 JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)  
THE BOARD OF INVESTMENT AND STATE - OWNED ENTERPRISES  
(BPM - PBUMN)

**THE INVESTMENT OPPORTUNITY STUDY  
IN  
WEST SUMATERA**

MARCH 2000

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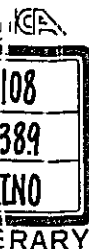
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THE INVESTMENT OPPORTUNITY STUDY IN WEST SUMATERA

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1162813(8)

## PREFACE

This report has been prepared based on a study for investment opportunities in West Sumatra completed by the JICA Advisor Office in the Board of Investment and State-owned Enterprises (BPM-PBUMN), in cooperation with PT. Mitrapacific Consulindo International (Jakarta).

The main purpose of the study was to identify potential sectors or specific projects for investment and local entrepreneurs who may be looking for potential Japanese or other foreign investors.

The profiles of potential projects and local entrepreneurs are attached to the report as annexes and investors should have no difficulty accessing these from the home-page established by the JICA Advisor Office in BPM-PBUMN.

In addition to the potential sectors, projects and local entrepreneurs, the report also describes the geographic conditions, natural resources, location of infrastructure and other physical characteristics of the region. As such, the report should also be useful as a source of background information for government officers and professionals involved in development planning.

The study was financed by Japan International Corporation Agency (JICA), supported by the Board of Investment and State-owned Enterprises (BPM-PBUMN) and in cooperation with BKPM West Sumatra. We express our thanks to these institutions, without whose assistance we could not have completed the study or prepared the report.

JICA Advisor Office  
The Board of Investment and State-owned Enterprises  
(BPM-PBUMN)  
March 2000

## TABLE OF CONTENTS

<b>SECTION 1.</b>	<b>INTRODUCTION</b>	
1.1	BACKGROUND .....	1-1
1.2	METHODOLOGY .....	1-1
<b>SECTION 2.</b>	<b>GENERAL CONDITIONS</b>	
2.1	<b>GEOGRAPHIC LOCATION AND ADMINISTRATION BOUNDARY .....</b>	<b>2-1</b>
2.1.1	Climate .....	2-1
2.1.2	Geology and Soil .....	2-5
2.1.3	Landform and Topography .....	2-5
2.1.4	Hydrology .....	2-7
2.2	REGIONAL SETTING .....	2-7
2.3	NATURAL RESOURCES .....	2-11
2.3.1	Land Resources and Landuse .....	2-11
2.3.2	Fishery .....	2-11
2.3.3	Forestry .....	2-12
2.3.4	Plantation .....	2-13
2.3.5	Food crop Agriculture and Horticulture .....	2-13
2.3.6	Mining .....	2-14
2.3.7	Tourism .....	2-15
<b>SECTION 3.</b>	<b>INFRASTRUCTURE</b>	
3.1	TRANSPORTATION .....	3-1
3.1.1	Land Transportation .....	3-1
3.1.2	Sea Transportation .....	3-2
3.1.3	Airport .....	3-2
3.2	UTILITIES AND OTHER INFRASTRUCTURE .....	3-3
3.2.1	Power .....	3-3
3.2.2	Water Supply .....	3-3
3.2.3	Telecommunication .....	3-3
<b>SECTION 4</b>	<b>DEVELOPMENT IN THE PROVINCE</b>	
4.1	DEVELOPMENT POLICY AND STRATEGY .....	4-1
4.2	POPULATION AND LABOR FORCE .....	4-1
4.2.1	Demography .....	4-1
4.2.2	Composition of Population by Age .....	4-2
4.2.3	Labor Force .....	4-3



## LIST OF TABLE

Table 2.2	West Sumatra Landuse Configuration, 1998 .....	2-11
Table 3.1	Road Classification in West Sumatra .....	3-1
Table 3.2	Power Supply in West Sumatra .....	3-3
Table 4.1	Population in Accordance with Kabupaten/Kotamadya in 1998 .	4-2
Table 4.2	Labor Force According to Age Group and Gender .....	4-3
Table 4.3	Labour Force According to Education Level .....	4-4
Table 4.4	Economic Growth, 1995-1998 (Constant Price 1993) .....	4-7
Table 4.5	Growth in economic Sectors in 1995-1998 (Constant Price 1993)	4-8
Table 4.6	Development of Industrial Sector of West Sumatra Province, 1997-1998 .....	4-11
Table 4.7	Industrial Units According to the Field and Scale of Business 1997-1998 (in Business Unit) .....	4-12
Table 4.8	Industrial Production Value According to the Field and Scale of Business, 1997-1998 (in Person) .....	4-12

LIST OF FIGURE

Figure 1.1	MAP OF STUDY LOCATION .....	1-3
Figure 2.1	ADMINISTRATION BOUNDARY MAP .....	2-2
Figure 2.2	DEVELOPMENT AREA WEST SUMATRA PROVINCE .....	2-9
Figure 2.3	GROWTH POTENTIAL ZONE WEST SUMATRA PROVINCE .....	2-10
Figure 3.1	INFRASTRUCTURE MAP WEST SUMATRA PROVINCE.....	3-4
Figure 5.1	INVESTMENT OPPORTUNITY PROFILE WEST SUMATRA PROVINCE .....	5-5

**SECTION 1**  
**INTRODUCTION**

## SECTION 1

### INTRODUCTION

#### 1.1. BACKGROUND

JICA and BPM-BUMN (The Investment Coordinating Board), through the office of the JICA Advisor in BPM - BUMN, retained PT. Mitrapacific Consulindo International to prepare a comprehensive investment opportunity study for Japanese or other foreign investors in the province of West Sumatra. The study is based on locally available existing information and information gathered in the field, and identifies market sectors and any specific projects which have an investment potential.

A summary of this study was presented during the seminar and further detailed information of project profiles and possible local partners are included in this report for inclusion on the website

#### 1.2. METHODOLOGY

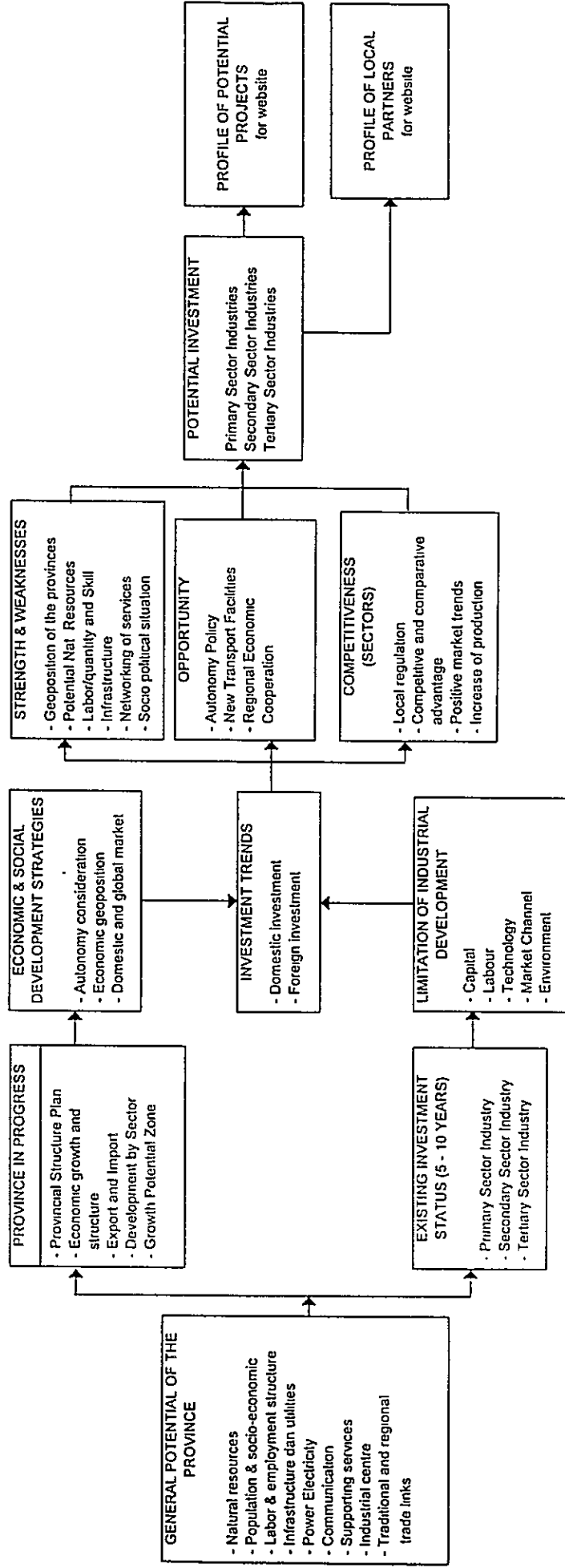
Comprehensive information was collected and analysed including natural resources, population, manpower, infrastructure, economic structure and growth and the present areas of development in the province.

Future autonomy, including the possible role of the province relative to its economic geoposition was also taken into consideration. Simultaneously with this assessment, closer examination was made of previous domestic and foreign investment in the province taking into account the various indicators influencing the major trends of investment in the province.

Further strategic analyses and evaluations were completed for all sectors (primary, secondary and tertiary industry) of the provincial resources, including institution, regulation and market competitiveness, to determine the most appropriate sectors for Japanese (foreign) investment.

A diagram of the methodology adopted for this study is shown on Figure 1.1.

# WORK PLAN & METHODOLOGY



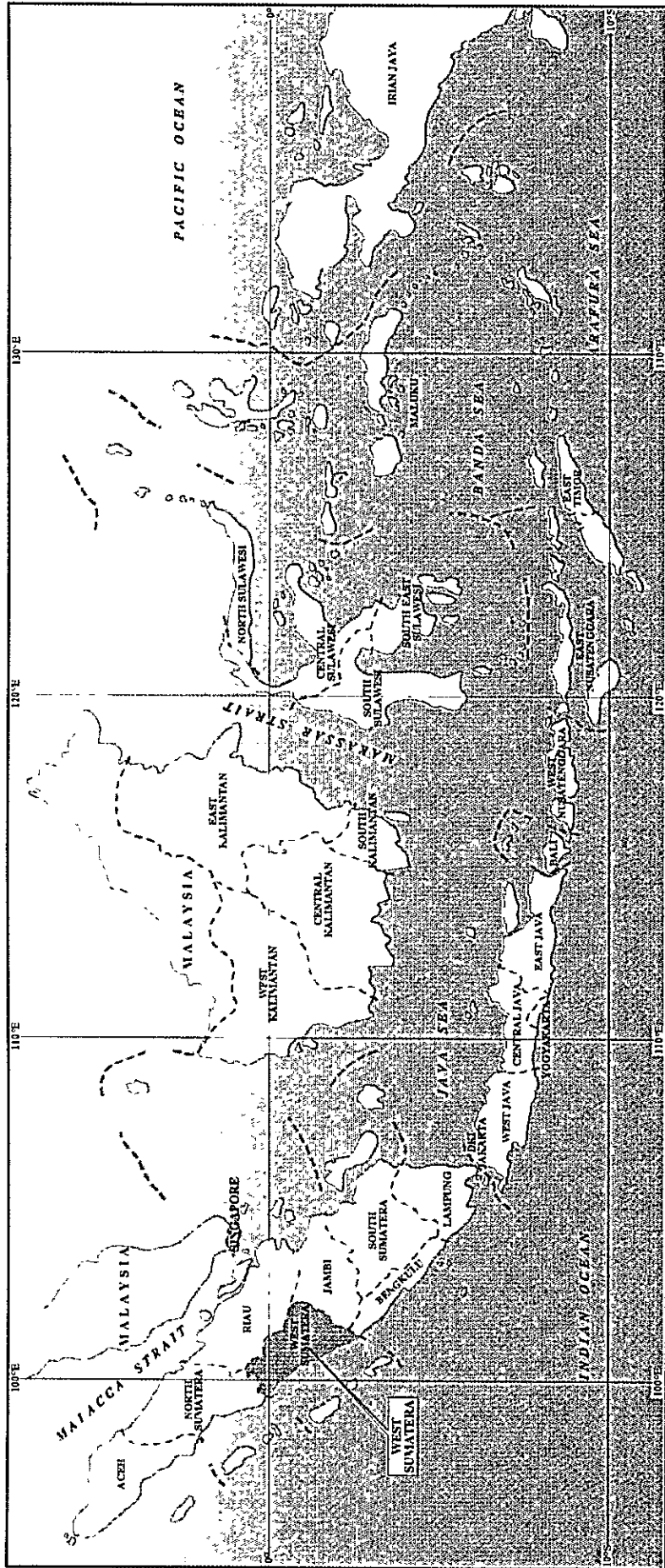


Figure 1.1 MAP OF STUDY LOCATION

**SECTION 2**  
**GENERAL CONDITIONS**

## SECTION 2

### GENERAL CONDITIONS

#### 2.1 GEOGRAPHIC LOCATION AND ADMINISTRATION BOUNDARY

Geographically the province of West Sumatra is located on the west coast of Sumatra between latitudes 0°4' north and 3°30' south and longitudes 98°36' and 101°53' east. It covers a total area of 42,229.64 km<sup>2</sup>, of which 6,011 km<sup>2</sup> consists of islands. Mentawai Island is the largest of the islands.

The province has the following boundaries :

- North boundary with the province of North Sumatra
- South boundary with the provinces of Bengkulu and Jambi
- East boundary with the province of Riau
- West boundary with the Indian Ocean

The Administration of West Sumatra is divided regionally as follows:

No.	Kabupaten/Kotamadya	Capital City	Area (Km <sup>2</sup> )
1.	Kabupaten Pasaman	Lubuk Sikaping	7,835.40
2.	Kabupaten Agam	Lubuk Basung	2,232.00
3.	Kabupaten Tanah Datar	Batusangkar	1,336.00
4.	Kabupaten 50 Kota	Payakumbuh	3,354.53
5.	Kabupaten Padang Pariaman	Pariaman	7,413.50
6.	Kabupaten Solok	Solok	1,402.50
7.	Kabupaten Sawahlunto Sijunjung	Muarosijunjung	6,091.53
8.	Kabupaten Pesisir Selatan	Painan	5,727.89
9.	Kotamadya Padang	Padang	695.03
10.	Kotamadya Bukittinggi	Bukittinggi	25.34
11.	Kotamadya Payakumbuh	Payakumbuh	273.45
12.	Kotamadya Solok	Solok	57.34
13.	Kotamadya Sawahlunto	Sawahlunto	273.45
14.	Kotamadya Padang Panjang	Padang Panjang	23.00
15.	Kabupaten Kep. Mentawai	Muarasikabulan	6,011.00
Jumlah			42,229.64

Source : Biro Statistik Sumatera Barat, 1998.

##### 2.1.1 Climate

The province straddles the equator, which determines and characterizes the physiography and climate. The climate is homogeneous and has a high rainfall. The climate is monitored at two locations, namely Station Padang Panjang located at 773 m above sea level and Station Tabing located at 2 m above sea level. Climatic conditions are illustrated on the following figures.



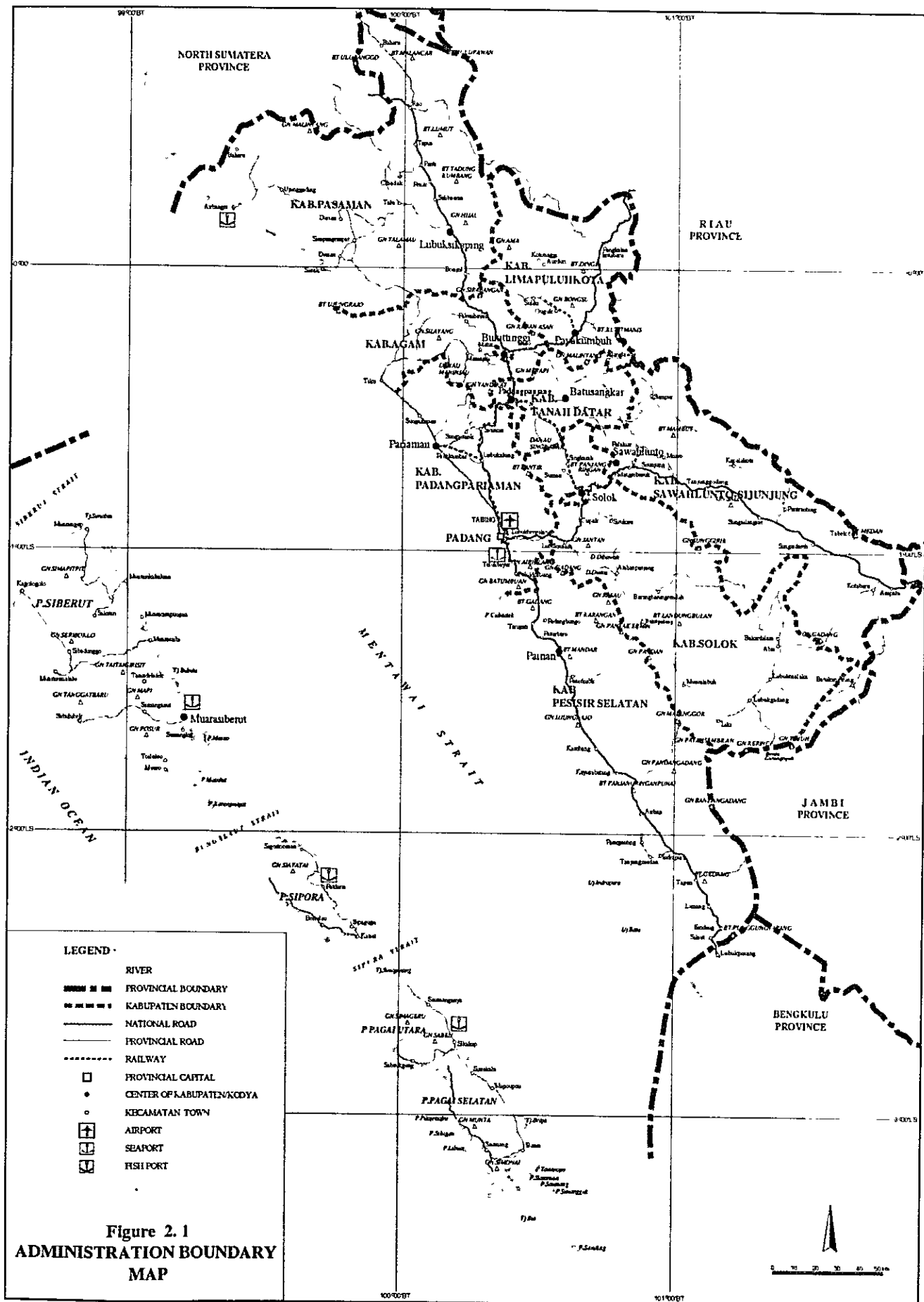
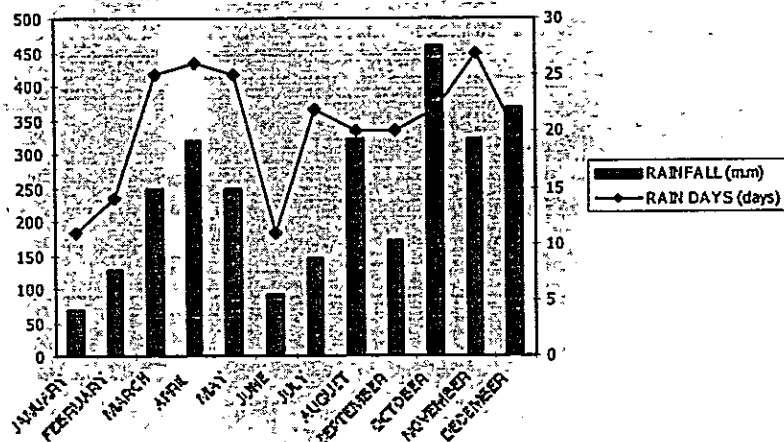
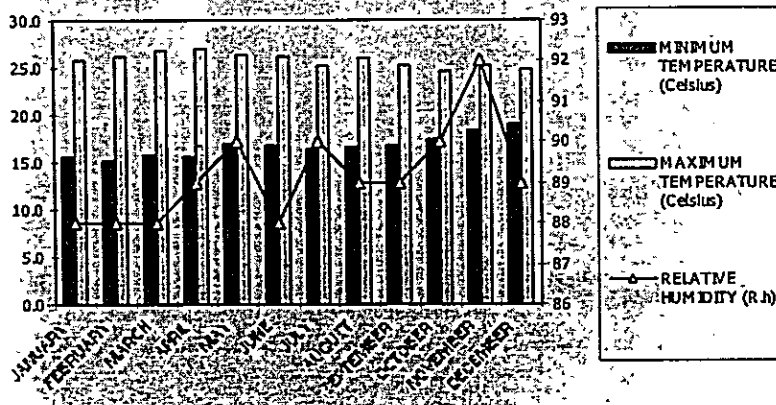


