

BATAM REPORT

Batam Industrial Development Authority. BIDA Building, Batam Centre, Batam Island 29400, Indonesia. Tel : (62- 778) 462047 - 48. Fax : (62 -778) 464092. Website : www.batam.go.id. E-mail : inquiry@batam.go.id



INDONESIA INVESTMENT YEAR 2003

Special points of interest:

- Indonesia Investment Year 2003
- Recent Foreign Investment in Batam
- Indonesia - China Friendship Association
- Housing for Foreign Nationals in Batam
- How is SARS handled in Batam?

On February 27, 2003, the President of the Republic of Indonesia, Her Excellency Madame Megawati Soekarnoputri inaugurated the "Indonesia Investment Year 2003" at the Presidential Palace in Jakarta. This declaration shows the high priority attached to investment for economic growth and job creation. It is a government commitment to improve the investment climate and support for all investment and related services.

The purpose of the "Indonesia Investment Year 2003" is to restore confidence of foreign investors in conducting investment activities in Indonesia in creating a conducive investment climate. It is also one of the national efforts to develop public awareness, care, and commitment from the population of the importance of investment in creating job opportunities and assisting the national economic recovery. Several new programs have also been launched by the National Investment Coordinating Board (*Badan Koordinasi Penanaman Modal*, BKPM) in order to assist investment, especially foreign investment in Indonesia.

More than 400 participants nationwide attended this event, including 50 local and foreign companies representing Batam. After the launching ceremony, a luncheon was hosted at Borobudur Hotel Jakarta, with highlights of the signing of Memorandums of Understanding between the BKPM and all Governors of Indonesia, as well as BKPM and Batam Industrial Development Authority (BIDA) to promote and assist investment throughout the nation.

The Government of Indonesia has prepared several industrial sites to facilitate investment activities in Indonesia. For example, the success of BIDA in managing such industrial sites on the island of Batam, offering a wide range of services and facilities to support investment.

The Batam Industrial Development Authority (BIDA) together with BKPM and PT Pos Indonesia (Indonesian Postal Service) also launched the philatelic commemorative envelopes (first day covers) for the launching. Collectors may contact the Marketing Department of BIDA at inquiry@batam.go.id.

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Recent Foreign Investment in Batam

In the year 2002, 80 new foreign companies were established, worth US\$185.2 million. Besides these new investments, there were also expansions from 12 existing foreign companies worth US\$40.5 million. Thus, foreign investment for the year was US\$225.77 million.

These companies originated from 14 countries, with the largest investments from Singapore and Malaysia. There were also some investments from Korea, Taiwan, Japan, Hong Kong and Australia, and companies from UK, USA, British Virgin Island, Netherlands, Sweden, People's Republic of China, Mauritius. Among these, there were also 31 companies in cooperation with Indonesian companies that established joint ventures.

Most popular business sectors in Batam include metal and heavy machineries, shipbuilding & repair, trading & wholesale, developer/property, electronics & mechanical components, packaging & shipping. Others range from health care products to mining processing, and furniture to jewelry.

In the first quarter of this year, from January to March of 2003, there are already an additional 22 foreign companies with investment worth US\$ 18 million. There are also 6 existing foreign companies who will expand their manufacturing plants this year with the value of US\$19.63 million.

Due to the progressive promotional programs conducted by BIDA, Batam has also been visited by approximately 300 potential foreign investors from

Australia, Austria, Denmark, France, Germany, Japan, Malaysia, Singapore, the Netherlands and the United States in the first quarter this year who came to seek the first hand information on investment climate in the region.

Altogether, up to March 2003, Batam has been the home for 633 foreign companies from 34 countries with the total foreign investment of over US\$3.7 billion. This way, any new investment would immediately feel at home.



More Japanese Associations to Visit Batam

More than 20 members of the Economic Federation of Kansai (Kankeiren) visited Batam on February 10, 2003. This was the first trip after the signing of the MoU with the Batam Industrial Development Authority (BIDA) on October 7, 2002 in Osaka. The MoU comprised of several binding agreements in the promotional



cooperation, investment mission, trade and information exchange from the two parties.

On this particular trip, Kankeiren was researching the possibility of investing in Batam, hence visited several industrial estates, foreign companies, and looked at several infrastructures in the region. Kankeiren is an economic association in Japan comprised of Multinational, Small and Medium Enterprises from the Kansai region (Osaka and the surrounding areas). The delegation was led by Mr. Masayuki Matsushita from the Matsushita Group, who have their branch in Batam. Kansai

has many potential investors, where the region has contributed 20 per cent of the trade scales of Japan.

