

# COVID-19 crisis inspires global tightening of Foreign Investment Screening

## Indonesia

**The number of COVID-19 cases in Indonesia continues to increase. The Indonesian government has said that Indonesia's economic growth may be adversely affected by COVID-19, as it has affected global economic growth. The virus is predicted to negatively impact the Indonesian economy in revising 0.3 to 0.6 percentage points of growth.**

In early April 2020, the Jakarta Manpower, Transmigration and Energy Agency reported that 30,137 workers had been terminated by 3,348 companies, while another 132,279 employees had been sent home without pay. A number of companies have also implemented various cost reduction measures.

That said, it would seem that Indonesia's FDI realization has not yet been fully affected by the COVID-19 outbreak. Indonesia Investment Coordinating Board (**BKPM**) recently announced the first quarter (January-March) of investment realization data in 2020 reached IDR210.7 trillion or equivalent to 8.0 percent increase compared to the same period in 2019, IDR195.1 trillion. This significant value was triggered by Domestic Direct Investment (DDI) which increased by 29.3 percent. This is certainly a positive sign despite a challenging first quarter due to the pandemic outbreak. However, it is still difficult to predict how FDI realization will be affected in the following quarters of 2020 if the COVID-19 cases continue to increase.

At the end of March 2020, Indonesia declared a status of national emergency due to COVID-19. A number of regulations and stimulus have since been introduced to ease the negative impact of the pandemic. Immediately after the declaration, the Indonesian government through Government Regulation No. 1 of 2020 introduced a US\$725 million stimulus package in the form of financial incentives for the tourism, airline and

real estate industries, in addition to various subsidies, tax cuts and unemployment benefits. There are discussions that more incentives will be issued in the coming weeks to ease export and import rules.

In addition, the Minister of Law and Human Rights issued Regulation No. 11 of 2020 regarding Temporary Ban for Foreign Citizens to Enter the Republic of Indonesia which went into effect as of April 2, 2020. All foreign citizens are prohibited to enter the country except for holders of limited stay or permanent stay permits, holders of diplomatic visas and permits, aid support staff for humanitarian assistance, transportation crew attendants as well as workers in the national strategic projects.

In early April 2020, the Indonesian government also introduced the implementation of massive restrictions called "**PSBB**." PSBB is a measure taken by central and provincial government to temporarily restrict a number of regular social and public activities within a city or province – similar to a semi-lockdown situation.

PSBB requires non-essential business workplaces to suspend activities in physical offices and implement work-from-home policies. The types of workplaces exempted from this are government institutions as well as those in the healthcare, food and beverage, energy (including oil and gas and mining industries), communication and information, finance, logistics, hospitality, construction and other strategic sectors and industries.

The government has not indicated any need for a full lockdown and continues to monitor the development of COVID-19, whilst still ensuring minimum negative impact to investment and businesses. It is reported that the significant impact on the growth of FDI and domestic investment would be seen in the second

quarter of the year and the government should prevent any FDI outflow from Indonesia.

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