Figure 2.1  
ADMINISTRATION BOUNDARY  
MAP

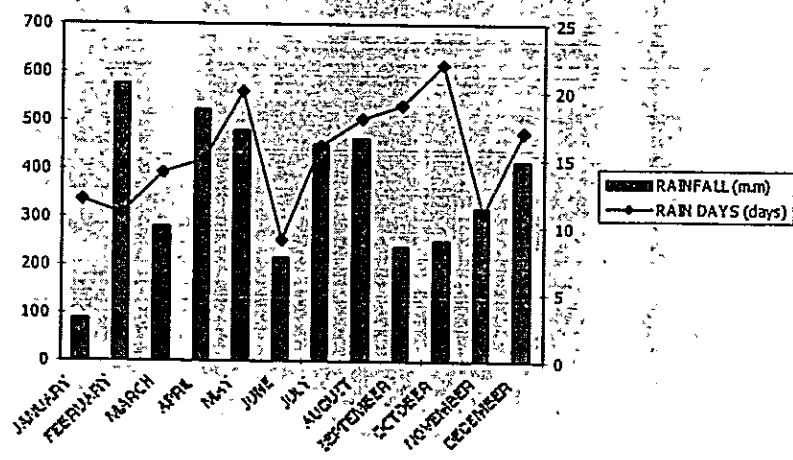
No. of Rainfalls and Rain Days in Padang Panjang 1993



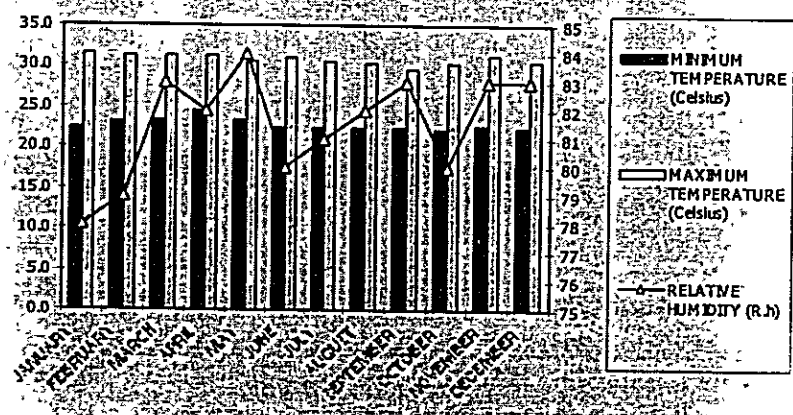
Average Minimum - Maximum Temperature and Relative Humidity in Padang Panjang 1993



No. of Rainfalls and Rain Days in Tabing 1993



Average Minimum - Maximum Temperature and Relative Humidity in Tabing 1993



### 2.1.2 Geology and Soil

The geologic structure of West Sumatra can be classified as follows:

- Metamorphics, groups from the Kuantum formation, Silungkang formation, Tuhur formation, Bandan formation and then limestone quartzite, silt and shale. Metamorphics can be found in Kabupaten Sawahlunto/Sijunjung, 50 Kota and Solok.
- Sediments consisting of clay, sand, shale with lignite and conglomerate from the Ombilin formation, Brani conglomerate and Sangkarewang formation. Sediments can be found in Kabupaten Sawahlunto/ Sijunjung, Padang Pariaman dan Pasaman.
- Volcanics divided into tertiary volcanics including breccia, andesite, tuff and sediments of the Painan formation, found in western areas, and quaternary volcanics including andesite, agglomerate, lava and lahar which can be found in the vicinity of Kabupaten Tanah Datar, Agam and Solok.

Fault Zones are located at the boundary of the volcanics with a granite complex, the folds are very intensive. Fault zones can be found in the vicinity of the boundary with Riau and at Singkarak – Sijunjung.

The type of soils existing in West Sumatra can be classified as follows:

• Organosol	:	8,8%
• Alluvial	:	3,2%
• Regosol	:	2,7%
• Danosol	:	8,5%
• Latosol	:	13,8%
• Red-yellow podzolik	:	20,6%
• Other types of soil	:	32,4%

### 2.1.3 Landform and Topography

The topography of West Sumatra includes part of the mountains and highlands, known as Bukit Barisan, which stretch from the north to the south of Sumatra, covering mostly the western part of the island. Approximately, 28.50% of the area is protected forest with an altitude varying from 200 to 3,800 meters above the sea level.

The province has approximately 375 km, coast line located in Kabupaten Pasaman, Agam, Padang Pariaman, Pesisir Selatan, Kotamadya Padang. The Mentawai Islands constitute 17.35% of the total area of West Sumatra and are made up as follows:

Siberut - 385,555 ha; Sipora - 196,360 ha; Pagai Utara Selatan - 152,010 ha.

The physiography of the central part of Sumatra generally follows the coastline in a northwest to southeast direction and is classified into the following zones.

- Zone 1 : Lowland in the east (Riau province) containing hills whose elevation is typically less than 100 m. This is an alluvial zone.
- Zone 2 : Mountainous area in the east consisting of steeply sloping land with a maximum height of approximately 500 m.
- Zone 3 : Low hills with an average altitude of 300 m. and a relatively small difference in elevation between hills and valleys of 50 to 300 m.
- Zone 4 : Bukit Barisan mountains, ranging from 1000 to 2000 m in elevation, with very steep slopes and with a large difference in elevation between peaks and valleys particularly close to the Gumanti/ Hiki Mountains in the southern part and in the northern mountains around Maninjau.
- Zone 5 : The highland region flanked by steep, high mountains, This region includes Panti Rao highland (200 - 270 m), Bonjol (around 250 m), Singkarak - Padang Panjang (900 - 1000m), Singkarak - Solok (360 - 400 m), Payakumbuh - Batusangkar - Sawahlunto Sijunjung (300 - 500m), Danau diatas - Danau dibawah Alahan Panjang (1400 - 1600 m) and Muara Labuh (400 - 500 m)
- Zone 6 : High mountains with peaks at an elevation of 1500 m to 2500 m with very steep slopes to the west. This zone is a passive mountainous shelf extending to South Sumatra.
- Zone 7 : West-coast lowlands are swampy, coastal areas of quaternary alluvial deposits with an altitude of 1-10 m. The northern part of the region is located near the western and southern parts of Ujung Gading Pasaman, while the southern part is in Interapura Pesisir Selatan.
- Zone 8 : Mentawai Islands including Pulau Sipora, Siberut and Pagai Utara Selatan.
- Zone 9 : Kerucut Gunung Berapi Muda includes the high mountain peaks surrounded by Zone 2 and including G. Talamau (2912 m), G. pasaman (2190 m), G. Kelabu (2173 m), Bukit Gadang (2060 m), G. Mas (2271 m), G. Silayang (1724 m), G. Singgalang (2891 m), G. Sago (2262 m), G. Talang (2287 m), and G. Kerinci (3085 m).

The classification of land slope in West Sumatra is shown on the following table.

Classification	Slope (%)	Area (ha)	Area (% total)
Lowland	0-2	1,165,125	27.5
Sloping	2-15	649,901	15
Undulating	15-40	658,926	25.6
Steep	> 40	1,755,778	41.5

The steep areas consists of forest reserve and production forest which are not cultivated for plantation or agriculture and do not have a settlement population.

#### 2.1.4 Hydrology

West Sumatra has three Daerah Aliran Sungai (DAS : catchment areas), namely DAS Ayam Kuantan, DAS Kampar Hulu/Sumper and DAS Anai and approximately 254 large and small rivers with a total catchment area of 17,319 ha. The rivers include the headwaters which flow into the neighbouring provinces of Riau and Jambi. Fifty of these rivers are located in Kabupaten Pasaman.

In addition, West Sumatra has 5 lakes, namely Singkarak, Diatas, Dibawah Maninjau and Talang. Lake Singkarak is located in both Kabupaten Solok and Kabupaten Tanah Datar, Lake Diatas, Lake Dibawah and Lake Talang are located in Kabupaten Solok and Lake Maninjau is in Kabupaten Agam. All the lakes are recreation areas and in addition, Lake Maninjau and Lake Singkarak are used for power generation and Lake Maninjau is also used for fish cultivation using the keramba system.

The area of each lake as follows:

Lake	Area (ha)
Singkarak	13,011
Maninjau	9,950
Diatas	3,150
Dibawah	1,400
Talang	< 1,400

## 2.2 REGIONAL SETTING

### International Links

West Sumatra has no direct access to the Malacca Straits which is a crowded and strategic, international shipping lane. The port of Teluk Bayur at Padang, is an ocean port which serves West Sumatra regionally but is not actively expanding its trade because the Indian Ocean/ West Sumatra coastal shipping lane is not a priority lane. Therefore, for certain commodities such as cement the main terminal, for both for bulk and packaged products is the port of Belawan near Medan. As such, Padang Cement maintains a cement packaging plant at Belawan.

Geographically, the benefit obtained by West Sumatra from regional or international economic cooperation such as IMT-GT and IMS-GT is very limited because there is no physical link with other countries in the region. Some investments in West Sumatra by Malaysian companies are the result of ethnic and historical reasons rather than through IMT-GT or IMS-GT.

#### Inter Provincial Links

Land transportation is important because West Sumatra is located in the centre of the Sumatra Highway Network. The Central Trans Sumatra Highway, which connects West Sumatra and North Sumatra and Jambi and South Sumatra with the ferry route to Java, is the main land transportation corridor. The secondary and older route which connects West Sumatra with Pekanbaru in Riau Province is also of significance.

#### West Sumatra and Sabang Development Prospect

Government of Indonesia has plans for the Sabang area, located in the province of Aceh at the extreme north end of Sumatra, to become an integrated economic development zone which will create a logistics and distribution centre and industrial estate for western Indonesia. The proposed development in Sabang will potentially create an increased flow of goods and trade through the coastal area of West Sumatra, so that the role of Teluk Bayur in Padang, together with the ports of Bengkulu and Sibolga in adjacent provinces should increase.

Based on existing economic activities and transportation systems connecting the growth centers, West Sumatra can be divided into the following areas for potential growth.

(a) Padang Pariaman and surrounding area:

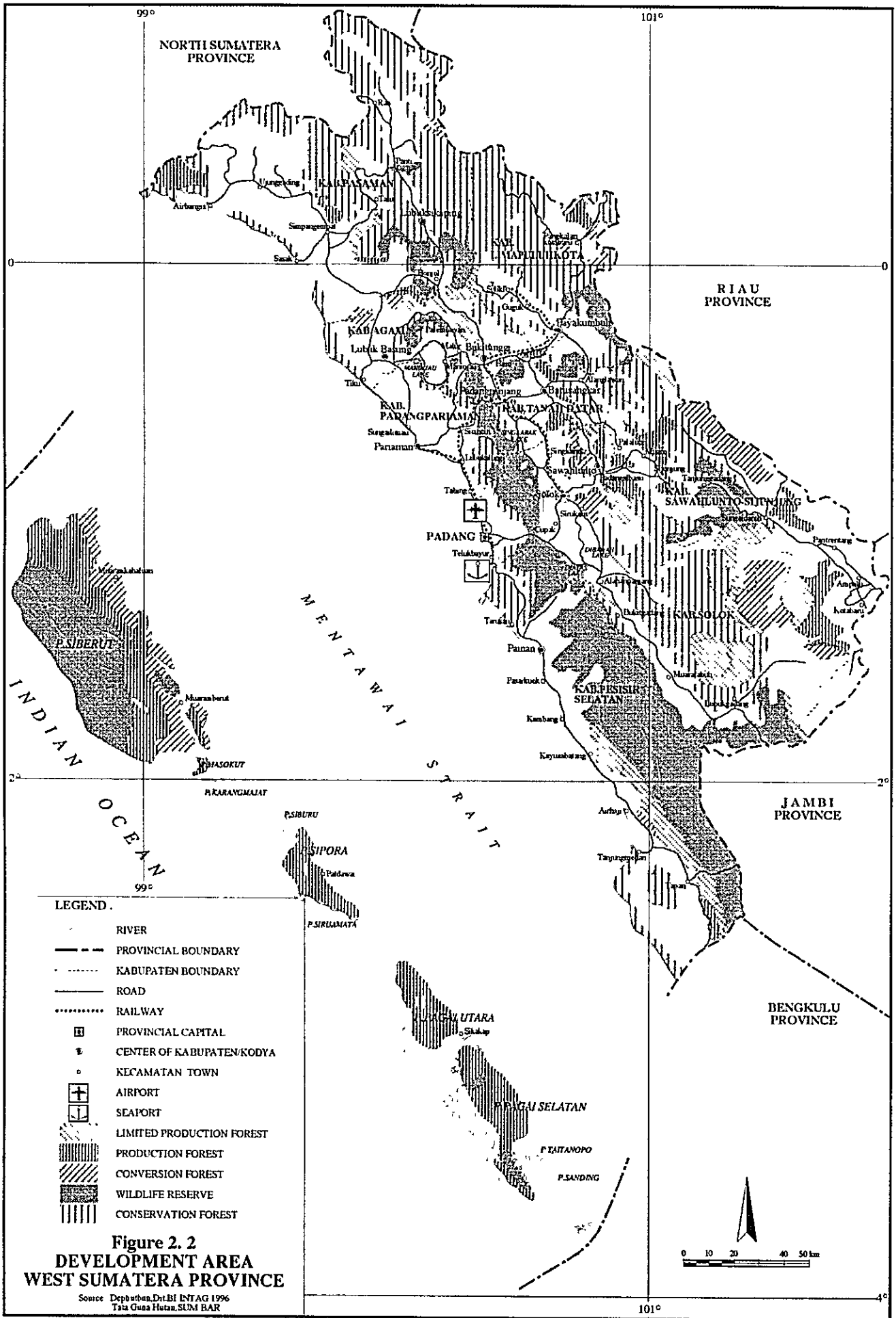
This area has established sectors in industry, food crops and tourism. Urban infrastructure, transportation facilities and other facilities should be constructed for this region in order to support the industrial development. The four towns, in this area are Padang Pariaman, Painan and Lubuk Alung of which Padang is established as the center for local activities.

(b) Agam – Bukittinggi Area:

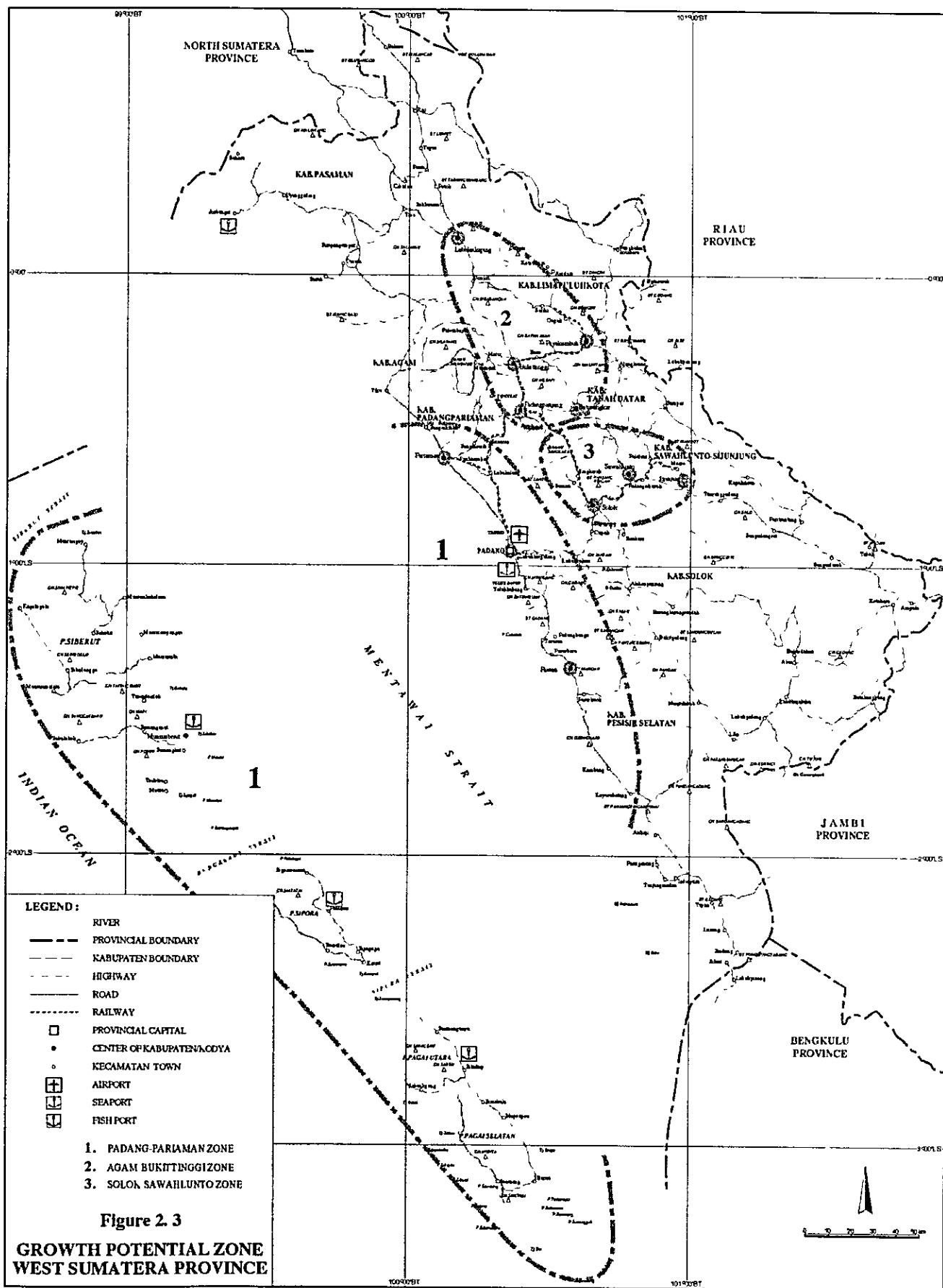
Established sectors include tourism (Minang Highland), plantation and food crops. The towns in this area are Bukittinggi, Padang Panjang, Payakumbuh and Batusangkar. All towns provide a center for local activities. In general, this area requires improved urban and social facilities.

