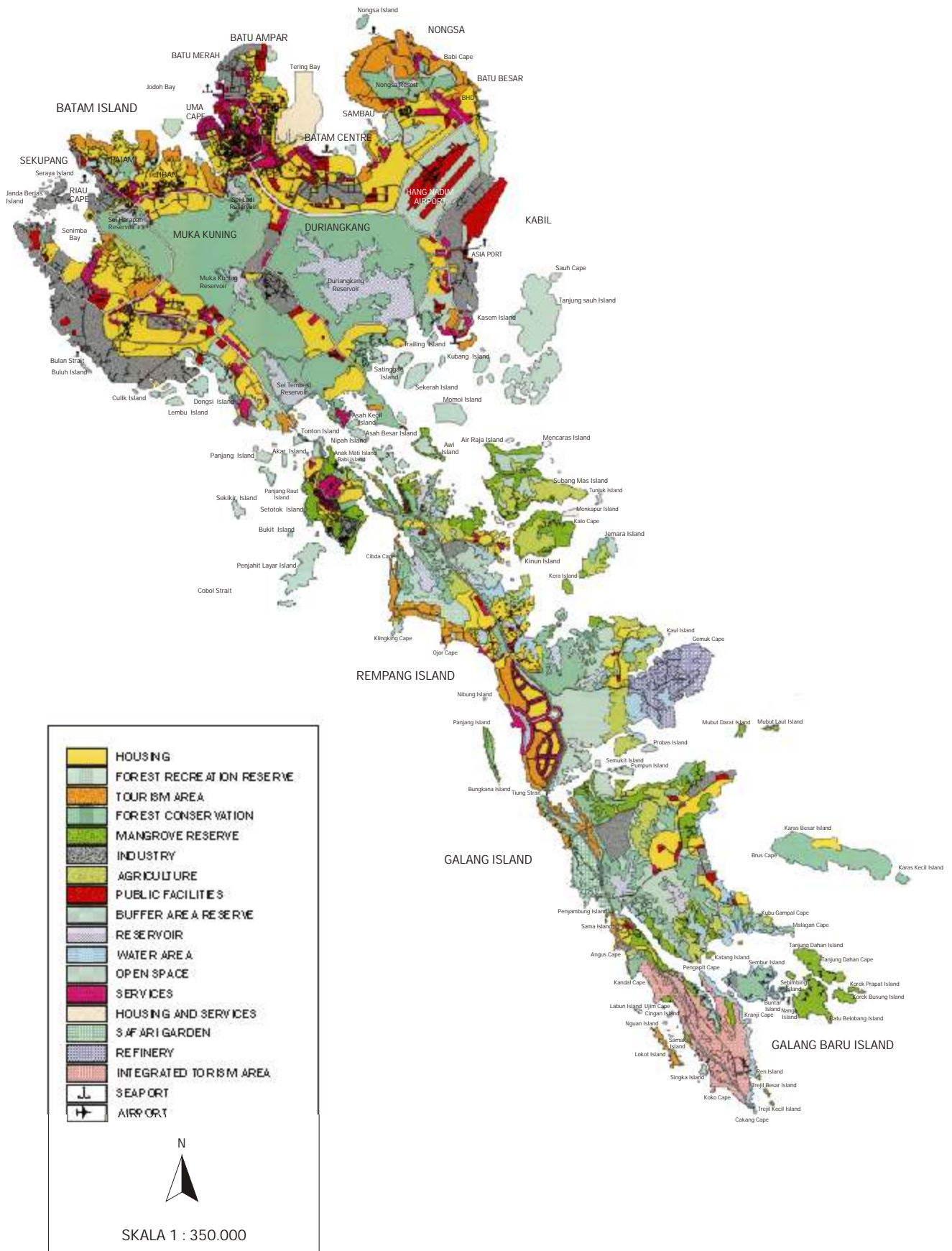
The management and staff of the Batam Industrial Development Authority are always ready to give valued service to all parties.

Ismeth Abdullah
The Chairman

Orientation Map



Master Plan of Batam - Rempang - Galang



WHY INVEST IN BATAM?

Strategic Location

Batam Island is strategically located in the hub of Southeast Asia. Being 20 km away from Singapore with the second largest international shipping lane passing right by the shoreline, Batam is ideally positioned placing everything that could be needed for a successful business right at your doorstep.

Batam also offers attractive tax incentives with exemption from import/export tax, Value Added Tax, and sales tax on luxurious goods.

Industrial facilities are abundantly available. Investors can choose whether to plug into a commercially ready-to-use factory with complete facilities or acquire a piece of land to custom build its factory. Erecting a 1,000 sq.m. factory building on a 2,000 sq.m lot would cost only around USD 200,000. There are 16 (sixteen) industrial parks offering facilities ranging from ready-to-build pieces of land to buildings with complete facilities. Some industrial parks also offer a complete package, which includes the processing of permits and licenses with relevant authorities and recruitment of workers. Housing for workers in dormitories is also provided within the area.

