Indonesia Position in The Globalization of Construction Industry

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Abstract. Globalization brings global markets into developing countries. Where is position of developing countries, such as Indonesia, within the construction industry market structure? Indonesia has the largest construction market compared to neighboring countries. The market is predicted to continue rising until 2025. However, the market is less attractive than neighboring countries, because it has industrial risks, and risks were great. Competition on demand of construction industry requires government role to support construction firms. This research using quantitative methods. Statistical data were collected from data supply agencies from various countries. Data processing begins with a comparison of operational definitions and data interstate indicators. Editing is done to clean up inconsistent data that is by reducing the indicator that compared between countries. Descriptive analysis is arranged to facilitate the comparison between countries. The results of comparative analysis are used to find Indonesia's position in the global market of construction, especially among the construction markets of neighboring countries.

1. Introduction

The globalization of the construction industry is indicated by the opening up of the domestic market to foreign investment. Calculations of the size of the market and its potential in the future are needed to know the strength of demand for construction services. Furthermore, greater market share can enhance the competitiveness of a country's construction industry. In fact, competition of the global market is also influenced by political stability, social harmonization, professionalism support culture, state security and public order. These aspects of competition affect the conditions of the construction industry, such as in production processes, products and services, and ownership structures. The problems from global market competition are increasing global imbalances, and the negative impacts are felt by developing countries. In particular, inequality in the global construction market is difficult to cope with as long as it tends to be no global concern. Taking into account the existing conditions, it is important to know the construction market in Indonesia in comparison with the neighboring countries. Knowledge of the global construction market in adjacent countries serves as a description of
opportunities to expand overseas investments, or otherwise know early on the challenges of foreign Investment[1-15].

2. Methodology
Construction services are seen as an industry, because it is an economic activity of production processing raw materials and / or semi-finished materials through a design process into a product in the form of buildings, both referred to as infrastructure and buildings. According to Ofori, the construction industry includes not only a few companies but also all aspects of the construction ecosystem. Thus, the construction industry involves not only consultants and contractors but all the tiers of the supply chain. As part of economic activity, in the construction industry there are known sellers or service providers and buyers or service users. The construction industry also has a market, which between providers and users make economic transactions. The prevailing rules of the market, such as the law of demand and supply, also apply in the construction industry. The term request may also be considered an investment or investment to gain profit in the future. Demand in the construction industry occupies an important position, as it promotes the emergence and growth of competitiveness, especially in determining the magnitude of competitiveness itself. In diamond models, demand becomes the determining factor in the construction industry itself, covering the size of domestic and foreign markets, community needs, and government spending. The players in this industry play an important role in creating industry performance. Viewed from the source of funding and scope, investment in the construction industry can be divided into two, namely: domestic investment and foreign investment. Domestic investment or Domestic Investment (PMDN) as a domestic source is the main key to national economic growth. Domestic investment is needed to meet the increasing demand of people in a country. Domestic investment is divided into government investment and private investment. Government investment is government expenditure in infrastructure. The government in this case can be divided into central government (spending the State Budget / State Budget / APBN) and Local Government (spending the Regional Budget / Expenditure / APBD). Government spending is used for the construction of basic infrastructure that serves the public interest, such as roads, dams, housing, terminals, airports, and so on. Private investment (domestic) is an investment made by an individual or a domestic business entity used for the construction of supporting facilities and infrastructure that has specific objectives to support a business or business owned by a private company, as well as for consumer services such as office buildings, apartments, hotels, factories and so forth. Foreign Investment (PMA) consists of private foreign investment and government investment. Private foreign capital is an investment made by a private party in a country other than the country of origin of the capital owner. Government investment is the investment of a country to another country on behalf of the government of the country owner of capital. Foreign investment is represented by the value of Foreign Direct Investment (FDI). FDI can be interpreted as an investment from abroad for the construction sector of a country. FDI can be divided into two, namely FDI Outflow (FDI out of a country) and FDI Inflow (FDI coming into a country). Now, in its development, due to the limitations of APBN and APBD, private domestic and foreign investments are also used for the construction of basic infrastructure, for example toll roads and power plants[16-27].

