Doing Business in Indonesia:

2011 Country Commercial Guide for U.S. Companies

Return to table of contents

Chapter 1: Doing Business in Indonesia

Market Overview Return to top

- Indonesia is Southeast Asia's largest economy and while Indonesia's annual growth slowed down to 4.5% in 2009, it expanded to 6.1% in 2010. Some economists predict that Indonesia's economic growth may reach 8% in 2011. During the difficult global conditions of 2009, Indonesia's economy was among the top worldwide performers. Stock market valuation was up 87% in 2009 and 46% in 2010 and from 2000 until 2010, Indonesia's average annual GDP growth was 5.17% with a stable currency and improved sovereign credit status.
- The consumer market continues to lead growth in the world's fourth-largest country with 237.5 million citizens, 50% of whom are under the age of 30.
- GDP per person exceeds its ASEAN neighbors such the Philippines and Vietnam.
- Indonesia is a thriving democracy with significant regional autonomy. It is located on the world's major trade routes and has extensive natural resources.
- It is a top-ten market for U.S. agricultural products and within the top 30 overall markets for U.S. exports.
- Indonesia ratified the Cape Town Treaty, which gives U.S. aircraft exporters access to financing through international protection and registration of financial interests. In 2009 Indonesia implemented the ASEAN-China free trade agreement.
- The number of households in Indonesia with US$5,000 to US$15,000 in annual disposable income is expected to expand from 36% of the population to more than 58% by 2020.
- More than 60 million low-income Indonesian workers are projected to join the middle class in the coming decade which signals increased spending on consumer goods.

Market Challenges Return to top

- Although improving, significant rule-of-law issues persist. Dispute settlement mechanisms are not highly developed. Local and foreign businesses cite corruption and ineffective courts as serious problems. Business and regulatory disputes, which would be generally considered administrative or civil matters in the United States, may be treated as criminal cases in Indonesia.
- Competition from companies from Singapore, China, Japan, Malaysia, Korea, and other regional players is intense.

- Deregulation has successfully reduced some barriers by creating more transparent trade and investment regimes, but the bureaucracy can be cumbersome.
- Indonesian infrastructure and service networks have not been developed or maintained in accordance with the booming consumer led economy, causing multiple transaction costs and inefficiencies that hamper exporters and investors.
- The business environment in Indonesia is challenging. U.S firms often find it complex and time consuming to enter the market and negotiate through the regulatory and industrial landscape.
- The public trade statistics may significantly understate market opportunities and trends due to the large numbers of shipments that are recorded as U.S. exports to Singapore but which ultimately enter Indonesia via Singapore.

Market Opportunities Return to top

- Important opportunities exist in mining, energy, agribusiness equipment and services.
- The aircraft market favors U.S. products. Aircraft, replacement parts and service are valuable and significant markets.
- Telecommunications technology and satellites remain excellent areas for American products and services.
- The expansion of banking to previously underserved customers offers software and systems opportunities.
- Education and professional training, research, medical equipment and high-quality American agricultural commodities all retain their market edge even with premium prices.
- Emerging opportunities include palm oil biofuel processing, clean energy and technology to improve local production capacity.
- U.S. franchises continue to attract Indonesian demand.
- Growing markets include: renovation and construction of regional and municipal infrastructure, military upgrading, safety and security systems and protection of sea-borne traffic.
- Indonesians are the second largest users in the world of Facebook, and 21% of internet users use Twitter, the highest proportion in the world.

Market Entry Strategy Return to top

- Although it may be possible in some cases to sell directly to the government or state-owned companies, local services of agents, local offices or distributors are often critical to successful project development and to assure timely delivery, installation and follow up service needs. Most government procurement decisions favor proven providers or assurance of service based on long-established relationships.
- Small- and medium-sized U.S. firms entering the Indonesian market increase their likelihood of success with strong local agents or distributors. The U.S. Commercial Service Jakarta helps U.S. companies identify and qualify potential Indonesian representatives.

- U.S. companies must visit the Indonesian market in order to properly choose an appropriate agent or distributor. Appointment of a representative requires care, since it is difficult to get out of a bad relationship. Qualified representatives will not take U.S. principals seriously unless they make a commitment to visiting the market on a regular basis. Patience and presence are key success factors.
- Key factors affecting purchasing decisions in Indonesia are pricing, financing, technical skills, and after-sales service. Firms should be prepared to invest capital and manpower into making their local representative a first-class service provider.
- Indonesian non-financial firms obtain nearly 50% of their financing from abroad via loans, bonds, and other credit thus Indonesian exports often depend on trade financing.

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

http://www.state.gov/r/pa/ei/bgn/2748.htm

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor Return to top

Foreign companies wishing to sell their products in Indonesia are required to appoint an Indonesian agent or distributor pursuant to Ministry of Trade (MOT) Regulation No. 36/1977. The registration of an Indonesian agent or distributor with the Directorate of Business Development and Company Registration at the MOT is mandatory under MOT Regulation II/M-DAG/PER/3/2006.

Appointment of an Indonesian agent (or distributor) requires care, since it is difficult to get out of a bad relationship. Indonesian law allows the severance of an agency agreement only by mutual consent or if a clause permitting the severance is contained in the original agency agreement. A trial agency period of at least six months is generally written into agency contracts. As in many countries, the Indonesian agent's network of contacts and personal power affects costs and ability to exit an unsuccessful bad agency agreement.

The services of an aggressive, active Indonesian agent or distributor can be an important means of expanding sales in Indonesia because they know the cultural minefields and systemic processes that foreigners need years to begin to master. Many Indonesian importers do not specialize in particular product lines, and represent multiple foreign manufacturers and product lines. Generally, however, large conglomerates establish discrete company units that tend to specialize around a product range. Medium and smaller importers tend to specialize in a narrow range of goods, but are not averse to adding a completely different product line if a profit can be foreseen.

It is generally advisable to set up agency arrangements with firms that handle a complementary range of products. These are not essential, however, since substantial sales can often be made by firms active in quite different product lines. An increasing number of firms identifying themselves as suppliers of "technical goods" concentrate on general industrial machinery and equipment. These firms often have engineers on their staff and are prepared to provide engineering assistance and after-sales technical support.

In many cases, foreign companies have established close connections with Indonesian importers, allowing the two companies to function as one. The Indonesian company acts as the importer and distributor, and the foreign company promotes its products, sometimes seconding expatriate staff to its Indonesian distributor/partner. A more active role for the foreign firm can be arranged through a management contract, which can take many forms.

Foreign principals often work out a management agreement that allows the foreign company in Indonesia to play a more active role in the marketing efforts of its Indonesian agent or distributor. In many cases, a separate agreement is signed between the expatriate personnel and their foreign employer to regulate this relationship. The tax liability of the foreign firm is limited to the income of the expatriates assigned to the representative office, while any other taxes are assessed to, and borne by, the agent.

Types of management agreements include: (1) technical assistance agreements; (2) management agreements; and (3) management agreements coupled with financial agreements. The technical assistance agreement limits the foreign firm's function to providing technical assistance to the Indonesian company. The management agreement allows the foreign firm to manage the company or a division within the company. In the management agreement coupled with a financial agreement, the foreign firm also finances the Indonesian operation, either under the name of the Indonesian company or a division thereof. Remuneration to the foreign company can be in one of the following forms: (1) fixed fee; (2) commission; or (3) profit-sharing. Whatever basis is used for remuneration, it must be formulated clearly in the agreement, and it must comply with current Indonesian laws. To protect the foreign company's interests properly, a bona fide and comprehensive agreement should be drawn between the parties concerned.

Establishing an Office

Return to top

The Indonesian Investment Coordinating Board (BKPM) attempts to operate as a one-stop shop for investors. Recent reforms have reduced the paperwork process and delays in applying for the necessary government permits for foreign investments in Indonesia. A business permit issued by the appropriate government agency is required to establish an office in Indonesia. Depending on the nature of the business, several government agencies may be involved in issuing a business permit.

To open a foreign representative office in Indonesia, the firm must appoint a representative, who may be either an Indonesian national or an expatriate. A foreign representative office in Indonesia is actually more of a liaison office. Under Indonesian law, a representative office is restricted in the types of activities that it can pursue. For example, these offices are restricted to signing sales contracts, collecting payments, conducting trade activities and sales transactions, and participating in other related business activities. Prior to opening an office, however, the firm must establish itself as a legal entity by registering with the proper Indonesian government authorities. The process is as follows:

A letter of intent, a letter of statement, and a letter of appointment (indicating the appointed representative), from company headquarters on official letterhead, must be sent to the Indonesian Embassy or an Indonesian Consulate for notarization. A letter of reference from the embassy or consulate is also required (See Chapter 9 for contact information).

The notarized letter of intent, the notarized letter of appointment, and the letter of reference, along with the resume of the appointed company representative and his or her Indonesian work permit (KIMS Card) must to be submitted. If the appointed company representative is an Indonesian citizen, a copy of his/her Personal Identity Card (KTP) needs to be submitted instead. Documents are submitted to:

Mr. Dede Hidayat
Director
Directorate of Business Development and Company Registration
Directorate General of Domestic Trade
Ministry of Trade
Jl. M.I. Ridwan Rais 5
Jakarta 10110, Indonesia
Tel. (62-21) 385-8171, 385-8175
Fax. (62-21) 385-8188

Regional representative offices, classified as serving two or more other ASEAN nations, can also be established in Indonesia. The regional representative office is limited to more of a liaison role and is restricted from participating in many business transactions. Interested firms should contact the BKPM for registration information:

Mr. Gita Irawan Wirjawan
Chairman
Capital Investment Coordinating Board (BKPM)
Jl. Jendral Gatot Subroto 44
Jakarta 12190, Indonesia
Tel: (62-21) 525-0023
Fax: (62-21) 522-7607

Franchising

Return to top

Franchises facilitate the transfer of know-how and managerial expertise to the franchisee companies while simultaneously allowing the franchiser to quickly establish a presence in the country. Under a typical franchising agreement, the franchiser receives royalties and fees as stipulated in the contract. In exchange, the franchisee has the right to use (and manufacture) copyrighted, patented or service-marked materials identifying the enterprise. The franchiser typically provides training and organizational guidance in return for a guarantee that the franchisee will follow these operational directions.

With the release of the Government Regulation (PP) No.16 of 1997, the Indonesian franchise industry had--for the first time-- foundation in Indonesian law. Then, the Government of Indonesia (GOI) replaced PP No.16 of 1997 with PP No.42 of 2007. This regulation came into force when the implementing regulation, Ministerial Decree No. 31/2008, was issued in August 2008. The new regulation sets a number of criteria that franchisors have to meet prior to selling their franchises. Although many local franchisors see the new regulation as a barrier to grow, the GOI argues that the regulation will set an industry standard and protect potential franchisees.

Indonesian law requires that a franchise agreement between a franchiser and a franchisee be written in Indonesian and subject to Indonesian Law. The GOI has limited the operation of large franchise businesses to provincial capitals. Only small and medium-scale enterprises, or licensed non-small-scale entrepreneurs, may operate franchise businesses in smaller cities or rural areas. This regulation was designed to insulate indigenous small and medium-size companies against competition from foreign franchisers, and to encourage local companies to develop their own franchise concepts.

The regulation obligates every franchise business to obtain a registration certificate, namely the STPUW (Surat Tanda Pendaftaran Usaha Waralaba or Franchise Business Registration Certificate), from the MOT. The registration should be made at least 30 working days from the date the franchising agreement, which shall be valid for at least five years, takes effect. The regulation further stipulates that priority should be given to the use of domestic goods and / or products as long as they meet the required quality standards.