(c) Solok and surroundings area:

This is a highland area with strict regulations for the protection of the environment. Established sectors are agriculture, plantation and mining. Further development of the transportation network to service more remote areas is required to develop plantation areas which will form a buffer zone with the protected areas. Towns in this area are Sawah Lunto, Solok and Muara Sijunjung all of are centers for local activities.







## 2.3 NATURAL RESOURCES

### 2.3.1 Land Resources and Landuse

A large part of the province consists of fertile volcanic valleys in mountainous regions. A coastal plain extends along the western side which includes the jungle-clad, Mentawai Islands located approximately 100 km offshore. Land use is governed by the characteristics of these areas.

The land use in 1998 is presented on the following table:

**Table 2.2**  
**West Sumatra Landuse Configuration, 1998**

No.	Land Use	Area (%)
1.	Settlement	3,07
2.	Wetland rice	5,59
3.	Shifting cultivation	1,50
4.	Estate/plantation	7,00
5.	Upland crops	2,85
6.	Primary forest	60,00
7.	Secondary forest	5,41
8.	Homogeneous Forest	0,33
9.	Bush, grassland	4,78
10.	Swamp forest	3,12
11.	Lake, swampland	3,50
12.	Others	2,85
<b>Total</b>		<b>100</b>

Source : BPS Sumatera Barat, 1998

The total area of land conservation in West Sumatra is 8,488 ha which represents approximately 20% of the total area.

### 2.3.2 Fishery

#### a. Sea Fisheries

The length of the West Sumatra coastline is approximately 375 km and the area of the marine and coastal area, from the coast line to the limit of the Indonesian Exclusive Economic Zone, is 138,750 km<sup>2</sup>. Unlike the Malaka Strait and Java Sea, this area is essentially unpolluted by offshore exploration, shipping or over fishing. Based on research of the national committee on stock assessment of sea fishery resources in 1997, West Sumatra has the following fish resources.

No	Fish Species	Potential Productivity (ton/year)
1.	Large tuna fish	6 518
2	Cakalang fish	9.855
3	Tongkol fish	2.880
4	Tenggiri fish	3 032
5.	Situkuk, Pedang, Layangan and Cucut fish	2.557
6.	Small pelagis fish	178.000
7.	Demersal fish	113.000
8.	Penaeid shrimp	746,75
<b>Total</b>		<b>316.588,75</b>

Source: Dinas Perikanan Sumatera Barat, 1998.

The actual productivity in 1998, was 125,196.2 ton.

As with other tropical equatorial countries, Indonesia, including West Sumatra, has a great fishing potential. However, although it contains a wide variety of species, not all species have a commercial significance. Furthermore, West Sumatra has a very limited capacity for commercial fishing because of their traditional equipment, which has a maximum sailing range of only 5 miles compared with a feasible commercial fishing range of 10 to 12 miles. In many coastal areas, marine fishing has the potential to create social conflict due to large capacity fishing vessels exploiting the waters and catching in the territory of the local traditional fishermen.

#### b. Land Fisheries

Fertile highlands with an abundance of streams and lakes have created a lot of economic opportunities for land fisheries. The total area available for fish cultivation in ponds was 12,300 ha in 1998 and the productive area was 5,915.6 ha or 60% of the available area. The potential fish cultivation in ricefields is 5,000 ha and, in 1998, the area actually used was only 2,517.5 ha or 49.65% of the total available. The total fish production in 1998, from fresh water aquaculture was 15,477.40 tons consisting of 13,244.20 tons from ponds and 2,233.20 ton from ricefields.

### 2.3.3 Forestry

The forestry potential in West Sumatra is now centered on the Mentawai Islands, especially Pulau Pagai Utara and Selatan, because a large part of the forest in the highland region near the Riau border has changed its landuse to plantation and settlement.

Part of the mountains in West Sumatra are forest conservation areas in which both fauna and flora are protected and land having a slope greater than land slopes over 40% coupled with a high rainfall of 2000 – 4500 mm/year is susceptible to erosion. Accordingly, the potential for high forest yield through logging has diminished.

The forestry configuration areas according to committed Forest Landuse (Tata Guna Hutan Kesepakatan) West Sumatra is shown in the following table:

No.	Forest Classification	Area(ha)
1.	Protected forest	1.242.300
2.	Hutan Suaka Alam – Wisata	540.100
3.	Production forest	601.200
4.	Limited production forest	497.700
5.	Conversion production forest	421.000
6.	Other use of the area.	853.300
	Total Area	4.155.600

Source : Kanwil Departemen Kehutanan & Perkebunan, Sumatera Barat, 1998

The 1998 data of West Sumatra forest production, showed that logs and sawmill products declined 15% to 62,17 mil m<sup>3</sup>, plywood increased to 76,7 mil m<sup>3</sup> and wooden profile and moulding increased marginally to 37,7 million m<sup>3</sup>.

Production has shifted slightly away from primary logs and sawmill products towards secondary or value-added products due to the limited resources available. These forestry products enter both the export and domestic market.

#### 2.3.4 Plantations

Plantations in West Sumatra are managed in one of the following ways:

- Small-scale plantations (smallholder)
- Government owned plantations
- Private estate/plantations

Small-scale plantations cover the largest area. The total area of plantation in 1998 was 494,920 ha. The production of this area was 1,180,078 tons, made up as follows:

No.	Type of plantation	Area (ha)	Production (ton)
1.	Small holder plantation	376,098	458,801
2.	Government owned plantation	5,571	92,496
3.	Private plantation	113,251	628,781
	Total	494,920	1,180,078

Source : Dinas Perkebunan Propinsi Sumatera Barat, 1998

Plantations in West Sumatra are dominated by palm oil, whose area increased 25% from the previous year to 105.034 ha in 1998. Other plantation crops include cacao which covered 1.941 ha in 1998, an increase of 600% from the previous year; tea which covered 3.784 ha; and coffee which covered 623 ha (1998 data) both of which represent a slight increase from the previous year. Only rubber, which in 1998 was cultivated over 3.217 ha, showed a significant decrease in total area from the previous year.

This data indicates that cacao has become an attractive new commodity, while palm oil, tea and coffee has a better market value than rubber.

Plantation products are still dominated by the primary commodities and only a limited amount of value-added product (ie. food industry) has entered the market.

Smallholder plantations still consist predominately of rubber, coconut and palm oil with areas of 99.384 ha, 88.950 ha and 48.757 ha respectively based on 1998 data.

#### 2.3.5 Food Crop Agriculture and Horticulture

A large part of West Sumatra is fertile highland, at more than 400m above sea level. The land ranges from undulating to steep with 41.5% of the land on a slope of 40%. The greatest potential in this region is for highland plantations, such as coffee, cocoa, horticulture, food crops and animal husbandry.

The lowland, leading to the Riau boundary has been mostly developed as oil-palm and rubber plantation and coconut plantation prevails along the coast and on Mentawai Island.

West Sumatra has a surplus production of rice and other food crops. Rice is produced from irrigated areas and rainfed cultivation. The total irrigated area is 409.762 ha with an annual production of approximately 1,75 million tonnes. Solok regency is the center of rice production in West Sumatra and gives a significant contribution to other provinces. Rainfed rice is cultivated by traditional methods including shifting cultivation.

The production of irrigated rice used for self-consumption covers an area of 14.826 ha. Since a large area of West Sumatra has a slope greater than 20%, shifting cultivation practices have created a negative impact on the environment and clearing high slopes without terracing may cause surface erosion. Other upland food crops are corn, casava, potatoes, nuts and beans which in total are planted on 56.200 ha made up as follows:

corn	– 30.000 ha,
cassava and potatoes	– 11.000 ha,
nuts and beans	– 15.200 ha.

The production is for the domestic market and all these crops are cultivated on a household or smallholder scale.

West Sumatra has long been known for its horticulture products which grow in the suitable conditions found in the arable highlands. Approximately 7.900 ha of vegetables and approximately 4,000 ha of fruit including orange, rambutan, avocado and durians at the household or smallholder scale throughout the province. A large water supply is available from the rivers and lakes which makes it possible to develop irrigation systems and hydro power.

### 2.3.6 Mining

The mining industry in West Sumatra is still oriented towards standard commodities, such as, coal and cement. Marble and granite are primary commodities which are still being developed.

The potential mineral deposits are as follows :

- Coal : 70 Million tons, located in Kabupaten di Kabupaten Sawahlunto/ Sijunjung and 50 Kota.
- Plumbum : 3,149,000 tons in Kabupaten Pasaman and 50 Kota.
- Limestone : 572,115 Billion tons in Kabupaten Sawahlunto/ Sijunjung, Pasaman and Solok.
- Granite : 650,237,5 Million tons in Kabupaten Solok, Sawahlunto/ Sijunjung, Pasaman and 50 Kota.

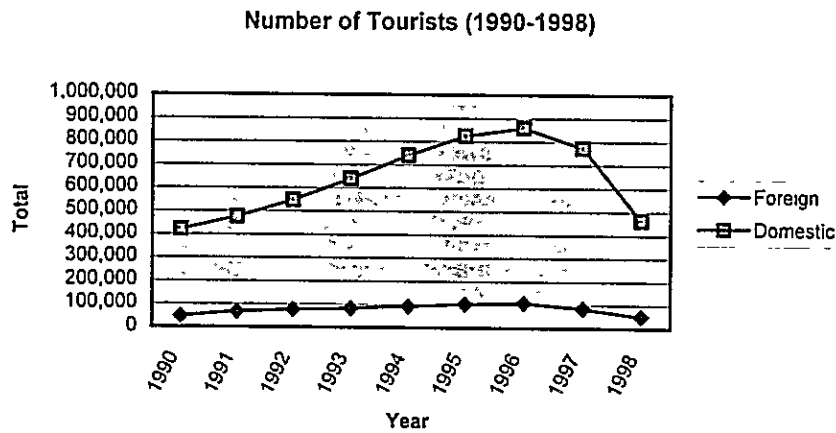
In 1998, the production of coal was 2,300,786 tons and limestone was 3,464,024 tons;

Expansion of the mining sector in mountainous areas is limited by environmental constraints.

### 2.3.7 Tourism

Existing tourism is concentrated in the Bukittinggi and Padang areas, as centers for culture, and the Minang Highland area, as a natural attraction. It is still managed on a conventional local scale and has not yet been developed to attract a wider market segment.

The greatest potential is in coastal and marine tourism which is still in the development stage and unable to support foreign exchange because of the lack of a strong marketing program.



**SECTION 3  
GEOGRAPHIC LOCATION AND  
ADMINISTRATION BOUNDARY**

## SECTION 3 INFRASTRUCTURE

### 3.1 TRANSPORTATION

#### 3.1.1 Land Transportation

##### 1) Highway

The total length of highway in West Sumatra in 1998 was 11,849.5 km; this was made up as follows:

- State Road : 980,29 km
- Provincial Road : 1,211,71 km
- Kabupaten Road : 9.657,50 km

Further details regarding the road classification are presented in the following table:

Table 3.1  
Road Classification in West Sumatra

No.	Kabupaten	State Road (Km)	Provincial road (Km)	Kabupaten road (Km)
1.	Pesisir Selatan	185,85	73,20	1 067,80
2.	Sawahlunto / Sijunjung	148,36	178,59	1 087,00
3.	Solok	60,05	191,86	1.443,90
4.	Tanah Datar	19,40	152,79	869,80
5.	Padang Panaman	133,56	74,16	713,80
6.	Agam	66,61	123,34	1 060,50
7.	50 Kota	101,29	152,24	855,50
8.	Pasaman	99,45	219,76	1.523,00
	Jumlah	814,60	1.165,94	8 620,80

No.	Kotamadya	Jalan Negara (Km)	Provincial Road (Km)	Jalan Kabupaten (Km)
1	Padang	108,80	8,24	320,40
2	Solok	4,01	5,56	122,80
3	Sawahlunto	23,56	20,04	186,90
4	Padangpanjang	6,83	6,83	68,20
5	Bukittinggi	9,82	-	138,50
6	Payakumbuh	13,67	5,10	199,90
	Jumlah	165,69	45,77	1 036,70
	Total	980,29	1 211,71	9 657,50

Source Kanwil BPN Sumatra Barat, 1998

##### 2) Railway

The railway system is limited; it connects Padang and Sawahlunto, Padang Panjang and Payakumbuh but does not cross the province. The system is used to transport coal but is no longer used for public transportation except as a tourist attraction when it runs on Sundays and holidays and stops at stations in Tabing, Lubuk Alung and Pariaman.



### 3.1.2 Sea Transportation

West Sumatra province has many seaports located along the west coast and the adjacent islands. The largest is the fully equipped port of Teluk Bayur in Padang which was established as a gateway from/to the province for passengers and goods. The facilities of Teluk Bayur are as follows:

- 1) General Dock
  - Concrete : 937 meters
  - Wood : 342 meters
- 2) Special Dock
  - Cement : 398 meters
  - Coal : 225 meters
- 3) Warehouse
  - Lini I : 13.558 m<sup>2</sup> (including container)
  - Lini II : 5.029 m<sup>2</sup>
- 4) Container Yard : 64.576 m<sup>2</sup>.

Teluk Bayur can be utilized by ships of up to approximately 10,000 dwt.

### 3.1.3 Airport

Air transportation is important for West Sumatra because it provides direct regional access to Malaysia, Singapore, and Thailand which have only limited access by sea. The main airport is at Tabing in Padang which serves domestic and international flights. In addition, there is a small airport in Rokot on Mentawai Island which provides a new flight service between Padang and Mentawai.

Three domestic airlines, Garuda, Merpati and Mandala and two international airlines, Pelangi (Malaysia) and Silk Air (Singapore) fly to/from Tabing. Tabing Airport has a runway length of 1.750 m and is currently used by F-27, F-28, F-100 and F-737 aircraft. The government plans to relocate Tabing Airport to Ketapang, approximately 30 km north of Padang, which will accommodate wide-body aircraft such as the DC 10 and Airbus.

## 3.2 UTILITIES AND OTHER INFRASTRUCTURE

### 3.2.1 Power

Electricity supply in West Sumatra has reached the Kecamatan towns and many villages have also received power through the "Listrik Masuk Desa" program. A breakdown of the power supply in West Sumatra is as follows:

Table 3.2.  
Power Supply in West Sumatra

No	Description	Installed (MW)	Capacity (MW)	Power (MW)				
				1999	2000	2001	2002	2003
1	PLTG Pauh Limo	64,05	48,0	48,0	46,8	45,6	44,5	43,4
2	PLTD Simpang Haru	20,68	13,0	13,0	12,7	12,4	12,0	11,7
3	PLTA Maninjau	86,0	68,0	68,0	68,0	68,0	68,0	68,0
4	PLTA Batang Agam	10,5	10,5	10,5	10,5	10,5	10,5	10,5
5	PLTA Singkarak	175,0	175,0	175,0	175,0	175,0	175,0	175,0
6	PLTU Ombilin	200,0	200,0	200,0	200,0	200,0	200,0	200,0
<b>Total</b>		<b>556,23</b>	<b>514,5</b>	<b>514,5</b>	<b>513,0</b>	<b>511,5</b>	<b>510,0</b>	<b>508,6</b>
Pick Load (MW)				250,4	271,4	281,6	290,3	315,8
Excessive (MW)				264,1	241,6	229,9	219,7	172,8

Source: PLN (Persero) Wilayah III, Padang, 1999

Electrical power production in 1998 was 1.05 million MWH, of which, 935,980 MW was consumed by a wide variety of consumers. The greatest consumer group was the industrial sector who used 401,300 MWH. Households and corporations consumed 390,450 MWH and 81,106 MWH respectively.

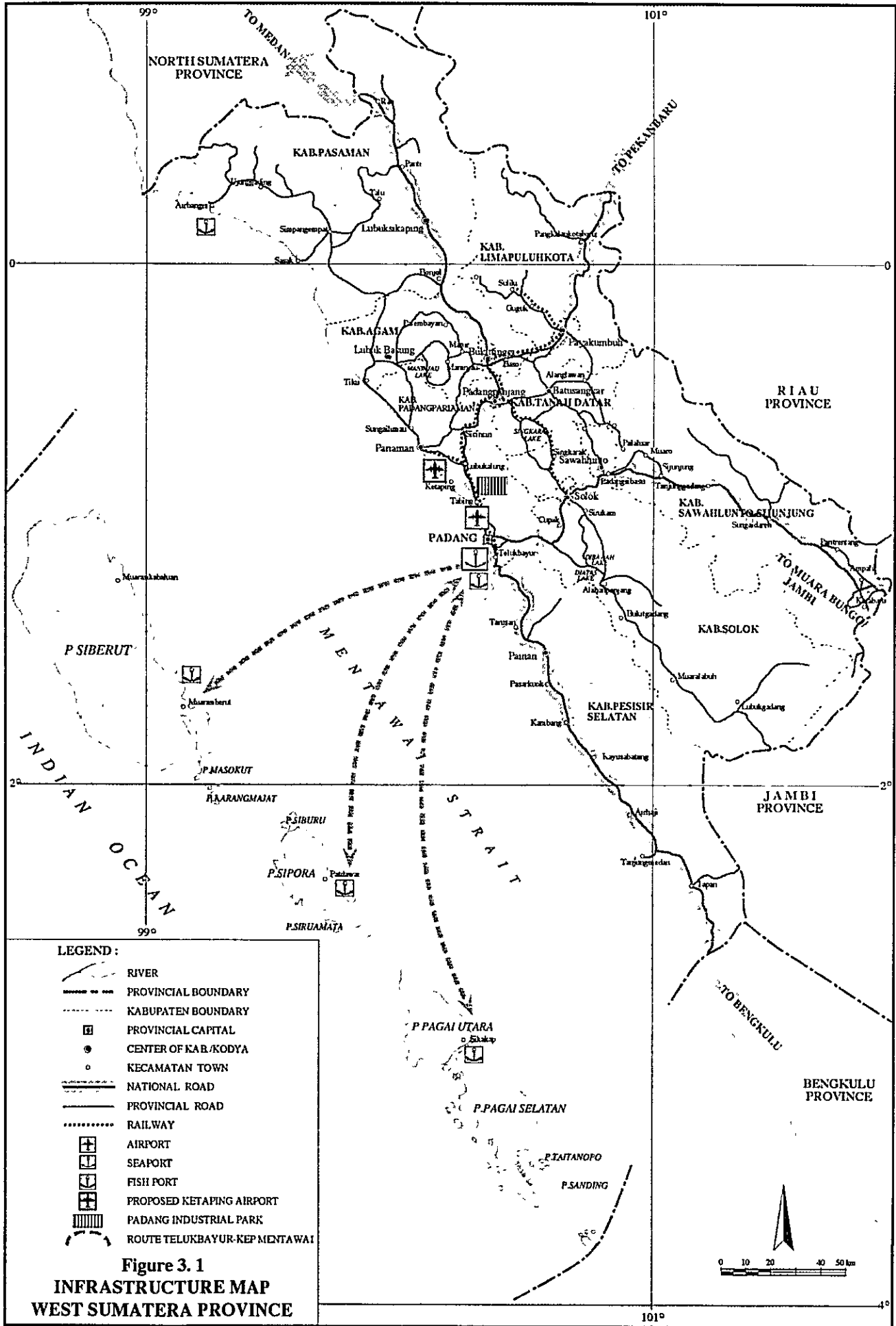
### 3.2.2 Water Supply

An abundant supply of water is available from the water recharge zones, rivers, lakes, springs, reservoirs, artesian wells and other sources.

