Rebuilding Indonesia’s Industrial Estates

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Summary

The industrial estate business in Indonesia has been rapidly growing since its inception in the 1970s, but poor planning and weak implementation of past policies have led to policy problems in four key aspects: administration inefficiency, poor infrastructure, antagonistic labor relations, and limited incentives. These problems were further compounded by issues such as rising labor costs and soaring land prices in or around Greater Jakarta, where most of the country’s most prominent industrial estates reside. This paper examines root causes of industrial estate problems, the likely implications, the government’s response, and possible policy recommendations.

Introduction

In the development context, industrial estates have become synonymous with the process of industrialization and are considered as powerful tools for employment generation, economic growth and competitiveness. Industrial estates, in particular, have the ability to foster a catch-up strategy by providing an institutional framework, modern services and infrastructure that is not available in the rest of the country (UNIDO, 1997).

The challenge, however, is to create and maintain industrial estates that are competitive not only in the local market, but also in the global context. Research by UNIDO (2015) has suggested that there are now more than 12,000 industrial estates that exist around the world, with an estimated 893 in ASEAN alone. According to the latest available data from the Ministry of Industry in 2012, there are 172 industrial estates currently scattered across the Indonesian archipelago, most of which are dominated by manufacturing activities.¹

¹ It is difficult to estimate the accurate numbers of industrial estates in Indonesia due to the absence of a government body in charge of economic zones. UNIDO (2015) suggests that there are 260 industrial estates in Indonesia.
Since current President Joko “Jokowi” Widodo took office in October 2014, much of the government’s focus has been on revitalizing the economy by increasing investment in the manufacturing sector. The development of industrial estates, along with special economic zones (SEZs), is seen as one of the most effective ways to facilitate industrial activities and accelerate the process of industrialization in the regions across the Indonesian archipelago. In addition, investment in manufacturing activities, particularly in industries that are labor-intensive, have the capacity to increase national and local employment.

The revision to the Government Regulation No. 24/2009, along with the issuance of policies targeted at easing investment inside industrial estates, are part of an effort to boost the competitiveness of Indonesia’s industrial estates. While these efforts have improved the investment climate in the country, considerable work still needs to be done to evaluate and resolve ongoing problems caused by ineffective policies.

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2 Regulation of the Ministry of Home Affairs No. 5/1974 stipulates that land for industrial estate business can only be granted to a legal entity whose entire capital comes from the government.

3 The Presidential Decree No. 53/1989 opens the industrial estate business to the private sector.

4 The Government Regulation No. 24/2009 on Industrial Area was issued as an implementation to Law No. 5/1984 on Industry.

5 The new Government Regulation No. 142/2015 on Industrial Estates was issued as an implementation to Law No. 3/2014 on Industry, and became effective on December 28th, 2015.
This paper reviews policy problems and responses related to industrial estate development, particularly in the aspects of administration, infrastructure, labor and incentives. It also discusses cases of industrial estate development in Thailand and Vietnam, as they are often viewed as major competitors of Indonesia in the region, particularly in attracting investment into the manufacturing sector. Lastly, the paper also offers several recommendations that could help Indonesia further maximize its industrial estates as tools for economic growth.

Policy Problems and Responses

Administration

- The administration of industrial estates in Indonesia is fragmented and not integrated into the country’s overall industrial development strategy.

- Two of the problems associated with the administration of industrial estates are: (1) the lack of a coherent national strategy; and (2) the lack of a dedicated government institution assigned to develop, monitor and promote the estates.

- The government’s lack of involvement in the country’s industrial estate development has led to soaring industrial land prices in more developed regions.

- Compounding these problems is the process of administrative and fiscal decentralization since 2001, which dispersed decision-making authority to provincial and local-level governments.

- The government has attempted to resolve these administrative problems by: (1) redirecting industrial investment into industrial estates; and (2) strengthening its role in the country’s overall industrial estate development strategy.

Prior to 2014, the development of industrial estates across the Indonesian archipelago lacked an overall master plan. While the Government of Indonesia had issued various regulations as the legal basis for industrial estates, a master development plan for industrialization was issued only for the Riau island of Batam. After the 1989 decree that allowed the management of these estates by private companies, the industrial estate business subsequently became overwhelmingly dominated by the private sector. Currently, only 6 percent of Indonesia’s industrial estates are managed by the government, which is in stark contrast to its regional counterparts: Malaysia (78 percent) and Thailand (48 percent) (ADB, 2014).