For more information on franchising regulations in Indonesia, please contact:

Mr. Jimmy Bella
Director for Distribution and Market Development
Directorate General for Domestic Trade
Ministry of Industry and Trade
Jl. M.I. Ridwan Rais No. 5
Jakarta 10110
Tel: (62-21) 385-8210
Fax: (62-21) 385-8214

Direct Marketing

Return to top

Direct marketing is used in Indonesia to sell many kinds of products, from insurance to sewing machines. Companies such as Amway have built up large businesses by direct marketing through local distributors. Independent Indonesian companies have copied their methods with success.

Joint Ventures/Licensing

Return to top

Since 1994, the government has removed most requirements for domestic equity in joint ventures. However, foreign investors who opt for 100 percent initial ownership are suggested to divest to Indonesians at least some share, even as little as one percent, after 15 years. This can be accomplished through the stock market. In 2001, the President issued a decree regulating joint ventures for small and medium-sized companies.

As a practical matter, a local joint venture partner is often essential for success in this market, for the same reason that an active Indonesian agent or distributor has advantages over a foreign trade representative office. The choice of an Indonesian joint venture partner is critical for many reasons, especially for knowledge of the local scene and contacts, which are important for successful operations in Indonesia. A few experienced firms provide background, credit-type reports on Indonesian entrepreneurs and firms (See Chapter 9 for list of Consultants and contact information).

A partnership in Indonesia is difficult to dissolve. Consequently, the first choice has to be the right choice. Business sense is as crucial to any commercial endeavor in Indonesia as it is anywhere else; "contacts" alone, while important, cannot substitute for business skills in an Indonesian partner.

Because Indonesians place great importance on personal relationships and mutual understanding, partnerships tend to be based primarily on genuine accord, with the written contract playing a less significant role. It is therefore important that any agreement be well understood by both sides. A contract over which there are conflicting interpretations is certain to cause future problems. In any case, a soundly written legal agreement is strongly encouraged, despite the weakness of the Indonesian legal system for enforcing contracts.

In some cases, licensing arrangements for products/services are more cost-effective options for U.S. companies doing business in Indonesia, but firms should apply the same cautions recommended for joint venture partners.

For more information please visit: www.bkpm.go.id

Selling to the Government Return to top

Although it may be possible in some cases to sell directly to the government, there is good reason to use the services of an agent or distributor for the early stages of project development, delivery, installation and service needs. Traditionally, most government procurement decisions have been based on long-established relationships. This does not necessarily mean illegal payments are involved, but these relationships could exclude participants not well known in the market.

New-to-market U.S. firms need the careful advice of local representatives to avoid wasting time and money participating in a competition with a non transparent process. U.S. firms also need to be sensitive to the difficulty some Indonesians have in delivering bad news. For example, if your agent knows a tender is structured against your company's interest, he may be reluctant to disappoint you with the bad news in advance. A close relationship with the agent is the best way to ensure frankness.

In February 2009, through Presidential Instruction (Inpres) No. 2/2009, the GOI issued new regulations which stipulate the requirement to use 456 kinds of local products (in 21 categories such as agriculture equipment, defense equipment, chemical, EPC services for electrical, electronics and telecommunication equipment) for projects owned by the government, state-owned companies, and Production Sharing Contractors. It is planned that the list of the local products will be updated by Ministry of Industry every six months.

On August 6, 2010, the GOI issued Presidential Regulation no 54/2010 to replace the existing Presidential Decree No. 80/2003 regarding procurement for government's projects. In this revised regulation, foreign companies are only allowed to bid on government tender for projects with value more than Rp.100 billion for construction, more than Rp.20 billion for goods and more than Rp.10 billion for consultant services. The government, then, will use this revised regulation as a base to set up a Procurement Law.

For other sales to the GOI, U.S. firms should become familiar with the "Blue Book" or the "Green Book", a listing of major projects identified by the GOI as essential to national development priorities. The document is published annually by the National Planning Agency (BAPPENAS) and constitutes the official list of projects that are open to foreign official assistance and other sources of external financing. Most of the projects listed in these books require "soft loan" (low interest rate) financing. The USG does not initiate soft loan financing, although the U.S. Ex-Im Bank can offer balance loans to match tied aid. Indonesia has rarely accepted offers that would displace other donor commitments made through the annual World Bank-sponsored Consultative Group on Indonesia (CGI). Ad-hoc soft loans offered outside the CGI may offer opportunities to use Ex-Im Bank balancing provisions.

U.S. firms should also familiarize themselves with opportunities available through ADB, or World Bank-funded projects. For more information, visit www.bappenas.go.id.

Distribution and Sales Channels Return to top

Indonesia's businesses are organized along classic lines, with the full spectrum of agents, distributors and other intermediaries represented in the economy. Finding a stocking distributor can be a problem due to a general unwillingness to assume the carrying charges involved with warehousing. In addition, pervasive corruption, especially among customs officials, makes the use of offshore warehouses, especially in Singapore, attractive. Congestion, weak infrastructure and corruption often makes it very expensive to ship product long distances within Indonesia from a central warehouse.

Selling Factors/Techniques Return to top

Indonesian consumers, particularly from middle and lower-income groups, are sensitive both to price and to general economic trends (for example, interest rates). Thus, importers of U.S. goods and services here pay closer attention to pricing than to product quality and promptness in delivery, when making purchasing decisions. They will seek low-interest financing, particularly in the coming year.

Other key success factors for doing business in Indonesia are patience and presence. Companies that have made a commitment to the country by establishing an office, or some other significant presence, will be more successful in marketing their products than those that attempt to sell their product on annual whirlwind trips. Brand loyalty and name recognition are highly valued by the Indonesian consumer.

To summarize, foreign interests can engage in business in Indonesia in the following ways by:

- appointing agents and/or distributors,
- setting up a representative office,
- entering into technical assistance or licensing agreements,
- forming joint venture operations, and,
- establishing a 100 percent foreign-owned subsidiary.

Electronic Commerce Return to top

Despite the proliferation of internet service providers and coverage of cellular operators services in recent years, several factors hinder the growth of electronic commerce in Indonesia. To effectively support an open telecommunications infrastructure, the new law No. 11/2008 on the Electronic Information and Transaction (signed by the President on April 21, 2008) needs at least nine government regulations which until now have not been implemented. In fact, the law is currently under review by the Indonesian legislature as it was used against Prita Mulyasari, an Indonesian housewife jailed for complaining through e-mail about poor medical service she received. The case sparked an immense outpouring of public support for the accused and open criticism of the defamation law.

The lack of a clear policy and enforcement of the law, has promoted a de-facto cartel on the submarine fiber-optic cable connection to the internet backbone (via Singapore, Malaysia and Hong Kong/ Japan/ Taiwan), a monopoly provision of fixed landline service by PT Telkom and PT Indosat. Several private companies, which have a license to deploy competing backbone networks, found a lot of regulation obstacles to operate it successfully. This has not helped to lower the cost of internet access. The government's tender on WiMAX resulted in eight winners, but each of them is required to connect to the high-cost backbone network. The GOI's policy to extend rural telephony and basic internet access to 30,000 villages has not yielded significant market opportunities. Local competitive bidding on the Universal Service Obligation (USO) and WiMAX operators have been announced.

Several companies and telecommunication operators have won the tender, but most of them have yet to pay for the high "upfront-fee" bid. In addition, the terms, conditions and implementation of the tenders have discouraged potential investors and vendors as the Wimax operators have to comply to local content of at least 30 percent (for CPE) and 40 percent (for Base Station).

Despite the proliferation of low-cost netbooks, a low level of computer ownership by both businesses and individuals and high costs of internet access still hinder the growth of Electronic Commerce, especially in smaller cities.

In the past few years, Indonesian cellular operators have been actively looking for more content and business models to earn more revenues. Mobile-banking features could become a popular solution of small to medium business transactions if the security of electronic transactions is assured. All cellular operators are offering some kind of internet access overlay into their existing voice networks, or deploying new 3G Base Stations co-located or as a replacement of the 2G BTS. The social and business applications, which do not require a high speed internet access, have been offered at a low cost and even bundled to sales of new low cost QWERTY handsets.

The popularity and lower costs of interactive communication via social networks like Facebook and Twitter, have produced other kind of handsets (Blackberry lookalike smartphone such as Nexian, Blueberry, Redberry, Vitell with QWERTY keypad) and services (low-cost bundled voice and data packages) to fulfill the fast growing market. The usage of cellular handsets as a terminal for online transactions will be further advanced by the availability of 3G service. The success of Blackberry and Blackberry lookalike handsets could pave the way for the success of similar handsets and services, but the services are managed and routed on local servers, like Android handsets.

Trade Promotion and Advertising

Return to top

Advertising in local media and newspapers is recommended for introducing new products, particularly in areas of purchasing power concentration, such as Jakarta and West Java. In January 2011, the prices quoted for a display regular full color 184 mm x 270 mm ad ranged from $2,500 to $15,000 in five prestigious daily newspapers. In those same newspapers, the same black and white ad ranged from $2,000 to $10,000.

A listing of the major and recommended newspapers and business journals (in the Indonesian language, except where noted) follow below. Website addresses are provided when available.

Newspapers (dailies):

Bisnis Indonesia (www.bisnis.com)
Jakarta Globe (English) (www.thejakartaglobe.com)
Jakarta Post (English) (www.thejakartapost.com)
International Herald Tribune (English) (www.iht.com)
Kompas (www.kompas.com)
Kontan (www.kontan.co.id)
Media Indonesia (www.mediaindonesia.com)
Republika (www.republika.co.id)
Seputar Indonesia (www.seputar-indonesia.com)
Suara Pembaruan (www.suarapembaruan.com)
Tempo (www.tempointeraktif.com & www.tempointeractive.com)
The Wall Street Journal Asia (English) (www.wsj-asia.com)

News magazines:

Gatra (Weekly) (www.gatra.com)
Globe Asia (Monthly) (www.globeasia.com)
Tempo (Weekly, (Indonesian and English) (www.tempointeraktif.com)
Trust (Weekly) (www.majalahtrust.com)
Warta Ekonomi (Twice a week) (www.wartaekonomi.com)

Business Journals:

Financial Times (Daily, English)
The Asian Wall Street Journal (Daily, English)
Eksekutif (Monthly) (eksekutif.com)
Indochemical (Monthly, English and Indonesian) (www.cic.co.id)
Indocommercial (Monthly, English and Indonesian) (www.cic.co.id)
The Economist (Weekly, English)
Indonesian Commercial Newsletter (Monthly, English and Indonesian) (www.datacon.co.id/icn.htm)
Info Bank (Monthly) (www.infobanknews.com)
Kontan (Weekly) (www.kontan-online.com)
Swasembada (Monthly) (www.swa.co.id)

www.detik.com
www.okezone.com
www.vivanews.com

In most cases, direct mail advertising is efficient and effective, if the mailing lists are properly prepared and updated. Local advertising agencies can also assist in arranging films, slides, and posters and signboards for bus exteriors, bus stop shelters, and bridges.

Television has so far been the best medium for national coverage and the one that reaches the most consumers. Television advertising has grown rapidly and surpassed newspaper advertising in dollars spent since 1992. Indonesia has ten commercial television stations (ANTV, Indosiar, Global TV, RCTI, SCTV, MNC TV, Metro TV, Trans TV, Trans 7 and TV-One) and one state-owned station (TVRI).