Three days later, on February 13 2003, the Japan Chambers of Commerce and Industry (JCCI) in Singapore also visited Batam. The delegation consisted of 50 senior executives of major Japanese companies in Singapore. The President of JCCI Singapore, Mr. Takashi Muraki, affirmed that JCCI would like to direct and assist its members to suitable investment regions such as Batam, as their main business destination.

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These recent Japanese delegation visits are evident of BIDA's high commitment to continuously develop and introduce Batam as the most suitable investment location in the Asia Pacific region.

There are currently 51 (fifty one) Japanese companies in operating in

Batam, with an investment of almost US\$ 400 million comprising of twelve 100%-Japanese ownership and 39 joint-venture companies. In addition to these companies, there are many more Japanese companies who have expanded to Batam, as part of their existing manufacturing activities in Singapore and Malaysia.

Some of the current Japanese investments are in electronics & electrical products, plastic industry, shipbuilding, and oil-gas supporting industry, with multinationals, such as Matsushita, TEAC, Chiyoda, Epson, Sanyo and Nippon Steel who have excelled in their businesses in Batam.

Investment Promotion in Germany

A further step was taken by the Batam Industrial Development Authority (BIDA) to promote Batam in Germany after several promotion trips to introduce Batam as a strategic investment location in Asia. The trip, conducted on 17-19 February 2003, was a more intensive and comprehensive meeting with the potential investors in Frankfurt and Stuttgart. These meetings were led by Mr. Ismeth Abdullah, Chairman of BIDA accompanied by H.E. Mr. Arifin Siregar, the former Ambassador of the Republic of Indonesia to the United States and also the Chairman of EKONID, and Mr. Risaldi Kasri, the Deputy for Investment Promotion of the National Investment Coordinating Board.



The promotional trip comprised of a *workshop*, seminar and dinner meeting. The workshop meeting was on 17 February in Frankfurt, jointly organized by BIDA and the Consulat General of the Republic of Indonesia and attended by 70 business people and trade associations. This meeting was designed to provide detailed information to the attendees in the areas of industry development, tourism, technology and infrastructure facilities. During the evening, BIDA together with the German-Asian Business Circle (DAW, *Deutsch-Asiatischer Wirtschaftskreis*) hosted a dinner meeting which was attended by the Vice Prime Minister of Hessen Region, Mrs. Ruth Wagner and more than 500 business people, trade associations, and German government institutions. *Bodo Kruger*, the DAW President, said

that Batam is be the right choice for German companies to expand in the East Pacific Asia region.

On February 18, more business meetings were conducted in Stuttgart in cooperation with BIDA, Baden-Wurtemberg Agency for Economic Cooperation (GWZ) and the Indonesian Consulate General in Frankfurt attended by the Ministry of Economics of B-W IHK Stuttgart, Germany Chamber of Commerce, Banking and other trade associations.

Currently, German investment in Batam is worth of US\$32 million from 5 companies in the electronics, oil & gas supporting industry, and other industries. Hence, all promotional overseas trips to Germany will stimulate and attract more German investors to invest in Batam.



Theatre Performance: A Chinese Love Story

In order to value cultural diversity in Batam and to welcome the Chinese New Year, the Women's Association of BIDA (PIKORI, *Persatuan Istri Karyawan Otorita Batam*), together with the Social Association of Chinese (PSMTI, *Paguyuban Sosial Marga Tionghoa*), hosted a theatre performance entitled **Sampek Engtay**.

Sampek Engtay is a story about a Chinese girl named *Engtay* in Batavia (now known as Jakarta) who would like to further her studies. At that time, such desire for a girl to have a higher education was very controversial. Therefore, she disguised herself as a boy and studied at the boarding school. To make the story short, she eventually

fell in love with her schoolmate, a boy named *Sampek*, and later revealed her truth. The love story was shattered when *Engtay* had to return to her village to be wedded with a man chosen by her parents. Not able to be united with his love, *Sampek* died of a broken heart. When *Engtay* learned of *Sampek's* death, she visited his grave on her journey to the groom's house. The grave opened up and *Engtay* was pulled into the grave. The upset groom ordered the villagers to dig the grave, but it was empty except for two yellow butterflies, flying high to the sky.