Moreover, Indonesia does not have a specific government body responsible for the development of economic zones. This has led to unclear and inconsistent monitoring in different institutions, such as the privately-run Industrial Estate Association of Indonesia (Himpunan Kawasan Industri – HKI), regional governments, the Investment Coordinating Board (Badan Koordinasi Penanaman Modal – BKPM) and various teams under the Ministry of Industry. Other countries competing in industrial estate development in the region, such as Thailand and Vietnam, established bodies such the Industrial Estate Authority of Thailand (IEAT) and Vietnam’s Department of Economic Zones at the Ministry of Planning and Investment, respectively (UNIDO, 2015).

Prior to 2014, the development of industrial estates across the Indonesian archipelago lacked an overall master plan. While the Government of Indonesia had issued various regulations as the legal basis for industrial estates, Batam was designated as an industrial zone by the Presidential Decree No. 71/1971.
The private sector’s domination of industrial estate development and insufficient government involvement have resulted in soaring industrial land prices, which makes investing in Indonesia’s industrial estates more expensive than in neighboring countries. To illustrate, in 2013 a square meter in Bekasi or Karawang was priced at US$191, which was significantly higher than US$119 in Bangkok (Siahaan, 2013). This may be attributed to a strong demand for industrial land in more developed regions in or around Greater Jakarta, and low capacity utilization for industrial estate areas outside of Java. Land prices can only be managed when governments play an active part and have a significant share in their countries’ industrial estate development.

Source: Ministry of Industry, 2012

Source: Industrial Estate Association of Indonesia, 2015
In addition, the process of decentralization has resulted in overlapping rules and regulations. For example, Minister of Industry Regulation No. 5/2014 stipulates that nuisance permits are not necessary for businesses situated within industrial estates, while the Local Regulation of the City of Batam No. 12/2009 and the Mayoral Regulation of the City of Batam No. 13/2010 calls on businesses to obtain nuisance permits, regardless of their location. Another problem highlighted by industrial estate managers was the difficulty in acquiring land for industrial use, due to the overlaps of regulations between the two levels of government. These inconsistencies and a lack of clarity in communicating the regulations, sometimes may incur unnecessary costs on businesses (Octavia, 2015).

In recent years, the government has increased its efforts to redirect investment into the country’s industrial estates. A blueprint for industrialization resembling a master plan for industrial estate development was included in the Law No. 3/2014 on Industry. The law, which is also known as the new Industrial Bill, contains provisions for a master plan for industrial development and encourages manufacturers to locate their factories within the available industrial estates (ADB, 2014). Currently, the government aims to increase the proportion of industrial activities that are located inside industrial estates from 40 percent to 70 percent in the next twenty years (Yusuf, 2016).

The government will also strengthen its role in the development of industrial estates. As a part of the National Development Plan 2015-2019, the government has announced plans to develop three locations out of the 13 planned industrial estates outside of Java, while the remaining ten estates will be developed by the private sector (Salim, 2015). Increased government involvement will also be seen through the creation of an industrial estate committee (Komite Kawasan Industri), a government body that will be solely responsible for the growth, monitoring and promotion of the country’s industrial estates.

Infrastructure

- Indonesia is currently ranked in 5th place out of 9 ASEAN countries in the ‘Infrastructure’ sub-index on the World Bank’s The Logistics Performance Index and Its Indicators, below its main industrial estate competitors in the region: Thailand (3rd) and Vietnam (4th).
- Tenants inside several industrial estates in Indonesia have cited unreliable power supplies and poor access to external infrastructure as the main infrastructure concerns.
- The new Government Regulation No. 142/2015 addresses the confusion surrounding infrastructure provision in the old regulation on industrial estate, by defining the different types of industrial estate infrastructure and assigning responsibility to specific institutions for construction.

In general, the quality of infrastructure in and around Indonesia’s industrial estates is inadequate. Unreliable power supplies and poor access to external infrastructure have been cited by companies as two issues that need to be addressed urgently by the government and industrial estate managers. Electrical power is especially critical for powering manufacturing operations, especially for industries that require energy-intensive facilities such as smelters. The unreliable power supply forced some businesses and industrial estate managers to provide their own back-up electricity generators, which costs three times the cost of electricity from PLN (Papanek, Pardede, & Nazara, 2014). In addition, interviews with the business community also indicates that high traffic density inside ports and airports and inadequate road networks have caused excessively high logistical costs.

