

Spatial Dynamics of Industrial Location

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The change of approach to national development policies from centralized to decentralized has encouraged foreign investment opportunities to new territories. Throughout the year of 2001 to mid-2006 there were 417 foreign manufacture companies operating in Indonesia, but only 4.59 percent of medium and large foreign companies (IMB-PMA) entering into a new district. While the remaining 95.01 per cent prefer to develop the company in the district where IMB-PMA have developed.

This was delivered by a lecturer of the Department of Environmental Geography, Faculty of Geography, Abdur Rofi, S.Si., M.Sc., Tuesday (22/12) during his open examination of doctoral program in the Faculty of Geography. He defended his dissertation entitled "Manufacturing Sector of Foreign Companies in Indonesia: Spatial Dynamics and Industrial Location Decisions".

From the finding of his research, it is known that the location of foreign companies concentrated in some regions. Foreign companies showed a tendency to set up a company that is clustered in certain areas with the same activity with the same country of origin.

"There are indications of de-concentration of foreign companies in Indonesia before 1996 and after decentralization in 2006, but it was not significant," he said.

Rofi explained that there were number of factors that significantly influence the presence of foreign companies in manufacturing sector, among others, labor, labor costs, the availability of non-agricultural land and forests as well as the existence of banking facilities and services.



There are interesting dynamics of foreign companies in manufacturing sectors from some Asian countries, especially Korea, Taiwan, and Hong Kong. In 1996 these three countries showed the dominance in Indonesia by donating a contribution amounting to 31 percent of the total foreign companies in manufacturing sector. However, in 2006, the number of foreign companies in manufacturing sector contributed only 6.4 percent of the total companies in that field.

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