Workers are also readily available both from the local pool and from the rest of Indonesia. These workers are increasingly bettered skilled as they have years of training and experience. Growth for the island with a population of 581,245 has demonstrated its capabilities to compete with other similar zones in Asia Pacific. Batam has become one of the growth engines in Indonesia, providing employment for about 175,000 workers, contributing a substantial amount of income tax to the central government.



WHY INVEST IN BATAM?

Attractive Incentives

Foreign investment application is processed with a one-stop policy in Batam and takes no more than 20 working days to get approval. All permits and licences required to start development are also processed "under one roof" by the Batam Industrial Development Authority (BIDA) with streamlined procedures in place. Companies are allowed to have 100% foreign ownership. Staying Permit for foreigners working in Batam is easy to obtain from the local Immigration Office. Foreign visitors to Batam will be given a 60-day Visa on Arrival for most nationalities. Foreign nationals are allowed to buy and own houses, whether or not they work in Batam. So, Batam could become a second home for foreigners.

All of these provisions reflect the commitment of the Indonesian government to fully support the development of Batam. Private sector involvement with strong support from the government is among the ingredients to having a successful development.



BATAM, and its surrounding islands of REMPANG and GALANG

How to Get There

Batam can be reached by air from major cities in Indonesia. Domestic airline companies currently flying to Batam include Garuda Indonesia Airways, Merpati Nusantara, Bouraq Airlines, Mandala Airlines, Jatayu Airlines, Lion Air, Pelita Air, Riau Airlines and several air charter services. High-speed transport ships also bring visitors to Batam from Singapore, and Malaysia, with more than 130 trips daily, through various ports around Batam from 6am to midnight. Due to the proximity of Singapore, most visitors to Batam find that coming by high-speed transport ships is the easiest method of transport.

Geography

The area of Batam includes Rempang and Galang Islands, with a total area of 715 Sq.Km. Batam Island is situated at 1° 07' North latitude and 104° 07' East longitude. The land is characterized by rolling hill terrain with the highest level at 161 meters above sea level. Lush vegetation covers most of the island with mangroves on the seashores. Batam is part of the province of Riau, Indonesia, which is famous as an oil rich province. The capital of the province is the city of Pekanbaru, situated on mainland Sumatra, about 45 minutes flying from Batam.



BATAM, and its surrounding islands of REMPANG and GALANG

Climate

The Batam area is considered as tropical, with average temperatures ranging from 25 to 34 degrees Celsius (77 to 95 degrees Fahrenheit). Humidity in the region ranges from 73% to 96%. In general throughout the region, being a wet season from November to April and a dry season from May until October. Average annual rainfall is around 2,600 mm.

Population

Although Malay culture is predominant in the area, the population is culturally and ethnically diverse, coming from all over Indonesia as well as from overseas. The population as at December 2002 was 581,245 people, made up of 254,628 males, and 326,617 females. The annual population growth for the past decade has been considerably large, due to the active recruitment of labour by expanding industry.



Skilled as well as unskilled workers is in plentiful supply, within Batam and the rest of Indonesia. At the end of 2002, there were 175,000 people actively employed on Batam, in various sectors, mostly in manufacturing and some in construction, trading, hotel, and restaurant. At this time there are more than 2,500 foreign nationals actively employed on Batam.

Despite the diversity in culture and language, Bahasa Indonesia, the national language, is used by the people from the Archipelago. English is taught in schools, and is increasingly understood by more of the population, particularly in the Batam area. English is being used more commonly in daily business communication in the region.



INVESTMENT INCENTIVES

Provisions of investment facilities for investors or prospective investors are as follows:

- Allowance to establish 100% foreign ownership
- Simple immigration procedure
- Easy import and export procedures
- Duty free imports to the whole area of Bareleng
- Land lease up to 80 years and extendable
- Streamlined process for foreign investment
- Foreign investment licence for 30 years and extendable

Basic Incentives

Incentives given to all investors are as follows:

- Exemption from import/export duty on machine/equipment, spare parts, and raw material for production purpose
- Exemption from income tax on imported capital goods and raw material
- No VAT for all processing industry for exports purposes that are directly related to production.
- GSP (Generalised System of Preferences) facility applicable to 28 donor countries, which allows reduction or exemption of import duty for export of certain products.
- Investment Allowance with reduction of income tax for certain industries with various incentives in reduction in calculation of net income, accelerated depreciation, compensation for losses, and lower tax rate considering Double Taxation Avoidance Agreement.
- Double Taxation Avoidance Agreement with 51 countries.
- Competitive Cost of Investment due to competitive tariffs on land lease, labor cost, utilities, and other operating costs. (Appendix A)



Double Taxation Avoidance Agreements

In order to avoid incidental double taxation on certain income such as profits, dividends, interests, fees and royalties, the

