Increased Growth in Investment Between Indonesia and Saudi Arabia Through the Hajj and Umrah Ecosystems

Muhammad Hasan Gaido
President of ISABC

Thursday, 14 November 2019
Cendrawasih Room, Jakarta Convention Center
King of Saudi Arabia, Salman bin Abdulaziz Al-Saud spoke with President Jokowi at Bogor Palace, West Java, Wednesday, March 1, 2017. The Arabian government plans to invest IDR 300 trillion in Indonesia.
The chairman of Indonesia’s Chamber of Commerce and Industry (Kadin), Rosan P. Roeslani (second left), shaking hand with the Council for Saudi Arabia Chambers of Commerce and Industry’s vice chairman Shuwaimi Al Doussari (second right) during a meeting in Jakarta on March 2, 2017 as witnessed by the Indonesia’s Trade Minister Enggartiasto Lukita (left) and the Saudi Arabia Kingdom’s General Authority for Small and Medium Enterprises’ governor Ghassan Ahmed Al Sulaiman. Kadin met with Saudi Arabia business representatives during King Salman bin Abdulaziz Al Saud’s visit to Indonesia. (JP/Jerry Adiguna)
President and Secretary of ISABC, M. Hasan Gaido and Ali Said when signing the declaration of Indonesia-Saudi Arabia Business Council and witnessed by the Vice Minister of Foreign Affair, AM. Fachir; Vice Chairwomen of KADIN for International Relation, Shinta W. Kamdani; and Chairman of Kadin Indonesia Permanent Committee on The Middle East & OIC Countries, Fachri Thaib. March 15, 2017.
President of ISABC, Muhammad Hasan Gaido shaking hand with the King of Saudi Arabia, Salman bin Abdulaziz and the President of Republic of Indonesia, Joko Widodo.
Vision
Increasing Trade, Tourism, Investment and Empowering Human Resources

Mision
1. Develop and improve economic relations of trade, tourism and investment between Indonesia and Saudi Arabia
2. Establish cooperation with similar organizations in trade, trade and tourism trade In cooperation with the Indonesian Chamber of Commerce and Industry (KADIN)
3. Provide information to Indonesia and Saudi Arabia entrepreneurs
4. Developing human resources becomes a skilled, innovative and superior workforce in the working world
President of ISABC Muhammad Hasan Gaido handed over the souvenir to HE Esam Abid Althaqafi, Ambassador of Saudi Arabia, witnessed by Fachry Thaib, KADIN Committee for the Middle East & OIC Countries and Executive Board of ISABC, after the courtesy call at the Royal Embassy of Saudi Arabia in Jakarta, on September 03, 2019.
The Indonesia-Saudi Arabia Business Council (ISABC) in collaboration with the Saudi Arabia-Indonesia Business Council (SAIBC) successfully held a Saudi Arabia-Indonesia Business Forum 2019, which program is to improve the trade, tourism and investment in TTI (trade, tourism and investment) sectors. The Ritz Carlton Hotel, Mega Kuningan Jakarta on Monday (10/14).
Strategic Relationship and Engagement
Indonesia – Saudi Arabia
Mega Historical Visit

- President Joko Widodo Visit to Saudi Arabia on September 11-13, 2015
- King Salman Visit to Indonesia on March 1, 2017
- Indonesia-Saudi Arabia which reflects and strengthens new relations between the two countries
- 11 memorandum of understanding in various sectors was inaugurated in the moment of King Salman's visit to Indonesia in 2017

Indonesia Supports Saudi Vision 2030

Indonesia has expertise and experience in the following sectors which can be offered to Saudi Arabia such as:

• Development of the private sector, especially small and medium-sized companies, to increase its contribution to the national economy
• Development of the tourism and hospitality sector, particularly in the areas of worker training and join promotion
• Empowering women and youth to enhance their role in society and economy
• Cultural performances and exhibition exchange

Trade Exchanges between Indonesia and Saudi Arabia

- Trade exchange reached US$ 6.1 billion in 2018
- The realization of Saudi Arabia's investment in Indonesia in 2016 was US$ 900 thousand spread across 44 projects
- Indonesia's trade deficit toward Saudi Arabia in 2018 was US$ 3.68 billion
- Expenditures per person for Saudi tourists in Indonesia in 2016 were US$ 2.241
- The average Pilgrims Expenditures is US$ 5.000

