



## Update on Chinese investment into Indonesia

July 2017

Chinese investment in Indonesia was strongly encouraged in the One Belt, One Road Conference, on which BLP reported in the [December 2016 edition of 'Indonesia in Focus'](#).

Undoubtedly, Chinese investment in Indonesia has the potential to reach new heights. However, there are a number of challenges. First, it is more difficult to acquire land for infrastructure projects in Indonesia than in China. Multiple approvals from local and national government departments, which are often in conflict, are required. This is a real problem: "If there's no land, there's no business," as senior Chinese diplomat Zhao Baige opined. Other barriers include unclear government policies, and cultural sensitivities. Although Indonesia's investment-coordinating board ("**BKPM**") recorded \$2.7 billion of pledges of Chinese direct investment last year, Bank Indonesia said that only half of that was realised.

Indonesia has recently stepped up its efforts to lure in Chinese investment. One positive move is Chinese power company China Huadian Corporation's ("**CHC**") announcement of its intention to invest in Indonesia. CHC is the largest power company in China, and its assets are about twice that of Indonesia's state electricity company (PLN). One of the opportunities offered to CHC was the construction of power plants in the government's 35 GW power plant programme, which aims to exponentially increase the nation's electricity capacity by 2019. However, it remains to be seen whether this is a promising sign of increased future Chinese investment, or merely another pledge which is not ultimately realised.

Indonesian Energy and Mineral Resources Minister Ignasius Jonan recently championed Indonesia's links with China in the renewable energy sector, by attending the 8th Ministerial Conference on Clean

Energy held in Beijing from 6 - 8 June 2017. Jonan indicated that Indonesia remains fully committed to the use of new and renewable energy and continues to implement its commitment to clean energy under the COP 21 (Conference of the Parties) agreement (signed by President Joko Widodo in Paris in December 2015), whilst emphasising the importance of competitive pricing. Despite the above, Chinese investment by construction and engineering groups fulfilling contracts funded by Chinese state banks, (rather than directly investing) has been relatively successful. Chinese official data indicates that Chinese companies completed \$4.8 billion of projects in Indonesia in 2015 alone. Tourism also appears to be an area of interest for Chinese investment (in particular hotels and restaurants which can be developed quicker than railways and power stations).

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