This Research using quantitative methods. Statistical data were collected from data supply agencies from various countries. Data processing begins with a comparison of operational definitions and data interstate indicators. Editing is done to clean up inconsistent data that is by reducing the indicator that compared between countries. Descriptive analysis is arranged to facilitate the comparison between countries. The results of comparative analysis are used to find Indonesia's position in the global market of construction, especially among the construction markets of neighboring countries[28-35].

3. Result and Discussion
Sustainable Infrastructure Market The infrastructure industry is part of the construction industry. Construction industry consists of infrastructure and non-infrastructure industries. The infrastructure industry is related to the public interest and vital to the economic development of the country. Non-
infrastructure industries related to private or individual interests. Therefore, infrastructure funding sources are usually dominated by government funds, and private funds through the Government Enterprise (KPBU / PPP) cooperation mechanism. The non-infrastructure funding through private or individual funding sources. The proportion of infrastructure and non-infrastructure markets can be compared between Indonesia and neighboring countries such as Australia and ASEAN members such as Singapore, Malaysia, Philippines, and Thailand (Figure 1). It turns out that Indonesia is the only country with a larger infrastructure industry composition (54 percent) of non-infrastructure (46 percent). This trend is in line with the government's commitment through the Nawacita program, which plans infrastructure development of up to Rp 5,200 trillion in the period 2015-2019, or approximately Rp 1,000 trillion per year. In Singapore infrastructure development began to saturate, as shown by higher non-infrastructure spending composition (79 percent). The Singapore government is now focusing on maintenance and construction of hotels supporting the tourism sector, as well as real estate for the provision of housing for its citizens. Similar conditions are also experienced by Australia, where non-infrastructure development is more driven, because the basic infrastructure of society has been met. Indonesia's infrastructure market is the largest among the surrounding countries. In 2015 Indonesia's infrastructure market reaches US $ 47,354 million, equivalent to Rp 639.27 trillion. Indonesia's infrastructure market is predicted to increase to US $ 135.655 million or equivalent to Rp 1,831.34 trillion in 2025. That is, Indonesia's infrastructure market growth averages 11.10 percent per year. Australia ranks second in terms of infrastructure industry with a value of US $ 25,901 million. If viewed from the side of the growth rate of the construction industry, the second position is occupied by the Philippines with average growth rate reaches 10.64 percent per year. Further analysis is done by looking at the ratio of the infrastructure market compared to the total population and total area. The ratio of the infrastructure market to the population puts the position of Australia in the first position with a value of US $ 0.0011 million per capita, followed by Singapore with US $ 0.0005 million per capita. Indonesia is in third position with US $ 0.0002 million per capita. When viewed from the ratio of the infrastructure market to the area, the first position is occupied by Singapore which has the smallest country area, with a ratio of US $ 4.28 million / km². The next position occupied by Indonesia with US $ 0.025 million / km² . With the position of not yet at the highest ranking, it means there is an opportunity to increase the infrastructure market in Indonesia in line with the increase in rank. This requires the sustainability of infrastructure investments by the government, private, or community. The sustainability of government investment, there are times when infrastructure building is needed by the community and the regional and even national economy, but requires a very large capital so that the private sector does not have
Figure 1. Comparison of Infrastructure Market and Non-Infrastructure Market of Some Countries, 2006 - 2025
In this condition, the government can intervene through APBN expenditure. The ability of the government to receive taxes and make domestic and international loans allows it to finance large-scale infrastructure projects. To boost the national economy, developing country governments invest a substantial part of the state budget to build roads and bridges that facilitate the transportation of people, goods, and connecting between factory or production area with market. The government builds ports and airports for the delivery of these goods from and to other countries (imports/exports) as well as between islands (interland transportation). The government has built a network of electricity since its generation to the distribution that allows the operation of factories and offices, ports and airports. The government provided support for infrastructure of Rp 50 trillion or 7.5 percent of the overall APBN in 2006.