Digital Collaboration Indonesia and Saudi Arabia

The scope of cooperation in the MoU was signed by the Minister of Communication and Information of the two countries in Riyadh (July 2019):

• Collaboration on the dissemination of digital understanding in society/digital literacy
• Empowering entrepreneurs; digital technology to achieve mutual economic benefits
• Activating the role of accelerators and incubators in the digital technology sector
• Establish a join digital innovation center
• Exchange of information about policies, techniques and regulations in the field of ICT
• Research and development of digital technology
Umrah Digital Enterprise

The Umrah startup development program and its supporting ecosystems provide several benefits including:

- Healthy competition for Umrah travel; Transparency creates healthy competition for prime Hajj and Umrah services
- Transparency on the cost of Hajj and Umrah; Umrah costs can be monitored online making it easy to choose trusted travel
- Integrated system; Ease of managing the Umrah journey (Administration, accommodation to logistics)

https://kominfo.go.id/content/detail/19760/kolaborasi-digital-indonesia-dan-arab-saudi/0/artikel_gpr
Solution and Anticipation
Investment Challenges and Opportunities
in the Hajj and Umrah Industry
### Top 10 largest Muslim Populations in the World

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>222 million</td>
</tr>
<tr>
<td>Pakistan</td>
<td>195 million</td>
</tr>
<tr>
<td>India</td>
<td>183 million</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>149 million</td>
</tr>
<tr>
<td>Egypt</td>
<td>82 million</td>
</tr>
<tr>
<td>Turkey</td>
<td>79 million</td>
</tr>
<tr>
<td>Iran</td>
<td>78 million</td>
</tr>
<tr>
<td>Nigeria</td>
<td>74 million</td>
</tr>
<tr>
<td>Algeria</td>
<td>40 million</td>
</tr>
<tr>
<td>Sudan</td>
<td>39 million</td>
</tr>
</tbody>
</table>

**Total World Population**: 7.3 M  
**Muslim Population**: 1.8 M

*Indonesia* was the biggest Muslim country in the world, **85%** of Indonesian citizen are Moslem.
Meningkatnya Populasi Muslim Muda

Persentase jumlah penduduk di bawah 15 tahun pada populasi muslim di atas rata-rata dunia, sehingga perkiraan di masa depan, jumlah muslim usia dewasa muda (umur 15-59 tahun) akan meningkat.

Pertumbuhan populasi Muslim

- Rerata pertumbuhan populasi dunia: 35%
- Rerata fertility rate dunia: 2.5%
- Fertility rate tertinggi di dunia: 31%

Distribusi penduduk berasarkan usia tahun 2010

- < 15 tahun: 34%
- 15-59 tahun: 60%
- > 59 tahun: 7%

Pertumbuhan Populasi Muslim Dunia

- 2010: 13.07% penduduk Muslim terbanyak ada di Indonesia
- 2050: 23.2% penduduk Muslim di dunia
- 2010: 61.6% penduduk Muslim terbanyak ada di Asia Pasifik
- 2050: 29.7% penduduk Muslim di dunia
- 2010: 52.7% penduduk Muslim terbanyak ada di Asia Pasifik
- 2050: 9.3% penduduk Muslim di Indonesia, perkiraan terbesar di India

Prospek dan Tantangan
## Indonesia at a Glance

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Domestic Product</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
<td>5.0</td>
<td>5.1</td>
<td>5.2</td>
<td>5.10</td>
</tr>
<tr>
<td>(annual % change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Inflation/CPI</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>3.0</td>
<td>3.6</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>(annual % change)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Government Debt</strong></td>
<td>27.0</td>
<td>28.5</td>
<td>31.5</td>
<td>33.0</td>
</tr>
<tr>
<td>(% of GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Exchange Rate</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>13,309</td>
<td>13,381</td>
<td>14,250</td>
<td>14,250</td>
</tr>
<tr>
<td>(IDR/USD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Benchmark Interest Rate</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>4.75</td>
<td>4.25</td>
<td>6.00</td>
<td>5.25</td>
</tr>
<tr>
<td>(%)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Account Balance</strong></td>
<td>-1.8</td>
<td>-1.7</td>
<td>-2.0</td>
<td>-2.5</td>
</tr>
<tr>
<td>(% of GDP)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>261</td>
<td>264</td>
<td>257</td>
<td>270</td>
</tr>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Poverty</strong></td>
<td>10.7</td>
<td>10.1</td>
<td>10.0</td>
<td>9.8</td>
</tr>
<tr>
<td>(% of population)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>5.6</td>
<td>5.5</td>
<td>5.3</td>
<td>5.2</td>
</tr>
<tr>
<td>(% of work force)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Foreign Exchange Reserves</strong>&lt;sup&gt;2&lt;/sup&gt;</td>
<td>115.4</td>
<td>130.2</td>
<td>117.2</td>
<td>125.9</td>
</tr>
<tr>
<td>(in billion USD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Indicates a forecast

