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## INDONESIAN AUTOMOTIVE INDUSTRY: PROBLEM OF DISPARITIES AND DEVELOPMENT GAP?

**A**utomotive industry's investment in Indonesia keeps on growing especially in Java compare to other part of the country in 2013. On March 16th, 2012, PT. Honda Prospect Motor announced its manufacturing development plan involving 3.1 trillion rupiah of investments through the opening of new factory plant in Karawang, West Java in addition to its previous factory plant, also located in Karawang area (Republika, 2012). The latecomer in the global automotive industry, Tata Motor, is also planning on huge investment in Indonesia, looking at the possibilities of opening the production base in Java area (Kompas, March 2013). Furthermore, a 7 trillion rupiah of investment from Japan is also targeting Java as the investment location of component industries (Kompas, 2013). This situation raises question on why does all of this investments in automotive industry targeting Java only.

Historically, the development of automotive industry in Indonesia was first started through General Motors by late 1920s with the opening of an assembly plant in Tanjung Priok, Jakarta. The next phase of Indonesia's automotive industry kept continuing through the cold-hands of businessmen such as Hasjim Ning who opened first Indonesian car assembler company in Jakarta; William Suryadjaya who is the co-founder of Astra group in Jakarta; and Soebranto Laras, who is co-founder of Suzuki in Sulawesi (Kurniasih, 2006).

However, the reason of investment centralization in automotive industry in Java is beyond the history of the industry in Indonesia. The Foreign Direct Investment (FDI) comes from Multinational Corporate (MNC) like Honda or Tata Motors, logically, will target an area with high market potential and well developed infrastructures. At the moment, Java is the best candidate who serves both. Furthermore, Java Island alone is a home to more than half of 255 million Indonesia's total population (BPS, 2012), promising more opportunities to get car buyers and bigger selling revenue.

The centralization of investment has been causing disparities and development gap in Indonesia. It is time for the government to re-assess their policy before the existing disparities and development gap between Java and other part of Indonesia such as the eastern part or even other bigger island such as Kalimantan, Sumatera and Sulawesi becomes greater and worsen. ESEMKA, a made in Indonesia car which will be ready to be mass-produced in April 2013, might serve as a good start of a solution. The car is planned to be having production and assembly lines not only in Java but also in Sumatra, Sulawesi and other potential area in the eastern part of Indonesia. This will allow the component industry spread not only in Java to grow and at the same time setting rooms for fair infrastructure development and income distribution to take place.

### **A.A.I. Diah Tricesaria**

Program Officer for Community Development, Cluster Research POHA

And a Bakrie Graduate Fellow at the Department of International Relations, UGM