Spending on advertisements shot up 20 percent to Rp62 trillion (US$ 6.88 million) in 2010 from Rp48.5 trillion in the previous year with television stations as the largest beneficiary, receiving 62 percent of advertisements, followed by newspapers which accounted for 35 percent of ad spending.

Pricing

Return to top

Given the competition that American suppliers face from foreign competitors, product pricing must take into account the costs of delivery, distribution, advertising, and image. Since product pricing is one critical factor in determining success, market research is a useful tool. This includes studies of both consumer preferences and competitive practices. Pricing is best developed with advice from local distributors, who are well attuned to the factors at play in the specific market. U.S. companies may conduct their own market research, obtain information from the U.S. Commercial Service, or contract with private research firms.

Sales Service/Customer Support

Return to top

One critical aspect of a product's successful launch and sustainability is customer support and after-sales service. Some U.S. firms face difficulties providing this support due to distance from the U.S. and the costs of maintaining product support facilities.

Although some local distributor partners normally establish such mechanisms, firms should be prepared to invest substantial amounts of capital and manpower into making their local partner a first-class service provider. Regardless of a company's international reputation, Indonesian consumers value a firm that can provide on-the-ground customer support. They expect to have their needs handled locally with quick turnaround times.

Protecting Your Intellectual Property

Return to top

IPR Climate in Indonesia

Protection of intellectual property rights (IPR) in Indonesia is hampered by inadequate enforcement of the relevant laws and regulations. Problems in IPR protection raised by industry include rampant software, audio and video disk piracies (with a piracy rate estimated at 90 percent); pharmaceutical patent infringement; apparel trademark counterfeiting; an inconsistent and corrupt law enforcement regime; and an ineffective judicial system. The lack of effective IPR protection and enforcement serves as a considerable disincentive for foreign investment in high technology projects in Indonesia. The Indonesian court system can be frustrating and unpredictable, and effective punishment of pirates of intellectual property is rare. Foreign companies therefore must be vigilant and creative in building strategies to protect their products from infringement.

Foreign rights holders often work with local law firms and security consultants to arrange for police raids on counterfeiters. Others conduct periodic seminars on the adverse effects of IPR infringement on the Indonesian economy, one of which is reduced investment by foreign companies.

Ultimately, the course taken by companies to protect their intellectual property rights will depend on their product. As an example, a U.S. company might first identify the counterfeiters of its products. They then proceed to develop them as legal licensees of its products. Some computer software companies provide free training and/or sell their software at competitive prices, while warning that copies of their product may contain damaging viruses. Also, companies with well-known trademarks seek to defend them by registering them early or seeking the cancellation of an unauthorized registration through the Ministry of Justice. In general, a strong local partner or agent can help in defending trademarks and intellectual property, as long as the arrangement remains amicable. (See also Chapter VI - "Investment Climate" - for background on Indonesian laws and regulations regarding the protection of intellectual property rights)

Protecting Your Intellectual Property in Indonesia:

Several general principles are important for effective management of intellectual property ("IP") rights in Indonesia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Indonesia than in the U.S. Third, rights must be registered and enforced in Indonesia, under local laws. Your U.S. trademark and patent registrations will not protect you in Indonesia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Indonesian market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Indonesia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Indonesian law. The U.S. Commercial Service can provide a list of local lawyers upon request.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Indonesia require constant attention. Work with legal counsel familiar with Indonesian laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Indonesian- or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)

- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

IP Resources

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or register at **www.StopFakes.gov**.

- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**.

- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**.

- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at www.stopfakes.gov.

- For US small and medium-size companies, the Department of Commerce offers a "SME IP Advisory Program" available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: **http://www.abanet.org/intlaw/intlproj/iprprogram_consultation.html**

- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: **www.StopFakes.gov** This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.

- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who covers Indonesia at: American Embassy, US Commercial Service, GPF Witthayu, Tower A, Suite 302, 93/1 Wireless Road, Pathumwan, Bangkok 10330, Phone: 66-2-205-5090, Email: Office.Bangkok@trade.gov

Due Diligence Return to top

In general the business sector in Indonesia operates in a somewhat opaque environment. For this reason, it is very difficult to get accurate financial and business reputation information about prospective customers or partners. U.S. Commercial Service in Jakarta offers the International Company Profile (ICP) service to assist American companies in vetting potential business associates. Note that ICP's can only be done on companies and not on individuals. Contact the U.S. Commercial Service office in Jakarta for details on price and availability, or visit our website at www.buyusa.gov/indonesia

Local Professional Services

Return to top

Because Indonesia's legal system is currently being overhauled and modernized, American firms are strongly advised to retain a local attorney for most business matters. In the event of a commercial dispute, one should first attempt to reach consensus through negotiation, using a mediator acceptable to both parties if necessary. If deliberation fails to achieve consensus, then companies may enter into arbitration. To prepare for this eventuality, an arbitration clause should be included in any commercial contract with Indonesia chosen as the site of arbitration. This is recommended because foreign arbitration awards have proven difficult to enforce locally. Badan Arbitrase Nasional Indonesia (BANI) is the local arbitration board and companies may employ BANI or select their own arbitration vehicle and procedures (for example ICC or UNCITRAL). Only when negotiations, mediation and arbitration fail should companies consider litigation. The Indonesian court system has proven to be an ineffective means of recourse for American companies.

Although foreign legal firms cannot yet open offices in Indonesia, a number of American attorneys consult with Indonesian firms, some having consulted locally for more than ten years. These attorneys are well placed to assist American firms in working their way through the Indonesian legal maze.

Web Resources

Return to top

The Indonesian Investment Coordinating Board (BKPM): http://www.bkpm.go.id
Ministry of Trade: http://www.kemendag.go.id
Ministry of Public Works: http://www.pu.go.id
Indonesian Ministry of Justice: http://www.kemenkumham.go.id
Indonesian Ministry of Communications and Information Technology: http://www.depkominfo.go.id
Indonesian Internet Service Provider Association: http://www.apjii.or.id
Indonesian Bureau Statistics: http://www.bps.go.id
Indonesian National Board of Arbitration: http://www.bani-arb.org/
Indonesian Franchise Association: http://www.franchiseindonesia.org/

Return to table of contents

Return to table of contents

Chapter 4: Leading Sectors for U.S. Export and Investment

Commercial Sectors

- Aircraft and Parts
- Computer and Peripherals
- Education and Trainings
- Electrical Power System
- Franchises
- Industrial Chemicals
- Medical Equipment and Supplies
- Mining Equipment
- Oil and Gas Equipment
- Retail
- Telecommunications

Agricultural Sectors

Aircraft and Parts

Overview

Return to top

Unit: USD Millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	1,050	1,567	1,722	1,722
Total Local Production	45	45	50	50
Total Exports	30	30	35	35
Total Imports	1,035	1,552	1,707	1,707
Imports from the U.S.	994	1,500	1,500	1,500
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

The Indonesian aviation industry offers excellent prospects for U.S. products since the current aircraft fleet consists largely of American aircraft. More than 95 percent of aircraft and parts are imported. Leasing services, aircraft spare-parts and maintenance services look to U.S. products as their source. With its population of over 237 million spread over 13,000 islands, Indonesia is an attractive market for the airline industry. The increase in the number of airline passengers in the last two years has been impressive. The number of domestic passengers reached 40 million in 2009, and 48 million in 2010. In 2011, the Indonesia National Air Carriers Association (INACA) predicted that the industry would grow 15 percent.

Currently, there are 19 scheduled and 41 chartered airline companies operating in Indonesia. In 2010, there were 821 units of aircraft, serving 194 domestic and international routes. Garuda Indonesia re-opened routes to Amsterdam in mid 2010, after the European Union lifted the ban on four Indonesian airline companies (Garuda, Mandala, Airfast and Prime Air) flying into Europe. However, in mid January 2011, Mandala had stopped operations due to financial problems.

On January 12, 2009, the GOI enacted the new Aviation Law No 1, 2009 that restricts issuance of licenses to airline companies operating at least 10 aircraft. The law also adopts the ICAO safety standards requirements. The government will impose sanctions upon the airlines and their personnel if the safety requirements are not met. The new law also implements the provisions of the Cape Town convention on international interests in mobile aircraft equipment, which assures lenders protection of their interests. In response to the improved financial securities, lenders such as U.S. Export Import Bank and others are vigorously engaged in financing aircraft to sell and lease to Indonesian companies. Under the new law, a new government agency will be set up for managing the air traffic control and navigation systems. Private companies will be allowed to manage airports and compete with the current operators, PT Angkasa Pura I and II.

Imports of aircraft and parts for 2009 amounted to $1,035 million, with imports from the United States reaching $994 million. It is expected that the import value will remain high in the next two years since several Indonesian airline companies are expecting to receive deliveries from Boeing such as Lion Air's 30 of B 737-900 ER aircrafts, and Garuda's 25 B 737-800s and 10 B 777-300ERs. In addition, Sriwijaya Air bought 20 B737-300s and AirAsia Indonesia ordered 15 Airbus aircraft. Lion Air also ordered 30 ATR 72-500 aircraft.

Sub-Sector Best Prospects Return to top

Imports from U.S. suppliers are particularly desired in the following areas: airplanes and other aircraft, parts, aircraft launch gear and parts, engines, engines parts, instruments and appliances for aeronautical use, and aircraft electrical wiring sets. U.S. companies also have a strong presence in providing training, engine repairs and maintenance services.

Opportunities Return to top

In order to expand routes, additional aircraft will be needed by new and existing airlines. The Law number 1/2009 requires that by 12 January 2012, scheduled airline companies have to operate 10 units of aircraft with five of them owned by companies. Although not all of these firms intend to buy new aircraft, there are excellent opportunities for U.S. aircraft leasing companies to lease their aircraft to Indonesian airlines. In addition, with more aircraft in operation in Indonesia, there will be a greater need for more aircraft spare-parts and maintenance services in the near future. Similarly, leasing and sale of helicopters for mining and petroleum industries provide another opening for American products and services.

With the USG policy allowing export of defense equipment to Indonesia, there are also opportunities for U.S. defense manufacturers to export fighter aircraft parts and other defense related equipment to the Indonesian military.

Web Resources Return to top

PT Garuda Indonesia: www.garuda-indonesia.com
PT Merpati Nusantara: www.merpati.co.id
PT Lion Mentari Airlines: www.lionair.co.id
PT Pelita Air Services: www.pelita-air.com
PT Batavia Air: www.batavia-air.co.id
PT Sriwijaya Air: www.sriwijayaair-online.com

Computer and Peripherals

Overview

Return to top

Unit: USD Millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	1,634	1,818	1,999	2,198
Total Local Production	477	519	571	628
Total Exports	0	0	0	0
Total Imports	1157	1,299	1,428	1,570
Imports from the U.S.	408	454	499	549
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

There are no locally manufactured computers in Indonesia. The total local production figures indicated above refer to locally assembled computers as all or most of the components are imported.

In addition to the figures listed above for U.S. imports, a considerable amount of indirect imports enter Indonesia through other countries. Several U.S. manufacturers such as Dell, ATI, Cisco, Hewlett Packard (HP), Intel, Maxtor, Seagate, and Sun Microsystems have manufacturing plants in Asian countries from which American firms' products indirectly enter the Indonesian market through intra-Asia distribution channels.

Total PC sales in 2011 are expected to reach around three million units from two and a half million units in 2010. In the commercial segment, small and medium size companies are the largest users of desktops, accounting for 70 percent of sales. Server x86 and Unix have the largest server market share, accounting for 40 percent and 36 percent, respectively. Sun Microsystems controls 58 percent of the Unix market share, followed by HP (21 percent) and IBM (16 percent).

