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## Discussion Report Talking ASEAN Webinar

on

## Investing in ASEAN: Scaling Up Taiwan's Investment to ASEAN

Jakarta, September 7<sup>th</sup> 2021



## Introduction

On Tuesday, 7 September 2021, The Habibie Center convened the Talking ASEAN Webinar entitled “**Investing in ASEAN: Scaling Up Taiwan’s Investment to ASEAN**”. The webinar featured **Kristy Tsun-Tzu Hsu** (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)), **Ricky Kusmayadi** (Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)), and **Fithra Faisal Hastiadi** (Executive Director of Next Policy and Lecturer at Department of Economics, University of Indonesia). Also, this event was moderated by **Taufan Samudra** (Researcher of ASEAN Studies Program, The Habibie Center).

The objective of this webinar were to: (a) assess the contemporary development of Taiwan’s investment in ASEAN and Indonesia; (b) identify the challenges for Taiwan in scaling-up investment in ASEAN and Indonesia; (c) analyze the opportunities for Taiwan in fostering its investment in ASEAN and Indonesia, as well as (d) assess how New Southbound Policy (NSP) could potentially promote economic collaboration and therefore bolster Taiwan investment in ASEAN and Indonesia.

This discussion report summarized the key points of each speaker, as well as the questions and answer session that followed.

# PRESENTATION FROM THE PANELIST



**Kristy Tsun-Tzu Hsu**  
(Director of the Taiwan ASEAN  
Studies Center, Chung-Hua Institution  
for Economic Research (CIER))




Ms. Kristy Tsun-Tzu Hsu started her presentation by providing economic facts two years after the COVID-19 pandemic and the United States (US) - China rivalry. She said that the US-China trade limitation or trade war under President Trump had caused a problematic economic situation. This situation worsened after the world experienced an economic slowdown due to COVID-19 pandemic. However, during the difficult time due to the pandemic, Taiwan has maintained a 3% economic growth rate in 2020. It expects a 5% growth in 2021. This situation has benefited Taiwan, as Taiwan can provide positive economic relations and economic opportunities to Southeast Asia.

Furthermore, the US-China trade war and the COVID-19 pandemic have changed Taiwan's trade structure and outward investment activities, creating new business opportunities and challenges. Since 2018, Taiwan's exports to the US have increased significantly. In the past three years, Taiwan's export to the US has increased triple times. Also, this trend is followed by the increased export number to the European Union (EU), including via Southeast Asia. Specifically for the European Union, Taiwan has been working with high technology research and development for semiconductors. These semiconductor products are produced in Vietnam and Indonesia. Taiwan's export of semiconductors and other high technology devices and components have benefited from the trade war due to growing demand

in the Chinese market and trade diversion to Taiwan. This Foreign Direct Investment (FDI) trend has strengthened relations among Taiwan, the EU, and Southeast Asia. Consequently, Taiwan companies in Southeast Asia benefit from increasing exports to the US and the EU.

Taiwan is also experiencing a changing dynamic of its outward FDI. In the past twenty years, Taiwan's investment in China has been declining. Since 2000, Taiwan's FDI has been decentralized from China. However, in 2016 the trend was changing. The chart bar showed that the FDI to China was gradually decreasing until the peak in 2021. The data shows that in Quarter 1 and Quarter 2 of 2021, Southeast Asia countries replaced China as the largest FDI destination for Taiwan. This trend also changed in the US and EU; since 2016, Taiwan's FDI to both areas has increased and left China with a smaller percentage. For comparison, in 2021, Taiwan's FDI to China was only 25,5%, and Southeast Asia was 35,1%. According to Ms. Kristy Tsun-Tzu, this trend will continue to grow.

Southeast Asia is a substantial production base for Taiwan. A yearly survey from the Ministry of Economic Affairs on the Production Sites of Export Orders says that gradually Southeast Asia has replaced China for the production-based industry. Since 2006, more than 40% of export orders have been produced overseas. The share reached its highest level in 2015 at 55%. Moreover, since 2017, production operations have gradually relocated back to





SPEAKERS

**Kristy Tsun-Tzu Hsu**

Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)



Taiwan. In 2019, the percentage of production in Taiwan increased to 47,7%, while China and Hong Kong reduced to 44,8%. However, the share in Southeast Asia will continue to grow by 2,9% in 2020. This trend happened because of the pandemic situation and restrictive measures in several ASEAN countries regarding starting business and investment. To conclude her statement, the survey concluded that the government prefers to make production outside of Taiwan and make diverse investments based on locations.