In 1996, the consumption of drinking water reached 42,559,000 m<sup>3</sup> and was obtained primarily from rivers and springs. In the larger cities, water is supplied by municipal water corporations who, in 1996, had a total production capacity of 1,728 litres/ records from 14 municipal water companies.

### 3.2.3 Telecommunication

Telecommunication systems in West Sumatra consist of telephone, telex and facsimile. Based on telecommunication statistics, there were 118,746 telephone lines available in 1998 and the total customer demand in 1999 was 80,921



**SECTION 4**  
**DEVELOPMENT IN THE PROVINCE**

## SECTION 4 DEVELOPMENT IN THE PROVINCE

### 4.1 Development Policy and Strategy

In general the development policy in West Sumatra is directed to :

- 1) Expansion of employment opportunities
- 2) Sustained economic growth
- 3) Development and restructuring of strategic areas, especially in the central part of the province (Bukittinggi, Padangpanjang, Payakumbuh, Batusangkar)
- 4) Accommodating critical areas and saving the forest, land and water in selected Kabupatens, especially around forest reserves and Natural Park areas.
- 5) Stimulating development of hinterland areas, such as the Mentawai Islands.

The development target of the region, in this era of globalization is to be achieved by a strategy which extends beyond the region:

- 1) Increase in non-traditional production (industry), which will be competitive in international and domestic markets and especially in IMS-GT and IMT-GT areas, so that the regional revenue increases. This effort will reduce the domination of traditional primary commodities, which are sensitive to the fluctuation of market prices and create a more competitive secondary product.
- 2) Restructure small and medium-scale enterprises to obtain reliable organization and management, increase human resources and change focus to the manufacture of value-added products particularly in the agricultural sector.
- 3) Develop cooperation with other provinces and foreign investors mainly through capital investment and transfer of technology.
- 4) Encourage the community and government to think and act in a global framework (awareness of regional competition, quality product etc.) and stimulate a good climate for business to attract foreign investment in West Sumatra.

### 4.2 Population and Labor Force

#### 4.2.1 Demography

The total population of West Sumatra based on the 1998 National Census was 4,473,300, which consisted of 2,162,200 males and 2,311,100 females. The population growth early in Pelita V was estimated to be 1.24%. The average targeted growth during Repelita V was 1.62% per annum. For a provincial area of 42,229.64 km<sup>2</sup>, the population density is 105,93 persons/km<sup>2</sup>. The total population based on Kabupaten/Kotamadya is presented in the following table:

**Table 4.1**  
**Population in Accordance with Kabupaten/Kotamadya in 1998**

No.	Kabupaten / Kotamadya	Male (x 1000)	Female (x 1000)	Total (x 1000)	Area (Km <sup>2</sup> )	Density Jiwa/Km <sup>2</sup>
	<b>Kabupaten</b>					
1.	Pesisir Selatan	205,9	209,7	415,6	5.727,89	72,56
2.	Solok	234,9	244,4	479,3	7.084,20	67,67
3.	Sawahlunto / Sijunjung	158,3	163,2	321,5	6.091,53	52,78
4.	Tanah Datar	167,0	189,7	356,7	1.336,00	266,92
5.	50 Kota	148,5	164,9	313,4	3.354,53	93,42
6.	Agam	201,3	221,3	422,6	2.232,00	189,33
7.	Pasaman	259,2	268,4	527,6	7.835,40	67,33
8.	Padang Pariaman	243,7	285,5	529,2	7.413,50	71,38
	<b>Kotamadya</b>					
9.	Padang	373,8	386,3	760,1	695,03	1.093,67
10.	Solok	26,8	27,0	53,8	57,34	938,45
11.	Sawahlunto	27,4	31,3	58,7	273,45	214,58
12.	Bukittinggi	46,7	47,5	94,2	25,34	3.798,31
13.	Padang Panjang	20,4	20,7	41,4	23,00	1.784,74
14.	Payakumbuh	48,3	51,2	99,5	80,43	1.237,19
	<b>Jumlah</b>	<b>2.162,2</b>	<b>2.311,1</b>	<b>4.473,3</b>	<b>42.229,6</b> 4	<b>105,93</b>

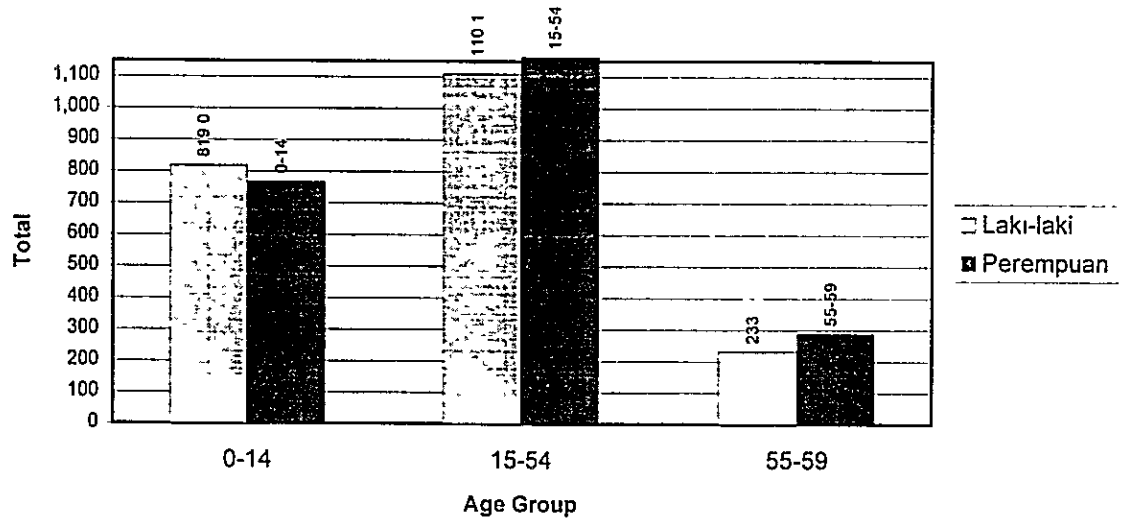
Source : BPS, Propinsi Sumatera Barat, 1998

#### 4.2.2 Composition of Population by Age

Under normal conditions, the population composition provides an indication of the regional characteristics, because it can be assumed that the age group between 0-14 years and the age group of more than 60 years are unproductive and the balance, between 15-60 years, are productive.

The total population according to age group and gender is shown on the following chart.

Total Population According to Age Group and Gender (1998)



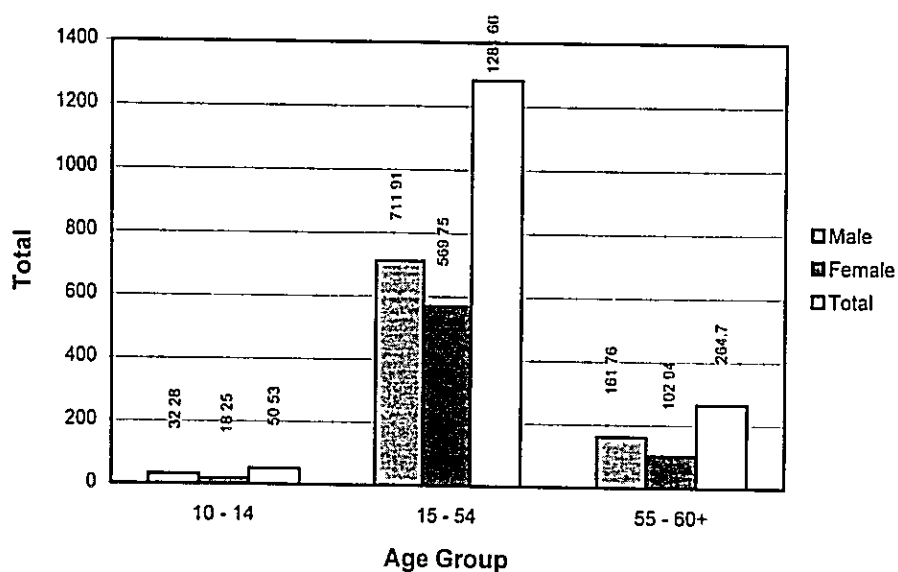
#### 4.2.3 Labor Force

The total labor force in accordance with age group and gender is 1,795,890 persons, consisting of 1,105,950 males and 690,940 females. The growth rate of employment during Pelita V reached 2.30% per annum. In 1988, there were 1,421,320 and in 1993 this had increased to 1,599,397. Details of the labor force are presented on the following table.

Table 4.2  
Labor Force According to Age Group and Gender

Age Group	Male	Female	Total
10 – 14	32.280	18.250	50.530
15 – 19	96.670	62.280	158.950
20 – 24	117.010	84.020	201.030
25 – 34	252.590	172.250	424.840
35 – 44	270.380	124.630	395.010
45 – 54	175.260	126.570	301.820
55 – 59	60.470	42.660	103.130
60 +	101.290	60.280	161.580
<b>Jumlah</b>	<b>105,950</b>	<b>690,940</b>	<b>1,795,890</b>

### Labor Force by Age Group and Gender



The above graph indicates that employment is highest in the 25-34 year age group, which represents 23.64% of the work force. The 35-44 year age group represents 21.98%.

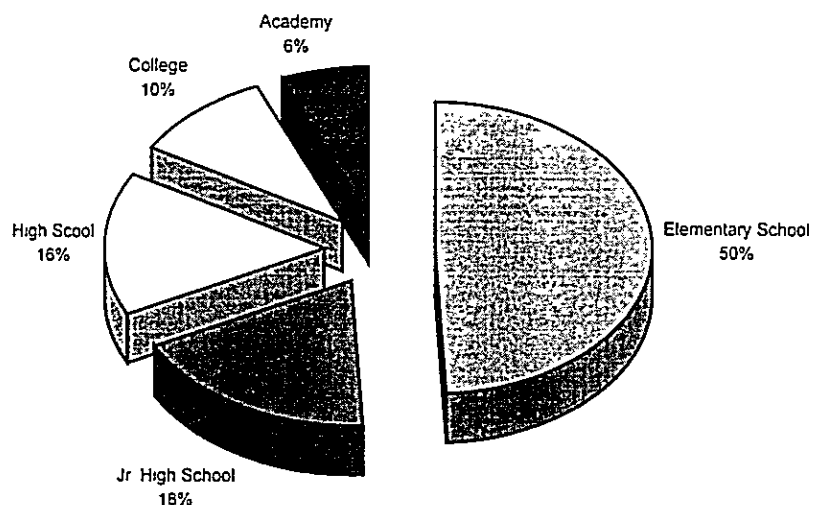
The number of people in the labour force with a higher education is increasing and the number with a lower education is decreasing. The labour force in West Sumatra relative to the education level, in 1997 and 1998, is shown on the following table.

**Table 4.3**  
**Labour Force according to Education Level**

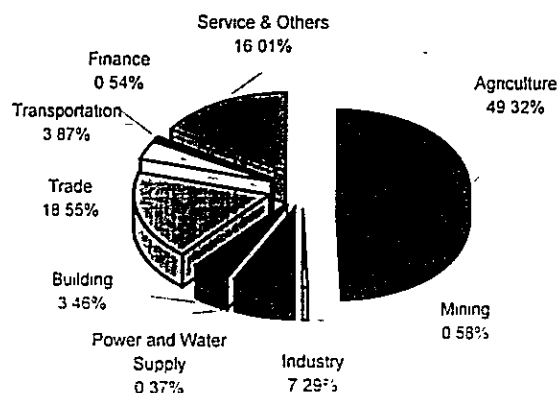
No.	Education Level	Labour Force (%)	
		1997	1998
1.	Elementary School	62,06	39,31%
2.	Senior High School	17,84	14,79%
3.	High School	11,22	12,55%
4.	Collage	4,99	8,31%
5.	Academy	3,89	5,04%
<b>Total</b>		<b>%</b>	<b>100</b>
		<b>Persons</b>	<b>1,769,400</b>
			<b>1,806,618</b>



### Labor Force by Education Level, 1998



### Employment Structure in West Sumatra, 1998



The above table shows that the majority of the labour force is in the lowest education bracket. For example, 62.06% in 1997 and 39.31% in 1998 had no more than an elementary school education and even this was often not completed.

Above SLTA level especially at SMK/DI level, DII and at university level the number increased significantly, SMK/DI, DII levels increased from 4.99% in 1997 to 8.31% in 1998 and DIII/SI increased from 3.89% in 1997 to 5.04%, in 1998. As a result of the growth in education, the quality of the labour force is improving in West Sumatra a

and a corresponding increase in living standards is expected. However, as the labour force becomes more educated so their employment aspirations are changing and it has become necessary to develop suitable employment opportunities to accommodate the labour force.

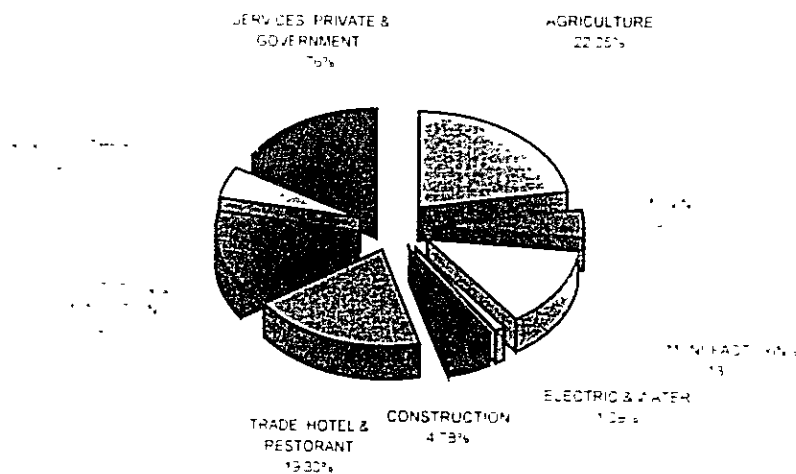
### 4.3 ECONOMIC STRUCTURE AND GROWTH

#### 4.3.1 Economic Structure

The economic structure is based on the current price prevailing in West Sumatra and is governed by

- Agricultural Sector accounts for Rp 3.981.5 billion. Between 1994 and 1998, the agricultural sector fluctuated between 21.4% and 22.4%. The dominant role of this sector was the production of food crops and particularly paddy production. An increase in rice production was achieved by an expansion of the production infrastructure which resulted in more intensive farming methods and larger areas being cultivated. Apart from paddy, other crops included secondary crops, vegetables and fruit. Between 1994 and 1998, the production of second crops (corn, soy-bean, cassava, sweet potato, peanuts and mung-beans), vegetables and fruit also increased significantly.
- Trade, hotel and restaurant sectors accounted for 19.3% with the greatest contribution coming from the wholesale and retail trade sub-sectors.

Distribution of GDRP of West Sumatra, 1998



### 4.3.2 Economic Growth

#### (a) General Economic Growth

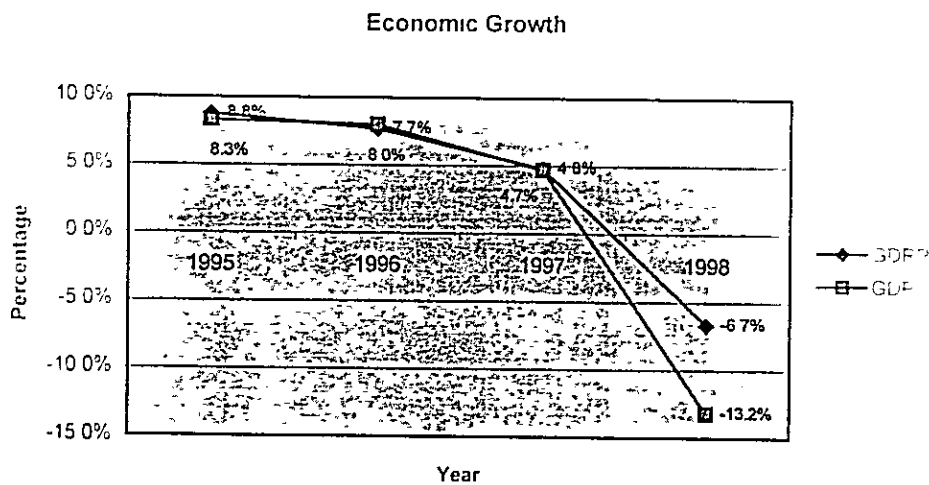
From 1995 to 1998, the economic growth rate in West Sumatra increased, on average, by 3.4% per annum. In 1998, the economic growth rate decreased by 6.7% from the previous year due to a decrease in all sectors and particularly the construction sector which shrunk by 35.4%. Only the electrical power and drinking water supply sector and services did not decrease.

During July semester II/1997, economic growth shrunk to just 4.8 percent from 7.7% in 1996. This was primarily due to low productivity caused by tight money policies resulting from the monetary crisis, which expanded into a 3 year regional economic crisis, together with a long drought and extensive forest fires and smoke. The growth pattern for 1997 and 1998 changed drastically from the growth pattern experienced during the preceding years.

**Table 4.4**  
**Economic Growth, 1995-1998 (Constant Price 1993)**

Year	PDRB W-S	GDP Indonesia
1995	8.8	8.3
1996	7.7	8.0
1997	4.8	4.7
1998	-6.7	-13.2
Annual Average Growth 1993-1998	3.4	

Source: BPS Propinsi Sumatera Barat



## (b) Economic Growth by Sector

In 1998, economic growth in West Sumatra experienced a major contraction in almost all sectors. Only the electrical power and drinking water supply sector and services had a positive growth of 9.2 percent and 22 percent respectively.

In 1997, the decrease in growth did not occur in all sectors. Production sectors, mainly in agricultural, industrial processing, trade, hotel and restaurant sectors slowed from their previous growth rates. While mining, electricity and water supply and transportation and communication sectors slowed from the previous year. The agriculture sector had the lowest growth rate because the economic situation did not permit the repair and maintenance of farm equipment and because of the adverse of environment conditions.

**Table 4.5**  
**Growth in Economic Sectors in 1995-1998 (Constant Price 1993)**

No	Sector	Year			
		95	96	97	98
1.	Agriculture	7,9	7,0	1,5	-0,05
2	Mining	19,1	6,2	10,1	-10,6
3	Industri Pengolahan	12,3	11,8	6,2	-8,5
4.	Electricity and Water supply	26,2	24,7	31,6	9,2
5.	Building	9,2	10,1	4,2	-35,4
6	Trade, Hotel & Restaurant	6,3	7,3	3,4	-4,4
7.	Transportation & Communication	11,4	8,2	10,0	-8,3
8	Finance	3,3	3,2	2,3	-15,6
9	Services	4,4	5,6	4,8	2,2
		8,76	7,68	4,78	-6,67

Source : BPS Propinsi Sumatra Barat

### 4.3.3 Sectoral Inflation Rate

A rise in the inflation rate was a phenomenon of the economic crisis and due largely to the low rupiah exchange rate. A policy of high interest rates was expected to overcome this inflation but has not yet achieved the expected results. The inflation rate had tended to increase gradually in recent years but in 1998 there was a sharp hike of 87.20%. This was in marked contrast to inflation rates of 7.32% and 10.72% for 1996 and 1997 respectively.