The Indonesian PC market is dominated by Acer, HP, Dell, Lenovo and Toshiba. While locally assembled PCs from imported components, such as Ion, Reliance, Zyrex, Mugen, Axioo, and Access, dominate the non-business market. Most local PC brands use imported components such as: Intel and AMD processors; Memories/DRAM from Korea, Japan and the U.S.; and motherboards, mice, keyboards and peripheral cards from Taiwan and China.

Sub-Sector Best Prospects

Return to top

An increasing number of ultra lightweight notebooks have recently emerged in the Indonesian market. This type of notebook is mostly used by corporate executives as they tend to travel more frequently and want lighter computers.

Data storage products are predicted to have a 40 percent gain in the Asia Pacific region, including Indonesia. American brands such as EMC, HP, IBM, Dell, and Netapp are leading players in the data storage market, followed by Hitachi of Japan.

Opportunities

Return to top

Indonesia’s computer market offers potential for U.S. companies. PCs, laptops, servers, data storage, and networking equipment offer the best prospects.

Web Resources

Return to top

Indonesian State Ministry of Communication and Information: www.depkominfo.go.id
Indonesia Computer Business Association: www.apkomindo.or.id

Education and Training

Overview

Return to top

	2009	2010	2011 (estimated)	2012 (estimated)
Number of University Students	3,200,000	3,360,000	3,528,000	3,704,400
Students Going Abroad	51,500	54,000	56,700	59,535
Students Going to U.S.	7,509	6,943	7,640	8,400

Note: The above statistics are unofficial estimates

Indonesia has a long history of sending students to study abroad. With a population of 237 million, Indonesia offers a huge potential market for U.S. providers of secondary, tertiary, and vocational education. In 2010, around 6,943 Indonesian students studied in the United States. Approximately 62 percent of these Indonesian students are pursuing undergraduate degrees while 23 percent are in graduate studies. Indonesia is the eighteenth-leading place of origin for students coming to the United States and ranked number three in Southeast Asia after Vietnam and Thailand.

In the past five years, Indonesian students have studied at approximately 500 institutions in the United States, with 34 percent of the students studying at the twenty most popular colleges. Forty-six percent of Indonesian students study in the following five states: California (21%), Ohio (8%), Washington (7%), Massachusetts (5%), and Oregon (5%).

Sub-Sector Best Prospects

Return to top

The majority of students from Indonesia study at the undergraduate level (63%), followed by the graduate level (23%). Fields of interest in graduate studies include: MBA and/or other business-related fields (such as International Business, Finance, Marketing, and Accounting), Computer Science and Engineering studies.

Opportunities

Return to top

U.S. universities and community colleges may become more visible in the Indonesian market through participation in education fairs and/or by working with recruitment agencies. This latter method is popular with prospective Indonesian students and their parents, because in addition to answering questions about schools abroad, the agencies help with registration with universities, accommodation arrangement, airport pickup, and visa application. Indonesians normally prefer one-stop package arrangements like this.

In addition to recruiting Indonesian students to study in the United States, U.S. universities and community colleges can enter the Indonesian market in several ways. To overcome the competitive disadvantage of the relatively high cost of obtaining U.S. education, the "2+2" program is becoming popular. Under this program, students spend the first two years in local universities and they are transferred to foreign universities for the final two years to obtain their undergraduate degrees.

Web Resources Return to top

American-Indonesian Exchange Foundation (AMINEF)
Educational Advising Service (EAS)
Gedung Balai Pustaka Lt. 6
Jl. Gunung Sahari Raya No. 4
Jakarta 10720, Indonesia
Tel: 62-21-3452024, 3450704
Fax: 62-21-3452050
Website: http://www.aminef.or.id

The Office for Educational Research and Development
Ministry of National Education
Tel: 62-21-5733125, 5731665 ext. 424 & 57900405
Fax: 62-21-5721244
Website: http://www.depdiknas.go.id

The Board for National Standard in Education
Ministry of National Education,
Building A, 2nd Floor
Jl. Jenderal Sudirman, Senayan, Jakarta 12041
Tel: 62-21-5739919
Fax: 62-21-5727044
Website: http://www.bsnp-indonesia.org

The Indonesian International Education Consultants Association
(Ikatan Konsultan Pendidikan International Indonesia - IKPII)
Senayan Trade Center (STC) Lt.1
No. 97-98 Jl. Asia Afrika Jakarta 10270
Phone / Fax: 62-21 579 364 84
P.O. Box 1379 JKB 11013
Website: http://www.ikpii.com

U.S. Commercial Service
Wisma Metropolitan II, 3rd Fl.
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920
Tel: 62-21 5262850
Fax: 62-21 5262855
Website: www.Export.gov and www.BuyUSA.gov/indonesia
Contact: Ignatius Indriartoto

Electrical Power System

Overview

Return to top

Unit: USD Millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	1,112	919	1,089	1,271
Total Local Production	495	495	544	625
Total Exports	385	385	385	423
Total Imports	1,012	809	930	1,069
Imports from the U.S.	200	200	230	264
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

The power industry in Indonesia has experienced a high growth in demand, averaging 6 - 8% per annum in the last ten years. However, due the lack of infrastructure investments in the power sector between 2000-2005, Indonesia is still facing a power crisis in various areas. The current installed generation capacity is 30,940 MW, of which 5,496.4 MW is from renewable energy sources. The state-owned electricity company PT PLN generates 85% of the total capacity, while the rest comes from Independent Power Producers (IPP) and captive power. PT PLN estimated that the additional generation capacity will be 57.4 GW by 2018, of which 35.3 GW will come from PLN's power plants and 22.2 GW will come from IPP.

The government's commitment to prioritize the development of new and renewable energy and energy efficiency has been followed by establishing the Directorate General of New & Renewable Energy and Energy Conservation, through a Presidential Regulation No. 24 Year 2010, 14 April 2010. The agency launched Vision 2525 which had targetted that RE will contribute 25% of the country's electricity demand by 2025.

The GOI estimates that during 2010-2014, the total investment needed for electricity development will reach $50.4 billion. PT PLN will need $6 billion for developing transmission and distribution, and $19.7 billion for power plants. The GOI will need $11.3 billion for transmission and distribution, and Independent Power Producers will need $13.3 billion for power plant development. In 2009, $5.3 billion was invested in the sector, increased from $4.7 billion of investment in 2008. However in 2010, investment in this sector was only $4.97 billion. It is estimated that investment will reach $9.7 billion in 2011.

Sub-Sector Best Prospects

Return to top

It is estimated that the value of imported products from the U.S. will increase by another 15 percent in 2011. Indonesia imported $809 million of electrical power equipment in 2010. The market share of U.S. products was 29 percent of imports. In 2011, imported value of U.S. products is estimated to reach $230 million. The other major suppliers in Indonesia are from China, Singapore, Japan, France and Germany. Indonesian companies usually imported U.S. products directly or through an agent/distributor in Singapore.

U.S. companies are strong competitors in boilers, parts for boilers, parts for turbines, electrical generating equipment, transformers, lightning arresters, junction boxes, panel boards, and electrical conduit.

Opportunities Return to top

In the efforts to overcome the electricity shortage, the government has charged PLN with carrying out the first crash program to build coal-fired power plants with a total capacity of 10,000 megawatts. The program consists of development of 10 new coal-fired plants with a total capacity of 6,900 MW in Java, and 25 power plants with a total capacity of 3,100 MW outside Java. The total investment for developing 10 power plants in Java and 25 power plants outside Java would be $6 billion and $2.5 billion respectively. Around 8,000 MW would be developed by private companies and the rest would be produced by PLN, the state-owned electricity company. Most of the power plants developed under the first crash program operated in 2010.

The GOI issued the Presidential Decree No.4 / 2010 as a legal base for the second 10,000 MW acceleration program. The decree states that PT PLN must implement the crash program using renewable energy, coal, and gas sources of energy. The Presidential Decree also regulates that funding for this program will be born from the state budget, PT PLN, and other legal forms of funding which is regulated under prevailing laws. In developing this program, PT PLN is authorized to cooperate with Independent Power Producers (IPP) through an electricity purchase program.

During the second crash program, PT PLN will build a total of 5,118 MW and Independent Power Producers will build a total of 5,035 MW. The program will focus on developing 3,312 MW steam power plants, 3,977 MW geothermal power plants, 1,660 MW steam gas power plants, and 1,204 MW hydro power plants

Construction of power plants, transmission and distribution lines in Indonesia should bring significant commercial opportunities for U.S. companies that supply engineering services and equipment such as turbines, substations, transmission, and distribution equipment.

Web Resources Return to top

Directorate General of Electricity, Ministry of Energy and Mineral Resources
Website: http://www.djlpe.esdm.go.id/

PT Perusahaan Listrik Negara
Website: http://www.pln.co.id

Franchises

Overview

Return to top

	2009	2010	2011 (estimated)	2012 (estimated)
Total numbers of franchises	352	370	390	410
Local franchises	87	92	97	102
Foreign franchises	265	278	293	308
U.S. franchises	146	153	160	168

Note: The above statistics are unofficial estimates

Indonesia is a great long-term market for franchise businesses. The local industry started with three franchises in the 1970s and grew to some 35 franchises with 308 outlets by the early 1990s. The franchise industry began to gain widespread popularity in the early 1990s when many well-known American franchises arrived in Indonesia. By August 1997, the number of franchises reached 253 with a total of more than 2,000 outlets. The industry faced a sharp downturn in 1997-1998 as a result of the Asian monetary crisis. The industry began to recover in late 1999 when 17 new foreign and nine domestic franchises entered the market.

Presently, there are approximately 293 foreign and 97 local franchises operating in Indonesia covering a wide range of franchise sectors. American franchises dominate the franchise industry in Indonesia and hold up to 55 percent of the domestic market for foreign franchises. The estimated future growth in the franchise industry is considered to be around five percent per year.

Sub-Sector Best Prospects

Return to top

Food and Beverages (F&B) is the most popular and has the greatest potential. Other high potential sectors include education products and services (including children's education), business services, and retail (specialty stores).

Opportunities

Return to top

American franchisors dominate the Indonesian market and compete successfully with franchisors from other countries. Despite the sharp competition, Indonesia is a good potential market for foreign franchises. F&B is the best prospect.

Web Resources

Return to top

The Indonesian Franchise Association (AFI)
Jl. Darmawangsa X No. A-19, Kebayoran Baru
Jakarta 12150
Tel: (62-21) 739-5577
Fax: (62-21) 723-4761
Contact: Mr. Anang Sukandar, Chairman

Industrial Chemicals

Overview

Return to top

Unit: USD Millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	12,597	14,487	15,936	17,529
Total Local Production	6,500	7,475	8,223	9,045
Total Exports	6,276	7,217	7,939	8,733
Total Imports	12,373	14,229	15,652	17,217
Imports from the U.S.	535	764	840	924
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

The Indonesian chemical industry started to grow again in 2009 after the global economic crisis in the last quarter of 2008. The improving trend continued through 2010 as reflected by the increase in the consumption of plastic basic material from the upstream petrochemical industries. With a huge domestic market, low plastic consumption per capita, and high industry growth, the chemical industry offers promise but also faces several problems such as low utilization of production capacity, high prices for basic materials and high import prices. In addition, a lack of integration between the petroleum and petrochemical industries has become an obstacle to the industry's development.