In the context of post-pandemic investment, Taiwan will continue to invest in Southeast Asia. Taiwan is currently looking to develop new emerging industries as part of the post-COVID 19 pandemic transformation and follow the regulations of the respective countries for certain industries. Taiwan observed that some

small and medium-sized enterprises (SMEs) suffered business loss or closed operations due to the pandemic. However, once the situation improves, Southeast Asia will be under the radar for Taiwan to invest. Additionally, Taiwan sees Vietnam, Malaysia, and Indonesia trying to be self-reliant with minimum intervention from China. This situation supports Taiwan to take more significant actions to the countries and develop stronger economic cooperation.

Taiwan investment outlook post-pandemic sees new emerging sectors to be developed and targeted in Southeast Asia. The sectors include (1) export-oriented manufacturing sectors; (2) support industry (intermediate goods, components, and spare parts); (3) services (financial, logistics, health, energy); (4) e-commerce and digital trade, and (5) real estate and infrastructure.



However, the post-pandemic Taiwan's investment will face challenges in the aspect of (1) automation or smart manufacturing to reduce risks of disruption of supply chains and human resource development; (2) green transformation to provide eco-friendly and minimum emission technology and energy sources, green economy, and decarbonization; and (3) digital transformation to a technology-based economy in the new normal of post-pandemic. These challenges can only be overcome by the collaboration between the FDI recipient and Taiwan to accelerate filling the technological gaps.

In the context of Taiwan and Indonesia cooperation in the post-pandemic era, Taiwan believes that collaboration with Indonesia can make a good partner in building an international key supply chain. To give the context, Taiwan has played a vital role in the China-centered supply chain in building manufacturing industries in particular ASEAN countries. Now, Taiwan is reshaping its role in the new post-pandemic economic landscape. Taiwan sees that the 'fragmentation of Global Value Chains' will allow more newcomers to participate in global or regional supply chains. Therefore, this is the right time for Southeast Asia to provide this alternative and take advantage of the fractions.

The good practice of Taiwan's investment has been developed in key industrial areas in Northern Vietnam. The investment has

allowed Vietnam to form one of the most significant industrial areas covering textile and garment industries as well as information communication technology (ICT). This trend has contributed to Vietnam creating a new 'fraction' and played an essential role in the regional supply chain. One of the alternative 'fractions' is Regional Comprehensive Economic Partnership (RCEP) which should come into force in 2021. In that case, it is expected that Taiwan investors will consider Southeast Asia countries over China. The Taiwan investors will shift to ASEAN countries as investment destinations to take advantage of free trade agreements (FTAs), Rules of Origin (ROOs), and other preferential treatment under the RCEP mechanism.

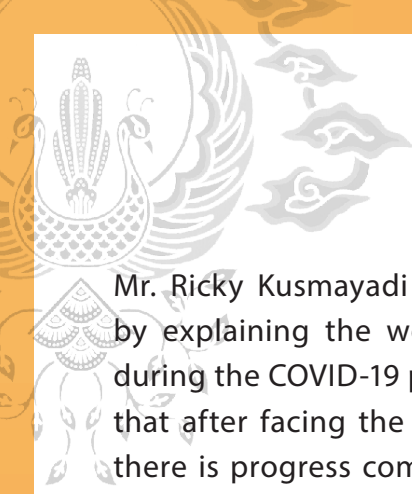
Taiwan and Indonesia can partner in building key supply chains in Indonesia for Asian and global markets. The relations also will build cooperation in services, agriculture or food security, human resources development and talent cultivation, as well as trade and investment facilitation. In the past two decades, Taiwan's investment has been focused on textile and garment industries, automobile components, machinery, and various electronic devices. These are very important, and Taiwan believes those mentioned sectors will still be developed with Indonesia in post-pandemic situations. This cooperation will contribute to ensure the international demands and economic growth post-pandemic and cultivate the new entrepreneurs.