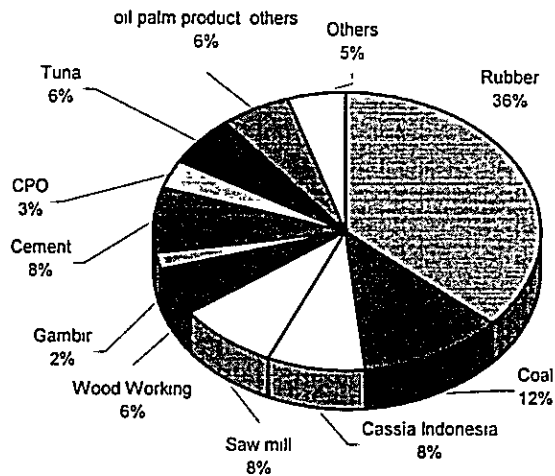
## 4.4 INTERNATIONAL TRADE (EXPORT – IMPORT)

### 4.4.1 Export

In 1998, 2,435,782,000 kg of goods were exported from West Sumatra with an export value of US\$ 252,782,494. Up to October only, the corresponding figures for 1999 were 3,768,742,509 kg and US\$ 266,325,566 representing a 54.31% increase in tonnage but a 10.47% decrease in export value.

Based on their export value during the period January to October 1999, the major commodities are ranked in the following order: rubber, cement, coal, CPO, plywood, cassiavera, other oil-palm products, kayu olahan gambir and frosted tuna fish. The total export value of these major commodities was US\$ 213,978,578.45 and accounted for 94.54% of exports. While in the same period in 1998, the export value of the main commodities was US\$ 240,399,244.03 accounting for 95.10% of exports. The decrease of 10.99% in the value of exports was caused by a decrease in the volume and export value in October 1999, of several of the main commodities such as rubber, coal, cassiavera, kayu olahan, gambir and other oil-palm product and frosted tuna fish. Details are presented on the following figure.

Percentage of Realization Export Value by Main Commodities, 1998

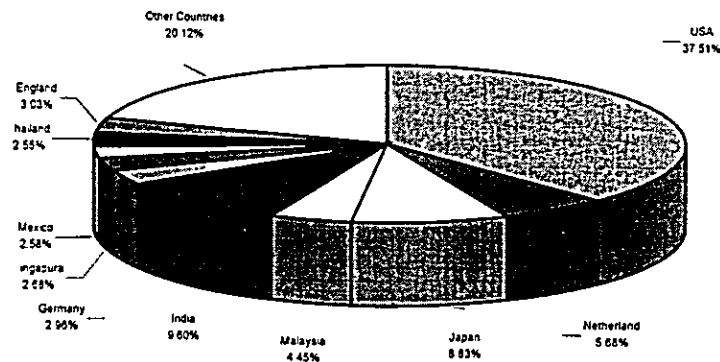


Destinations for the main exports during the period January to October 1999, ranked according to export value, were USA, Netherlands, Japan, Malaysia, India, United Kingdom, Mexico, Singapore, Thailand and Germany. The combined export value was US\$ 159,830,717.51 which accounted for 70.62% of the total export value.

During the same period in 1998, the combined export value was US\$ 202,022,285.35, representing 79.92% of the total export value. This means the total export value decreased in the first ten months of 1999 by 20.38%, compared with the same period in 1998. Exports to all countries decreased except to the Netherlands, which increased. The export value to USA, the largest foreign exchange contributor for West Sumatra, for non migas (oil and gas) products decreased by 33.41% in this period.

The export value from West Sumatra according to the country of destination is presented in the following figure.

Realization of Export Value by Main Country, 1998



#### 4.5 INDUSTRIAL SECTOR DEVELOPMENT

A large part of West Sumatra is located in hilly or mountainous terrain. Flat topography exists mostly in Kabupaten Pasaman and the coastal area of Pesisir Barat.

In general, the agro-industrial sector is dominated by the plantations on the lowland which grow oil-palm, rubber, cocoa and spices. Some lowland areas also have the potential for developing a livestock industry. The agro industrial sector in the mountainous area consists of coffee, tea, spices and horticulture. There is an encouraging proposal to develop plantation and a silk industry in the mountainous area, particularly in Kab. Solok.

Tourism is dominated by marine tourism, including ecotourism which has the greatest potential in the Mentawai Islands (Siberut). Cultural and natural tourism is available in Minangkabau.

Fish cultivation and processing is most dominant along the coastal areas (including Mentawai Islands). Marine fishing extends over the Exclusive Economic Zone (ZEE).

Mining is oriented to coal extraction in Kabupaten Sawah Lunto and Sijunjung with a significant potential for developing a cement industry in Kabupaten Pesisir Selatan and Sawah Lunto, Sijunjung.

##### 4.5.1 Development of Industrial Sector of West Sumatera Province

Based on some indicators, the industrial performance in West Sumatra shows that large and medium-scale industries, excluding the agro-industry have been significantly affected by the monetary crisis, on the other hand small-scale industries have maintained satisfactory performance and even expanded, in some cases. This development is verified by the rise in production value and the addition of several business units. It is noted that despite the monetary crisis, lay offs (PHK) and closure of factories have not been significant and some industries have actually achieved a production increase. This was because by most of the industries in West

Sumatra are agro-based and have maintained their strength during the monetary crisis.

The export volume in the industrial sector increased by 74.25% from the previous year, but the corresponding value decreased by 28.61%, primarily because the main products came from the primary sector and had a low value. Overall the industries in West Sumatra were able to survive the economic crisis. Although the production value decreased, the labour force and investment, based on the number of business units, did not decrease, as shown by Table 4.6.

**Table 4.6**  
**Development of Industrial Sector of West Sumatera Province, 1997-1998**

Parameter	1997	1998	% Kenaikan/ Penurunan
Unit Industri	44.286	45.166	1,96
Labor Force (person)	157.387	158.823	0,90
Investment Value (Rp.)	1.270.033.205.000	1.344.194.103.000	5,51
Product Value (Rp.)	1.779.762.194.000	1 670.064.736.000	-6,56

#### 4.5.2 Development of Industrial Sector (Secondary Sector) based on Industrial Group

##### 1) Industry in Agriculture and Forestry

The agricultural and forestry industries, totalling 28,062 units in 1998, dominate West Sumatra and have increased in number slightly from 27,256 units in the previous year. The small and medium-scale industries account for the majority of the sector. Although, the labor absorption in 1997-1998 increased by 3.3% and the investment value increased by 10.54%, the production decreased, particularly large and medium-scale industries which decreased sharply by 60.4%. Meanwhile, small-scale industry increased dramatically by 90.79%. The overall decline in industry from agricultural and forestry reached 20.9%.

##### 2) Miscellaneous Industry

In 1997-1998, the total units of small-scale business in the Miscellaneous Industries sector decreased by 0.1%, although there was an increase in labor of 1.6%. The total units of medium and large scale business was unchanged but there was a decrease in labor of 4.05%.

The investment value, increased by 39.6% in 1998, especially in small and medium-scale business. This sector was able to increase production during crisis conditions and the total production value increased by 38.16%.

### 3) Metal, Machinery and Chemical Industry

Between 1997 and 1998, the total business in this sector increased by 2%, even though the labor absorption decreased by 5.15%. Investment increased slightly but the total value of production decreased by 6.16%.

From the previous descriptions, average small-scale industry increased both its production and investment value. The metal, machinery, and chemical industries sector had a minor decrease in employment and the Miscellaneous Industries sector had a decrease in the number of business units.

It was different for large and medium-scale industries, where all sectors decreased their production value and labour force except for the Miscellaneous Industries sector. However, there was a very small increase in the total number of units. In addition, most of the large and medium-scale industries had increased investment, but not enough to increase production value.

A more complete description is presented in the following Tables.

**Table 4.7**  
**Industrial Units According to the Field and Scale of Business 1997-1998**  
**(in Business Unit)**

Sector	1997			1998			(%)
	Medium & Large	Small	Total	Medium & Large	Small	Total	
IHPK	157	27.119	27.256	160	27.866	28.026	2,75
IA	3	10.129	10.132	3	10.119	10.122	-0,10
ILMK	70	6.808	6.878	70	6.948	7.108	2,03
Total	230	44.056	44.286	233	44.933	45.166	1,99

Explanation: IHPK : Industry in Agriculture and Forestry  
IA : Miscellaneous Industry  
ILMK : Industry Metal and Chemical

**Table 4.8**  
**Industrial Production Value according to the Field and Scale of Business,**  
**1997-1998 (in Person)**

Sector	1997			1998			(%)
	Medium & Large	Small	Total	Medium & Large	Small	Total	
IHPK	663 771 267	234 728 812	898 500 079	262 863 652	447.843.424	710 707 076	-20 90
IA	4 054 743	235 496 381	239 551 124	2 917 669	328 054 787	330 972 456	38 16
ILMK	542 274 141	98 4365 850	640 710 991	476 259 932	15 125 272	628 385 204	-1,92
Jumlah	1 211 100.151	568 662.043	1 779 762 194	742.041 253	928 023 483	1.670 064.736	-6,16

Explanation: IHPK : Industry in Agriculture and Forestry  
IA : Miscellaneous Industry  
ILMK : Industry Metal and Chemical



### 4.5.3 Industrial Area

The Government of West Sumatra in association with a private firm from Johor, Malaysia, has built an industrial estate covering a total area of 600 ha. The industrial estate, known as Kawasan Industri Padang (Padang Industrial Park) has been in operation since 1997 and is occupied by the following companies.

No	Investor	Status	Line Business	Area (ha)
1.	PT. Andalas Lumber Products	PMA	Woodworking	5,00
2	PT. Nyiur Andalas Permai	PMDN	Coconut Oil	1,00
3.	PT. Usaha Inti Padang	PMA	CPO	1,79
4.	PT. Prizco Gasindo	PMDN	LPG Bottling Plant	1,00

The land price in the Padang Industrial Park is US\$ 25 per square meter and the location is about 22 km from Padang. The Industrial Park has 200MW electricity, 200MW telecommunication consisting of 2,500 lines and 12.5 km of road network which is in good condition. The development is stagnating due to the economic crisis.

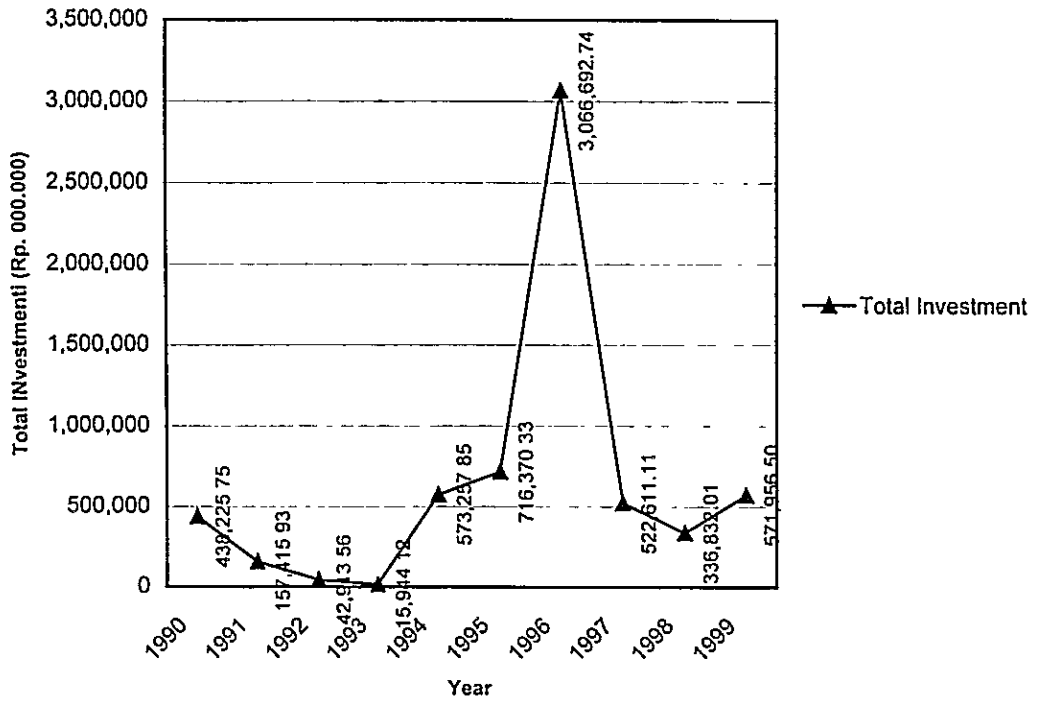
### 4.6 TREND OF INVESTMENT

Government policy, through a series of deregulation packages, has simplified licencing requirements and made it easier to create a business climate conducive to transparency which coupled with a cheap labour force, political stability and security will encourage foreign investment.

The monetary crisis which occurred in 1997 and 1998, had a direct and severe impact on investment in Indonesia, including West Sumatra. Bankruptcy legalization in 1998, scheduling of government projects, high foreign loans and a high interest rate (over 25%) prevented both domestic and foreign investment.

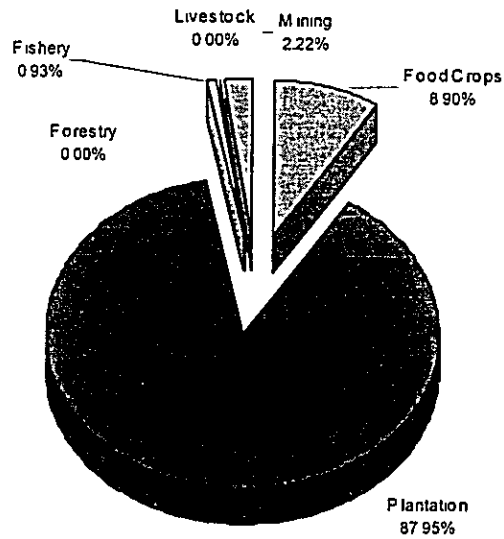
In 1999, according to BKPM report, the total investment agreed by the government was 3 projects amounting to 571,956,500 Rupiahs for PMDN and 8 projects valued at 343,081,740 US\$ for PMA (foreign capital investment).

Value of Domestic Investment

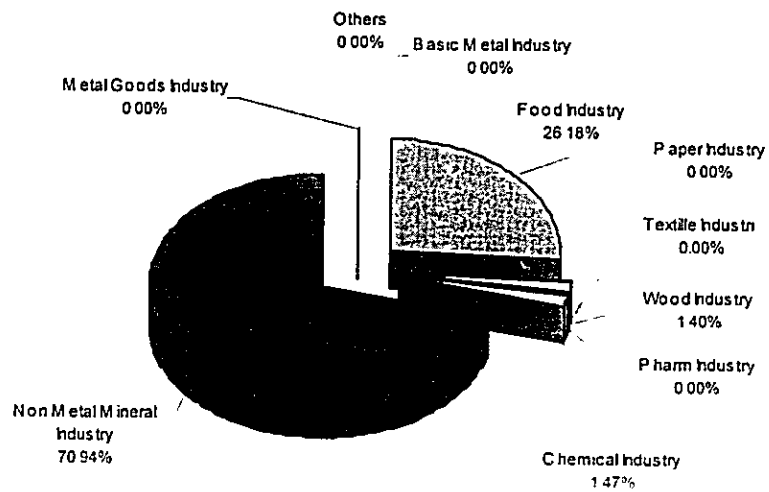


#### 4.6.1 Status of PMDN (Domestic Capital Investment)

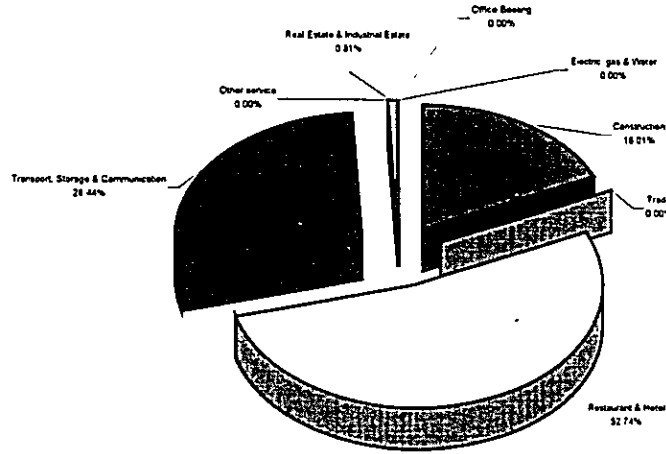
Primary Sector by 1990-1999 (Absolut value : Rp. 2,382,184.20)



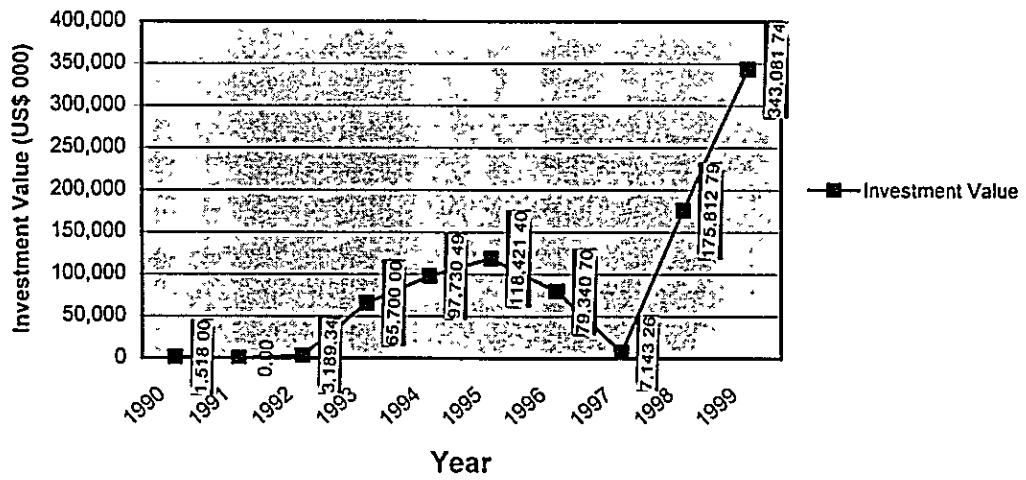
Secondary Sector (Absolut value : Rp. 2,144,759.80)



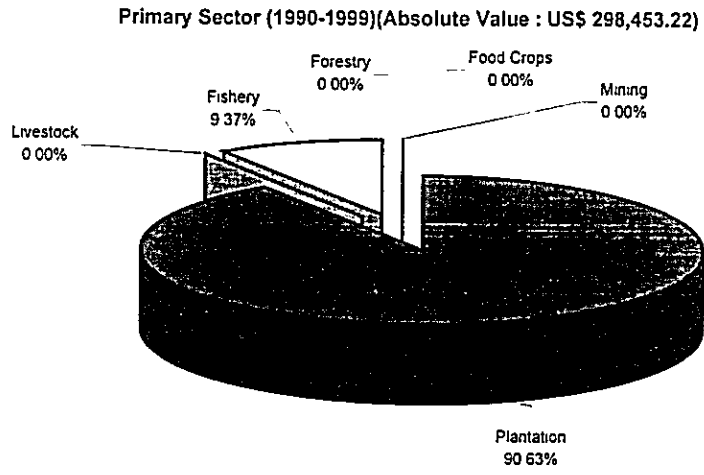
Tertiary Sector (Absolute value : Rp. 219,280.27)