The implementation of the ASEAN-China Free Trade Area has led the flood of imports of chemical products to Indonesia. This can be seen from the increased number of imports of some chemical products upstream and midstream. Meanwhile, exports of chemical products have not shown significant improvement due to the problem of gas supplies and surging oil prices.

Indonesia imported $12.3 billion worth of industrial chemicals in 2009. In 2010, the total import value of chemical products is estimated to reach $14 billion. Imports of U.S. products represented only 5.4 percent of the total import value. The actual import value of U.S. products could be higher than reported, because many U.S. products are imported to Indonesia through Singapore.

In 2010, U.S. imports are estimated at $764.1 million, broken down as follows: $90 million inorganic chemicals (HS 28); $241 million organic chemicals (HS 29); $38.2 million chemical pharmaceuticals (HS 30); $14.2 million other chemical fertilizers (HS 31); $20.5 million chemical dyes (HS 32); $37.2 million essential oils & perfumes (HS 33); $119.3 million other chemicals (HS 38); and $202.9 million plastic products and raw materials (HS 39).

Sub-Sector Best Prospects

Return to top

U.S. suppliers face strong competition from other countries such as Singapore, Japan, China, South Korea, Thailand, Germany and the United Kingdom. International companies such as Dow Chemical, Union Carbide, BASF, DuPont, LG, Hoechst, and Ciba Chemicals are among the significant industrial chemical players with manufacturing operations in Indonesia. In general U.S. products are well accepted, but they are perceived as high-priced products.

U.S. companies are strong suppliers of carbonates, epoxides, medicaments, ink, odoriferous mixture, make up, reaction initiators, insecticides, polyamides, polymers of ethylene, and polyethers.

Opportunities Return to top

Currently, more than 50 percent of the raw material demand from various industries such as plastic, textile, pharmaceutical, electronics, automotive components, ceramics and glass is supplied by imported products. Besides facing the shortage of raw materials, the chemical industry in Indonesia faces a lack of infrastructure facilities, inefficient and small-scale operations, and limited financial resources.

Indonesia's petrochemical industry is still heavily dependent on imports for feedstock including naphtha for olefin and condensate for aromatic. Indonesia is also still dependent on imports of inorganic chemicals. Some of inorganic chemical products have not yet been produced in Indonesia, such as aluminum, sodium cyanide and soda ash. Indonesia is one of the largest importers of pharmaceutical raw materials in the world indicating that Indonesia is a huge market for pharmaceutical chemical products.

U.S. suppliers in this industry will have opportunities to supply raw material for those various industries and to introduce new technology to develop plants in Indonesia.

Web Resources Return to top

Ministry of Industry, website: www.kemenperin.go.id
PT Pertamina, website: www.pertamina.com
Indochemical Business Report #470, 10 January 2011

Medical Equipment and Supplies

Overview

Return to top

Unit: USD Millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	538	573	611	651
Total Local Production	60	50	50	50
Total Exports	30	20	20	20
Total Imports	508	543	581	621
Imports from the U.S.	77	108	130	156
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

Indonesia is the fourth most populous country in the world and it relies heavily on imported medical equipment and supplies. This sector continues to present excellent opportunities for U.S. companies. Total imports of medical equipment grew from $508 million in 2009 to $543 million in 2010, with U.S. imports accounting for 20 percent of this market. (Note: figures in "Imports from the U.S." above may be understated as many U.S. importers import through Singapore intermediaries). Continued strong growth for this market is predicted over the next two years. Other countries vying for market share in the medical equipment and supplies include Japan, Germany, China, Korea, and the United Kingdom. Companies from China and Korea provide the greatest challenge to U.S. firms as they offer low-priced equipment. Therefore, while quality and after-sales service are essential elements, it is also important to price competitively.

Sub-Sector Best Prospects

Return to top

Life support equipment such as ventilators, anesthesia equipment, patient monitoring equipment, electro-medical equipment, ultrasonic scanning machines, diagnostic equipment, and disposable products

Opportunities

Return to top

Indonesia relies heavily on import of medical equipment and supplies and offers an excellent opportunity for U.S. manufacturers. In Indonesia, U.S., European and U.K. products are widely regarded as top quality and due to a favorable Rupiah/Dollar exchange rate, Indonesian distributors are increasingly buying U.S. products over their European and U.K. counterparts. To gain market share, U.S. companies need to aggressively pursue the Indonesian market, competing on price as well as quality and after-sale service. Financing options to distributors and end purchasers will also assist in accessing the market and increasing market share.

Web Resources Return to top

Ministry of Health, website: http://www.depkes.go.id

Mining Equipment

Overview

Return to top

Unit: USD Millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	985	1,103	1,2791	1,429
Total Local Production	360	400	460	529
Total Exports	305	366	400	440
Total Imports	930	1,060	1,219	1,340
Imports from the U.S.	294	338	388	426

Source: Central Bureau of Statistic, 2010

Exchange Rate 1USD	10,312	8,996	8.942	9,000

The GOI enacted a new Mining Law on January 12, 2009. This law is expected to provide greater certainty for investment in the industry. Under Law No. 4/2009, a company will be given a mining business license (IUP) instead of the previous Contract of Work. All new mining licenses will be granted through a tender. Although the tender process will slow down the process for developing new mining projects, it will ensure that brokers are not allowed to qualify for a mining license. Unlike the previous mining law, the new law allows foreign investors to hold up to 100% of the shares of an Indonesian mining company. However, under Government Regulation No. 23/2010, the foreign shareholders of an IUP must divest 20% of their shares after five years of production. The central government and local governments have the first priority to purchase these shares. The maximum area for a mining permit has been increased significantly. For coal mining exploration, the maximum allowable area is 50,000 ha, and 15,000 ha for coal mining production. For mineral mining the maximum allowable area for exploration is 100.000 ha and 25.000 ha for production. A mining concession will be given for 20 years, which can be extended by another 10 years, with a maximum of two extensions. The law also prohibits mining companies from exporting unprocessed ore, and states that mining companies must refine the mined product in Indonesia starting five years after the enactment of the new law (2014).

In 2010, the mineral and coal industry is still expanding as the demand for mining products like coal, tin, nickel, copper, iron ore and aluminum also increase with the improvement of the global economy. The price increase on several mineral commodities in the world market has made many mining companies to increase their production capacities. The table below shows that most mineral production for 2010 was higher than 2008 production levels.

Coal and Mineral Production

Commodity	Unit	2008	2009	2010
Coal	Ton	240,000,000	254,000,000	275,000,000
Copper Metal	Ton	655,058	868,171	989,953
Gold	Kg	64,376	105,404	111,000
Silver	Kg	226,051	232,064	323,000
Tin Metal	Ton	72,017	105,000	78,965
Bauxite	Mt	9,885,547	10,083,258	7,148,1243
Iron Ore	Mt	4,503,142	4,044,348	4,125,235
Nickel Ore	Ton	10,634,452	10,847,141	6,561,404
Ni + Co in matte	Ton	73,356	63,548	78,336
Nickel and Ferronickel	Mt	17,566	17,917	18,276
Diamond	Carat	27,688		96,000
Granite	M3	1,950,494	1,989,504	2,029,294

Source: Ministry of Energy and Mineral Resources, 2010

In 2009, investment in the mining industry reached $1.81 billion, an increased from the 2008 figure of $1.654 billion. In 2010, investment increased drastically to $3.186 billion. The government estimates that investment in 2011 will increase to $3.5 billion, supported by greater certainty after the GOI issued new mining regulations. The government had issued several regulations attached to the new mining and coal law in 2010. The implementation regulations, covering mining areas, coal and mineral businesses, mining supervision, reclamation and post mining issues, are expected to provide legal certainty and increase investors' confidence in developing their mining projects.

The value of imported mining equipment was $930 million in 2009, and it increased to $1.06 billion in 2010. U.S. suppliers held 32 percent of the total market share. Other major suppliers for mining equipment are Japan, Korea, China, Germany, Australia, Italy, and Sweden. Industry experts predict that the market will increase by 10 percent for the next two years.

Sub-Sector Best Prospects Return to top

There are significant opportunities for the supply of various mining equipment and services to be utilized in various stages of mining operations including but not limited to:

- Drilling equipment and parts,
- Trucks, moving and hauling equipment, excavators, front end loaders,
- Milling and processing equipment such as conveyors, sub mills, cyclones, crushers,
- Consumables such as pumps, chemicals and reagents, filtration equipment, explosives,
- Mine safety equipment,

- Replacement parts, and,
- Ancillary services such as equipment repair and maintenance, and mine rehabilitation.

Opportunities Return to top

Several mining companies will continue to implement part of their investment plans in 2011. Under the new law, mining companies must refine their ore in Indonesia before they can export. In order to comply with the new regulation, at least 10 mining companies plan to build smelting plants in Indonesia. PT Nusantara Smelting will build a nickel smelting plant in Bontang, East Kalimantan with a total investment of $1.04 billion. PT Smelting Gresik will build a $1.4 billion copper refinery plant in Gresik, East Java. PT Aneka Tambang, the state-owned mining company, will build three aluminum smelting plants in West Kalimantan ($250 million), in Bintan ($500 million) and in South Kalimantan ($60 million). Each of these provides opportunities for American service and product suppliers.

Web Resources Return to top

Ministry of Energy, website: www.esdm.go.id
Directorate General of Mineral, and Coal: www.djmbp.esdm.go.id
Indonesian Mining Association: www.ima-api.com
Indonesian Coal Mining Association: www.apbi-icma.com

Oil and Gas Equipment

Overview

Return to top

Unit: USD Millions

	2009	2010 (estimated)	2011 (estimated)	2012 (estimated)
Total Market Size	1,060	1,277	1,445	1,609
Total Local Production	275	350	400	460
Total Exports	150	165	180	198
Total Imports	910	1,092	1,225	1,347
Imports from the U.S.	270	324	372	427
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

The market for oil and gas equipment in Indonesia remains attractive and has a promising long-term outlook. The country's production was 954,000 barrels per day (bpd) output of crude and condensate in 2010, is slightly lower than the target of 965,000 million bpd. In 2011, it is estimated that production will be 970,000 bpd. In 2010, the GOI awarded 21 Production Sharing Contracts (PSC) for oil and gas and three coal bed methane PSCs. Currently, 232 oil and gas contractors are operating in Indonesia, of which 64 are in production stage and 168 are in exploration stage. From 64 working areas, 43 have been producing oil and gas.

In 2009, investment in the oil and gas industry reached $11.3 billion, decreasing from $12.2 billion in 2008. The investment in 2010 was $13.5 billion and it is expected to reach $14.9 billion in 2011.

Indonesia imported $1.1 billion of oil and gas equipment in 2010. Imported U.S. products represented 30 percent of the total import value. The actual import value of U.S. products could be higher than reported, because many U.S. products are imported to Indonesia through Singapore. Industry sources estimate that the market will increase by ten percent, with U.S. market share increasing in response to expanding exploration and the enhancement of existing oil fields

Recently, BP Migas issued a revised regulation called PTK 007 (revised in November, 2009), which regulates in more detail the preferences of local content for the oil and gas business. Basically, the GOI is trying to encourage the use of local products (as instructed in the Presidential Decree Keppres No 2, and Ministerial Regulation Permen No 49). For example, the decree stipulates mandatory use of a national bank in oil and gas transactions, mandatory use of local products (if local content is above 40 percent), preference to use local products (if local content is above 25 percent), and agreement to achieve certain percentages of local content for services job. The local content is verified by a third party, such as PT Surveyor Indonesia.

Sub-Sector Best Prospects

Return to top

U.S. companies are strong suppliers of parts for boring/sinking machinery, drill pipes for oil and gas, pumps, compressor/pump parts, and floating or submersible drilling production platforms.