# PRESENTATION FROM THE PANELIST



**Ricky Kusmayadi**  
(Director of Investment Promotion  
Development, Ministry of Investment/  
Indonesia Investment Coordinating  
Board (BKPM))



Mr. Ricky Kusmayadi began his presentation by explaining the world's economic growth during the COVID-19 pandemic. He concluded that after facing the second quarter of 2021, there is progress compared to the beginning of the pandemic in 2020. He expressed that the major countries such as the United States (US), China, Singapore, South Korea, Vietnam, Malaysia, European Union (EU), and Indonesia showed positive growth starting in the second quarter of 2021. He also mentioned that China, Singapore, and Malaysia experienced faster growth recovery post-peak pandemic on the chart shown.

Investment realization in Indonesia in 2020 achieved IDR 826,3 billion or 101,1% from the initial target or IDR 817,2 billion. To break down the data, the FDI contributed 49.9%, and the domestic direct investment (DDI) was 50,1%. Furthermore, the distribution was almost evenly distributed between Java and outside Java (in Java 49,55% and outside Java 50,5%). Lastly, the total investment in 2020 has absorbed 1,156,361 labourers from 153,349 generated projects.

Indonesia is currently experiencing an improved investment status, only in the first semester of 2021 it has successfully secured IDR 442,7 billion investment or almost half of this year's investment target, for a total IDR 900 billion. Based on the chart shown during the webinar, FDI contributed 51,6%, and the investment mainly was conducted outside of Java with an allocated amount of 51,5%. Based on the data from Indonesia Investment

Coordinating Board (BKPM), the investment has absorbed 623,715 labourers.

The presentation continued by discussing Taiwan's current investment in Indonesia from 2016 until June 2021, which showed positive trends. According to BKPM, Taiwan's investment in Indonesia has reached USD 1,6 billion and put Taiwan in 15th position as the investing partner with the largest FDI inflows to Indonesia, with the metal industry becoming the primary investment sector. Taiwan's investment has successfully absorbed 97,201 employment and 65% of the total investment allocated in Java.

Taiwan's investment during the COVID-19 pandemic showed a positive trend and was barely affected by the situation. In 2020 - 2021, Taiwan was categorized as the top 5 investors in Indonesia with a total investment of USD 612,3 and distributed to five main sectors such as metal industry non-machinery, textile, medical and optical devices, leather goods and footwear, as well as rubber and plastic industries. Furthermore, BKPM stated the factors that encourage Taiwan to invest during the pandemic are the US-China trade war, New Southbound Policy, and investment climate improvement in Indonesia through the enactment of Omnibus Law Easiness Doing Business, and investment acceleration task force.

BKPM believes that Taiwan is known as a 'trusted contract manufacturer'. Currently, there are numerous leading products of Taiwan manufacturers of Original Equipment



## SPEAKERS

### Ricky Kusmayadi

Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)




Manufacturer (OEM) and Original Design Manufacturer (ODM). Mr. Ricky mentioned some of the high-tech products such as Intek, HP, Dell, Cosci, and ASUS. While for sports apparel and footwear, he said big brands such as Adidas, Nike, NB, Uniqlo, and H&M.

The presentation continued by showing Taiwan's global investment trend from 2015 - 2020. Currently, China is still Taiwan's most significant investment partner, with USD 48,16 billion or 43,5%. While Indonesia is ranked 12th with only USD1,37 billion allocated to this country. Among the Southeast Asian countries, Vietnam ranked 1st with a total investment of USD 4,83 billion, followed by Singapore with a total investment of USD 4,13 billion. The third position is Thailand, with an investment of USD 2,02 billion. Taiwan's investment portion in ASEAN is 14% of the total, achieving USD

15,4 billion over the last six years. However, Taiwan's investment in China is decreasing due to the trade war between China and the US. While revisiting the perspective from the speaker that Taiwan's role in the global supply chain is vital, Taiwan should change the global supply chain by diversifying its investment allocation to ASEAN and India.