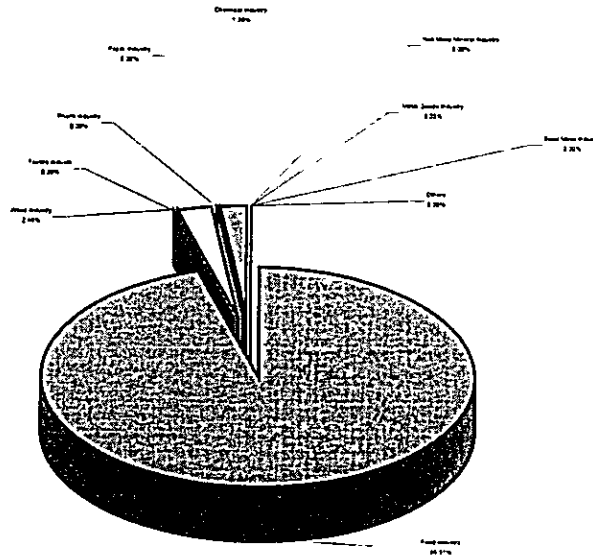
Value of Foreign Investment



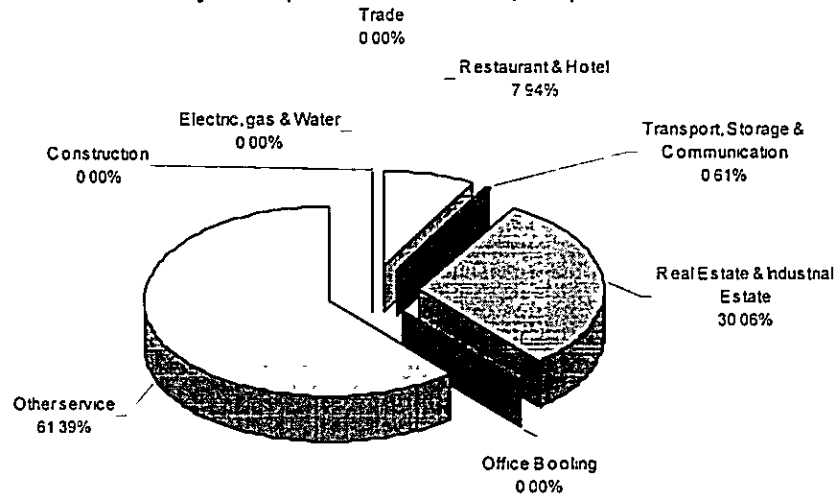
#### 4.6.2 Status of PMA (Foreign Capital Investment)



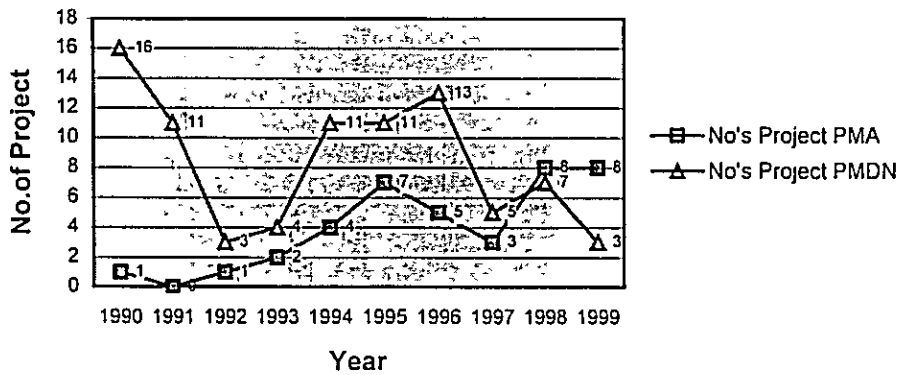
**Secondary Sector (Absolute Value : US\$ 265,576.11)**



Tertiary Sector (Absolute value : US\$ 73,433.50)



Project Investment Applications



**SECTION 5  
POTENTIAL INVESTMENT IN THE  
PROVINCE**

## SECTION 5

### POTENTIAL INVESTMENT IN THE PROVINCE

#### 5.1 POTENTIAL ANALYSIS

##### 5.1.1 Prospects for Local Enterprise and Foreign Investment

The regional economic crisis has had a severe impact on the private sector in Indonesia, particularly for large enterprises whose production is largely dependant on imported raw material and foreign currency investment. This condition is more acute if the production is solely for the domestic market. On the other hand small and medium export oriented resource-based industries, particularly agriculture, fisheries and forestry, have benefited significantly from high foreign currency rates. Based on past growth and survival and the challenge to increase capacity and enter the competitive market, the following types of local enterprises are considered:

1. Smaller enterprises registered with PMDN which are largely engaged in primary resource industries (agriculture, forestry, fisheries and handicraft), employing a limited number of workers and oriented primarily to the export market. Technological input is primarily required by these business units to improve their product and quality.
2. Medium sized enterprises registered with PMDN from various sectors of manufacturing and services, employing a larger number of workers and aiming their products to both the export and domestic market. These business units may require both capital and technology to expand their production and improve quality.
3. Large enterprises registered with PMDN which are involved with the primary resources industry, manufacturing industry or services and employ large numbers of workers and produce for the export market. These business units may require capital investment, technology to support their research and development, and a worldwide marketing network. Foreign investment is particularly important to increase the ability of local enterprise to compete in both the global and regional markets. Therefore, integrated investment programs are required which include capital, technology and market components.

The following clauses describe the most favourable circumstances for joint investment between local and foreign (Japanese) companies:

1. Investment in small or medium sized operations who need technology input to develop and process their primary industry (eg. agriculture, forestry, fisheries) into value-added products or secondary industry (eg. food).
2. Investment should support local enterprise with their export drive of commodities (to Japan or other countries); this can also have a ripple effect and generate other economic activities.



For example, collecting forest products (kemiri, gambir, pinang, cassiavera) may not be attractive for foreign investment unless there is a value-added component to produce secondary industrial products (cosmetic, essential oil etc) because the supply of primary forest products are always sensitive to the fluctuation of market price.

3. Investment in larger plantations is attractive, since the input of technology and capital can facilitate development of a secondary industry involving the manufacture of value-added products such as olefin, margarine, rubber goods, and tyres.
4. In this study, we have not promoted investor participation in large government companies which are floated on the international stock exchange exist for foreign investment in these companies particularly in the tertiary sector of industry (eg. infrastructure).

### **5.1.2 Position of West Sumatra in International Trade.**

West Sumatra is included in the regional economic cooperation organizations of IMT.GT (Indonesia, Malaysia and Thailand Growth Triangle) and IMS-GT (Indonesia, Malaysia and Singapore Growth Triangle). However, because of its location on the Indian Ocean, there has been less interaction with Malaysia, Singapore or Thailand.

In most cases, regional cooperation will be effective if there is frequent interactivity amongst the regions involved. The Sijori (Singapore, Johor, Riau) growth triangle is making progress due to its close relationship and projects have been implemented which are complimentary and mutually beneficial and which avoid competition between the regions.

IMT.GT covers too large an area to facilitate physical inter-relationship over many regions, including West Sumatra, and the concept of a growth triangle has not provided better results than conventional bilateral or multilateral economic cooperation. There are several projects established within IMS or IMT.GT in Sumatra which are not running properly because they are producing commodities which are also available in other regions, and therefore, create competition.

International trading can be improved when the new International Airport is established and has the capacity to accommodate international passengers and cargo.

### 5.1.3. Strengths and Weaknesses of the Province

#### The Strengths

- 1) A large part of the province is in the highland area which is relatively fertile and has sufficient water for agriculture and can supply water and electrical power to support the development of highland crops such as coffee and cocoa, horticulture, including animal husbandry, and small-scale plantations such as essential oil or silk worms.
- 2) The mountainous area has natural and cultural attractions which are specific to the region and sufficiently attractive for the international market. Traditional villages, volcanoes, highlands, lakes, streams and gorges, and forest resources provide opportunities for the development of tourism, which could include ecotourism, agrotourism, and as well as places of cultural and historical interest.
- 3) The coastal area of West Sumatra and the Mentawai Island to the border of the Exclusive Economic Zone, is relatively unpolluted and the marine potential has not been fully exploited compared with the Java Sea and Malaka Straits which have been polluted by shipping and oil spills and whose waters have been excessively exploited by local and foreign fisherman. The environment of the Mentawai Islands is particularly suitable for nature/ecotourism because it is clean, free from pollution, in a natural condition and the shoreline has waves which provide world class surfing.
- 4) The province has a satisfactory land transportation network which provides access to all other provinces in Sumatra. Its location, in the middle of the Trans Sumatra network makes West Sumatra the center of the land transportation network in Sumatra.
- 5) West Sumatra has a well established culture and good security. The crime rate is relatively low and there is less social and political friction than in other areas of Indonesia.

#### Weaknesses:

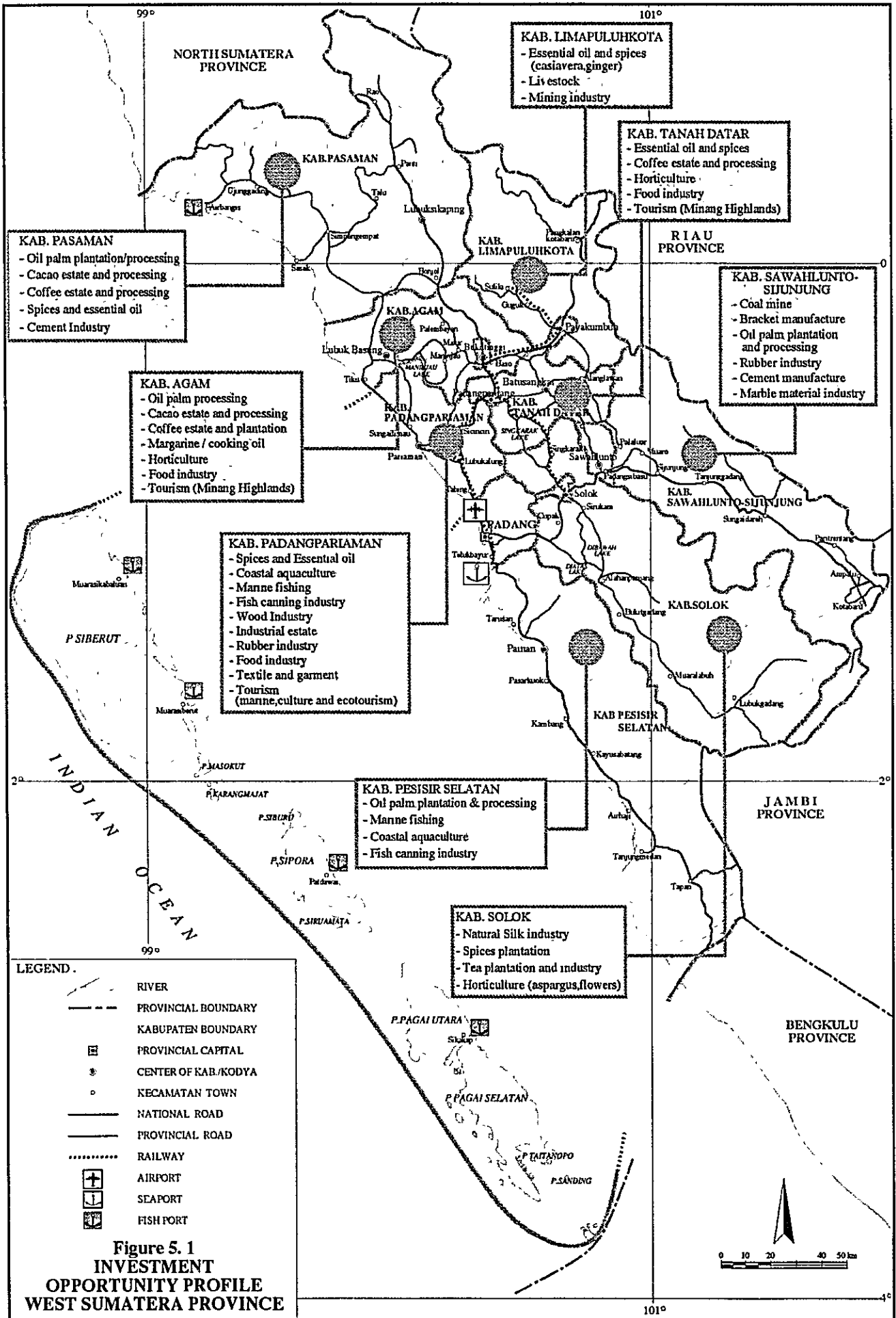
- 1) West Sumatra, with its main port at Teluk Bayur, is located on a low density shipping route and has limited potential for global transshipment operations.
- 2) The province has very limited flat and undulating land for lowland plantations such as rubber and palm oil, making it less competitive in the production of these commodities.
- 3) The available labor force for the agricultural sector is not as large as that in South Sumatra primarily because transmigration settlement has not been so great.
- 4) Land ownership is a sensitive social issue. As a result, the acquisition of large areas of land will be difficult if the community is not involved (because the existing land is considered "hak ulayat" or the right of the community). On the other hand, if the community is encouraged to participate there will be a positive push for industrial development.

#### **5.1.4. The Opportunities and Challenge of the Province:**

- 1) Change of strategic environment, such as globalization, trade liberalization, international economic cooperation and the implementation of regional autonomy in compliance with Act No. 22 and Act No. 25/1999, where the responsibilities of the regional administration are considerably broader.
- 2) The fishing potential in the waters of West Sumatra including Mentawai Island has not been maximised and the opportunity for sea fishing, as well as coastal agriculture is significant, especially since the world fish consumption is increasing). A new policy from Menteri Kelautan dan Perikanan for maintaining security and sustainability from marine resources and to increase marine resource products should encourage fishery development in West Sumatra, including the opportunity for fishing investment, especially in ZEE and coral fish cultivation and other marine products.
- 3) The development plan for a new airport at Ketaping will contribute to the trading capacity of West Sumatra and facilitate direct passenger access from overseas countries to Padang which will automatically encourage tourism and investment. The airport development will also encourage industrial development of value-added commodities related to horticulture, flowers, fishery, etc.
- 4) A demand in the regional market which exceeds the industrial growth particularly for horticultural and fishery commodities.
- 5) The small agricultural labor force provides an opportunity for development which makes greater use of skill, technology and capital. In addition, university and educational institutions on which future growth depends could become a potential investment sector in order to increase human resources for the regional or international market.
- 6) The Government of Indonesia has promoted Sabang as a distribution and logistical centre, including industry, for Western Indonesia (Sabang Integrated Economic Development Zone Project). If Sabang Development is implemented, the shipping route along the West Coast of Sumatra and the Indian Ocean will grow so that the port of Teluk Bayur can participate in global transshipment.

#### **The Challenge:**

- 1) Competition with Southeast Asia and China where productivity is high and the wages are low.
- 2) Price fluctuation which is often sensitive for agricultural commodities, unless they are developed into value-added secondary industries such as food, margarine, cooking oil, etc.



- 3) Consumer culture which creates a business environment which is low in capital and technology, particularly in the fishing sector, because earnings are spent on consumer goods and not reinvested in business.

## 5.2 POTENTIAL SECTOR AND INVESTMENT OPPORTUNITIES

### 5.2.1 Primary Industrial Sector

#### a. Agriculture Sector

Agriculture development in West Sumatra consists of food and estate crops (palm oil, rubber, cacao and coffee) and smallholdings for horticulture and spice crops (pepper, essential oil).

Major products are delivered as primary commodities and are greatly affected by the fluctuation of market prices. West Sumatra has soil which is suitable for value-added crops such as flowers, asparagus and other vegetables.

The future prospects for agriculture development will involve :

- Development of value-added crops in suitable highland soils.
- Processing primary commodities into secondary industry (eg. food industry) rather than expanding primary industry.

- Oil-palm

Oil palm plantations have been developed in relatively flat and undulating areas, particularly in Pasaman, Agam and Sawahlunto Sijunjung. The plantation area is developed as an estate or PIR and includes the processing plant. In general, conditions in West Sumatra ensure reliable productivity. Investment in this sector has been well developed by PMDN and PMA, and the area of the land which has been cleared amounts to 133,815 ha (1998), including the small-scale plantation.

- Rubber

Rubber production is dominated by small-scale plantation schemes which are spread between the lowlands and hilly areas and cover a total of 105,568 ha of land. This sector is not as competitive as in South Sumatra and Jambi, even though it is a reliable export commodity. Investment (PMDN) is directed more towards processing or crumb rubber than at providing new plantations. In the future, there needs to be an increase in the secondary rubber industry

- Cocoa

Cocoa can be developed in the undulating and hilly areas of Agam and Pasaman. In the future it can become a reliable commodity but it has not yet made a significant contribution. Investment (PMDN) in cocoa plantations commenced in 1989 and approximately 9,252 ha have been developed.

- Coffee

Arabica type coffee type planted in hilly to mountainous areas provides a better market value than Robusta coffee from the lowlands. Coffee from the mountainous area has the potential to be a reliable commodity as long as the quality and processing methods are continuously improved. (At present, the quality of coffee from North Sumatra and Bengkulu is decreasing). Coffee can be developed on an estate or small-scale plantation and at present approximately 28,554 ha. have been planted.

- Horticulture

The highland and volcanic nature of the soil is good for horticulture although up to now it has been geared to the domestic market and export production is very small.

The Agam area and lowlands have the potential to be developed for horticulture commodities such as flowers, vegetables and fruit and could be developed in the mountainous area for specific commodities such as asparagus and flowers which have a stable market in Asia and Europe.

- Spices and Essential Oil

Spices and essential oil are a new development and can be cultivated by individuals or on a plantation. They have a good market value in the international market and are reliable export commodities for the province.

Typical commodities in this sector include cassiavera, gambir, clove, pala (nutmeg), pepper, nilam, jahe (ginger) and kemiri. At present, a total area of 68,935 ha is under production.

Although these commodities contribute a significant export value, no promotion is being made to involve foreign investment in the primary industry business except to provide technological input to modify the raw agricultural product into value-added secondary industries such as cosmetics, medicines and essential oil.

These traditional commodities when grown by smallholders are not considered suitable for foreign investment because:

- The commodities are grown as secondary products of forest areas or are cultivated in an uneconomic manner and do not generate significant employment.
- These are low intensity businesses and no final products are obtained from these commodities except a collection of raw materials.
- Dealers play a more dominant role than the farmers who always suffer from the fluctuations created by dealer chains and market demand.
- No ripple effect or economic spin offs to the smallholder or the region.

### Potential in Agriculture (Primary and Secondary Sector):

1. Palm oil plantation, processing and food industry (cooking oil)
  - Location : - Kabupaten Pasaman  
- Kabupaten Agam  
- Kabupaten Sawalunto/Sijunjung
  - Product : - CPO from plantation factory (Kabupaten Pasaman)  
- Margarine and cooking oil (Kabupaten Agam)
  - Market : Domestic and Export
  - Potential Projects and Local Partners: See attached forms
  - Scale of company : medium to large enterprise.
  