This infrastructure expenditure jumped 111.6% from a year earlier, as a result of the energy subsidy savings that had been made in 2005. The budget support was invested in various infrastructure projects including the construction and maintenance of bridges, reservoirs and various forms of water reservoirs along with irrigation networks, Ports of ships and airports, as well as power grids. The nominal and real value of APBN's support increases every year, except in 2014 when infrastructure spending fell slightly at 9.48 percent of the APBN or equivalent to Rp 177.9 trillion. Then, during the last three years, when the state budget touched Rp 2000 trillion, infrastructure budget increased rapidly.

The details are Rp 209.3 trillion in 2015, Rp 317.1 trillion in 2016 and Rp 378.3 trillion in 2017. This can not be separated from the government's policy to accelerate infrastructure development to be completed before 2019.

Government investment Ultimately contributing dominantly in creating domestic construction services market in Indonesia. Private Investment and International Market In the period 2015-2019 planned infrastructure spending reached Rp 5.200 trillion or an average of more than Rp 1,000 trillion per year. If it is related to the above APBN allocation, there is a gap between the need and the availability of government funds.

This is what drives the government to open private participation in infrastructure development. In this way, the private sector, both domestically and from abroad, has an influence in creating the demand for construction services market in Indonesia.

The global market of construction services coming into Indonesia has been shaped through loan or debt schemes from other countries, as well as international donor agencies. Foreign investment is represented by the value of Foreign Direct Investment (FDI). The value of FDI Inflow shows that the construction sector of a country attracts foreign investors to participate in construction sector development.

Malaysia became the country with the largest construction sector FDI Inflow in 2014, which amounted to US $ 265.2 million. The next position occupied by Indonesia amounted to US $ 101.8 million. The smallest FDI occupies the Philippines with US $ 6.1 million. The utilization of FDI for regional development is indicated by the ratio of FDI and country area.

Here Singapore shows the highest FDI rank among other countries with rank 8. Although FDI value is only US $ 88.6 million (still below Indonesian value) but if divided by the area, then Singapore rose as the country with the highest value, that is US $ 124,754 per km2. In this calculation, Indonesia is in the fourth position with a ratio of US $ 53/km2. It is a challenge to increase foreign interest to the domestic construction business.

Construction Market is a positive relationship between the entry of FDI with the level of market interest for global investors. Figure 5 shows the higher the number the lower the market interest of a country. Through this figure, it is known that the global market interest in Malaysia is high, it is proven that the country is ranked 19th in the ranking of the FDI potential index of market attractiveness (UNCTAD, 2015).

The attractiveness of the global construction market against the Philippines is low (FDI US $ 6.1 million), Ranked 71th on the FDI potential index ranking of market attractiveness. The infrastructure risk in the Philippines is high, with industry risks higher than the risk of the country. This suggests that
infrastructure development is at risk associated with potential risks to operational activities. The interest of global investors is also related to the business risks of a country (Figure 2).

Indonesia is a country with higher industry risk than state risk. The high number of FDI Singapore is not free from industry risk and low state risk. So it increases investor interest especially in infrastructure sector.

Figure 2. Market Attractiveness (UNCTAD and ASEAN, 2015)

Figure 3. Industry Risks and Country Risks (BMI Research, 2016)

4. Conclusion

Indonesia's construction market is the largest compared to surrounding countries. The market is sustainable as it is predicted to continue to increase until 2025. Increasing government budget commitments also show Indonesia's industrial market will be bigger. However, the market is less attractive than neighboring countries. This is due to industrial investment is still at risk especially in licensing. Risks also occur with respect to the political environment and security that have not been as stable as ever.

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