Based on market observations and discussions with agents and distributors, drilling and production equipment has the most potential. With a total value of more than 60 percent of the total expenditure, this category includes drilling, machinery, mud equipment and accessories; production surface equipment; drilling tools and retrievable production tools; casing, tubing and accessories; cementing equipment and liner hanger systems; fishing and repair tools (drilling); drilling and mud control instruments; production well test and monitoring instruments; wellhead equipment and accessories; production string components and subsurface pumps; derricks and accessories; and geological and geophysical operating equipment.

Opportunities

Return to top

In 2011, the GOI plans to offer 39 work areas through regular tender and 11 work areas through direct offer. In addition, the government also offers 10 new CBM work areas. For more information please visit www.wkmigas.com

The GOI also plans to develop three LNG receiving terminals in Medan, West Java and East Java, city-gas distribution networks in several cities, two small refinery plants, three small LPG plants, and natural gas infrastructures for transportation.

Most of the oil and gas production (90%) in Indonesia will come from mature fields, which are continuing to decline. In its efforts to increase oil and gas production, BP Migas will reactivate oil wells. BP Migas has identified old wells in the working areas of Pertamina EP Cepu (1,967 wells), Pertamina Lirik (37 wells), Pertamina Kalila (8 wells), Kalrez (123 wells), and Chevron Pacific (236 wells). The GOI will give the opportunity to local cooperatives or state-owned regional companies to operate old wells. The secondary recovery from the mature fields provides opportunities for American firms to introduce Enhanced Oil Recovery technology (EOR).

Construction of additional oil and gas facilities in Indonesia should bring significant commercial opportunities for U.S. companies that supply engineering services and equipment such as compressors, metering systems, and pumps.

Web Resources

Return to top

P.T. Perusahaan Gas Negara (PT PGN), website: www.pgn.co.id
PT Pertamina, website: www.pertamina.co.id
Ministry of Energy and Mineral Resources, website: www.esdm.go.id
BP Migas, website: www.bpmigas.com

Retail

Overview

Return to top

Unit: USD Millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Retail Sales	8,800	9,680	10,650	11,715
Generated by Local Retailers	7,150	7,865	8,650	9,515
Generated by Foreign Retailers	1,650	1,815	1,995	2,200
Generated by U.S. Retailers	33	36	41	45
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

The GOI opened the retail industry to foreign investment in 1998 following a letter of intent which the GOI signed with the International Monetary Fund (IMF) to revive Indonesia's ailing economy. Soon after the 1998 liberalization, many big foreign retailers began to invest in Indonesia. Foreign retailers have been particularly active in the hypermarket and department store sectors.

The continuous growth of the retail industry has been driven mostly by strong domestic consumption, serving as a primary factor that supports Indonesia's economy. In 2010, total sales of Indonesia's retail industry were expected to reach $9.68 billion, generated by more than 8,000 non-traditional retail outlets throughout the country.

Competition in the Indonesian retail industry has been very sharp, especially after the entrance of foreign retailers. While some foreign retailers failed and closed down their outlets, many are successful and expanding their business. In Indonesia, there is no regulation governing where a retailer can establish outlets. As a result, many large retailers are strategically located in the heart of Indonesia's big cities and compete directly with smaller retailers.

Sub-Sector Best Prospects

Return to top

Hypermarkets

In Indonesia, most hypermarkets are located strategically in heavily populated areas in many big cities, and examples include Carrefour, Hypermart, and Lotte. Consequently, hypermarkets attract many customers every day and compete directly with supermarkets and mini-markets. In the near future, the hypermarket business is expected to expand significantly as many major players are planning to open more outlets all over Indonesia.

Mini-Market

In terms of total sales turnover, mini-markets do not contribute significantly to the Indonesian retail industry. However, mini-markets have enjoyed substantial growth in recent years. As most mini-markets are franchises, their networks have been growing rapidly over the last few years. With a comfortable shopping ambience, a targeted range of products, competitive prices, and easy accessibility, the mini-markets have been gaining popularity and establishing a solid presence in residential and business areas. In the mini market business, Circle K is the leading foreign company in Indonesia and has been competing against local companies. 7-11 announced a partnership with an Indonesian franchisee, and stores opened in 2010.

Specialty Shops

Specialty shops have also been gaining popularity in Indonesia as they provide opportunities for customers to compare products from many different suppliers prior to making a purchase. They usually attract serious customers, display their products in an attractive fashion and maintain reasonable prices. Most specialty shops also employ an ample, knowledgeable sales promotion staff that is ready to assist customers. With the proliferation of malls in Indonesia, specialty shops are expected to expand rapidly and gain market share from other retail competitors. In Indonesia, specialty shops are available in many product lines, and examples include Electronic City, Guardian, and the Body Shop.

Opportunities

Return to top

The presence of U.S. retailers in Indonesia has been significant in the areas of specialty shops and mini markets. Specialty shops like Ace Hardware and Athlete's Foot now have a strong presence in Indonesia.

Web Resources

Return to top

The Association of Indonesian Retail Business (APRINDO)
E-Trade Building, 1st Floor
Jl. K.H. Wahid Hasyim No.55
Jakarta 10350
Tel (62-21) 315-4241, 391-8545
Fax (62-21) 3192-3267
Email aprindo@cbn.net.id

Telecommunications

Overview

Return to top

Unit: USD Millions

	2009	2010	2011 (estimated)	2012 (estimated)
Total Market Size	6,081	6,689	7,294	7,997
Total Local Production	486	515	530	556
Total Exports	57	58	58	59
Total Imports	5,652	6,202	6,822	7,500
Imports from the U.S.	570	605	635	667
Exchange Rate 1USD	10,312	8,996	8.942	9,000

Note: The above statistics are unofficial estimates

Since 2002, the country's telecommunications sector has been undergoing major regulatory restructuring to liberalize the telecommunications sector. The monopoly of major operators in Indonesia - PT Telkom, PT Indosat, and PT Satelindo was terminated. PT Telkom's exclusive right in operating domestic and long-distance fixed lines was terminated. PT Indosat and PT Satelindo lost their exclusive rights to operate international services. At present Indonesia has around nine million fixed-lines telephones, representing a teledensity of around four lines per 100 people. To stimulate the development of country's teledensity rate, PT Telkom, PT Indosat, PT Bakrie, and PT Smart Telecom deployed CDMA fixed-wireless service.

The Indonesian cellular market is heating up and potentially lucrative as demand for mobile phones continues to increase. With around 160 million postpaid and prepaid subscribers (cellular and fixed-wireless) by December 2010, there is a penetration rate of 66 percent. In reality, the penetration rate is only around 50-55 percent as many subscribers have two or more cellular numbers from different operators. Subscribers seek lowest rates for "on-net" calls and/or free internet access bundled with the subscriptions.

The new services offered by operators are using inexpensive handsets capable of browsing the internet, chatting, and accessing social networks websites such as Facebook and Twitter. These services will generate more ARPU (Average Revenue Per User) for the operators, much more than the voice calls. The operators are also upgrading their networks and base stations to be able to sell more bandwidth to users using 3G and CDMA technologies. The local content or multimedia services is still lacking, and only a limited e-transaction system like m-banking is available.

CAPEX for nine operators (GSM and CDMA) is expected to reach $7 billion in 20110. The shape of the market is expected to undergo change as a number of new operators, with foreign partners, like Singapore Telecommunications Limited (Singtel), SingaporeTechnologies Telemedia (STT), Telecom Malaysia, Maxis, and Hutchinson, Qatar telecom enter the market. New players such as AMDOCS, Telecom Italia, France Telecom, Deutsche Telekom, Sofrecom and DeTeCon are also coming into the market, bringing new technology and business tools to upgrade the networks and systems, e.g. billing system, value added services, and technology deployment management.

The trend to go “full IP” which will enable seamless implementation to 3G and new applications based on the internet, has opened new opportunities, like new BTS, handsets, backhauls, service platforms, and even new billing software.

Sub-Sector Best Prospects

Return to top

Base transceiver stations, switching, ancillary and transmission equipment, and cellular handsets, content providers, broadband wireless access, 3G/UMTS base stations, Wimax Base Stations, and Wimax CPE.

Opportunities

Return to top

Indonesia’s telecommunication infrastructure market has good potential for wireless equipment, services and content provider companies. The rapid expansion of the country’s cellular and fixed-wireless networks has driven increased spending for telecom infrastructure. The entry of international firms as investors poses opportunities for American firms to parlay their relations with international firms into business to improve the equipment and infrastructure in Indonesia. New services, functionality (applications), and enhancement of older technology, on top of existing infrastructure, are attractive to both operators and subscribers.

Web Resources

Return to top

Indonesian State Ministry of Communication and Information: www.kominfo.go.id

Agricultural Sectors

Return to top

Cotton

Cotton, wheat, and soybeans are the leading U.S. agriculture exports to Indonesia. Indonesia is the third largest importer of cotton from the United States. Local production meets only 0.5 percent of total demand from the textile and textile products industry. For marketing year (MY) 2010/11, Indonesian cotton imports are expected to decrease slightly to 2.2 million bales. Despite the higher prices of U.S. cotton, as compared to cotton from other suppliers, the United States continues to hold the largest market share in Indonesian cotton imports with a 53.5 percent share in MY 2008/09.

Exports of U.S. Cotton to Indonesia ($US Million)

2004	2005	2006	2007	2008	2009	2010*
285.6	277.6	275.8	340.5	454.6	235.4	235.8

* Jan-Nov 2010

Exports of U.S. Cotton to Indonesia (Thousand Tons)

2004	2005	2006	2007	2008	2009	2010*
196.2	231.1	204.8	241.6	276	186.3	127.5

* Jan-Nov 2010

Soybeans

Indonesia is the world's second-largest consumer of soybeans for direct human consumption. Per capita consumption of soybeans, primarily in the form of tofu and tempeh, is about ten kilograms annually. FAS Jakarta predicts that soybean consumption will continue to grow relative with the overall population growth. Indonesia imported nearly 1.5 million ton of soybean in MY 2009/2010. Tempe and tofu manufacturers continue to prefer U.S. soybeans over other suppliers, because of a preference for the texture and quality. Tempeh and Tofu account for 95 percent of Indonesian domestic soybean consumption. Historically, soybean requirements for Tempeh and Tofu grow by two percent and three percent respectively. The remaining five percent of soybean imports are used by other food industries such as soy milk, soy powder, soy sauce, and snack. The soybean consumption for products other than tofu and tempeh has grown by about 7.5 percent annually. Indonesia consumed 2.25 million tons of soybeans in MY 2009/2010.

Exports of U.S. Soybeans to Indonesia ($US Million)

2003	2004	2005	2006	2007	2008	2009	2010*
324.4	263.8	302.2	288.3	401.5	589.7	618.1	710.5

* Jan-Nov 2010

Exports of U.S. Soybeans to Indonesia (million MT)

2003	2004	2005	2006	2007	2008	2009	2010*
1.28	0.9	1.16	1.18	1.26	1.26	1.49	1.65

* Jan-Nov 2010

Consumer Ready Food Products

The expansion of modern retail outlets in major urban areas throughout Indonesia, such as hypermarkets, supermarkets, and mini markets that have refrigeration and storage facilities provides good prospects for imported U.S. consumer-ready food products. The growth of franchise restaurants such as fast food, casual dining café's, international and family style restaurants (specializing in Western and other non-Indonesian foods), food courts, as well as four and five-star hotels catering to the tourist industry also increased demand for imported food products. The introduction of new domestically produced food products, aggressive promotional activities, growth of modern retail outlets, customer sophistication, and growing health consciousness has driven the growth of the food-processing sector. This progress provides a potential market for U.S. food and agricultural ingredients, especially dairy products.