The private provision of infrastructure by industrial estates has resulted in higher costs for tenants. Interviews with the private sector suggest that this practice could increase investment costs by at least 20 to 30 percent. Adding to the problem of private provision

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7 Article 23(6) of the new Government Regulation No. 142/2015 on Industrial Area stipulates that a nuisance permit is not necessary for companies located inside an industrial estate.

8 The three locations are Palu in Central Sulawesi, Bitung in North Sulawesi and Kuala Tanjung in North Sumatera.

9 Article 4 of the new Government Regulation No. 142/2015 on Industrial Area calls for the creation of an industrial estate committee, whose membership and responsibilities are outlined in detail in Articles 51 and 52.

10 In February 2015, the Center for Public Policy Transformation in collaboration with the Coordinating Ministry for Economic Affairs held a focus group discussion involving representatives from industrial estate management, governmental institutions, business associations and tenants of the industrial estates. Discussion was in reference to the Government Regulation No. 24/2009 on Industrial Estate.
is that the law actually mandates that some infrastructure services should be publicly owned. For instance, the electric grid in Indonesia is a monopoly by the national electric company (PLN) (Papanek et al., 2014). This raises serious concerns when there is a discrepancy between the limited quantity and quality of infrastructure provided by the government, and the capacity required by certain industries.

Moreover, there is confusion over the role of the government and industrial estate managers in providing infrastructure. Focus group discussions between stakeholder representatives reveals that the existing regulation on industrial estate did not specify the details of what type of infrastructure is associated with industrial estate development, and which institution is responsible for building it.\(^{11}\)

Therefore, one of the key highlights of the new regulation on industrial estates is clarity over the division of responsibilities for building infrastructure.\(^{12}\) According to Government Regulation No. 142/2015, the provision of industrial infrastructure and supporting infrastructure is now placed under the authority of the Government and/or the Local Government, whereas the responsibility to provide basic infrastructure falls to industrial estate companies.\(^{13}\) However, the companies have the flexibility to provide supporting infrastructure and supporting facilities as they see fit.\(^{14}\) To accommodate the energy needs of some industries, the regulation also allows industrial estate managers to construct and manage their own sources of electricity for personal and industrial use.\(^{15}\)

\(^{11}\) Article 5(3) of the old Government Regulation No. 24/2009 stipulates that the Minister (of Industry) will coordinate with relevant institutions for the planning of the provision of “infrastructure” and “supporting facilities”. It does not specify what constitutes “infrastructure” and “supporting facilities”.

\(^{12}\) In accordance with Article 62 of the Law No. 3/2014, which stipulates that the Government and the Local Government guarantee the availability of the infrastructure industry.

\(^{13}\) Industrial infrastructure includes energy and electricity networks; telecommunications networks; water resources and guaranteed raw water supply networks; sanitation; and transportation networks. Supporting infrastructure includes housing; education and training; research and development; health; fire stations; and waste disposal.

\(^{14}\) Basic infrastructure encompasses raw water treatment plant; wastewater treatment plant; drainage channel; installation of street lighting; and road networks.

\(^{15}\) Article 42(1)

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**Labor**

- The private sector’s domination of the country’s industrial estate development led to the proliferation of industrial estates in or near Greater Jakarta. These regions are generally more affluent and have better infrastructure, but charge some of the highest minimum wage rates in the country.

- Frequent industrial actions often halt operations, undermining the security and stability of several industrial estates in Indonesia.

- The government’s ambition to expand industrial estate development to remote areas may be hampered by a shortage of skilled workers for more specialized industries.

- To address the problems associated with labor inside industrial estates, the government has issued a new minimum wage policy effective January 2016, and committed to providing better social infrastructure for workers in accordance with Government Regulation No. 142/2015 on Industrial Estates.