<sup>1</sup> Statistics Indonesia (BPS) shifted the basis of the computation from the year 2000 to 2010 and adopted a significantly updated methodology for GDP growth calculation. Growth results between 2010 and 2014 have been revised in early 2015.
Saudi Arabia at a Glance

- **Total Population**: 32.5 MILLION
- **Saudi Labor Force**: 5.7 MILLION
- **FDI Inward Stock**: $231 BILLION
- **Nominal GDP**: $646 BILLION
- **Internet Speed**: 6.7 MBPS
- **GDP Per Capita**: $19,858
- **Population Growth Rate**: 2.5%
- **Percentage of Youth (Under age of 30)**: 50%
The Economy of Saudi Arabia

19th
Largest Economy

11th
Highest Growth (G20)

27th
Largest Exporters

31st
Largest Importers

* Source: 1) IMF World Bank Data 2017
2) World Trade Organization

Overall the value of trade between the two countries in that period did decline. If in 2013 the value of Indonesia's trade with the Saudis reached 8.26 billion US dollars, then in 2017 the value of trade between the two countries was only about half, namely 4.5 billion US dollars.

The deficit was created because Saudi Arabia enjoyed an extraordinary surplus from exports of oil and gas commodities to Indonesia which reached 2.75 billion US dollars in 2015, US $ 2 billion in 2016 and US $ 2.36 billion in 2017.

Whereas Indonesia only enjoyed a surplus from non-oil and gas exports of US $ 1.38 billion in 2015, US $ 627.5 million in 2016, and US $ 569.6 million in 2017.

"Sepenting Apakah Saudi dalam Hubungan Luar Negeri Indonesia?", [https://tirto.id/daS1](https://tirto.id/daS1)
• Reporting from the Saudi Gazette, Indonesia's main exports to Saudi Arabia are cars and motor vehicles and their parts; wood and wood goods; charcoal wood, paper and paperboard; palm oil and fish that have been cooked or preserved.

• According to data from the Center for International Development (CID) in 2016, net exports of Indonesian cars to Saudi Arabia reached US $ 463 million with a percentage reaching 34.98 percent. Palm oil exports ranked second with a figure of 116 million US dollars and a percentage of 8.76 percent.

• The main commodity of Saudi exports to Indonesia besides oil and gas, namely organic chemicals, plastics, aluminum, iron and steel. In 2016, oil and gas exports, according to CID, accounted for 74 percent of Saudi exports to Indonesia, with a value of 1.9 million US dollars.
The Challenges of Saudi Arabia's Investment in Indonesia

Some factors for the realization of Saudi investments are relatively small:

• BKPM data does not cover the financial sector (banking, insurance, etc.) and the upstream oil and gas sector.

• It may be that Saudi investment in the capital market (IDX) is quite large, especially the institutional investors.

• It could be that Saudi investment is carried out in a third country like Singapore.
Integrated Electronic Investment Licensing System

Notes:
1. OSS was launched on 9th July 2018.
2. OSS is according to Govt. Reg. No. 24/2018 on Online Single Submission (OSS) and Presidential Reg. No. 91/2017 on EoDB.

Source: Coordinating Ministry for Economic Affairs, 2018
### SAUDI’S FDI IN INDONESIA: 2013 – H1 2018

During 2013 – H1 2018, total recorded FDI from Saudi Arabia to Indonesia amounted **USD 41.2 million** (and USD 6.64 billion committed).