BKPM has several steps to facilitate and encourage investment to Indonesia. One of the key strategies is conducting integrated promotion and building trade and investment offices in eight focus areas. It also includes providing an integrated system and person in the designed countries. Specifically, there are five steps to facilitating investors to increase the investment realization in Indonesia, which are (1) promotion by convincing investors that Indonesia is an 'attractive investment




destination'; (2) escort in licensing service; (3) escort in financial closing; (4) escort until production state; and (5) end-to-end facilitation in realizing investment.

BKPM drives the investment through additional value and priority sectors to facilitate the post-pandemic situation on the investment. BKPM focuses on four critical sectors for investing in Indonesia such as medical devices, pharmaceutical, automotive, and electronic industries. Those are considered labour-intensive industries with expert orientation, and BKPM expects those sectors to absorb great quantities of labour forces while Indonesia is ready to support these sectors. Other than those, energy, especially new and renewable, infrastructure, and mining are openly encouraged.

Indonesia is still debottlenecking IDR 708 billion of investment realization. To overcome this target, BKPM is facilitating large scale investment and small-medium scale's investment. Additionally, BKPM, based on the instruction from President Joko Widodo, formed the 'Investment Acceleration Task Force' to accelerate the target achievement. The force consists of the Ministry of Investment/BKPM, Attorney General, and Indonesian National Police. As mandated, this task force aims to ensure the implementation of Omnibus Law and increase investment and improve ease of doing business to boost Indonesia's economic performance in 2022.

Showing its seriousness to attract investment, Indonesia has improved the Ease of Doing Business (EoDB). Currently, it is positioned at 73 in 2020, while in 2015, it was still at 114. Key strategies performed by the Government of Indonesia to improve the EoDB are (1) commitment from government and regional institutions to improve EoDB at all indicators; (2) improving structural regulation, which will provide, ease, acceleration, transparency, and efficiency for business people; (3) creating roadmap development to guide a continuous improvement of EoDB; (4) implementation following legal basis to improve each EoDB indicators; (5) disseminating EoDB policy to all ministries/institutions, regions, and business communities.

Additionally, Indonesia has reformed corporate income tax deduction and social security benefit improvement to create more investor-friendly fiscal terms. In Indonesia, corporate income tax is now revised to 22%, and it will reduce again to 20% after 2022 following Law No. 2/2020, PERPPU No. 1/2020, and Government Regulation No. 30/2020. BKPM claims that Indonesia remains a priority destination for companies to relocate their investment to update on the investment situation. As a consequence of the US and China trade war, as BKPM recorded, 23 companies have confirmed to relocate or diversify to Indonesia; 25 companies intend to relocate or diversify to Indonesia, and there are 114 companies from various sources to potentially invest in Indonesia in responding to the wars. The country's investment origin



is the US, Taiwan, South Korea, China, Japan, Hong Kong, Belgium, Germany, Switzerland, and the Netherlands.

Furthermore, to support the investment in Indonesia, the Government of Indonesia prepared economic zones as strategic investment locations. So far, there are 15 special economic zones, four free trade zones, 118 industrial estates, 1,360 bonded zones, 91 bonded logistic centres, and 10 “New Bali” tourism priorities. Also, the Government of Indonesia developed Batang Integrated Industrial Park in Central Java as a model for industrial estates development. This area is formed due to demand for an integrated industrial area that combines advanced infrastructure, employment, and national economic growth. With an area covering 4,300 hectares of land, Batang Industrial Park is planned to be divided into three clusters, including industrial estate, innovation district, and recreational district.

Another development is the enforcement of the Job Creation Law in Indonesia’s legal system. This Law has revised 79 laws in a single act that regulates various sectors. The Omnibus Law on Job Creation consists of 166 articles, 15 chapters, and is divided into 10 clusters, such as (1) simplification of business licensing; (2) implementation of investment ecosystem; (3) employment; (4) SMEs and Cooperatives; (5) Research and Development (R&D) and Ease of Doing Business; (6) Taxation; (7) Economy zones and land acquisition; (8) public administration; (9) government

investment and national strategic project (PSN); (10) imposition and sanctions.