Privately-managed industrial estates prefer to operate in or around Greater Jakarta to gain access to the capital’s markets and superior infrastructure, however this also incurs higher labor costs compared to other regions. This is due to the fact that minimum wages in Indonesia vary across provinces, cities and districts, and are generally higher in or around Greater Jakarta than the rest of the country. For the year 2016, DKI Jakarta recorded among the highest minimum wages (US$ 238), while the lowest can be found in the Banjar negara district in Central Java (US$ 97). Bekasi, a district in the West Java province, is home to at least thirteen industrial estates, one of which is Jababeka Industrial Estate, the largest industrial estate in the whole Southeast Asia.\(^{16}\)

Despite the relatively high minimum wage set

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\(^{16}\) There are seven existing industrial estates in Cikarang: Jababeka Industrial Park, Bekasi Fajar Industrial Estate, Delta Silicon (Lippo Cikarang), Greenland International Industrial City (GIIC) Kota Delta Mas, MM2100 Industrial Town, East Jakarta Industrial Park (EJIP), and Bekasi International Industrial Estate (BIIE). There are six existing industrial estates in Karawang: Suryacipta Industrial Park, Karawang International Industrial City (KIIC), Kujang Industrial Estate, Mitra Karawang Industrial Estate, Artha Industrial Hill and Kota Bukit Indah.
by the district government (US$ 246), industrial estates in Bekasi still enjoy great popularity among foreign investors particularly due to their proximity to Jakarta, ample supply of skilled labor, and easy access to Indonesia’s busiest port, Tanjung Priok.

Frequent industrial action has played a role in discouraging investment in the manufacturing sector. In 2012 and 2013, several large-scale strikes and rallies demanding higher wages and severance pay have disrupted production within several industrial estates, causing some investors to consider moving to other manufacturing hubs in the region. Minimum wage hikes for 2013 reached 40 percent in some parts of the country, which made running labor-intensive industries more expensive (Vaswani, 2013).

In reality, labor demonstrations at several industrial estates are considered to be against the law. Decree No. 466/M-IND/Kep/8/2014 specified that 49 companies and 14 industrial estates are assigned as Indonesia’s National Vital Object (Objek Vital Nasional). National Vital Objects are companies or industrial estates with strategic importance that are granted special protection from the police. However, continued demonstrations at some of the national vital objects show that the enforcement of these regulations remained weak.

Another labor market problem related to the government’s ambition to expand industrial estate development outside of Java is a shortage of skilled workers for more specialized industries in remote areas. Given their proximity to raw materials, industrial estates in more remote areas generally focus on more specialized, resource-based industries. The newly-established Indonesia Morowali Industrial Park in Central Sulawesi, for instance, focuses on ferronickel smelter and stainless steel manufacturing industries, while the Teluk Bintuni Industrial Park in the far-flung province of West Papua manufactures fertilizer and petroleum. However, these industries generally require workers with more specific skills that are beyond the quality of labor available in the region.

The government has made a conscious effort to protect the stability of labor relations within industrial estates by issuing a new minimum wage policy and investing in plans to increase workers’ skills and productivity. A key item in the fourth economic policy package issued towards the end of 2015 was a fixed formula for setting regional minimum wages starting in 2016, which takes into account both the region’s inflation rate and the rate of economic growth. It was hoped that this could address the contentious wage negotiations between workers and employers (Burhanudin & Octavia, 2015). Moreover, to address the problem of unskilled workers for specific industries, the new regulation on industrial estates stipulates that educational and training facilities, as well as research and development facilities, are among the minimum required supporting infrastructure that the government should be providing.

Incentives

- Fiscal and non-fiscal incentives are often considered as additional inducements that are used by governments to attract firms to industrial estates.
- Government Regulation No. 142/2015 offers generous incentives for prospective and existing tenants in industrial estates. Incentives will be offered based on the zoning system that divides the country’s industrial estates into four categories, with greater incentives available in less-developed regions.

17 According to interviews with executives at Batamindo Industrial Park, notoriously frequent labor strikes and rallies have caused disturbances to businesses, and led some manufacturers to move their operations elsewhere.
18 Article (2) of the Law No. 9/1998 prohibits protests at National Vital Objects, and Presidential Decree No. 63/2004 allows the deployment of police forces to ensure the security of these Objects.
19 Article 10(3) of the new Government Regulation No. 142/2015 requires the government and/or regional government to provide supporting facilities that include (b) educational and training facilities and (c) research and development centers.
In the past, there was no obvious benefit for companies whether they opt to locate inside or outside an industrial estate in Indonesia. However, some of the factors that investors consider are the types and value of incentives compared to its counterparts in the region. Some of these incentives are fiscal in nature, such as tax holidays; the rest, like the simplification of procedures and one-window service for administrative matters, are considered non-fiscal facilities. However, the old Government Regulation No. 24/2009 on Industrial Estates did not include provisions on incentives or facilities to attract companies to locate inside the country’s industrial estates. Prior to the issuance of the new regulation at the end of December 2015, only industrial estates located inside the country’s SEZs were able to enjoy some fiscal incentives.