<table>
<thead>
<tr>
<th>FDI Indicators</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>H1 2018</th>
<th>2013 – H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total FDI (US$ billion)</td>
<td>28.62</td>
<td>28.53</td>
<td>29.28</td>
<td>28.96</td>
<td>32.24</td>
<td>15.27</td>
<td>162.90</td>
</tr>
<tr>
<td>FDI from Saudi Arabia (USD thousand)</td>
<td>400</td>
<td>2,896.4</td>
<td>30,355.5</td>
<td>939.6</td>
<td>3,536.3</td>
<td>3,073.1</td>
<td>41,200.9</td>
</tr>
<tr>
<td>FDI from Saudi Arabia / Total FDI (%)</td>
<td>0.001</td>
<td>0.010</td>
<td>0.104</td>
<td>0.003</td>
<td>0.011</td>
<td>0.020</td>
<td>0.025</td>
</tr>
<tr>
<td>FDI Rank</td>
<td>49</td>
<td>39</td>
<td>25</td>
<td>57</td>
<td>49</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Number of Projects</td>
<td>6</td>
<td>9</td>
<td>29</td>
<td>44</td>
<td>60</td>
<td>30</td>
<td>134</td>
</tr>
<tr>
<td>Local Workers Absorption (people)</td>
<td>385</td>
<td>70</td>
<td>226</td>
<td>148</td>
<td>129</td>
<td>98</td>
<td>1,056</td>
</tr>
<tr>
<td>Foreign Workers Absorption (people)</td>
<td>8</td>
<td>2</td>
<td>14</td>
<td>0</td>
<td>9</td>
<td>1</td>
<td>34</td>
</tr>
</tbody>
</table>

Notes:
1. The figures are excludes the O&G upstream and financial services sectors which are not recorded by BKPM, as well as investment made by Saudi (individuals/companies) using 3rd country platform (e.g. Netherlands, Singapore, Mauritius, Cayman Islands, BVI, etc.).
2. **Five Biggest Sectors**: Basic Chemical, Chemical Goods and Pharmaceuticals Industry; Trade and Reparation; Hotel & Restaurant; and Animal Husbandry.
3. **Five Biggest Locations**: Banten; Jakarta; West Java; East Java; and Bali.
Regular Hajj Quota
Pilgrim/Year : 203,000 regular hajj pilgrims
Average Price : Rp 34,000,000,- (hajj fare)
Total : Rp 6,902,000,000,000 (Rp 6,9 billions)

Special Hajj Quota
Pilgrim/Year : 17,000 special Hajj pilgrims
Average Price : US$ 10,000,- (average price)
Total : US$ 170,000,000,- (Rp 2,3 billions)

Waiting List Haji Reguler
Pilgrim/Year : 3,000,000 waiting list pilgrims
Average Price : Rp 25,000,000,- (BPIH deposits)
Total : Rp 75,000,000,000,000 (Rp75 billions)

Special Hajj Waiting List
Pilgrim/Year : 250,000 waiting list pilgrims
Average Price : US$ 6,000,- (BPIH deposits)
Total : US$ 1,500,000,000 or Rp 2,1 billions
Umrah Departure
Pilgrim/Year : 1,300,000 pilgrims
Average Price : Rp 23,000,000,-
Total : Rp 29,900,000,000,000. (Rp 29,9 billions)
Hajj and Umrah Enhancements Services
Infrastructure Improvements

- Expansion of the two holy mosques (completed),
- Development of a train network for the holy sites,
- Housing projects and tents for pilgrims,
- Expansion and building of large airports for the reception of pilgrims (completed), and
- Active security management in view of terrorism challenges and attempted politicization of Hajj.
Hospitality Programs

• There has been a focus on welcoming pilgrims this year, from welcome programs upon the arrival of pilgrims to the kingdom to pilgrims' community center across Makkah and Madinah. Field monitoring is in place and follow-up committees are for the protection of the pilgrim's rights.
Transportation

• Organized transportation is the key to a successful Hajj. The Ministry of Hajj and Umrah overseas 18 transportation companies which manage 18,000 fully-equipped buses to transport over 1.4 million overseas pilgrims during Hajj 2016 (1437), including 1,696 new buses, some of which replace those which have reached their end of service. The buses carry pilgrims securely between Makkah, Madinah and the holy sites. This has also opened up 24 job opportunities for drivers and technicians offered by transportation companies for the Saudi youth.
Digital Transformations

- The Hajj and Umrah e-portal
- E-bracelets: all available information about the pilgrim can be accessed through all types of smartphones or tablets through an accessible app to all those providing Hajj and related services in the field.
Revamped Logistics