INVESTMENT INCENTIVES

Government of Indonesia has signed agreements with 51 countries:

- | | | |
|-------------|----------------|-----------------------|
| - Algeria | - Kuwait | - South Africa |
| - Australia | - Luxembourg | - South Korea |
| - Austria | - Malaysia | - Spain |
| - Belgium | - Mauritius | - Sudan |
| - Bulgaria | - Mongolia | - Syria |
| - Canada | - Netherlands | - Sweden |
| - Czech | - New Zealand | - Switzerland |
| - Denmark | - Norway | - Thailand |
| - Egypt | - Pakistan | - Tunisia |
| - Finland | - Philippines | - Turkey |
| - France | - Poland | - United Kingdom |
| - Germany | - Rumania | - Ukraine |
| - Hungary | - Russia | - United Arab Emirate |
| - India | - Saudi Arabia | - USA |
| - Italy | - Singapore | - Uzbekistan |
| - Japan | - Slovakia | - Venezuela |
| - Jordan | - Sri Lanka | - Vietnam |

Tax paid by investors from any of the countries above will have the deduction or recalculation of their tax based on the tax regulations of the respective countries. Some of the details of Double Taxation Avoidance Agreements are listed in Appendix B.

Along with the recovery and growth of the global economy today, many countries are considering building strong relationships, particularly subject to economical concerns. Hence, the following countries are now in the process of obtaining the Tax Treaty with the government of Indonesia:

- | | | |
|----------|-------------|---------------|
| -Armenia | -Croatia | -Turkmenistan |
| - Brunei | -Seychelles | -Yugoslavia |
| - China | | |

Investment Allowance

Investment Allowance in the form of income tax facility is given to selected business areas in the economic activity sectors obtaining high priorities in the national scale, particularly in the framework of boosting exports as well as given to selected remote regions, which are potentially worthy of development but with less adequate infrastructure (Government Regulation/Peraturan Pemerintah No. 148 Year 2000, December 23, 2000 and the Decree of the Minister of Finance No. 571/KMK.04/2000).



INVESTMENT INCENTIVES

Industries in Batam will not qualify for the second requirement due to the modern and adequate infrastructure already in place. However, some types of industries in Batam may benefit from this incentives after case-by-case evaluation by the Ministry of Finance (the Decree of the Minister of Finance No. 571/KMK.04/2000).

Based on the Regulation, the income tax facility shall be in the forms of:

- Reduction in the net income by 30% (thirty percent) of the total investment made.
- Accelerated depreciation and amortization as follows:

Asset Group	Period of Benefit Becomes	Tariffs for Depreciation and Amortization on the basis of the method of	
		A straight line	Declining balance
I. Non-Buildings or Intangible Value			
Group I	2 years	50%	100%
Group II	4 years	25%	50%
Group III	8 years	12.5%	25%
Group IV	10 years	10%	20%
II. Buildings			
Permanent	10 years	10%	
Non Permanent	5 years	20%	

- A longer period of compensation for losses for 5 (five) years, with additional years for companies with certain requirements, such as:
 - An additional 1-year period, if investment is made in business areas considered to be high-risk
 - An additional 1-year period, if investment needs large investment or spending for economic and social infrastructure in the business location.
 - An additional 1-year period, if Indonesian employees are employed in the management or staff or recruited as workers in excess of a particular number
- Imposition of income tax on dividends paid to non-residents at 10% or a lower rate pursuant to the Double Taxation Avoidance Agreement in force.



INVESTMENT PROCEDURES

International Guarantee Agreement

Foreign investment in Indonesia has been guaranteed through International Guarantee Agreement with 52 countries in order to cover compensation in case of nationalization or expropriation, damages or losses caused by incidents of war, revolution or insurrection, and payments for any approved remittance pursuant to the investment in case of non-convertibility of the currency of the host country.

Indonesia has concluded bilateral agreements concerning these guarantees with:

- | | | |
|--------------|---------------|----------------|
| - Algeria | - Jamaica | - Spain |
| - Argentina | - Jordan | - Sri Lanka |
| - Australia | - Korea | - Sudan |
| - Bangladesh | - Kyrgyzstan | - Suriname |
| - Belgium | - Laos | - Syria |
| - Cambodia | - Malaysia | - Sweden |
| - Czech | - Morocco | - Switzerland |
| - China | - Mauritius | - Thailand |
| - Chile | - Mongolia | - Turkmenistan |
| - Cuba | - Mozambique | - Tunisia |
| - Denmark | - Netherlands | - Turkey |
| - Egypt | - Norway | - Ukraine |
| - Finland | - Pakistan | - Uzbekistan |
| - France | - Poland | - Vietnam |
| - Germany | - Qatar | - Yemen |
| - Hungary | - Rumania | - Zimbabwe |
| - India | - Singapore | |
| - Italy | - Slovakia | |

Industrial, Trading and Tourism

Batam Industrial Development Authority (BIDA) has a one-stop policy for investment procedures, permitting companies to do all their business dealings through the one office. BIDA gives their assurance that all applications will take not more than 20 working days to attain approval.