Today, industrial estates in Indonesia are gaining popularity after the government had started to issue regulations that ease investment inside the assigned areas. The availability of a three-hour licensing policy for investors with projects that are worth at least Rp 100 billion (US$7.3 million), employ a minimum of 1,000 employees and are located inside industrial estates designated by the BKPM, have resulted in an investment commitment reaching Rp 52.9 trillion, and employment absorption of almost 16,000 Indonesian workers (Amindoni, 2016). This policy had since been expanded to allow investors to begin construction in nine industrial estates appointed by the BKPM after receiving their basic licenses (Manuturi, 2016).

Government Regulation No. 142/2015 also offers additional incentives to make the country’s industrial estates more attractive to investors. Some of these incentives include tax holidays and allowances, along with reductions or exemptions from regional taxes, which will be provided based on the zoning system that divides industrial estates into four categories. Greater incentives will be granted for businesses that opt to locate in less developed zones. To simplify licensing procedures, the regulation also allows tenants to skip filing the environmental impact analysis (AMDAL) if the industrial estate manager has already done so.

20 The estates included in this initiative are: Kendal Industrial Estate, Bukit Semarang Industrial Estate, Tugu Wijaya Kusuma Industrial Estate, Candi Industrial Estate, Wilmar Integrated Industrial Estate, Modern Cikande Industrial Estate, Krakatau Industrial Estate, Java Integrated Industrial and Port Estate (JIIP) and Bantaeng Industrial Estate.

21 The four categories are: developed industrial development estates (WPI) in Java; developing WPI in southern Sulawesi, eastern Kalimantan, northern Sumatera (other than Batam, Bintan and Karimun) and southern Sumatera; potential WPI in northern Sulawesi, western Kalimantan, Bali and Nusa Tenggara; and potential WPI in Papua and West Papua.

22 Part Three: Obligations of Industrial Enterprises in the Industrial Area, Article 38 (4).
| 1. | The government’s role in the country’s industrial estate development was limited. | The government’s role in industrial estate development has been expanded to include (but are not limited to): Providing industrial estate infrastructure Establishing industrial estate standards Providing incentives and other facilities according to the regulation as determined by the Law. (*Chapter II, Articles 4 and 5*) |
| 2. | The definition for industrial estate infrastructure was unclear. There was confusion over which institution was responsible for providing each of these facilities. | The new regulation clearly defines the difference between industrial infrastructure, supporting infrastructure, and basic infrastructure; as well as who is responsible for providing each type of infrastructure. (*Chapter III, Articles 10 and 11*) |
| 3. | Licensing procedures for companies located inside industrial estates were neither simplified nor subjected to special treatment or one-stop service (OSS). | Industrial estate tenants are not required to obtain a nuisance (HO) permit. (*Chapter IV, Article 23(6)*) Industrial estate managers are required to facilitate licensing OSS for companies inside the estates. (*Chapter VII, Article 35(3)*) The new regulation allows tenants to skip filing the environmental impact analysis (AMDAL) if the industrial estate manager has already done so. (*Chapter VII, Article 38(3)*) Industrial estates are allowed to construct and manage their own sources of electricity for personal and industrial use. (*Chapter VIII, Article 42*) |
| 4. | The old regulation did not offer any type of incentive for companies locating inside the country’s industrial estates. | The government is offering tax incentives to attract businesses to invest inside industrial estates. The provision of incentives is based on a zoning system, whereby greater incentives are provided for businesses that will locate in less developed zones. (*Chapter VIII, Article 41*) |
**Case Studies**

**Thailand**

Industrial estate development in Thailand has been recognized globally primarily for its high quality, state-of-art infrastructure. Thailand is ranked 3rd in ASEAN after Singapore and Malaysia, and 31st in the world out of the 160 countries surveyed for the World Bank’s *The Logistics Performance Index and Its Indicators* in 2014. Most of the country’s industrial estates are located in areas that are accessible to airports and seaports, which is especially vital for export-oriented industries. Connectivity is further supported by an extensive, paved road transportation network that exceeds 390,000 kilometers. About 65,000 kilometers of this network forms a national highway system that connects all 76 provinces, thereby allowing free freight movement across the country.