2. Coffee Estate and processing
  - Location : - Kabupaten Tanah Datar  
- Kabupaten Pasaman  
- Kabupaten Agam  
(soil suitability study is required for Arabica plantation)
  - Product : Coffee seed, coffee powder and food industry
  - Market : Domestic and Export
  - Potential Projects and Local Partners: See attached forms
  - Scale of company : medium enterprise.
  
3. Cacao Estate and processing:
  - Location : - Kabupaten Pasaman  
- Kabupaten Agam  
(Soil suitability study is required)
  - Product : Cacao powder and food industry
  - Market : Domestic and Export
  - Potential Projects and Local Partners: See attached forms
  - Scale of company : medium enterprise.
  
4. Horticulture (Banana):
  - Location : - Kabupaten Tanah Datar  
- Kabupaten Agam  
(Soil suitability study is required)
  - Product : banana powder and fresh banana
  - Market : Domestic and Export
  - Potential Projects and Local Partners: not available
  - Scale of company : small to medium enterprise.

5. Horticulture (Asparagus and ginger plantation)
- Location : - Kabupaten Agam  
- Kabupaten Solok  
- Kabupaten Tanah Datar  
(Soil suitability study is required)
- Product : Food Industry (canning Asparagus)
- Market : Domestic and Export
- Potential Projects and Local Partners : See attached forms
- Scale of company : small to medium enterprise.
6. Horticulture (Flowers and Non fertilized vegetables):
- Location : - Kabupaten Agam  
- Kabupaten Solok  
- Kabupaten Tanah Datar  
(site and soil study is required)
- Product : Fresh vegetables and fresh flowers
- Market : Domestic and Export
- Potential Projects and Local Partners : not available
- Scale of company : small to medium enterprise.
7. Tea Plantation and processing:
- Location : - Kabupaten Solok  
- Kabupaten 50 Kota (smallholder plantation)  
- Kabupaten Tanah Datar
- Product : Green Tea and food industry
- Market : Domestic and Export
- Potential Projects and Local Partners: See attached forms
- Scale of company : medium enterprise.
8. Spices (casiavera) plantation and processing:
- Location : - Kabupaten 50 Kota  
- Kabupaten Tanah Datar  
- Kabupaten Solok  
(site and soil study required)
- Product : Cinnamon
- Market : Domestic and Export
- Potential Projects and Local Partners : not available
- Scale of company : medium enterprise.
9. Citronella plantation and processing:
- Location : Kabupaten Solok  
Kabupaten Sawahlunto sijnjung  
Kabupaten Pasaman  
(suitable for erosion control hilly area)
- Product : essential oil (nilam oil)



Market : Domestic and Export  
Potential Projects and Local Partners : See attached forms  
Scale of company : small to medium enterprise.

10. Livestock (cattle breeding)

Location : Kabupaten 50 kota  
Kabupaten Pasaman  
Product : Livestock and beef  
Market : Domestic  
Potential Projects and Local Partners : not available  
Scale of company : medium enterprise.

**b. Fishery Sector**

West Sumatra has approximately 138,750 km<sup>2</sup> of coastal and marine area, between its 375 coastline to the limit of the Exclusive Economic Zone. The area is essentially unpolluted by offshore exploration of ship waste and is classified as an under-exploited fishery area.

West Sumatra has more resources and is potentially more competitive in marine fishing than the provinces along the Malacca Straits. It is estimated that West Sumatra has a potential fishing limit of 316,588 ton per year but the production in 1998 was only 40% of this amount. This low production rate is caused primarily by low technology and low capacity of the ships operated by traditional fisherman. Marine aquaculture also has the potential for development in the clean protected coastal waters, particularly in the Mentawai Islands. There are many expensive species which are in high demand by Chinese and Japanese consumers.

Inland fisheries are not included in this study although West Sumatra has a significant production potential. Such facilities are not recommended by the government or included in the list for foreign investment unless they have a value-added component.

There are three major opportunities for foreign investment in the fishery sector:

- Marine fishing : increasing the present production by improving the equipment capacity. This will create long term benefits if it involves the local fishermen and will also minimize the risk of any social conflict.
- Food industry : various industries can be developed from fish products.
- Marine aquaculture : production of high value species.

### Potential in Fisheries (Primary and Secondary Sector):

#### 1. Marine fishing and processing:

Location	:	Kabupaten Padang Pariaman/ Mentawai
		Capture area covers Mentawai islands and Indian ocean
Product	:	Tuna, mackarel and food industry
Market	:	Export
Potential Projects and Local Partners	:	Not available
Scale of company	:	medium to large enterprise.

#### 2. Coastal aquaculture (coral fish and sea weeds)

Location	:	Kabupaten Padang Pariaman and Siberut (suitable location around Mentawai coastal area)
Product	:	Kakap, kerapu and sea weeds
Market	:	Domestic and Export
Potential Projects and Local Partners	:	Not available
Scale of company	:	small to medium enterprise.

### c. Forestry Sector

Areas for forest logging activities are located in Sawah Lunto, Pasaman and on the Mentawai Islands, which has the largest concession area. The stock of lumber in the forest production areas is decreasing due to fire and theft. Sustaining forest resources for long term utilization can be achieved by developing a secondary forest industry.

Forest areas according to landuse (Tata Guna Hutan Kesepakatan) are shown on the following table:

No.	Forest Classification	Area(ha)
1.	Protected forest	1.242.300
2.	National reserve – tourism	540.100
3.	Production forest	601.200
4.	Limited production forest	497.700
5.	Conversion production forest	421.000
6.	Other utilization	853.300
	Total Area	4.155.600

Source : Kanwil Departemen Kehutanan & Perkebunan, Sumatera Barat, 1998

**Potential Forestry (Primary and Secondary Sector):**

1. Wooden product industry:

Location	:	Kabupaten Padang Pariaman
Product	:	Processed timber industry and wooden furniture
Market	:	Domestic and Export
Potential Projects and Local Partners	:	not available
Scale of company	:	medium to large enterprise.

**c. Mining Sector**

Marble and cement are among the most potential mining commodities in West Sumatra. Environmental constraints and the availability of good access are major handicaps for mining exploration and operations.

**Potential in Mining (Secondary Sector):**

1. Cement Factory:

Location	:	- Kabupaten Pasaman - Kabupaten Sawahlunto/Sijunjung - Kabupaten Solok (review survey is required to estimate quality and deposit)
Product	:	cement
Market	:	Domestic and Export
Potential Projects and Local Partners	:	See attached forms
Scale of company	:	large enterprise.

2. Marble Factory:

Location	:	- Kabupaten Sawahlunto/Sijunjung - Kabupaten Solok (review survey is required to estimate quality and deposit)
Product	:	Marble slab and tile
Market	:	Domestic and Export
Potential Projects and Local Partners	:	not available
Scale of company	:	medium enterprise.

## **Special Consideration for Investment in Primary Sector Industry**

Consideration should be given to the following points for foreign investment particularly in the primary sector industry :

- Available land for development in West Sumatra is owned either by the government, the community or privately. Participation of the local population is important during large land acquisitions if the majority of the area belongs to the community. However, this participation will result in community commitment and support for development.
- Agriculture labor force in West Sumatra is not as large as in South Sumatra or Jambi because the contribution from transmigration is limited.
- Owners of smallholdings are very sensitive to fluctuations in the market price of basic agriculture products, secondary industry will create more added value and a better market but require technology and improvement in the attitude of the smallholders.
- Smallholder schemes can be implemented in any plantation development particularly coffee, casia vera, citronella and cacao. Planting these crops will make an effective contribution to the conservation of upstream watershed in high land areas.
- Global competition in the domestic and international market is unavoidable and requires global production standards. Local labor may not have the required skills or productivity to meet these standards without proper training.
- Fishing in coastal areas has the potential for social conflict with local traditional fishermen if the fishing grounds are less than 10 miles offshore, unless the investment program involves the coastal community and strengthens their capacity for production.

### **5.2.2. Secondary Industrial Sector**

The potential secondary industrial sector is dominated by the processing of agriculture products, ie: food industry (ref. clause 5.2.1, Agriculture Sector), wood industry (ref. clause 5.2.1. Forestry Sector) and the fish canning industry. Additional investment is required to make a more diversified range of manufactured products from primary agriculture products. Other industries which are considered to offer significant opportunities for foreign investors include rubber and textile products industry (handicraft industry).

Food industry : West Sumatra provides a competitive source of fish and horticulture including tea, coffee and cocoa (ref. clause 5.2.1a Agriculture Sector), and there has been

a significant growth in the number of companies producing food within the last 10 years.

- Wood product industry : There is clear evidence of a decrease in raw timber stock from the production forests of West Sumatra. Several logging operations have closed and there are no other forest areas available for production. Many of the wood product industries are still oriented to the upper/middle domestic market and only a small number of companies have exported good quality value-added products. Most investment has been in sawmills, veneer and plywood which has a better market, simple quality inspection procedures and large available production volume. (ref. Clause 5.2.1c Forestry Sector)
- Rubber industry : There has been a significant decrease in the area of rubber plantation during the last 10 years, in preference to other commodities such as palm oil, cocoa, coffee (ref. Clause 5.2.1a Agriculture Sector). Many smallholder plantations could not achieve an economically viable production level due to the age of the remaining rubber trees. Most smallholders neglected the replanting process, so that production has dwindled over the years. Opportunity for investment lies primarily in the rubber product industry not in rubber as a material.
- Textile industry : The textile industry in West Sumatra is heavily influenced by local handicrafts. Classical and traditional textile apparel and handicrafts are produced as a home industry. Woven textile materials particularly from silk have good competitive prospects. The highland areas are suitable for breeding silk cocoons through mulberry plantation. Increasing world demand has created a good market for export.

### Potential in Manufacturing Sector

#### 1. Rubber Industry:

- Location : Kabupaten Padang Pariaman  
Kabupaten Sawahlunto/Sijunjung
- Product : Tire factory or rubber base product
- Market : Domestic and Export
- Potential Projects and Local Partners : See attached forms
- Scale of company : medium to large enterprise.

## 2. Mulberry and silk industry (classified as forestry product):

Location	:	Kabupaten Solok Kabupaten Tanah Datar Kabupaten 50 Kota (Soil suitability study is required)
Product	:	Silk fiber and woven textile
Market	:	Domestic and Export
Potential Projects and Local Partners	:	not available
Scale of company	:	small to medium enterprise.

### Special Considerations for the Secondary Sector Industry

Consideration should be given to the following points for foreign investment particularly with respect to the manufacturing industry :

- (1) Agricultural production to support the food industry is strong in term of quantity but training and supervision may be required to achieve a competitive quality.
- (2) A better processing technology is important to enable the food industry to achieve international standards of quality and be globally competitive. At present, the domestic food industry has difficulties with production and marketing.
- (3) The domestic market for food industry is attractive because of the large population but there is insufficient distribution infrastructure.
- (4) The wood product industry is presently dominated by sawmills, plywood and veneer; only a small percentage enter the higher value-added furniture and house appliance products for world market. There is more interest in expanding lower value-added products rather than tooling-up for higher value products and there is concern about sustaining resources for high value products.
- (5) A major constraints in the wood product industry for the export market is the low quality standards resulting from poor design and production skills.
- (6) Marketing channels for the textile product industry and handicrafts is a major weakness. Although the products' competitiveness is perceived by both regional and world consumers, there are no effective market channels available.
- (7) Global competition in domestic and international market is unavoidable and the required skills and productivity to meet global standards will not be achieved without proper training.

### 5.2.3. Tertiary Industrial Sector:

Tourism is the sector with the greatest potential in West Sumatra and, if properly marketed and developed, it could have a significant value in the international market. The Minang Highlands (Kab. Agam, Bukittinggi, Kab. Tanah Datar and part of Kab. Padang Pariaman) has several places of cultural interest and natural beauty and Mentawai Island is known as a world class surfing location and is an attractive location for beach sports.

The poor development of tourism to date is mainly due to the lack of cultural or nature programs being prepared for the international market. West Sumatra has a rich tourism potential and needs more marketing and packaged tourist programs rather than hardware such as hotels and other accommodation in order to make it competitive on a regional scale.

Padang Industrial Park is located about 30 km from Padang, covers an area of 600 ha and is operated under a foreign investment scheme. Although the market slowed down due to the economic crisis, more modern industrial and commercial facilities, incorporating appropriate environmental features, will be required to support the growth of primary and secondary industry.

#### Potential in tourism

##### 1. Siberut Island Adventure:

Location	:	P. Siberut (Mentawai Islands)
Product	:	Mini-cruiser ships for Siberut National Parks and Pagar Island trekking, surfing and diving.
Market	:	Domestic and international
Potential Project and Local Partners	:	See attached forms
Scale of company	:	medium enterprise.

##### 2. Minang Highland Exploration:

Location	:	Bukittinggi Kabupaten Agam
Product	:	Mobile home/ caravan travel to natural and cultural attractions
Market	:	Domestic and international
Potential Project and Local Partners	:	not available
Scale of company	:	small to medium enterprise.

## **Potential in Industrial and Commercial Estate:**

### **1. Ketaping Industrial and Commercial Estate:**

Location	: Kabupaten Padang Pariaman (close to new Ketaping Airport site)
Product	: high-tech or higher value industrial product. Commercial estate to support international trade
Market	: Domestic and international
Potential Project and Local Partners	: not available
Scale of company	: large enterprise.

## **Special Consideration for Investment in Tertiary Sector**

Consideration should be given to the following points for foreign investment particularly in the tertiary sector:

- (1) The natural beauty and culture of West Sumatra has significant appeal and is attractive as a as a competitive tourist area in the international market. Local inhabitants, particularly the older community, have strong religious beliefs and may show some intolerance towards over exposure, indecency or gambling. In general, however, the people are warm and helpful and their culture and social behaviour provides a safe environment for tourism.
- (2) Tourism development to date has promoted accommodation and sightseeing tours which has mainly attracted the interest of older couples or groups. Only the Mentawai Islands have provided opportunities for more active tourists and the younger age groups but this has not been properly marketed. West Sumatra has a great tourism potential in nature and culture which can capture a larger share of the market.
- (3) Commercial and industrial estate will be in high demand when the new airport is established at Ketaping. It is anticipated that tertiary sector industrial development to support large scale, inter island, regional and global trading will be more significant than for domestic trade.



**ATTACHMENT**

**ATTACHMENT - A**  
**A SHEET POTENTIAL PROJECT &**  
**A PROFILE OF LOCAL PARTNER**

**ATTACHMENT - A**

**A Sheet Of Potential Project**

(Ref. No.            )

<b>A</b>	<b>Project No.</b>	13-001
<b>B</b>	<b>Sector</b>	Plantation (Primary Sector)
<b>C</b>	<b>Area / Region</b>	Kabupaten Solok, West Sumatera
<b>D</b>	<b>Project Site</b>	Kubang District Nan Rao District
<b>E</b>	<b>Project Outline</b>	
<b>F</b>	<b>Local Partner</b>	(A Profile is attached)
<b>G</b>	<b>Type of Expected Cooperation from Japanese Companies</b>	Joint Venture
<b>H</b>	<b>Counterpart Agency</b>	-
<b>I</b>	<b>Total Cost of Investment</b>	5 billion
<b>J</b>	<b>Remarks</b>	

(Date:                    )

## A Profile Of Local Partner

(Project No.            )

<b>A</b>	<b>Name of Company &amp; Address</b>	PT. PERKEBUNAN ALAM PERMAI SUMBARNUSA Jl. Sisingamangaraja No. 49 Padang Phone: 62 – 751 – 32913 Fax : 62 – 751 – 22357
<b>B</b>	<b>Business Activities</b>	Cacao & Coffee Estate
<b>C</b>	<b>Establish in (year)</b>	1986
<b>D</b>	<b>President / Owner</b>	Drs. Djaman Hamzah
<b>E</b>	<b>Structure of shareholding</b>	PMDN
<b>F</b>	<b>Production</b> • Capacity / Year • Capacity Utilization	1.200 Ton/year; Coffee 1.200 Ton/year; Cacao
<b>G</b>	<b>Annual Amount</b>	
<b>H</b>	<b>Workforce (Number and Classifications)</b>	50 unskilled labor 8 skilled labor 2 semi professional
<b>I</b>	<b>Production Facilities (land, factory, warehouse)</b>	Land = 425 ha
	<b>Machinery and Equipment</b>	
<b>J</b>	<b>Raw Materials</b>	
<b>K</b>	<b>Market Orientation</b>	Domestic and Export
<b>L</b>	<b>Remarks</b>	

(Date:            )

## A Sheet Of Potential Project

(Ref. No. )

<b>A</b>	<b>Project No.</b>	13-002
<b>B</b>	<b>Sector</b>	Plantation & Food Industry (Primary to Secondary Sector)
<b>C</b>	<b>Area / Region</b>	West Sumatera
<b>D</b>	<b>Project Site</b>	Bukit Sompong, Kecamatan Gunung Talang, Kabupaten Solok
<b>E</b>	<b>Project Outline</b>	
<b>F</b>	<b>Local Partner</b>	(A Profile is attached)
<b>G</b>	<b>Type of Expected Cooperation from Japanese Companies</b>	Joint venture
<b>H</b>	<b>Counterpart Agency</b>	-
<b>I</b>	<b>Total Cost of Investment</b>	Rp. 25 billion
<b>J</b>	<b>Remarks</b>	

(Date: )

## A Profile Of Local Partner

(Project No.            )

A	<b>Name of Company &amp; Address</b>	PT. MITRA KERINCI Jl. Pattimura No. 8 – Padang Phone: 62 – 751 – 27615 Fax : 62 – 751 – 33657
B	<b>Business Activities</b>	Green Tea & Black Leaf Tea Products
C	<b>Establish in (year)</b>	1990
D	<b>President / Owner</b>	Boga Jayadheva, Ir
E	<b>Structure of shareholding</b>	PMDN
F	<b>Production</b> • Capacity / Year • Capacity Utilization	3.000.000 kg 3.000.000 kg
G	<b>Annual Amount</b>	Rp. 17.000.000.000,-
H	<b>Workforce (Number and Classifications)</b>	2.300 persons
I	<b>Production Facilities (land, factory, warehouse)</b>	Factory : 5.550 m <sup>2</sup>
	<b>Machinery and Equipment</b>	Equipment for green tea products = 1 unit Equipment for black leaf tea = 1 unit
J	<b>Raw Materials</b>	Leaf Tea Form
K	<b>Market Orientation</b>	Export to : Afghanistan, Pakistan, Netherlands, Germany,
L	<b>Remarks</b>	

(Date:            )

## A Sheet Of Potential Project

(Ref. No. )

A	Project No.	13-003
B	Sector	Plantation (Primary Sector)
C	Area / Region	West Sumatera
D	Project Site	Labuah Saiyo, Kabupaten Solok
E	Project Outline	
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	Joint Venture
H	Counterpart Agency	-
I	Total Cost of Investment	Rp. 9,5 billion
J	Remarks	

(Date: )

## A Profile Of Local Partner

(Project No.            )