This romantic show was performed by 46 artistes of *Koma Theatre*. The Theatre is the most famous theatre for



art performance in Indonesia. Over 3,000 viewers witnessed their performance at the main hall of Maha Duta Matrieya Temple on February 22-23, 2003. Chairman of PSMTI, Mr. Suhendro Gautama wished that such performances may establish and shape a better understanding and cooperation among the diverse community in Batam in order to develop and maintain the region into a more conducive environment whether for living or businesses.

Indonesia - China Friendship Association



Batam is an immersion of multi-cultural, multi ethnic and multi-religious living in the region, where people interact with one another with respect, beyond all barriers. Hence, the diversity of ethnic groups and cultural backgrounds are also represented here in Batam by ethnic associations which mix and work together in developing Batam.

On March 29, 2003, the Batam Chapter of the Indonesia China Friendship

Association (Perhimpunan Persahabatan Indonesia China) was inaugurated at Novotel Hotel, Batam. The three-hour opening ceremony was attended by His Excellency, the Ambassador of the People's Republic of China to Indonesia, Mr. Lu Shumin; the Secretary General of Manpower and Transmigration; the Trading and Tourism Attache of the People's Republic of China to Singapore; and the Chairman of the Batam Industrial Development Authority, Mr. Ismeth Abdullah.

Mr. Abdullah in his remarks stated that with the inauguration of the Indonesia China Friendship Association in Batam, the experience of a deeper

understanding between the two cultures will be further enhanced. Through this association, the commercial trading and business activities are also expected to increase between Indonesia and China, as well as with overseas Chinese throughout the world.

As the appointed Chairman of the Indonesia-China Friendship Association, Mr. Daniel Chandra also expressed his optimism that this association may become an umbrella to attract more Chinese investors to Batam as well as becoming a bridge between Batam and China in the near future.

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Taiwan Golf Tour BATAM

A delegation of 21 Taiwanese travel businesses had a 3-day tour on March 13-16, 2003 to Batam. The Batam Industrial Development Authority (BIDA) was the host of this visit and organized visits to various attractive tourist places in Batam. This was the result of the cooperation of BIDA with the Indonesian Economic and Trade Office (IETO) in Taipei to promote Taiwanese tourists in Batam.

As the highlight of the Taiwan Golf Tour, a Golf Tournament was also organized for the delegation that represented travel business owners and managers, travel agents, and a golf digest magazine. This tournament for the Trophy of the Minister of Tourism and Cultural of the Republic of Indonesia was also participated in by Taiwanese businesspeople and residents in Batam, IETO Taipei, Batam's businesspeople both from tourism sectors and manufacturing industry. Altogether, 50 golfers took part in this

one-day Tournament on March 15, 2003.

The golf tournament which was hosted by BIDA was conducted at the 27-hole golf course of Palm Spring Golf Resort. At this friendly competition, Mr. Lee Hung Chang of Mei Travel Service, Taipei won first place and the Trophy of the Indonesian Minister of Tourism and Cultural. Trophy of the Chairman of the Batam Industrial Development Authority which was for second place was won by Ms. Chiu Li Chen of South East Travel Service, Taipei. Third place for the Trophy of the Chairman of the Indonesian Economic and Trade Office-Taipei was won by Mr. Kasri, from the Batam Traffic Control Office.

Besides the golf tournament, the Taiwanese delegation had a business meeting with several business associations, such as the Indonesian Hotels and Restaurants Association (*Persatuan Hotel dan Restaurant*



Indonesia, PHRI), and the Indonesian Travel Agents Association (ASITA) at Novotel Hotel. Several facilities were also inspected, such as the Hang Nadim International Airport, seaports, hotels and resorts such as the Batam View hotel, Turi Beach Resort and Nongsa Point Marina.

Currently, Batam has six international golf courses, making Batam a popular destination to the world's golf players. With the growing popularity of Batam as a *Golfer's Paradise*, and high interest from the travel businesses in Taiwan, Batam will surely see more Taiwanese tourists visit the Island and surrounding area.

The First Batam Automotive Show

Batam held its First Automotive Show from March 29 to April 6, 2003. The exhibition, which was held at the Batam Expo Center, was opened by the Deputy Chairman for Operations of the Batam Industrial Development Authority (BIDA), Mr. Benyamin Balukh.

It was jointly organized by four major event organizers in Batam: PT. Mitra Duta Solindo, PT. Pentawira, PT. Vaal Pluvisindo and PT. Cardief Bantley,

worked together under the name of Batam Automotive Show (BAS) Management.

This event was also one of the biggest shows in Batam. It was designated to provide detailed information on automotive industries and also a promotional and network building tool for the automotive businesses. More than 15 organizations participated in the expo consisting of local and

international companies, representing car workshops, car & motorbike products and auto accessories.