BKPM emphasized that the Job Creation Law enactment has successfully contributed to the Indonesian rank for EoDB and improved economic competitiveness, economic transformation, and economic democracy. Moreover, the benefits of the Job Creation Law are improving the investment climate and creating legal certainty; harmonizing the central-local policies; minimize and prevent corruption; simplify regulation; create new jobs, and provide protection and facility for SMEs and cooperatives. Another critical improvement for EoDB from the Job Creation Law is the simplification of business licensing; this regulation has cut the bureaucratic process to only two hours maximum. The system was developed by BKPM and is named Online Single Submission (OSS) system.

# PRESENTATION FROM THE PANELIST



**Fithra Faisal Hastiadi**  
(Executive Director of Next Policy and  
Lecturer at Department of Economics,  
University of Indonesia)



## SPEAKERS

### Fithra Faisal Hastiadi

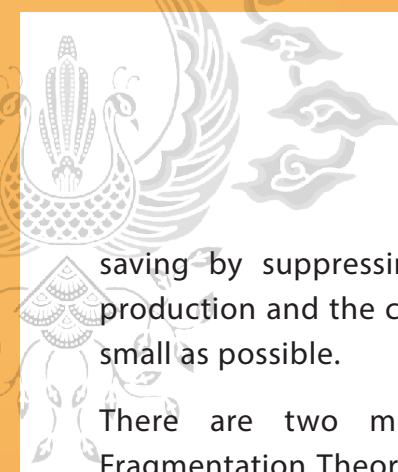
Executive Director of Next Policy and Lecturer at Department of Economics, University of Indonesia



Mr. Fithra began his presentation by explaining the theoretical approach to international trade and investment as a nexus and interchangeable contact. He highlighted that the terms of international trade have increased for intermediate goods, the development of the Global Production Networks, and the spread of distribution among countries that previous speakers also highlighted. Therefore, it is said that globalization is the common platform of trade and investment. Where there are any negative externalities from globalization, the positive effects of globalization cannot be neglected. Globalization, international trade, and investment is the opportunity to reap gain from economic globalization through participation in global production networks. The discussion is how to empower the global production networks among ASEAN and

ASEAN plus countries, such as China, Japan, and South Korea and excluding RCEP countries to benefit from international trade. Taiwan is not far behind, as Mr. Fithra believed it is still part of RCEP. The trend of international trade has brought Asian countries to convergence compared to years before. The global crisis in 2008, 2009, and COVID-19 pandemic in 2020 are the biggest hits for worldwide trade and economics; however, not all have negative impacts.

Theoretically, based on the Fragmentation Theory, it is very beneficial for countries to switch into an extensive integrated industrial system and production networks and diversify the production process. This shifting will create an efficient system everywhere. For instance, a multinational company fragmented production at another location aimed at cost-



saving by suppressing the relative cost of production and the cost of the service link as small as possible.

There are two models to explain the Fragmentation Theory. A classical model four blocks production, which in this model, is usually used in the US or Russia when having their network to produce a car or an electronic product. The model is fragmented or conducts the production outside the border, such as to China or Mexico and countries surrounding Asia. This model had been a significant push for the US economic growth acceleration due to the service link and production blocks.

The spillover to Southern countries has evolved Asia deeper. Japan and South Korea have implemented this strategy and tried to reach China, Hong Kong, Taiwan, and ASEAN as production-based countries. However, by supporting Japan or South Korea's transformation into a new model as the production-based countries, have allowed their network to support their economy. Now, China and Taiwan have developed their production network to ASEAN countries as well. Therefore, the models are becoming more complex.


After the world economic crisis in 1998, the Northeast Asian countries are experiencing significant disruption due to the increase of FTAs among East and Southeast Asia countries, as the crisis hardly hits these countries. The increasing FTAs happened because of the lesson learned to deal with the past problem by opening the market or expanding exports.

The FTAs were believed to be the solutions. The FTAs from East Asia countries, such as Japan, China, and South Korea, have created spillover effects to Southeast Asian countries. This trilateral agreement was discussed in 2002, way advanced from the RCEP.