More consumers are expected to make purchasing decisions based on health and wellness concerns. Dairy and fresh fruit products are considered healthy. Dairy products used as an ingredient for baby foods and toddler milk formulas lead this category. Snacking is a part of the Indonesian culture. With exposure to western-style foods and increases in snacking, U.S. snack food exports to Indonesia are expected to continue increasing.

Exports of U.S. Consumer Ready Food to Indonesia ($US Million)

	2005	2006	2007	2008	2009	2010*
Dairy products	61.4	89.4	136.3	209.2	65.8	143.2
Fresh fruit	37.6	37.4	43.2	59.6	69.5	87.6
Red meat	17.7	0	0	4.9	5.7	22.9
Processed fruit & vegetables	16.4	21.4	27.6	27.5	28.1	29.6
Snack food (excl nuts)	9.3	7.5	5.6	6.3	3.2	4.5
Tree Nuts	2.2	2.6	4.6	3.0	2.7	4.8
Total	144.6	158.3	217.3	310.5	158.1	292.6

*Jan-Nov 2010

Wheat

Indonesian imports of wheat in MY 2009/10 are estimated to increase by seven percent to 5.56 MMT, compared to the previous MY 2008/09 of 5.2 MMT. Several new flour millers and multinational food manufacturers are coming into the market. In MY 2008/09, due to its geographical proximity to Indonesia, Australia held the largest market share of imported wheat to Indonesia (45 percent), followed with Canada (16 percent) and the United States (14 percent). The noodle industry makes up about 50 percent of overall Indonesian wheat flour consumption, followed by the bakery and biscuit industry (40%), fried meals (5%), and household use (5%).

Exports of U.S. Wheat to Indonesia ($US Million)

2004	2005	2006	2007	2008	2009	2010*
18.5	26.8	59.7	236.1	363.9	152.7	121.1

* Jan-Nov 2010

Exports of U.S. Wheat to Indonesia (Thousand Tons)

2004	2005	2006	2007	2008	2009	2010*
108.8	162.7	348.6	1,042	927.3	669.7	537.7

* Jan-Nov 2010

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs Return to top

Indonesia's simple average bound tariff remained at 37 percent in 2010, while its simple average applied tariffs are around seven to eight percent. Most tariffs are bound at 40 percent, although tariff bindings exceed 40 percent or remain unbound on automobiles, iron, steel, and some chemical products. U.S. motorcycle exports are severely restricted by the combined effect of a 60 percent tariff, a luxury tax of 75 percent, a ten-percent value-added tax, and the prohibition on motorcycle traffic on Indonesian highways.

In the agricultural sector, tariffs on more than 1,300 products have bindings at or above 40 percent. Tariffs on fresh potatoes, for instance, are bound at 50 percent, although applied rates are 25 percent. Local agriculture interests continue to lobby the government to increase tariff rates above bound WTO levels on sensitive agricultural products, such as sugar, soybeans, and corn.

Under the ASEAN Free Trade Agreement, import duties from ASEAN countries are bound at zero to five percent, except for products included in the Exclusion List. Indonesia has lowered 1,571 (60.5 percent) of its tariff lines to zero percent for ASEAN countries in line with its commitments.

Trade Barriers Return to top

- Tariffs

In accordance with the WTO Agreement on Agriculture, Indonesia agreed to eliminate non-tariff barriers on agricultural products, and replace them with tariffs. In the agricultural sector, 1,341 tariff lines have bindings at or above 40 percent, including the most sensitive and heavily protected sectors. Local content regulations on dairy products were eliminated. In the current Doha round of negotiations, Indonesia has been advocating special product exemptions from tariff reductions for rice, sugar, soybeans, and corn.

Domestic agricultural interests put pressure on the GOI for protection from international competition. However, with some notable exceptions, the GOI has resisted such pressure. Since December 2007, rice imports have been subject to a specific tariff of Rp450 per kilogram. The Ministry of Agriculture (MOA) continues to propose increasing the tariff further in order to protect local farmers, but the GOI has not implemented this measure. However, in an attempt to provide higher levels of imports rice to the domestic market, in December 2010 the GOI eliminated the import duty for rice. This regulation will reportedly remain in effect until March 31, 2011. Local agricultural interests also have lobbied the government to increase bound tariff rates on sensitive agricultural products, such as sugar and soybeans.

There remains a large gap between the letter of a particular regulation and the reality. Domestic interests often take advantage of the non-transparency of the legal and judicial systems to undermine regulations or law enforcement to the detriment of foreign parties. New laws on regional autonomy and fiscal decentralization have granted significant new powers to the provincial and sub-provincial governments. The potential exists that local governments will impose tax or non-tax barriers on inter-regional trade as they seek new sources of local revenue.

- Non-Tariff Barriers

The National Food Logistics Agency's (Bulog) main duties are procuring domestic husked paddy rice during the harvest period at the Government Purchasing Price (HPP = Harga Pembelian Pemerintah), distributing rice to the poor under the Rice for the Poor program, distributing rice during emergencies, natural disasters, and managing government rice reserves. Furthermore, Bulog has a license to import rice to meet the government rice reserve secure level, and to maintain price stability should domestic rice production not be sufficient to meet demand.

In April 2008, the Indonesian government announced that the National Logistics Agency (BULOG) would have exclusive authority to import rice for purposes of food security and price management. Imports are not permitted before, during, and immediately after the main harvest period, effectively the first quarter of the year. Private firms can import rice for special purposes only, such as for seed and specialty rice, but they must obtain a special importer identification number issued by the MOA.

Domestic rice producers continue to receive government protection from imports through a quota and licensing scheme. This effectively limits rice imports to remote markets and has the effect of keeping rice prices artificially high for domestic producers.

Indonesia continues to enforce a ban on imports of chicken parts, which has been in place since 2000. U.S. industry estimates the value of lost exports at $10 million or more per year. In the October 2009 Indonesia declared that U.S. Islamic centers are no longer authorized to certify any U.S. poultry as halal, including ducks or turkeys. This measure effectively bans all U.S. poultry exports to Indonesia.

The GOI agreed to allow full market access for imports of all U.S. beef and beef products in 2008; however the government requires pre-approval of each individual

U.S.-based exporter's halal processes prior to exporting to Indonesia. U.S. exporters complain Indonesia's halal approval process is slow, burdensome and lacking in transparency. The United States continues to work with Indonesia to ensure that that the approval process is conducted in a fair, indiscriminate and transparent manner.

The GOI also imposes de facto quantitative restrictions on imports of meat and poultry products by requiring an Importer Letter of Recommendation ("Surat Rekomendasi Importir"). In approving requests for such letters the GOI can arbitrarily alter the quantity allowed to enter, raising concerns that these Letters of Recommendation are being used to limit imports.

A new Indonesian Ministry of Finance regulation imposed new import duties on alcoholic beverages containing ethyl alcohol as of April 7, 2010. This regulation effectively changed the tariff from an ad valorem tariff to a specific tariff. Previous import duties were based on the percentage of the CIF. The new tariff is from Indonesian rupiah (Rp.) 14,000/liter to Rp. 125,000/liter. However The Indonesian Ministry of Finance recently eliminated the luxury tax on alcoholic beverages, and increased the excise tax and it range from Rp 11,000 to Rp. 130,000 per liter.

A new Indonesian Ministry of Trade regulation will allow registered importers of alcoholic beverages to import duty-paid alcoholic beverage products as of January 2010. Previously, duty-paid and duty-free alcoholic beverages were imported only through a state owned company, as was directed by the Ministry of Trade. The regulation states that the companies that import duty paid alcoholic beverages must apply for an imported-alcoholic beverages permit (IT-MB) through the Directorate General of Foreign Trade. To apply for an IT-MB, each importer must obtain an appointment letter from at least 20 manufacturers or brands, and purchase a minimum of 3,000 carton/brand/year. This letter of appointment must be notarized by public notary of the country of origin. The permit is valid for three years and can be extended. There is a total of eight licensed importers and one is a state-owned company.

The Indonesian Customs Service uses a schedule of arbitrary "price checks" rather than actual transaction prices on importation documents for assessing duties on food product imports. While Indonesian government officials defend this practice on the basis of combating "under invoicing," they do not publicize the list or the methods used to arrive at those prices. As a result, although most food product import tariffs remain at five percent, the effective level of duties can be much higher. In addition, the USG has received complaints from importers about costly delays in customs processing and requests for unofficial payments to customs officers. The United States will continue to raise its concerns on these issues with the GOI.

As of November 19, 2009, the Ministry of Agriculture's Quarantine Agency recognized the U.S. Fresh Food of Plant Origin (FFPO) Safety Control, per the requirement under Ministry of Agriculture Regulation No. 27/2009 and 38/2009. Through this recognition, eligible FFPO products do not require certificates of analysis documents to be able to enter Indonesian points of entry.

Indonesia has established policies on biotechnology, but it does not appear to have a unified science-based framework to implement its regulations and has made little progress on biotech policy development. While some field testing is underway, there are no transgenic seed crops approved for release and Indonesia does not produce any biotech crops. With the exception of certain soybean products (soy flour), no trade constraints based on biotechnology content have been introduced or enforced. The Indonesian government's Biosafety Committee for Transgenic Products is responsible for implementing regulations for biotechnology and initiating assessments for product approvals. The committee has completed biosafety assessments for biotech corn and cotton, and herbicide tolerant corn and soybeans. These products cannot be released into the market until a food safety assessment is completed. Indonesia issued its Guidelines of Food Safety Assessment on Genetically Modified Product in July 2008. Currently the Biosafety Committee for Transgenic Products declared that corn NK603 and corn MON89034 are safe for food consumption. Therefore, it's expected these two transgenic products will be fully commercialized this year. The United States will continue to highlight the value of biotechnology to Indonesia officials.

In May 2005, Indonesia notified the WTO of its intention to establish fresh fruit and vegetable import requirements. Implemented in 2006, this decree fails to recognize pest-free areas in the United States for all fruits with the exception of grapes. The GOI currently recognizes in-transit cold treatment for apples, cherries, pears, stone fruit, and other U.S. fresh fruits.

- Other Barriers

U.S. industry reports that illegal logging activity in Indonesia results in lost trade opportunities for U.S. producers in Indonesia and third-country markets. In addition, the illegal activity results in lost revenue to the Indonesian government as well as significant environmental damage. Indonesia recognizes the seriousness of the issue and is taking steps to address it, including by working with the United States under the auspices of a 2006 Memorandum of Understanding on Combating Illegal Logging and Associated Trade. Under this agreement, the two governments held three meetings last year and are developing a multi-year action plan to address the trade aspects of the illegal logging problem.

Import Requirements and Documentation

Return to top

The GOI requires extensive documentation prior to allowing import of goods. Local customs brokers are acquainted with the procedures and required format of the documentation. At minimum, the U.S. exporter or his agent must provide a pro-forma invoice, commercial invoice, certificate of origin, bill of lading, packing list, and insurance certificate. In addition to those documents additional certificates are often required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

The process of providing the documentation includes a requirement that the importer notify the Customs Office prior to arrival of goods and submit import documents electronically through the electronic data interchange (EDI) in a standardized format placed on flash drives.