<b>A</b>	<b>Name of Company &amp; Address</b>	PT. KRAKATAU LIMO SEJATI Jl. Darmawangsa Raya No. 25 Kabayoran Baru - Jakarta Selatan Phone: 62 – 21 – 72793304 Fax : 62 – 21 – 7269212
<b>B</b>	<b>Business Activities</b>	Coffee Arabica Estate
<b>C</b>	<b>Establish in (year)</b>	1992
<b>D</b>	<b>President / Owner</b>	DR. H. Hamizar Hamid
<b>E</b>	<b>Structure of shareholding</b>	PMDN
<b>F</b>	<b>Production</b> • Capacity / Year • Capacity Utilization	60 Ton/year; Coffee 400 Ton/year; Cacao
<b>G</b>	<b>Annual Amount</b>	Rp. 207.300.000,-
<b>H</b>	<b>Workforce (Number and Classifications)</b>	160 persons
<b>I</b>	<b>Production Facilities (land, factory, warehouse)</b>	Land = 200 m2
	<b>Machinery and Equipment</b>	
<b>J</b>	<b>Raw Materials</b>	
<b>K</b>	<b>Market Orientation</b>	Domestic
<b>L</b>	<b>Remarks</b>	

(Date:            )



## A Sheet Of Potential Project

(Ref. No. )

A	Project No.	13-004
B	Sector	Other Industry (Secondary Sector)
C	Area / Region	West Sumatera
D	Project Site	Kabupaten Sukek
E	Project Outline	
F	Local Partner	(A Profile is attached)
G	Type of Expected Cooperation from Japanese Companies	Joint Venture
H	Counterpart Agency	-
I	Total Cost of Investment	3 billion
J	Remarks	

(Date: )

## A Profile Of Local Partner

(Project No.            )

<b>A</b>	<b>Name of Company &amp; Address</b>	PT. ANGKOLA MENTAWAI ESSENTIAL OILS Komplek Rangkaian Permata Blok B/5 Padang Phone: 62 – 751 - 34817 Fax : 62 – 751 - 34817
<b>B</b>	<b>Business Activities</b>	Nilam Estate
<b>C</b>	<b>Establish in (year)</b>	1999
<b>D</b>	<b>President / Owner</b>	Nusyirwan
<b>E</b>	<b>Structure of shareholding</b>	PMDN
<b>F</b>	<b>Production</b> • Capacity / Year • Capacity Utilization	25 ton
<b>G</b>	<b>Annual Amount</b>	Rp. 875.000.000,-
<b>H</b>	<b>Workforce (Number and Classifications)</b>	125 persons
<b>I</b>	<b>Production Facilities (land, factory, warehouse)</b>	
	<b>Machinery and Equipment</b>	Distillation Equipment
<b>J</b>	<b>Raw Materials</b>	Leaf Nilam
<b>K</b>	<b>Market Orientation</b>	Export to Germany
<b>L</b>	<b>Remarks</b>	

(Date:            )

## A Sheet Of Potential Project

(Ref. No. )

<b>A</b>	<b>Project No.</b>	13-005
<b>B</b>	<b>Sector</b>	Plantation (Primary Sector)
<b>C</b>	<b>Area / Region</b>	West Sumatera
<b>D</b>	<b>Project Site</b>	Rimbo, Kumayan, Lubuk Basung, Kabupaten Agam
<b>E</b>	<b>Project Outline</b>	
<b>F</b>	<b>Local Partner</b>	(A Profile is attached)
<b>G</b>	<b>Type of Expected Cooperation from Japanese Companies</b>	Joint Venture
<b>H</b>	<b>Counterpart Agency</b>	-
<b>I</b>	<b>Total Cost of Investment</b>	7 billion
<b>J</b>	<b>Remarks</b>	

(Date: )

## A Profile Of Local Partner

(Project No.            )

<b>A</b>	<b>Name of Company &amp; Address</b>	PT. MULTI TAMA MULYA Jl. Proklamasi No. 48 – Padang Phone: 62 –751 – 27865 Fax : 62 –751 – 27865
<b>B</b>	<b>Business Activities</b>	Cacao Estate
<b>C</b>	<b>Establish in (year)</b>	1986
<b>D</b>	<b>President / Owner</b>	Hj. Rosna Mardansyah
<b>E</b>	<b>Structure of shareholding</b>	PMDN
<b>F</b>	<b>Production</b> • Capacity / Year • Capacity Utilization	1.260 ton 500 ton
<b>G</b>	<b>Annual Amount</b>	Rp. 1.189.500.000,-
<b>H</b>	<b>Workforce (Number and Classifications)</b>	130 persons
<b>I</b>	<b>Production Facilities (land, factory, warehouse)</b>	
	<b>Machinery and Equipment</b>	
<b>J</b>	<b>Raw Materials</b>	
<b>K</b>	<b>Market Orientation</b>	50 % export to Europe
<b>L</b>	<b>Remarks</b>	

(Date:            )

## A Sheet Of Potential Project

(Ref. No.                    )

<b>A</b>	<b>Project No.</b>	13-006
<b>B</b>	<b>Sector</b>	Plantation (Primary Sector)
<b>C</b>	<b>Area / Region</b>	Kabupaten Pesisir Selatan
<b>D</b>	<b>Project Site</b>	Kecamatan Pancung Soal & Kecamatan Pasa, Ampek Balai
<b>E</b>	<b>Project Outline</b>	
<b>F</b>	<b>Local Partner</b>	(A Profile is attached)
<b>G</b>	<b>Type of Expected Cooperation from Japanese Companies</b>	Joint Venture
<b>H</b>	<b>Counterpart Agency</b>	-
<b>I</b>	<b>Total Cost of Investment</b>	Rp. 260 billion
<b>J</b>	<b>Remarks</b>	

(Date:                    )

## A Profile Of Local Partner

(Project No.            )

<b>A</b>	<b>Name of Company &amp; Address</b>	PT. CITALARAS CIPTA INDONESIA Graha Induk KUD; Jl. Warung Buncit No. 19-20 Jakarta Selatan Phone: 62 – 21 – 79190355 Fax : 62 – 21 – 79190355
<b>B</b>	<b>Business Activities</b>	Palm oil plantation
<b>C</b>	<b>Establish in (year)</b>	1984
<b>D</b>	<b>President / Owner</b>	H. Abdul Kadir Usman, S.H
<b>E</b>	<b>Structure of shareholding</b>	PMDN
<b>F</b>	<b>Production</b>	
	• Capacity / Year	984 ton
	• Capacity Utilization	10.000 ha
<b>G</b>	<b>Annual Amount</b>	
<b>H</b>	<b>Workforce (Number and Classifications)</b>	325 persons
<b>I</b>	<b>Production Facilities (land, factory, warehouse)</b>	
	<b>Machinery and Equipment</b>	
<b>J</b>	<b>Raw Materials</b>	
<b>K</b>	<b>Market Orientation</b>	Domestic
<b>L</b>	<b>Remarks</b>	

(Date:                    )



**ATTACHMENT - B**  
**CAPITAL INVESTMENT PROCEDURE**



## ATTACHMENT – B

### CAPITAL INVESTMENT PROCEDURE

#### I. The following capital investment procedures consist of:

##### 1. New Capital Investment

###### a. Domestic Capital Investment

The applicant is handwritten enclosed with Model I/PMDN addressed to the Head of BKPM (The Capital Investment Cooperation Bureau) and some enclosures which then sent to BKPM together with :

1. A photocopy of the holding company's certificate
2. A legalized photocopy of the cooperative organization. An identify card for individual
3. A lawyer's authority/right of that application is not signed by the applicant
4. A photocopy of the applicant's tax registration number code
5. Description of the production process enclosed with flowchart process and/industrial process assistant
6. Description of the company's business activities in services.

The head BKPM will issue a proving letter, which can also function as a proving principle for the time of the application of this proving letter which is determined within no more than 17 working days, starting from the time the application fully admitted.

This proving letter is only valid for 3 years counted from the date of the letter issued, except there are other requirements by Head of BKPM for several capital investments.

###### b. Foreign Capital Investment

The application is written together with the enclosure of Model I/PMDN (Domestic Capital Investment) addressed to Head of BKPM together with other enclosures sent to BKPM completed with :

1. For domestic/local participants
  - A photocopy of Holding Company's certificate
  - A photocopy of the statutes of the Cooperative Group that has been legalized
  - A photocopy of a personal identify card
  - A photocopy of Tax Registration Number Code
2. For foreign participants
  1. A photocopy of the certificate of the Holding Company translated in English and Indonesia.
  2. Description of the production process completed with flowchart process and type of raw material/supporting material in the industry processing.
  3. Description of company's business activities for services
  4. Concept of Joint Venture Agreement in English or in Indonesia signed by all the members of joint venture

5. Authority/Right of a lawyer when the signing is not by the applicant.

Based on the evaluation on capital investment application, Head of BKPM proposed a letter of request to the President completed with some consideration for confirming the proving.

If the request is approved by the President, head of BKPM will issue an announcement of proving by the President which will be forwarded to the applicant together with enclosure for the institution addressed.

The period of the processing of the announcement stating the proving by the President is no longer than 41 working days, starting from the time the request is fully accepted.

The period of the processing of the announcement starting the proving by the President is valid for 3 years starting from the date it is issued unless there are some other requirements by Head of BKPM for particular capital investment.

**2. Application/Request for Capital Investment Extension**

The application for the extension of capital investment is an applicant for the increase of capital investment with other facilities with the purpose of increasing the capacity and/or the type of goods products completed by a company that has got an approval in domestic or foreign capital investment.

The requirements for the extension of both capital investment are as follow:

- a. The application for the extension intended for capital investment company which has permanent legal business permit.
- b. The application is handwritten completed with Model I/PMDN or Model II/MA addressed to Minister of Capital Investment/Head of BKPM with a carbon-copy sent to Head of BKPM enclosed with :
  - A photocopy of permanent business permit
  - Description of the extension of production process/business activities for the cooperation land which is not of the same type of the business mentioned in the permanent business permit.
- c. The proving of capital investment extension of both investments (domestic and foreign) is issued by Head of BKPM in the form of a proving letter.
- d. The time limit of the proving letter of extension is 2 years starting from the date the letter was issued, unless there are some other requirements by Head of BKPM for particular capital investments.

**II. Facilities**

Facilities, which can be given to domestic/foreign companies, are as follows:

1. Delay of total payment and tax and total payment and important tax in importing certain goods or services does not include replacement for damaged goods as long as the main goods are used as needed and they are not transferred.

2. Request for delay of total payment and tax and total payment and import tax should be made writing attached with a form of added tax and addressed to the Head of Capital Investment Coordinating Board (CICB) attached with the following items:
  - a. A photocopy of confirmation letter of enterprise tax capability legalized by a local tax office.
  - b. A letter contract of certain main goods purchase from buyer or supplier or merchandise list/invoice.
  - c. A letter of clarification of technical relation between machine/goods used and production process.

### **III. Stockholders and Foreign Investment Company**

Law No. 1 year 1967 in relation to Government Regulation No. 20 year 1999 states that a domestic/foreign investment company should resemble an incorporation in accordance with the laws prevailed in Indonesia and it should be based in Indonesia and should follow the following regulations:

1. Join Venture or all the capital owned by foreign citizen/institution
2. Total capital of foreign investment is unlimited
3. Foreign Investment Company is given business license letter valid for 30 year starting from the time the company runs its business commercially
4. Company activities are specially located in contract areas or industrial areas
5. Foreign Investment Company in the form of Join Venture can run its business in port land, production, transmission and distribution of electric power for public, telecommunications, shipping, flight, drinking water, trains, atom power and mass media.

### **IV. Type of License Letter for Domestic/Foreign Investment Company**

The President Decree No. 97 year 1993 states that Domestic/Foreign Investment Company should obtain the following proof letters of investment issued by:

#### **1. Capital Investment Coordinating Board :**

- a. Certificate of limited Importer, the decree of facility/dispensation of import tax and other import activities.
- b. Proof of expatriate employment planning which will be used as a base for the Head Regional Capital Investment Coordinating Board (RCIB) in issuing a working license for the expatriate.
- c. Permanent business license on behalf of minister who is in charge of business land based on Regional Planning. This license is effective as long as the company is carrying out its production.

#### **2. Local Authority :**

- a. Regional license issued by Head of Regional Agrarian Office in the Regency/ Municipality related to Regional Planning.
- b. Building concession, concession of long-term lease and yield tap bay Head of Land Affairs in the regency/municipality.

- c. As stated in the law/Head of National Land Affairs No. 2 year 1993, the Length of building concession it no more than 30 years and the length of long-term lease is 35 years and it is renewable at the last date of concession.
- d. Building license is issued by Head of Employment Office in the local Regency/Municipality or tax power on behalf of the regent/major.
- e. License of UUG/HO issued by II Regional Secretary on behalf of the regent/mayor.
  - This license is not obligatory for industrial company which posses Environmental Impact Analysis or is located in Industrial Area or Contract Area.
  - Working license of expatriate issued by RCICB. In general, the process of obtaining the license is classified into two categories:
    - ❖ Process in the Central Government:
 

Request for a proof of expatriate employment planning is addressed in writing to the Minister of Investment/Head of CICB to obtain the proof. Proof of expatriate employment planning is issued by Minister of Investment employment planning regulation.

      - Those expatriate working for domestic/foreign company must posses temporary visa issued by Indonesian Embassy.
      - Request for obtaining visa should be made in writing attached with Ppt 2 form and addressed to the Minister of Investment/Head of CICB.
      - Head of CICB issues a recommendation in the form of TA 02 and it is submitted to Directorate General of Immigration.
      - Based on recommendation of TA 01, the DG of Immigration will inform the embassy to issue temporary visa for expatriate.
    - ❖ Process in Regional Government:
 

New working license for expatriate:
    - ❖ On the arrival of expatriate with temporary visa, the company should make a request for temporary entrance permit card from local immigration office.
    - ❖ Request for working license for expatriate should be addressed in writing to Head of RCICB by attaching the following requirements:
      - A passport photo sized 4 x 6 cm
      - A photocopy of passport
      - A photocopy of temporary entrance permit card
      - Name and education and the training program which involve Indonesian employees that will replace the position of expatriate
      - A photocopy of expatriate employment planning letter
      - Proof of working license issued by head of RCICB-NS in the form of working license letter attached with the appendices given to the requester and to be local Employment Department Office.
      - The working license for expatriate which is expired can be renewed.

❖ **Renewal of Expatriate working license:**  
Request for the renewal of expatriate working license in writing is addressed to Head of RCICB-NS within 30 days before the expired date by attaching the following documents:

- Legitimation Book of expatriate working license
- Proof of expatriate tax payment
- Proof of compulsory contribution for education and training if their regulation has been effective
- Report of realization of education and training program guidance or the Indonesian of manpower.
- A photocopy of valid expatriate employment planning letter
- Two passport photo size 4 x 6.

Based on the proof of request for renewing expatriate working license, Head of RCICB issues a recommendation for the renewal of temporary entrance permit to DG of immigration.

While waiting for the license to be released, Head of RCICB is able to issue a temporary working license for expatriate which is valid for 2 months.

After obtaining the proof of renewal, the company should submit the photocopy to the head of RCICB so that the renewal of expatriate working license regulation can be released.

Renewal of expatriate working license. The regulation issued by RCICB on behalf of Minister of Investment/Head BIBC state that the expatriates who work continuously for 3 years in Indonesia can renew their working license. When they are out of Indonesian territory with exit permit status.

The expatriates who are promoted to be directors and arrange meetings of all stock holders without being notarized do not need to obtain exit permit since they are still needed to occupy several positions.

**ATTACHMENT - C**  
**CONTACT POINT**

## ATTACHMENT - C

### LIST OF INSTITUTION ADDRESSES IN WEST SUMATRA

No.	Agency	Address
1.	Regional Investment Coordinating Board	Jl. Rasuna Said No. 74 Padang
2.	Central Bureau at Statistic, West Sumatra	Jl. Khatib Sulaiman No. 48 Padang
3.	Regional Planning Agency, West Sumatra	Jl. Khatib Sulaiman No. 1 Padang
4.	Regional Development Land Agency, West Sumatra	Jl. R.A. Kartini No. 22 Padang
5.	Regional Office of Manpower Department, West Sumatra	Jl. Ujung Gurun No. 7 Padang
6.	Regonal Office of Mining and Energy Department, West Sumatra	Jl. Jhoni Anwar No. 85 Padang
7.	Mining and Energy Department, West Sumatra	Jl. Rasuna Said No. 74 Padang
8.	Regional Office of Forestry and Estates Department, West Sumatra	Jl. Khatib Sulaiman No. 46 Padang
9.	Forestry Provincial office, West Sumatra	Jl. Raden Saleh No. 8A Padang
10.	Estate & Plantation Provincial Office, West Sumatra	Jl. Jend. Sudirman, Padang
11.	Regional Office of Department of Agriculture, West Sumatra	Jl. Raden Saleh No. 4 Padang
12.	Fisheries Provincial Office, West Sumatra	Jl. Koto Tinggi No. 11, Padang
13.	Livestock Provincial Office, West Sumatra	Jl. Rasuna Said No. 68, Padang
14.	Tourism Provincial Office, West Sumatra	Jl. Jend. Sudirman No. 43 Padang
15.	Regional Office of Communication Department	Jl. Raden Saleh No. 12 Padang
16.	Regional Office of Trade and Industry Department	Jl. Jend. Sudirman No. 47 Padang
17.	West Sumatra Chamber of Commerce & Industry	Jl. Veteran No. 17 Padang

## ATTACHMENT - C

### CONTACT POINTS

There are many contact points with which Indonesian entrepreneurs could contact to look for Japanese potential investors as follows :

#### **A. INDONESIA**

- (1) JETRO = Japan External Trade Organization  
Jakarta Office  
Summitmas I, 6<sup>th</sup> Fl.  
Jl. Jend. Sudirman Kav. 61 – 62  
Jakarta 12160, INDONESIA  
Phone : 62 – 21 – 5200264 (Hunting)  
Fax. : 62 – 21 – 5200261/5251360  
Home Page : [www.jetro.go.jp](http://www.jetro.go.jp)
- (3) Japanese Companies (Indonesia)  
Please refer to "Directory of Japanese Companies & Representative Offices in Indonesia (JETRO)"
- (4) UNIDO = United Nations Industrial Development Organization  
Jln. Thamrin No. 14  
Jakarta  
Phone : 62 - 21 - 3141308  
Fax : 62 - 21 - 3907126
- (5) Japanese Investment Advisor  
JICA Advisor Office, 5<sup>th</sup> Fl.  
Jakarta 12190, INDONESIA  
Phone : 62 – 21 – 5202052/5202053  
Fax. : 62 – 21 – 5274854  
E- mail : [ojabkpm @ ibm.net](mailto:ojabkpm@ibm.net)

#### **B. JAPAN**

- (1) Embassy of the Republic of Indonesia  
5 – 2 – 9 Higashi Gotanda, Shinagawa – ku  
Tokyo 141-0022, JAPAN  
Phone : 81 – 3 – 3441 – 4201  
Fax. : 81 – 3 – 3447 – 1697  
Telex : J – 22920
- (2) Consulate General of the Republic of Indonesia  
6<sup>th</sup> Floor Daiwa Bank Semba Bldg  
4 – 4 – 21 Minami Semba, Chuo-ku,  
Osaka 542-0081, JAPAN  
Phone : 81 – 6252 – 9824/25  
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