Some of the latest car models were also shown in the arena, mostly from Europe and Japan like the Mercedes S500, BMW X5, EVO 7, Honda S 200, Prado CDI, Harrier, and Camry. With offers of 10 to 15% less, the discounted price were very tempting. As part of the exhibition, there were also additional

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activities, such as the auto slalom contest, tamiya racing, del contel, band parade, coloring contest for children (with automotive theme) and door prize.

Because of the bonded zone status of Batam, residents of Batam may enjoy cars at a much more affordable price, with no import duty and no Sales Tax on

Luxury Goods. Thus, with this expo, Batam is indeed striving to be one of the centres for the automotive industry in Indonesia.

International School of the Global Indo-Asia



The rapid growth of Batam as an industrial and tourism zone in Indonesia has been proven by the existing 600 foreign companies operating in Batam with 3,000 expatriates working and living here. Many of the expatriates brought their families to Batam. Previously, education of expatriates' children was a major concern and most of them had to send their children to boarding schools in Singapore.

However, in 1999, an international school, named Global Indo-Asia School (*Sekolah Global Indo-Asia*) was established in recognition of the high demand and needs for these children's education. The school's main purpose is to support educational needs for foreign

nationals. Their mission is to develop intelligent, caring, dynamic, and respectful generations as well as showing the ability to cope and adjust responsibly in an ever-changing interdependent world.

Global Indo-Asia School is an international school that caters for Indonesian and foreign students ranging from Pre-school through High School. It is located in Batam Centre on one-hectare of land. The class size is kept small at 20 students, in order to personally monitor the progress and development of each student. It is also fully air-conditioned to make a comfortable learning environment for the children in the tropical heat.

The school is also equipped with other facilities to support the education system such as library, music room (with piano, keyboard, violin), and a

laboratory. There will be a gymnasium in the near future, but currently they lease some facilities within the area for sport activities, such as swimming pools (Sukajadi and Southlink Golf Resorts) and soccer field, volleyball and basketball court (Universitas Internasional Batam).

The Faculty of the school is an excellent combination of Indonesians and expatriates. Most of the foreign educators are from the USA, Ireland, India, Australia, the Philippines and Canada. In its four years of operation, the school already has 400 students, with approximately 30% of them of foreign nationality. Starting from last year, they have established the junior high school level.

So, Batam can become your new home where you and your children can live together!

Batam Trivia: Who is Raja Ali Haji?



When you are in Batam taking land transportation to Rempang and Galang Islands, you would cross the Raja Ali Haji Bridge. It is the third bridge, connecting Nipah to Setoko Islands, among the six beautiful bridges to connect the seven main islands in the area.

Who is Raja Ali Haji? Raja (King) Ali Haji, a direct descendent of the ruler of the Malay Kingdom, was an advisor to the King of Riau-Lingga during the 1800s. He was also a famous writer for Literature, Art, History, Religion and Law books. He was born in 1808 during the

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hardship and critical condition of the Dutch colonialism. He died in 1873 and was buried in Penyengat Island, which was the centre of the Riau Lingga Kingdom at the time. Originally, this historic island was a gift from Sultan Riau Lingga, Mahmud Syah III, to his bride in the early 1800s. The preservation of the Island as a heritage can be witnessed by the well-used mosque, which was built using egg whites to join bricks.

Batu Besar - Nongsa, located at the eastern part of Batam, is one of the earliest traditional villages in Batam. In the 1970's, when Batam was just a small fishing village with a population of 6,000, this eastern coast of Batam was used by traders from Sulawesi to rest before continuing their trip to Singapore, Malaysia, and even to India and China. Many of them decided to stay behind and some mingled and mix married with the Malay locals.

Therefore, today, the villagers are mostly mixed with Malays and Bugis of

Raja Ali Haji is widely known by general public in Indonesia for his famous writing of *Syair Abdul Muluk* and *Gurindam Dua Belas*. Thus, the bridge was named in respect of Raja Ali Haji's contribution to the Malay literature of Riau, as well as to value the historical inheritance of the region despite the modern lifestyles.

South Sulawesi. They have chosen the village for living where they carry on and preserve their own traditions and cultural values.

