

# Whole of Batam to become FTZ

## Long-awaited decision made after VP meeting with economic team

By LAUREL TEO  
in Jakarta

AFTER almost a decade of indecision, the Indonesian government has finally made up its mind to convert the whole of Batam island into a free trade zone (FTZ).

Neighbouring Bintan and Karimun islands, which together with Batam make up the Riau Islands province, will establish limited enclaves of free trade zones.

The decision was made on Thursday after a meeting between Vice-President Jusuf Kalla and the economic team, according to a report which was pub-

lished in *Bisnis Indonesia* yesterday.

Besides Mr Jusuf, who chaired the session, others involved included Coordinating Minister for the Economy Boediono, Trade Minister Mari Pangestu, Industry Minister Fahmi Idris, Riau Islands Governor Ismeth Abdullah, and Batam Authority head Mustafa Widjaja.

This news comes a week after Dr Pangestu told reporters in Singapore that Indonesia would announce within weeks the exact number and locations of FTZs located within the Riau Islands special economic zone (SEZ).

Speaking to local media after Thursday's meeting, Mr Fahmi said the government hoped that this final decision on Batam's legal status would give a big boost

to the island's efforts to attract more investments.

"Batam's development has been lagging for a while, because of the long uncertainty over its legal status," he said.

"In the meantime, if we look at other areas such as Johor in Malaysia, things are already moving. Hence, this is an appropriate decision," he added.

Under the latest plan, Batam will concentrate on developing the shipyard, electronics and mechatronics industries. Bintan will focus on textile products, footwear and tourism, while Karimun will develop the shipyard, metal, components, agriculture and fishing industries.

Currently, the whole of Batam is classified as a "bonded zone plus", which is meant for indus-

trial purposes, allowing companies some free movement of goods in and out of the zone.

An FTZ status provides facilities for trade, and allows a region to lift charges such as value-added tax (VAT), import or export duties, or other costs that make business operations more expensive.

The status also gives regional administrators more leeway in setting investment policies, including the granting of income tax holidays and other incentives.

The idea of converting Batam to an FTZ arose as early as 1999. Mr Jusuf, then trade and industry minister in then-president Abdurrahman Wahid's administration, was tasked with looking into the matter.

But to the frustration of inves-

tors, the plan never materialised as debate raged between legislators, the local authorities and the central government, even as Indonesia underwent several administration changes.

While the Batam Authority has always lobbied hard for the entire island to be an FTZ, the Jakarta government has resisted the idea, fearing the loss of immediate tax and duty income.

As recently as early last year, the decision was still to limit FTZs to enclaves on Batam.

According to Investment Coordinating Board chief Muhammad Lutfi, the latest decision means that debate has ended.

But the changes will not be formalised until they are approved by the House of Representatives, at a later date.