The Hajj and Umrah portal

• E-bracelets: all available information about the pilgrim can be accessed through all types of smartphones or tablets through an accessible app to all those providing Hajj and related services in the field.
Hospitable investment climate in the Holy Cities
Enriching pilgrims' spiritual journeys and cultural experiences while in the Kingdom

Improving visa application procedures and integrating e-services into pilgrims' journey

Increasing the capacity and improving the quality of the services offered to Umrah visitors

Extending the religious visitors' stay in the Kingdom and facilitate their journey to explore Saudi Arabia

Saudi Arabia has assumed a prominent place in the world and has become synonymous with hospitality. The country has earned a special place in the hearts of Muslims worldwide.

The Heart of the Muslim World

The honor to serve Umrah Visitors in the best way possible

We are committed to:
Tourism & Entertainment

**Strategy**
- Increase number of people coming to Hajj & Umra
- Increase the local spending on entertainment and leisure

**Investment Themes**
- Develop tourism, accommodation and hospitality for Hajj & Umra
- Improve visa application procedures
- More than double registered UNESCO World Heritage sites
- Build the world’s largest Islamic museum
- Develop tourism, accommodation and hospitality for entertainment and leisure

- Increase Umrah annual visitors from 8M to 30M
- Create attractions that are of the highest international standards
- Improve visa issuance procedures for visitors
- Prepare and develop our historical and heritage sites
Seamless Licensing Process

- 24 hours to get new license
- One stop shop for 60 government services
- Instant license for publically listed or innovative companies

Business Centre Services

- E-Services for SAGIA Services
- Advisory and Guidance to setup
- Government registration services
- Call Center Support Services
- Investors Relationship Manager
Types of Licenses

- Services License
- Industrial License
- Trading License
- Contracting License
- Technical & Scientific office
- Technical and Economic liaison office
- Agriculture License

Multiple license choices to suit company needs

- 100% foreign ownership for Trading License
- 100% foreign ownership for Industrial License
- 100% foreign ownership for Services License
Average Service Time

- **New License**: 24 Hours
- **Amend License**: 12 Hours
- **Renew License**: 60 Minutes
Recommendations
Make **an exceptional Bilateral MoU** about “Exclusive service for Indonesian Hajj and Umrah pilgrims” Ease and facilities so that all the needs of Indonesian Hajj and Umrah pilgrims to use Indonesian products so that it will have impacts on:

1. Increasing Indonesia's exports to Saudi Arabia including F&B, hotel equipment, transportation, and restaurant.
2. Research centers to develop a hajj & Umrah economics indexes.
3. Encourage investment in Kingdom of Saudia Arabia, especially in Mecca-Medina (the Hajj and Umrah industry).
BUSINESS ROAD MAP

REPUBLIC OF INDONESIA - KINGDOM OF SAUDI ARABIA

REPUBLIC OF INDONESIA
1. MINISTRY OF FOREIGN AFFAIRS
2. EMBASSY OF THE REPUBLIC OF INDONESIA IN RIYADH
3. CONSULATE GENERAL OF THE REPUBLIC OF INDONESIA IN JEDDAH
4. INDONESIAN TRADE PROMOTION CENTER (ITPC) IN JEDDAH
5. INDONESIA INVESTMENT PROMOTION CENTER (IIPC) ABU DHABI
6. INDONESIAN CHAMBER OF COMMERCE AND INDUSTRY
7. ASSOCIATIONS

ISABC
Indonesia-Saudi Arabia Business Council

SAIBC
Saudi Arabia-Indonesia Business Council

KINGDOM OF SAUDI ARABIA
1. MINISTRY OF FOREIGN AFFAIRS
2. EMBASSY OF THE KINGDOM OF SAUDI ARABIA
3. COUNCIL OF SAUDI CHAMBERS
4. ASSOCIATIONS

www.isabc.or.id
Hajj and Umrah Ecosystem
Hajj and Umrah Ecosystem

- Mecca
- Madinah

- Hospitality
- Catering & Restaurant
- Transportation & Logistics
- Syariah Insurance
- Digital Content & Media
- Internet Provider
- Travel Agent
- Equipment
- Technology & Information
- Islamic Bank
- HOTEL
“Join Business Council Indonesia-Saudi Arabia” President of ISABC Muhammad Hasan Gaido and President of SAIBC, Maher S Alsanadi,
Thank You

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