The general procedure for permit acquisitions is as follows:

- Submit application to BIDA
- BIDA processes request
- Approval permits are given to investor

Application form for investment to be completed by prospective investor explains their business field, total amount



INVESTMENT PROCEDURES

of investment, land area and manpower required. Details of procedure, step-by-step process, and application form of foreign investment approval and land allocation is in our other publication "Latest Update: Foreign Investment Policy in Batam".

For companies operating through the industrial parks, the land allocation will not be needed, since it would already be part of the package offered.

Procedure for Land Acquisition and Development

Land allocation can be obtained from BIDA and the applicant needs to supply the following materials for approval:

- Land application
- Proposal for land use

When the application is approved, BIDA will supply the applicant with the following documents:

- Principal permit
- Invoice for land lease (See Appendix A for land lease details)
- Land allocation documents (land lease agreement and land allocation decree)
- Land allocation permit

Labour

Wages of unskilled workers are regulated by the government and reviewed annually, with variations in each region or district. Standard of minimum wage in Batam is reviewed by a tripartite meeting, consisting of related government offices, private sectors represented by the Batam Chamber of Commerce & Industry (KADIN), Association of Entrepreneurs (APINDO), as well as labour unions.

Effective from January 1, 2003, the minimum wage is stipulated by Decree of Riau Governor No. KPTS 553.d/XI/2002 and No. KPTS.553.e/XI/2002 dated 23 November 2002, which establishes the following requirements:



INVESTMENT PROCEDURES

- Rp. 555,000.- general minimum wage of Batam
- Rp. 595,000.- minimum wage for tourism industry
- Rp. 627,000.- minimum wage for heavy industry

As a general indicator, the wages structure in Batam in 2003 can be described as follows:

Classification	Rp/Month
Unskilled Labour	555,000 - 650,000
Skilled Labour	700,000 - 1,200,000
Clerk and Typist	700,000 - 1,200,000
Factory Supervisor	1,200,000 - 3,000,000
Senior English Speaking Secretary	1,500,000 - 2,500,000
Factory Manager	6,000,000 - 12,000,000
Senior Accountant, Marketing Manager, Personnel Manager or Production Manager.	3,500,000 - 10,000,000
Financial Controller	6,000,000 - 15,000,000

Additional to the basic salary, the company is obliged to provide payments for :

- Income tax
- Insurance (retirement, work-related accident, health, and life insurance)
- Medical expenses not covered by the health insurance
- An annual *Hari Raya* bonus of at least 1 (one) month basic salary

There are other benefits that are commonly provided by companies in Batam:

- Housing allowance
- Transport and meal allowances
- Monthly bonus based on productivity
- Attendance allowance

Basic working hours are not more than 40 hours per week.

- 8 hours a day if working 5 days a week (Monday to Friday)
- 7 hours a day if working 6 days a week (Monday to Friday 7 hours and 5 hours on Saturday)
- For office work, working 5 (five) days a week, from Monday to Friday, is becoming more popular.



INVESTMENT PROCEDURES

Rest periods due to employees are as follows:

- 1 day off within a week if working 7 hours a day (6 workdays/week)
- 2 days off within a week if working 8 hours a day (5 workdays/week)

Company is obliged to register and include all employees in the retirement, work-related accident, and life insurance with JAMSOSTEK. For health insurance, company may choose to participate in JAMSOSTEK or other insurance companies with at least the same privileges. Some companies have cooperations with hospitals or health clinics for all employees' medical treatment.

Under labour regulations, overtime is payable as follows:

Days Worked	Basic rate multiple		
	Normal working hours	First hour	After one hour
Monday to Saturday	-	1.5	2
Sunday and Public Holidays	2	3	4

Overtime is paid by the multiplication of hourly rate, based on the monthly basic salary divided by 173 average working hours/month.

The Indonesian Labour Federation (SPSI) was established in 1973. There are labour unions representing 21 different industrial sectors under the auspices of SPSI. Membership in SPSI is not compulsory.

Procedure for Foreign Workers

Visa exemption for visit up to 60 days, is given to passport



Argentina	Germany	Malta	Spain
Australia	Greece	Morocco	Sweden
Austria	Hungary	Mexico	Switzerland
Belgium	Iceland	Monaco	Taiwan
Brazil	Ireland	Netherlands	Thailand
Brunei	Italy	New Zealand	Turkey
Canada	Kuwait	Norway	UAE
Chile	Japan	Philippines	United Kingdom
Denmark	Liechtenstein	Saudi Arabia	United States of America

INVESTMENT PROCEDURES

Egypt Luxembourg Singapore Venezuela
Finland Malaysia South Korea Yugoslavia.
France Maldives Slovakia

Other nationals are required to obtain visa at the nearest Indonesian Embassies or Consulates. There are several types of visa:

- Tourist Visa
- Social Visa
- Business Visa
- Working Visa

Upon obtaining working visa, foreigners are required to obtain Temporary Residency (KITAS, *Kartu Ijin Tinggal Sementara*) which is valid for one year. After 5 (five) consecutive years of Temporary Residency, foreign nationals may apply for Permanent Residency which is valid for 5 years and renewable.