ASEAN treated RCEP as the common regional platform to discuss the trade problems. As countries, ASEAN Member States do not have issues with China or Japan. Therefore, through this platform, the members could discuss any concerns and are different from East Asia countries that had problems in the past. Thus, Taiwan has benefited from this regional cooperation due to the neutrality of ASEAN.

Speaking about Indonesia, it is left behind compared to its regional peers, even with Vietnam. The slow progress of industrialization in Indonesia is caused due to a lack of productivity, human resource capability, and technology. Therefore, Indonesia needs to work with other countries to accelerate the industrialization process. However, the pandemic and trade war have contributed positively to the industrialization process in Indonesia. Because big countries like the US, EU, Japan, and China are now looking for resiliency instead of efficiency, they need to expand their portfolio. Indonesia has performed exceptionally well for this spillover due to the pandemic.

Analysis from Mr. Fithra on the Global Value Chain Participation puts Indonesia's performance in an alarming position. Currently, the local regulation has constrained




the intermediate goods to Indonesia. The local content regulation or TKDN has caused reluctance for investors because it costs lots of money. Therefore, Indonesia has not reached its full potential and is becoming the outsider of the Global Value Chain. For example, in the Global Value Chain for computer, electronic, and electrical equipment, Indonesia and ASEAN are considered total outsiders. At the same time, Taiwan is successful in leading the market for this aspect. The cooperation between Taiwan and ASEAN is projected to reduce the gaps and help ASEAN countries to contribute to these trade sectors.

Taiwan trade to ASEAN is doing quite well in terms of labour intensity and resource-based. Also, in terms of skilled labour and productivity, the economic relations among ASEAN countries and Taiwan is relatively good. Therefore, this cooperation has remarkably impacted both countries, and ASEAN expected to absorb all technologies from the industrialization cooperation from Taiwan. As for Taiwan import from ASEAN, there is a good development in terms of labour-intensive and resource-based. Taiwan has imported intermediate products. ASEAN's homework is to upgrade the trade for high skill and technology-intensive because it has decreased slightly. Strengthening bilateral cooperation is believed to elevate Taiwan and ASEAN as the second tier countries in the Global Value Chain. Also, ASEAN can develop their economic networks like China and India previously by benefitting from Japan industrialization.

Trade determinants among Taiwan and ASEAN are highly affected by the political determination. The New Southbound Policy is categorized as a political aspect supported by pandemic. The disruption will provide solid political pressure for ASEAN and Taiwan to collaborate deeper economically. Furthermore, the New Southbound Policy is becoming more relevant to connect with ASEAN. The geographical issue plays a minor role in connecting two parties to work together and rely on political activities.

For Indonesia, labour productivity and infrastructure becomes the main problem for investors to consider establishing business in the country. However, the current administration is working exceptionally to overcome these problems by enacting Omnibus Law and infrastructure development acceleration. Also, to increase the number of investments in Indonesia from various countries, the country should improve the Pattern Right Purchasing (PRP). Without PRP, it will create massive confusion. In the era of fast information exchanges, the investor needs to ensure the investment pattern and avoid investment redirection. They are also improving the human resource or labour quality in Indonesia. Currently, Indonesia is experiencing labour cost increases, but productivity is still considered low. Moreover, the government should benefit from the demographic bonus by elevating the quality of its citizens to attract potential investors.



To attract investors to Indonesia, FDI is not only the primary mechanism for investing in the country. Indonesia should consider the New Economy Movement (NEM) as a mechanism that will benefit investors. The recommendations for Indonesia, ASEAN,

and Taiwan to strengthen the industry are (1) human resource update; (2) logistical infrastructure upgrade; (3) promote trade liberalization, and (4) improve the business climate to encourage investment.



# QUESTION AND ANSWER SESSION

## Questions

### **Hanif (University of Indonesia):**

As Taiwan's views and policy have shifted to a more sustainable way to create less carbon footprint, is this also a priority concern for Taiwan on their FDI upon ASEAN, especially Indonesia and other similar agricultural nations?

