

## (3) Hopes and Criticisms for the Omnibus Law to Attract Investment

- Indonesia's economy will be negative growth in 2020 as Covid-19 outbreak is still not over.
- The government to pass the Omnibus Law to attract investment for economic recovery.
- The Omnibus Law has been criticized and may be politically linked to the anti-government movement.

### ◆ Covid-19 Case Overtakes China as the Highest in Asia

As of July 23, the Government of Indonesia (Gol) reported a total of 93,657 cases and 4,576 deaths. The number of the recovery was 5万 2,164. The cases is now the highest in Asia, overtaking China. Although the recovery rate (cumulative number of the recovered / cumulative number of cases) has been steadily increasing to 55.7 %, the number of deaths and cases has been increasing. The slowing of the decline in the death rate (cumulative number of deaths / cases) should be concerned, too.

### ◆ Forecast Negative Economic Growth in 2020

In June, Bank Indonesia gave optimistic forecast as 2.3% in 2020, but it was revised downward. According to Finance Minister Sri Mulyani's statement on July 7, 2020-Q2 were considerably lower at -3.5 to -5.1%, and full-year growth was -0.4 to -1.0%. World Bank said the number of the poor will increase by 5.6-9.6 million in 2020.

Like Japan and other countries, Indonesia wants to revive its economy and has implemented a semi-lockdown (PSBB) to the New Normal toward coexistence with the Corona. However, the infection spreads and it is difficult to see the convergence indication.

### ◆ Eager to Attract Investment to Keep the Economy Going

President Joko Widodo has tried to aggressively promote economic recovery through attracting investment. With compiling inconsistent regulations on investment, Gol rushed to enact the Omnibus Law to simplify the procedure. The law is expected to be passed in August.

According to BKPM, investment implementation in Q1-2020 increased by 8% year-on-year to Rp. 210.7 trillion. However, foreign investment decreased by 9.2% to Rp. 98 trillion, less than domestic investment. Considering the Covid-19 effect, in advance, the investment target in 2020 was limited to Rp. 817 trillion, down 8% from the previous year. However, the situation will be more difficult in the future as foreign investment will be decline.

### ◆ Expectations and Criticisms for the Omnibus Law

The Omnibus Law is welcomed by the business community to correct duplication of investment-related regulations and simplify the procedures. It is expected to be passed as soon as possible.

On the other hand, it has been criticized as too much pro-business. Labor unions have raised concerns about poor working conditions, and farmers have protested the easier land acquisition. Activists concerned about the impact on the environment and the neglect of the impact assessment (AMDAL). Those criticism may be linked to political anti-government movements, and we should watch the future developments closely.

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