A work permit (IKTA, *Ijin Kerja Tenaga Asing*) is required for foreigners wishing to work in Batam. The work permit is valid for a period of 12 months and has to be renewed every year.

For foreign nationals to be employed on Batam, the following documentation is required:

1. Completed Application form
2. Company Details
3. Personal Passport
4. Work Contract

On receipt of this information, BIDA will send a letter of recommendation to the relevant Indonesian Embassy, as well as the Ministry of Manpower and Immigration Office in Batam. The Indonesian Embassy will issue the working visa, which is used as a base of granting working permit by the Ministry of Manpower and of issuing Temporary Residency (KITAS) by the local immigration office.

Companies employing foreign nationals will be obliged to pay to the Skill Development Fund, managed by the Ministry of Manpower, Indonesia, the amount of USD 100 per month per employee.

There are currently more than 2,500 foreign nationals working in Batam, some of which are commuting daily from Singapore.



BATAM INDUSTRIAL DEVELOPMENT AUTHORITY (BIDA)

What is BIDA?

In 1971, the Government of Indonesia established Batam Industrial Development Authority (BIDA) as the authority in promoting and developing the Batam region as an industrial, trade, tourism and transshipment area.

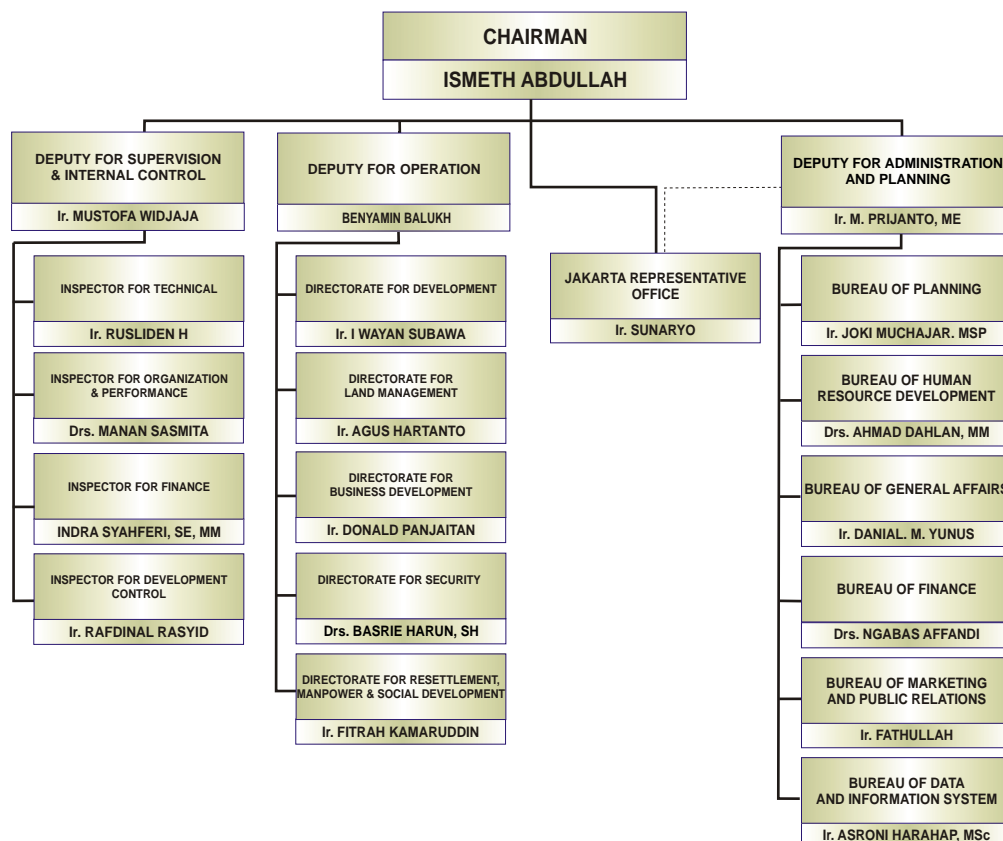
As the result, BIDA has the function to plan, execute, and manage the development, including the infrastructure of the islands, such as roads, electricity, water, airport, seaports, and other public facilities.



The present chairman of BIDA and the three deputies were appointed by the President of the Republic of Indonesia on June 29, 1998. The head office of BIDA is located in Batam Centre, Batam. The staff are highly trained and very professional, in facilitating your needs.

BIDA also has a representative office in Jakarta and liaison offices in Japan and Singapore to accommodate you, if you are unable to visit the main office in Batam, list of contacts is available in Appendix H.