## Responses

### **Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

Taiwan has set up some goals to respond to climate change and the green economy. This goal has been added to Taiwan's industrial strategy and action plan. The business actors are trying to generate industrial output and working very hard to develop a green economy and create less emission on their business activities. For example, investing in Vietnam to develop high technology like the Apple supply chain, the company has put the green economy aspect for their internal policies but at the same time asked by international clients to implement eco-friendly industrialization. By saying the global clients, it refers to the standard from the US and EU. Even during the Pandemic, the standard for the green economy is still the same. For SMEs, the business owners have not been affected by this regulation. However, Taiwan and Vietnam have been working collaboratively to support SMEs in updating and adapting different standards to green economic operations.

## Questions

### **Agustiono (Universitas Ciputra Surabaya):**

The ties between Indonesia and Taipei are not limited to the economic sphere. Cultural (education) interactions have also grown in recent years and have become the supporting pillars that have allowed economic relations to flourish. What are the opportunities related to Indonesia – Taiwan cooperation in the Education sector in the coming years?

## Responses

### **Fithra Faisal Hastiadi (Executive Director of Next Policy and Lecturer at Department of Economics, University of Indonesia):**

The non-geographical aspect, as it has mentioned, plays an essential role in economic cooperation. Cultural proximity, such as language, will contribute to the tie between trade and investment. For example, if two people speak the same language, it will bond the relations and perhaps soothe trade and investment cooperation. Education contributed to tying the association vertically and horizontally by saying vertical means that people can update their knowledge and skill, and horizontal people can understand the cultural bond. Taiwan and ASEAN can conduct student exchange programs. Education will be beneficial for both parties.

### **Ricky Kusmayadi (Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)):**

Indonesia is very open to receiving investment in education, both formal and informal education. BKPM encourages Taiwan to invest in the research and development aspect. As mentioned by Mr. Fithra, the research and development investment will enhance the investment climate in Indonesia.

### **Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

The New Southbound Policy opened the opportunity for people-to-people exchange. Before the pandemic, when Taiwan still opened the border, Taiwan received an increasing number of tourists and students from several countries in Southeast Asia. For example, there were numerous tourists from Singapore and Malaysia, as they can speak Mandarin. For students, Taiwan received many students from Vietnam in the past several years and only a few from Indonesia. The growing number of students from Vietnam has contributed to developing the industrial cooperation between Taiwan and Vietnam. This reason also justifies the collaboration between Taiwan, Malaysia, and Vietnam due to familiarity with Taiwan's system.

## Questions

### **Askar (Universitas Indonesia):**

Indonesia and Taiwan don't have FTAs. At the same time, Indonesia, along with other ASEAN members, joined the RCEP. Is Taiwan's absence from the RCEP could allow trade diversion to occur? Does Taiwan consider this a problem? If yes, how to overcome this problem?

## Responses

### **Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

Among ASEAN countries, so far, Taiwan only has an FTA with Singapore. Several years ago, Chung-Hua Institution for Economic Research collaborated with an Indonesian think tank conducted a research project about the possibility of Taiwan developing an FTA with Indonesia. However, there is not much progress for this project on the conclusion for the study. This study found that Indonesia will benefit from the potential FTA with Taiwan, and for this case, Taiwan will open for this collaboration and explore new opportunities. Taiwan currently has not joined the RCEP. There are two consequences of this absence. Taiwan's investors that have existing projects in Southeast Asia can benefit from cheaper export fees within the region. However, for the investors in Taiwan who have not invested in Southeast Asia, the RCEP membership for Taiwan will encourage them to invest in the area.

### **Ricky Kusmayadi (Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)):**

Speaking about free trade agreements (FTAs), whatever the mechanisms are, will benefit all members. However, as in my previous presentation, despite Taiwan not being part of RCEP, the number of investments from Taiwan is still vast and significant. Indonesia expects a new bilateral agreement that can push the investment from Taiwan and increase cooperation.

### **Fithra Faisal Hastiadi (Executive Director of Next Policy and Lecturer at Department of Economics, University of Indonesia):**

One of the ultimate goals for regional trade agreements (RTAs) and FTAs is trigger action. But, the countries need to understand that goal in every trade agreement to maximize the trade diversion. Indonesia has approved RCEP, but Indonesia still needs to generate a bilateral deal with Taiwan.