Another oft-cited strength of Thailand’s industrial estate development is its administrative efficiency. Established in 1972, the Industrial Estate Authority of Thailand (IEAT) is a state enterprise attached to the Ministry of Industry tasked with implementing the government’s industrial development policy. This includes the development and management of the country’s industrial estates. Among its many achievements, the IEAT has succeeded in creating an industrial cluster concept which divides the country’s industrial estates based on the types of industries. The strategy has spread development equally away from Bangkok to the outlying provinces.

**Vietnam**

Industrial estates in Vietnam are well-organized, and along with Export Processing Zones and Special Economic Zones, are considered a part of the 2020 national development project outlined in the Decision No. 1107/DQ-TTG dated August 21st 2006 (Phi, 2011). The estates are some of the main recipients of the country’s foreign direct investment (FDI), a majority of which went into the manufacturing sector. Manufacturing makes up most of the activities inside the country’s industrial estates.

Vietnam’s relative advantage in the manufacturing sector is its low labor costs and high quality of work. Vietnam offers cost advantages in labor-intensive industries such as garments, with monthly minimum wage that is among the lowest in the region (US$ 110), lower than Indonesia (US$ 205) (Papanek et al., 2014). This has allowed Vietnam to successfully capture the labor-intensive investment flowing out of China as the latter moves up the global value chain and loses its competitive edge as a low-cost manufacturing base.

Vietnam is also home to a well-educated and young labor force that benefited from excellent educational and training programs targeted at upgrading workers’ skills and increasing labor productivity. For example, the 10-year vocational and technical education (VTE) project by the Asian Development Bank (ADB) was able to successfully train a total of 108,000 skilled workers and production technicians by 2008. The competitiveness of Vietnam’s workers was further corroborated by a multinational furniture manufacturer with production facilities in Vietnam and Indonesia, who noted that Vietnamese workers are generally more disciplined, and have better quality of work and work ethic.

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23 Interviews were conducted for the development of a case study on business licensing published by Transformasi in October 2015.
Conclusion and Recommendations

Though industrial estates have existed in Indonesia since the 1970s, they have not been fully utilized as a tool for economic growth through industrialization. Industrial estates have been an ongoing development agenda for the Indonesian government, but prior to the current administration they were merely a small, and often disengaged, component of the country’s overall economic strategy. Various problems, ranging from the lack of a coherent plan; inadequate provision of infrastructure; antagonistic labor relations; and limited incentives, have further complicated the situation.

The revisions to the regulation on industrial estates and a series of policy packages targeted at increasing investment in those estates have been well-received by the business community. In particular, there were several pivotal changes introduced in Government Regulation No. 142/2015 that were not present in the old regulations, including required facilities and standards of industrial estates, the government’s role in initiating industrial estate development, and the creation of industrial estate committees. As of the time of writing, the business community is waiting for the issuance of a ministerial regulation (Peraturan Menteri Perindustrian – Permenperin) which will provide the technical details on the revised government regulation.

Moving forward, there are several recommendations that the Government of Indonesia could consider to further improve the country’s industrial estates:

1. The immediate creation of an Industrial Estate Authority of Indonesia. Having a single body responsible for industrial estate development will prevent the overlapping of implementation and monitoring roles between institutions.
2. The acceleration of infrastructure development to address the inadequate provision of infrastructure, particularly for the 13 planned industrial estates outside of Java. Papanek et al. (2014) proposed that private companies can build infrastructure as a way to discharge their tax obligations, given that the government has limited funding and capacity to build infrastructure in areas far from Jakarta. Involving the private sector will be beneficial for all parties as it has the potential to expedite the process of infrastructure development. However, strict quality control will need to be put in place to ensure that these projects meet a certain level of standard, and are free from bribery and collusion between contractors and the government.
3. Negotiated agreements on selected industrial estates that exchange lower minimum wages for subsidized or free housing, children’s education and healthcare. This may give companies, particularly those that are concerned about rising labor costs, a powerful incentive to relocate to these estates.
4. Better coordination between governments at the national and local levels to facilitate the regulation of industrial land prices and land acquisition reforms.

Industrial estates have the potential to spread equal development across the archipelago if they are properly and holistically developed. However, the challenges faced by the Indonesian government are much more complex compared to other countries in the region. Aside from addressing problems caused by past policies, and building on that foundation, Indonesia also has to remember that it does not exist in a vacuum. Decades of trade and investment liberalization in other countries mean that investors have the luxury of choosing the most favorable conditions for their businesses, leaving Indonesian industrial estates to face fierce competition in attracting investment.

24 Article 5 of the Government Regulation No. 142/2015
References


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