BIDA Organization



PROGRESS OF DEVELOPMENT

Master Plan of Batam

The master plan has divided the islands into 5 (five) development areas, as follows:

- I. Sekupang; situated in the western part of Batam Island, covering an area of 11,352 Ha. This is divided into 2 (two) sub-areas, Sekupang and Tanjung Uncang, which has been planned and developed for the following purposes:
 - Industrial area in Sekupang.
 - Shipbuilding and Shipping industry in Tanjung Uncang.
 - Housing.
 - Tourism facilities, including golf courses.
 - Offices and shopping centres.
 - Passenger and cargo seaport in Sekupang.
 - Terminals servicing ferries for Singapore, in Sekupang and Tanjung Uncang.
 - Marina facilities in Tanjung Uncang.
- II. Batu Ampar; located in the Northwest of Batam, covering an area of 10,540 Ha. This area is also divided into 2 (two) sub-areas, Batu Ampar and Muka Kuning, which has been planned and developed for the following purposes:
 - Passenger and cargo seaport.
 - Terminal servicing ferries for Singapore and Johor, in Batu Ampar.
 - Offices and shopping centres.
 - Industrial areas in Batu Ampar and Muka Kuning.
 - Housing.
 - Green area containing natural reserve.
 - Water reservoir.
- III. Pantai Timur (East Coast); covering an area of 17,141 Ha. This area is divided into 3 (three) sub-areas, Nongsa, Kabil and Duriangkang, which has been planned and developed for the following purposes:
 - Tourism, such as beach resorts.
 - Marina facilities, golf courses and housing.
 - Seaport servicing ships up to 150,000 DWT, at Kabil.
 - Industrial area at Kabil.
 - Airport.



PROGRESS OF DEVELOPMENT



- Natural reserve, including catchment forest for Duriangkang water reservoir.

IV. Batam Centre; covering an area of 2,567 Ha, having been developed and operates as follows:

- Industrial area.
- Business district.
- Government offices.
- International ferry seaport.
- Housing.

V. Rempang-Galang islands in the Bareleng area have been classified together, with a total area of 34,217 Ha, and has been developed and utilised for the following purposes:

- Agriculture.
- Housing.
- Tourism.
- Industry.
- Fisheries.

Infrastructure

The infrastructure encompasses 7 (seven) main areas, as follows:

Roads and Bridges

To date, more than 1,000 km of paved roads are in use, whilst 6 (six) new bridges are in use connecting the islands of Batam, Tonton, Nipah, Setoko, Rempang, Galang, and Galang Baru.

Fresh Water

A total of 6 (six) water reservoirs for drinking water are in use, in association with water treatment plants and pipe distribution networks, to accommodate up to one million people, far in excess of the present population. This service has been enabled with co-operation between BIDA, local and international companies. Water supply is to the standards as set by the World Health Organization.



INFRASTRUCTURE

Electricity

The electrical supplies for Batam have been established, with state owned electric company supplying around 138MW of the electricity consumed in the area, and the remaining 220MW being supplied by private companies. Many of the Industrial Estates have their own power generation to help ensure adequate supply for their tenants.

Telecommunications

A modern telecommunication system is in operation on Batam Island, which is considered to be the best in Indonesia.

Telecommunications in the region are handled by 7 (seven) major national companies:

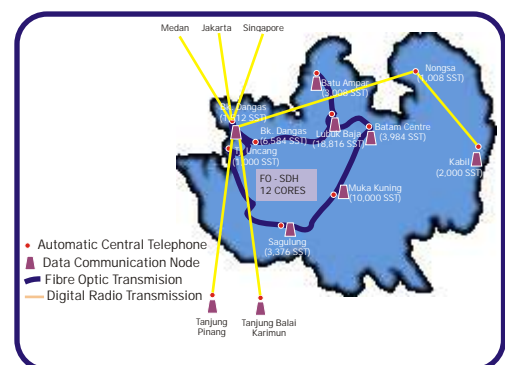
- Telekomunikasi Indonesia (Telkom), managing domestic telecommunication. Telkom has provided the existing 46,105 line units of the full capacity of 54,460 line units throughout Batam (June 2002).
- Indosat, managing international telecommunication.
- Telkomsel, Exelcomindo, Satelindo, Indosat and BYRU managing cellular telecommunication.
- Lintas Artha, managing data telecommunication.

Telkomsel provides coverage in all provinces throughout Indonesia and has formed international roaming agreements with 27 countries.

Indosat provides digital subscriber services on a point-to-point basis, with speeds from 28.8 Kbps up to 4 Mbps. This service can be used for data transmission, sound or video conferencing.