## Questions

### **Sara (Universitas Indonesia):**

According to Indonesia, do you see the Belt and Road Initiative as a win-win strategy? If Indonesia supports Taiwan, will they lose FDIs from china?

## Responses

### **Ricky Kusmayadi (Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)):**

Indonesia follows the One China Policy, but with Taiwan, Indonesia can still work together, and perhaps we will work with Taiwan. Despite China's significant investment in Indonesia, BKPM still sees Taiwan as a strategic partner to collaborate. For example, the latest project from Taiwan investment in Cirebon. Mr. Ricky added that Taiwan could benefit from the Batang Industrial Park initiative in Central Java, which currently provides many fiscal benefits for Taiwan investors.

### **Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

Taiwan's investment in Indonesia last year showed a significant gradual increase. However, compared to other Southeast Asian countries, the number is still tiny. Vietnam received more extensive investment from Taiwan due to the flexible policies to attract Taiwan investment. For example, two years ago, Vietnam and Taiwan signed a bilateral agreement, which helped create business protection and promotion. Also, Vietnam has more FTAs than other countries. Therefore, it is highly suggested for Indonesia to provide similar mechanisms toward Taiwan's investment. The more Indonesia liberalizes the system, the better it is for Taiwan to enlarge the cooperation

## Questions

### **Morgan Yang:**

For Taiwan in the post-pandemic era, how does the New Southbound Policy assist economic recovery of Southeast (Asian) countries?

## Responses

### **Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

This issue has been becoming challenging for Taiwan's policymakers and business owners. During the pandemic, there have been slow-down exchanges among Taiwan and partner countries as Taiwan has been forced to close its borders. Taiwanese companies are now looking for the opportunity to assist the economic recovery. One of the sectors is bringing the digital transformation for post-pandemic situations. What is good about the pandemic is everything is connected to digital channels, and Taiwan is looking forward to it.

## Questions

**Luthfy Ramiz (Researcher, The Habibie Center):**

Do you see the One China Policy as a challenge in the effort of fostering Taiwan's investment and more broadly economic cooperation in ASEAN, and Indonesia?

## Responses

**Fithra Faisal Hastiadi (Executive Director of Next Policy and Lecturer at Department of Economics, University of Indonesia):**

I think there are no issues. Economic cooperation is different from political aspects. ASEAN countries can benefit from Taiwan's advanced technology. Mr. Fithra added that with years of research experience, there is a positive correlation between market driven activity and can actually affect institutional driven. If we have China and Chinese Taipei in the Olympics, Taiwan can actually play a role in international trade.

**Ricky Kusmayadi (Director of Investment Promotion Development, Ministry of Investment/Indonesia Investment Coordinating Board (BKPM)):**

I couldn't agree more. As I have mentioned, Taiwan's investment in Indonesia increased last year until now.

**Kristy Tsun-Tzu Hsu (Director of the Taiwan ASEAN Studies Center, Chung-Hua Institution for Economic Research (CIER)):**

Ideally, there is no issue because politics is politics, and economics is economics. They may complicate the issue. Despite the One China Policy, there can be other alternatives for Taiwan to work with ASEAN countries. Additionally, there has been lots happening in the world three years back. Therefore, governments should redefine their definition of the One China Policy to allow more room for economic engagement with Taiwan.



### **ABOUT ASEAN STUDIES PROGRAM**

The ASEAN Studies Program was established on February 24, 2010, to become a center of excellence on ASEAN related issues, which can assist in the development of the ASEAN Community by 2015. The Habibie Center through its ASEAN Studies Program, alongside other institutions working towards the same goal, hopes to contribute to the realization of a more people-oriented ASEAN that puts a high value on democracy and human rights.

The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.

### **ABOUT TALKING ASEAN**

Talking ASEAN is a monthly public dialogue held at The Habibie Center in Jakarta. Covering a wide array of issues related to ASEAN, Talking ASEAN addresses topics of: Economic Integration, Socio-cultural, & Democracy, human rights and regional peace, among others. Featuring local and visiting experts, Talking ASEAN is one of a series of twelve dialogues regularly held each month and open to a target audience consisting of ASEAN officials, foreign ambassadors & diplomats, academics, university students, businesses, and the media.

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