Lying within the area are the beautiful clean beach and coastal areas. Recognizing its potential, BIDA has developed the village to be one of the tourism sites and holiday rest places for local or foreign tourists in Batam. Thus, the Nongsa area known for its beach resorts and golf courses is developed nearby. Today, visitors come to the Nongsa Point Marina, Balinese-style

Want to know more about the Raja Ali Haji Bridge? It was developed by BIDA in cooperation with the Civil Engineering Department of the Bandung Institute of Technology. It uses segmental concrete box girder with a vertical height of 15m and total length of 270m. The whole construction took almost three years of development from October 22, 1993 to March 29, 1996.

Batu Besar Village



resort of Turi Beach, international golf and country clubs, and fresh seafood restaurant. Restaurants on bamboo stilts (kelong), such as Sri Rezeki Restaurant at Batu Besar serve delicious fresh seafood.

How is SARS handled in Batam?

The global outbreak of Severe Acute Respiratory Syndrome (SARS) has affected the economy worldwide, but most heavily the Asian economy. This atypical pneumonia has spread throughout the world and infected more than 5,000 people. The World Health Organization (WHO) has issued travel advisories against several affected

areas to avoid the widespread of the disease. As one of the affected areas, Singapore has indeed been highly praised for its measures to contain and minimize the spread of the disease. Passengers to and from Singapore and Malaysia are screened prior to their arrival and departure from the countries.

Indonesia is also conducting similar screening at all entry/exit ports of the country. New legislation has also been passed to tackle SARS and other epidemics, to ensure the quarantine process and public health. Health Alert Cards are being distributed and have to be filled out by arriving passengers from

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overseas. The Government of Indonesia has allocated funding of Rp. 150 billion for SARS and its prevention program throughout the country. As the second gateway for foreign visitors to Indonesia, Batam has also stepped up its measures to protect public health. With its location of only an hour away (20km) from Singapore, Batam is providing a tight screening process at the entry of our international ferry terminals. The Batam General Hospital, as the appointed hospital in Batam, in case of SARS, is on the right track, as praised by officials from the WHO who visited Batam.

The Minister of Health, Mr. Ahmad

Suyudi, was in Batam on April 9, 2003, together with the Coordinating Minister for Public Welfare, Mr. Jusuf Kalla, to observe public health facilities in Batam. Besides the hospital, they also inspected the readiness of the international ferry terminals, the main entry points from Singapore to Batam. They praised the readiness of Batam in handling the case. There are 20 general practitioners from Jakarta, added to Batam's team for handling SARS.

Despite the fact that Batam has no suspected nor probable case of SARS, the Batam General Hospital, under the management of the Batam Industrial Development Authority, has been

equipped for handling SARS patients. Separate examination and observation wards are available. Isolation and treatment wards are according to the standard of the WHO. Dr. T. Marwan Nusri, Director of the Batam General Hospital, stated that the Hospital has conducted training to the integrated medical and non medical teams to screen and examine SARS-related symptoms.

Batam is able to maintain its SARS-free status due to the hardworking team and responsible community. So, don't worry about visiting Batam at anytime!

Housing for Foreign Nationals in Batam

Housing is certainly an essential part of settling down in any area of the world. Batam's housing is no different. As a designated industrial area in Indonesia, it is now the home for some 3,000 expatriates. Considering this, Batam has provided many facilities to ease these foreign nationals to have their own homes in Batam.

According to the Decree of the Batam Industrial Development Authority No. 068/KPTS/KA/III/1999, special facilities for expatriates include the 100% ownership for housing, allowed to have up to 2,000 sq. meters of land, and the possibility to transfer the house or land ownership upon a written approval from

BIDA. Since the Government of Indonesia subsidized low-cost housing (up to 36 sq.m), foreign nationals are only allowed to purchase housing of larger sizes.

Among residential developments, some housing are more suitable for expatriates than others. These houses are available, such as in Duta Mas, Suka Jadi, and Anggrek Mas Residential Estate, which are all located in the Batam Centre area. For ownership of these houses, expatriates need to meet certain obligations which include providing copies of Temporary Resident Permit (KITAS, *Kartu Ijin Tinggal Sementara*) and Expatriate

Working Permit (IKTA, *Ijin Kerja Tenaga Asing*) and valid passport.

As a guideline, a standard house at these exclusive housing estates with the building size of 65 sq.m ranges between Rp. 200 to 350 million (approximately US\$20,000 to 35,000) depends on the land size (150 to 250 sq.m) and location. For larger homes, such as 138-sq.m house will range between Rp. 350 to 650 million (approximately US\$35,000 to 65,000), depends on the land size (200 to 300 sq.m) and location.

With many more choices within and outside the exclusive housing estates, making a home in Batam for you and your family is a simple task!

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