Infrastructure of Information Technology

Batam has been awarded to implement Information and Communication Technology (ICT) as the National pilot project known as Batam Intelligent Island. This project will implement ICT in all aspects of development in Batam in business, government, civil and social sectors. Batam Industrial



INFRASTRUCTURE

Development Authority in cooperation with the Municipality of Batam will implement the Intelligent Island in several phases, with introduction phase to all elements in society and setting up application development, basic infrastructure and security management, as well as final integration and network consolidation process.

Fiber optic backbone has been invested by state-owned company, Telkom, in main areas of Batam. This infrastructure is currently under further development to give optimum utilization in the development of fast, reliable, integrated information and communication technology.



Seaport

International ferry terminals are in operation at Sekupang, Teluk Senimba, Nongsa and Batu Ampar. Domestic ferry terminals are operating at Sekupang and Telaga Punggur. In anticipation of increasing tourist numbers, BIDA has constructed an additional international ferry terminal in Batam Centre, to start operation by the end of 2003, which will also be capable of servicing cruise vessels.

Airport

Hang Nadim International Airport is located in the eastern part of Batam Island, within easy access from anywhere on the island. The runway is 4,000 m long and 45 m wide. The present apron size is 130,500 sq.mtr, which is to be extended to 170,000 sq.mtr in the near future. The terminal is currently 31,500 sq.mtr, with expansion bringing it to 88,000 sq.mtr. Currently there are 4 (four) boarding bridges, with the future development bringing that number to 12 boarding bridges. At present, the terminals can cater for more than 3,000,000 passengers per year, with an estimate of more than 8,000,000 on the completion of development.



TRADE & INDUSTRY

In general, most industries can be set up in Batam. Because of topographic condition, light to medium manufacturing industries, shipyard, agro-industry, and fishery are suitable in Batam. The most common industries developed in Batam are electronics and related products, such as printed circuit boards, computer components and parts, audio and video equipment, and automotive parts. Other light industries include fabrication of leather goods, shoes, garments, toys, consumer products, household products and health-care products. Numerous companies are also involved in medium industry, such as steel fabrication, pipe threading, oil exploration equipment, oil prefabrication, offshore jackets, and heavy equipment.

Trading and industry in Batam focuses on export and import, with the amount of export in 2002 up to USD5.89 billion and import of goods at USD 5.4 billion. There are a total of 95 companies using the Certificate of Origin to export to 60 countries. The Government of Indonesia is continually relaxing the regulations on trading and exporting, such as the latest regulation in December 1998 that allows exporting of scrap metal.

The industrial companies involved in these industries are spread over 16 (sixteen) industrial estates with a total area of 2,000 Ha. Some of these estates have modern facilities. They provide complete working environment, including ready-built factories and offices, staff housing, hospital, health services, social and recreational facilities, price-controlled retail outlets, and also offers ongoing management support services.

Batam is also suitable for the production of offshore oil drilling equipment and platforms. In Batam Island, the shipyard construction area is also a major growth area with 45 shipyards now in operation.

There are currently 611 Foreign companies operating in Batam up to December 2002 with the additional of 80 foreign companies in the year 2002 of some well-known multi



TRADE & INDUSTRY

national companies such as Batam, among others are: ABB, Ballast Nedam, Ciba Vision, Epson, Halliburton, HydriL, Hyundai, Labroi, Matsushita, McDermott, Nippon Steel, Pan United Shipyard, Philips, Sanyo, Schneider Manufacturing, TEAC, Siemens, Sony, Thomson Television. For a complete list of these companies, please refer to Appendix C.

Companies are allowed to build factories outside industrial parks, on individual lots obtained directly from Batam Authority. From a total industrial area of 3,400 Ha., 1,023 Ha is still available for lease.

Foreign Investment

Despite the economic crisis in Asia Pacific, Batam has managed to obtain additional new foreign investment. During 2002, USD 300 million was invested, by 80 foreign companies. With this amount, the accumulative total foreign investment in Batam has reached USD 3,7 billion with the breakdown of investing countries as follows:

Direct Investment (single-nation investment):

- Singapore	218 *)
- Taiwan	13
- Japan	12
- Malaysia	12
- South Korea	8
- USA	5
- Australia	3
- United Kingdom	2
- British Virgin Islands	2
- China	2
- France	1
- Cayman Island	1
- Denmark	1
- Germany	1
- India	1
- Mauritius	1
- Philippines	1
- Saudi Arabia	1
- Switzerland	1

*) Number of company

Joint Venture Companies: 264 companies



INVESTMENT

Domestic Private Investment

The total investment from domestic private investors has reached a total of USD. 3.4 billion.

The breakdown of investment by area as follows:

Sector	Area of Investment	Foreign Investment	Domestic Investment
Industry	Electronics	18%	6%
Industry	Metal	12%	25%
Industry	Supporting industry	14%	14%
Industry	Chemical & Pharmaceutical	2%	2%
Industry	Food	1%	6%
Industry	Other	8%	9%
Service	Tourism & Hotel	12%	17%
Service	Office & Residential	3%	5%
Service	Other	30%	16%



TAXATION

The Indonesian tax year follows the calendar year ending on 31 December. For more information regarding tax, please refer to Appendix E.

