

ASEAN BUSINESS

Year of economic awakening for Indonesia's Riau Islands: officials

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LIKE most economies, the Riau Islands have been hard done by the Covid-19, but Indonesia is targeting growth of 4.8-5.6 per cent this year for the province, before climbing to 5.2-6.3 per cent by 2026, underpinned by a slew of economic recovery programmes.

The province, home to large industrial estates such as the Nongsa Digital Park and Bintan-Batam-Karimun (BBK) Free Trade Zone, which are a stone's throw from Singapore, suffered a 3.8 per cent contraction in its economy in 2020 when travel was restricted by Covid-19 and foreign arrivals (mostly from Singapore and Malaysia) fell to 400,000 from 3 million.

Batam and Bintan have since started quarantine-free sea vaccinated travel lanes with Singapore from Feb 25, which should result in a gradual pick-up in tourism.

In 2021, the economy expanded 3.43 per cent, led by the processing industry, construction, information and communications, as well as health services and social activities.

"We are optimistic that 2022 will be the year of Riau Islands economic awakening," said Rafki

Awakening Riau Islands

TARGET INDICATORS FOR PROVINCE (%)	BASE YEAR (2020)	2021 (ACTUAL)	2022	2023	2024	2025	2026
Economic growth	-3.8	3.43	4.8-5.6	4.9-5.8	5.0-5.9	5.1-6.1	5.2-6.3
Unemployment rate	10.34	9.91	10.1	9.5	8.7	8.1	7.5

TARGET INDICATORS FOR BATAM	BASE YEAR (2020)	2021 (ACTUAL)	2022	2023	2024	2025	2026
Economic growth	-2.55	NA	5.05	5.91	6.4	6.92	7.52
Unemployment rate	11.79	11.64	10	9.75	9.65	9.6	9.55

Sources: Planning, research and development agency of Kepulauan Riau Province

Rasyid, chairman of The Indonesian Employers' Association Batam, Riau Islands.

His optimism hinges on the Covid-19 pandemic being under control, paving the way for the return of tourists.

Speaking at a recent webinar organised by Asia Competitiveness Institute – a research centre at the National University of Singapore's Lee Kuan Yew School of Public Policy – and Politeknik Negeri Batam, he said that unemployment in the province hit 10 per cent in February 2021 as businesses shuttered due to the pandemic.

Pre-Covid, there were 571 companies employing 142,000 workers in 2019. Of these, 508 companies were located at Batam City providing jobs to nearly 134,000.

Various strategic policies, including speeding up vaccinations, have been drawn up to help the economy recover, said Ansar Ahmad, governor of the Riau Islands Province.

"Budget items whose designations are not included in the priority scale are diverted to providing economic recovery stimulus, social safety nets, community empowerment, Covid-19 task force operations, incentives for health workers.

"The budget was also diverted to various programmes that encourage the rise of small, micro and medium-sized enterprises such as providing interest-free capital loans, providing compensation for underprivileged families affected

by Covid-19, as well as providing various relaxations of investment permits to attract investors," he said.

The province is projected to grow to 4.9-5.8 per cent in 2023 and 5.0-5.9 per cent in 2024, before climbing to 5.2-6.3 per cent in 2026, Ansar said.

Growth of Special Economic Zones (SEZs) in Batam, Bintan and Karimun is expected with various convenience facilities in licensing having been rolled out.

SEZs in Indonesia enjoy many benefits ranging from cuts in business tax and income tax as well as special investment incentives. In contrast, free trade zones are not able to offer fiscal incentives.

Two new SEZs on Batam – which is directed as one of the growth corridors for the province – have been approved: Nongsa Digital Park, which focuses on digital technology and tourism; and Batam Aero Technic, which specialises in the maintenance, repair, and overhaul of passenger aircraft.

As an SEZ, the Nongsa Digital Park aims to attract more international investors, beyond the largely Singapore-based contingent active in the area.

Its goal is to receive 16 trillion rupiah (\$1.5 billion) in invest-



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PHOTO: THE PROVINCIAL GOVERNMENT OF RIAU ISLANDS

ments and to create 16,500 new jobs, according to Asean Briefing by Dezan Shira & Associates. Batam Aero Technic aims to receive 7.2 trillion rupiah in investments and to create close to 10,000 new jobs with the upgrade to SEZ status.

Ansar said: "The development of urban areas in Batam is designated as a trade and service centre, a centre for international logistics relations, tourism, aerospace industry, digital and creative industries, international trade and finance centre."

Indonesia's new "Omnibus Law" is expected to fuel growth with the reforms in a wide range of areas from permits to labour, enabling businesses to operate more efficiently by cutting red tape.

Plans are also underway to improve the interconnectivity of BBK.

These include upgrading the Batu Ampar Port into a smart port under a 12.77 trillion rupiah investment project (2021-2035), along with the construction of the Batam-Bintan bridge, Ranai International Airport and highways in Batam and Bintan.

The province attracted 2,294 investment projects, worth US\$1.6 billion in 2020. The bulk of the foreign direct investment went into the base metals and metallic industry, followed by the machine, electronics and precision industry.

In terms of domestic direct investments, the province attracted investment projects worth US\$978.27 million, notably into the chemical and pharmaceutical industry; followed by housing, industrial estate, and offices industry.