Rate of income tax on individuals is not the same as the rate for corporations, the rate for corporations range from 10% to 30% and the rate for individuals ranges from 5% to 35% of the income depending on the amount earned. Income tax is required from individuals or institutions based on the income obtained in one tax year.

Due to Batam's free trade zone, no VAT or luxury goods sales tax is applied to the selling of products in Batam's area as well as the exporting of products. However, when the sales take place in other parts of Indonesia, the VAT or luxury goods sales tax will be applied.



THE CITY

City Administration

The City of Batam has a township status of a Municipality. A Mayor who is responsible for the civic administration, social affairs head the city. So that BIDA and the municipality of Batam work hand in hand to develop and promote Batam, Rempang and Galang Islands as an industrial, trade, tourism and transshipment area.

Housing

Foreign individuals or companies are allowed to buy properties (houses & apartments), in the Bareleng area without any restrictions on ownership even when they are not working in Batam. With a recommendation from BIDA, a solicitor will assist you in finalising the transaction.

Hotels, Resorts and Restaurant

Hotels and beach resorts on Batam currently number 85, with 6,888 rooms available. There are at present 6 golf courses ranging from 18 to 27 holes throughout Batam. Marine facilities are available at Nongsa Point Marina, with a capacity for 200 yachts, and Waterfront City Marina, with accommodation for 100 yachts (Appendix F).

Foreign visitors to Batam in 2002 reached 1.07 million people, averaging 90,000 visitors monthly. Numerous restaurants can be found around the island, many of them well known throughout Southeast Asia for their succulent seafood dishes.

Hospitals, Schools, Places of Worship

Medical centres are available throughout the islands in both residential areas and the industrial parks. A public hospital and a maternity hospital have been established on the island.

Public and private schools covering primary, secondary, and tertiary education are well established in the area. Specialist schools that support the needs of industrial development are



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operating in the islands, such as technical colleges, and various vocational schools.

Numerous places of worship cater for various religions and beliefs such as Islam, Christianity, Hinduism, and Buddhism.

Sports and Recreational Facilities

Golf is among the popular sports, which are well supported on the island with the availability of excellent golf courses. Many tennis courts and swimming pools are also situated around Batam. Health clubs for locals and visitors are a growing industry. Other well-established sports and recreational facilities are well-patronised, such as football fields, badminton courts, water sports, go-kart circuit, and recreational parks.

Bank and Insurance Companies

There are numerous local and international banks in Batam for all your banking needs. For a full list, please refer to Appendix G.

Currently, there are 18 (eighteen) insurance companies, all members of the Indonesian Insurance Council, in Batam. These companies cater for all insurance needs including health insurance, property insurance, life insurance, and injury liability insurance.

Shopping Centres and Arcades

In the area of Nagoya, Jodoh, and Batam Centre in Batam Island, there are various shopping centres. Goods available range from traditional Indonesian handicraft to international branded goods. Indonesian Emporium in Batam Centre is a permanent exhibition and marketing centre for export quality Indonesian products such as leather, wooden, and bamboo handicrafts, rattan accessories, carved furniture, batik, and paintings.



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Public Transportation

There are 4 (four) main areas of public transportation available in Bareleng:

- City buses - with routes around the city.
- Taxi - there are approximately 1,900 taxis at present; some are without a meter, these taxis can be chartered individually or shared with others on certain fixed routes.
- Tourist buses - operated by 6 (six) companies with buses ranging from 12 seaters to 50 seaters.
- Car Rental - there are 3 (three) car rental companies, with vehicles ranging from sedans up to mini buses, which can be rented on hourly, daily, weekly or monthly basis.

Chamber of Commerce

The Indonesian Chamber of Commerce, Batam Chapter, is an organization for businesspeople, which is established to serve the needs of its members in finding new opportunities and business links both nationally as well as internationally, and also in conveying their aspirations to the government.

Other organizations, which have their office in Batam include association for hotel and restaurant operators, association of travel bureau, building contractors association, and numerous profession associations.

International Club

There are many international organizations in Batam. Among them is the Batam Singapore Club, the Batam Taiwan Business Club, and the Batam Japan Club. The clubs assist their members in providing information on doing business in Batam. They also hold social and sporting events such as seminars, golf tournaments, marathon, and other outdoor activities.

Food

A variety of local and international cuisine is served in hundreds of restaurants and eating places in Batam. These include European, Chinese, Japanese, Korean, Indian, and



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Malay food. Batam is popular for its fresh seafood, which is widely available throughout the island.

Tipping

Tipping is not obligatory, however it is becoming a common practice in places such as restaurants, hotels, and to taxi drivers.

Security

In order to serve and protect the people within the Bareleng area, the Police department is in operation 24 hours a day. There are regular patrols in the industrial estates, residential and shopping areas.