U.S. Export Controls

Return to top

On November 16, 2005 the Executive Branch, in accordance with the provisions of Section 599(b) of the Fiscal Year 2006 Foreign Operations, Export Financing, and Related Programs Appropriation Act, waived restrictions placed on the export of lethal defense articles and related defense services for end use by the Indonesian Armed Forces. Applications are processed on a case-by-case basis, in accordance with standard practice. Detailed information is available at: www.pmdtc.org

Temporary Entry

Return to top

The GOI encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are a number of EPZs in Indonesia, the most well known being Batam Island, located 20 kilometers south of Singapore. Indonesia also has several bonded zones or areas that are designated as entry ports for export destined production (EPTE). Companies are encouraged to locate in bonded zones or industrial estates whenever possible. Other free trade zones include a facility near Tanjung Priok, Jakarta's main port, and a bonded warehouse in Cakung, also near Jakarta.

There is a duty drawback facility (BAPEKSTA) for exports located outside the zones. Foreign and domestic investors wishing to establish projects in a bonded area must apply to the Capital Investment Coordinating Board (see Chapter VI, Investment Climate.)

Labeling and Marking Requirements

Return to top

The GOI implements the Consumer Protection Law by requiring registration of imported food products. Importers must apply for a registration number (ML) from the Agency for Drug and Food Control (BPOM).

Indonesia's food and drug agency (BPOM) must individually approve every shipment of processed food, food raw materials, and other food-related ingredients imported into Indonesia. The resulting bureaucratic requirements are inefficient, burdensome and costly to U.S. exporters. U.S. industry also expresses concern that the testing, ingredient and processing requirements for imported packaged food products sometimes require companies to reveal proprietary business information. Some companies have discontinued or reduced sales to Indonesia as a result of BPOM's enforcement of this requirement.

Indonesia issued a regulation in 1999 requiring a label and a special logo on packaging of food containing transgenic ingredients, but has not yet enforced this requirement due to implementation concerns, including Indonesia's limited testing capabilities. The GOI has also been gradually implementing a strict food labeling law that requires labels written only in the Indonesian language on all consumer products. Labels may include any other languages, but the main part of the label should be in the Indonesian language. The BPOM officer determines whether to accept the label or applied sticker. U.S. companies, who generally design labels to accommodate several export markets (often in several languages), have concerns about this requirement, which makes it cost ineffective to export smaller volume products.

Indonesian regulations require labels identifying food containing "genetically engineered" ingredients and "irradiated" ingredients. However, the GOI has just started to implement these requirements.

Prohibited and Restricted Imports

Return to top

In December 2010, Minister of Trade issued Decree No. 57/2010, concerning the provisions on certain product imports. The decree regulates seven categories of products including food and beverages, ready-to-wear clothes, footwear, electronics, toys, traditional and herbal medicine, and cosmetics. The measure includes a requirement for pre-shipment verification by designated surveyors at importers' expense and a restriction on imports to seven designated seaports, but to any international airport.

In May 2008, Indonesia introduced new import restrictions for plantation white sugar. The United States has raised concerns with Indonesia that the new regulation will further limit sugar imports, which already are highly restricted as a result of existing regulations. The United States will continue to press Indonesia to withdraw this new regulation.

The Indonesian government requires an import permit from the Directorate General of Livestock Services for imports of animal-based food products. In approving requests for such letters, the Indonesian government arbitrarily may alter the quantity it allows to enter. U.S. industry estimates the annual trade impact of this restriction to be between $10 million and $25 million.

Indonesia bans salt imports during the harvest season. It requires salt importers to be registered and to source products locally.

As a result of new mining legislation, mining firms operating in Indonesia will face new restrictions in exporting unprocessed ore. The legislation will require them to process the ore in Indonesia before shipping it abroad. The United States will closely monitor implementation of the law to ensure that it does not constitute an export ban on raw materials.

Customs Regulations and Contact Information

Return to top

Since April 1997, the Customs Directorate of the Ministry of Finance has operated a post-entry audit system, which relies primarily on verification and auditing rather than inspection to monitor compliance. A paperless electronic data interchange system that links importers, banks, and Customs was also introduced and is slowly being adopted. Indonesia is in nominal compliance with the WTO Customs Valuation Agreement, but U.S. companies operating in Indonesia have reported problems with Customs procedures and valuations. Many complain of a host of irregular and non-transparent fees to get shipments released. The USG continues to monitor the situation, and assist as needed.

To curb corruption and expedite customs clearance, the GOI requires that Indonesian importers pay import duties and taxes at one of the 45 appointed state-owned and private-owned banks. The system enables an importer to make an online payment, and the corresponding bank automatically confirms the payment with the customs office. This payment system is a part of Indonesia's reform program for the customs office to increase its performance as a trade facilitator and revenue collector.

The House of Representatives approved an amended Customs Law on October 18, 2006 that intended to cut red tape for importers and exporters and imposes stiffer sanctions on smugglers. The revision is part of the GOI's effort to improve Indonesia's business and investment climate by overhauling taxation, investment, and customs and excise statutes. Article 5 of the new law makes a potentially important change for importers and exporters by allowing them to submit customs clearance documents electronically. Article 102 increases the penalties for individuals convicted of smuggling up to a maximum of 20 years in prison and a fine of up to Rp.100 billion ($10.8 million). The law also increased by a third penalties for customs officials involved in smuggling.

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Standards Return to top

- Overview
- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations
- Labeling and Marking
- Contacts

Overview Return to top

Rapid growth of international trade has resulted in the development of product and service standardization in all industrial sectors. Products and services exported to a foreign market must meet standard requirements in order to be successful. Standards could also be used as a non-tariff barrier to protect a country's domestic economy from the flow of foreign products and services.

At present, standards are commonly used in most Indonesian industries. The GOI and related industrial players have been very active in formulating standards for products and services, which are either locally manufactured or imported and exported.

Standards Organizations

Return to top

The Indonesian Standardization Agency is

The National Standardization Agency
Badan Standardisasi Nasional (BSN)
Manggala Wanabakti Blok IV, 4th Floor
Jl. Jendral Gatot Subroto, Senayan
Jakarta 10270
Tel (62-21) 574-7043, 574-7044
Fax (62-21) 574-7045
Web www.bsn.or.id

NIST Notify U.S. Service
Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: http://www.nist.gov/notifyus/

Conformity Assessment

Return to top

In line with the economic globalization and the WTO's "Standard Code" on Technical Barriers to Trade (TBT), the role of standards and conformity assessment has become very crucial. In order to successfully compete in the global market, the GOI formulates its national standards with reference to regional and/or international standards.

In order to ensure that certain standards have been complied with a conformity assessment mechanism is required. Moreover, the available scheme of Mutual Recognition Arrangements (MRAs) in the area of standard and conformity assessment should be used as the basis of recognition on product certificates and/or test reports when trade transaction cross inter-country territories.

Product Certification

Return to top

At present, product certification is required. According to the Government Regulation on National Standardization, the only national standards are Indonesian National Standards (SNIs). Institutionally, BSN is responsible for the formulation of the SNIs, whereas the task on accreditation is given to the National Accreditation Committee (KAN). SNIs are formulated in accordance with the nationally agreed mechanism of standard formulation and normally aligned with similar regional or international standards whenever possible.

Accreditation
[Return to top](#)

The National Accreditation Committee (KAN) is the formal accreditation body. The main function of KAN is to establish an accreditation system in Indonesia and to grant accreditation in certain fields including testing and calibration laboratories, certification bodies and inspection bodies.

Currently, KAN has been operating an accreditation system for testing and calibration laboratories, certification bodies that consist of ISO 9000 quality system certification bodies, ISO 14000 series environmental quality system certification bodies, personnel certification bodies, product certification bodies, HACCP certification bodies, and inspection bodies.

Publication of Technical Regulations
[Return to top](#)

There are two publications issued by BSN on technical regulations, namely "Sistem Standarisasi Nasional" (National Standard System) and "Info Standarisasi" (Standardization Information). Both publications are available at the BSN Library at the following address:

Library of the National Standardization Agency
Badan Standardisasi Nasional (BSN)
Manggala Wanabakti Blok IV, 3rd Floor
Jl. Jendral Gatot Subroto, Senayan
Jakarta 10270
Tel (62-21) 574-7043, 574-7044
Fax (62-21) 574-7045
www.bsn.or.id

Labeling and Marking
[Return to top](#)

All imported consumer goods must identify the importing agents, typically accomplished by affixing a label after goods have cleared customs. The GOI requires that information on product labels be distinctly and clearly written or printed or shown so that it can be seen easily and understood. The information on product labels should be written or printed in the Indonesian language, Arabic numbers, and Latin letters. The use of language, numbers, and letters other than the Indonesian language will only be permitted when there are no matching terms, or in the event of trading abroad.

Labeling should not contain the following: claims on the effect of the product on health, whether preventative and/or curative; incorrect or misleading information; comparisons to other products; promotion of certain similar products; and any additional information that has not yet been approved.

Contacts
[Return to top](#)

Badan Standardisasi Nasional (BSN)

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Trade Agreements Return to top

Indonesia is a member of the World Trade Organization (WTO) and the Association of Southeast Asian Nations Free Trade Agreement (AFTA). As a member of AFTA, Indonesia committed to reduce tariff and non-tariff barriers and investment restrictions. Under AFTA, the six original ASEAN members (Indonesia, Malaysia, Singapore, Thailand, the Philippines and Brunei) agreed to reduce import duties to five percent or less by 2010, and by 2015 for the four newer members (Vietnam, Laos, Burma and Cambodia).

The United States and Indonesia signed a Trade and Investment Framework Agreement (TIFA) in 1996, which was designed to build stronger economic ties. Indonesia signed an Economic Partnership Agreement (EPA) with Japan in July 2008. Under EPA, Indonesia will be exempted from 90 percent of Japan's 9,275 import duties, and Japan will be exempted from 93 percent of Indonesia's 11,163 import duties.

As a member of ASEAN, Indonesia signed a trade agreement with China and South Korea. ASEAN is negotiating FTAs with the European Union, India, Australia and New Zealand. Indonesia is also exploring the feasibility of having a trade agreement with the European Free Trade Association (EFTA) which consists of Switzerland, Liechtenstein, Norway and Iceland.

Web Resources Return to top

ASEAN Free Trade Area (AFTA): www.aseansec.org/19585.htm
ASEAN Tariff database: www.us-asean.org/asean/aftatariffs.asp
Agency for Drug and Food Control (BPOM): http://www.pom.go.id
Directorate General of Custom and Excise: http://www.beacukai.go.id
The Indonesian Standardization Agency (BSN): http://www.bsn.or.id

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment

Return to top

Indonesia maintains significant and far-reaching foreign investment restrictions. Its investment climate continues to be characterized by legal uncertainty, economic nationalism, and disproportionate influence of business interests seeking control and ownership of existing enterprises and new market opportunities. Both through formal regulation and indirect guidance, foreign companies are sometimes compelled to do business with local partners and to purchase goods and services locally.

In an attempt to improve its foreign investment climate in 2007, Indonesia introduced a new investment law intended to provide improvements in transparency, as well as a range of investor protections, including non-discriminatory treatment, protection against expropriation, and recourse to international arbitration in disputes against the government. At the same time, however, the new law significantly increased the number of sectors in which foreign investment is restricted, and increased foreign equity limitations in sectors of interest to U.S. investors, including in telecommunications, pharmaceuticals, film and creative industries, and construction. An ongoing process of decentralization, intended to reduce burdensome bureaucratic procedures by moving decisions to provincial and district-level governments, has led to some improvements but has also resulted in new restrictive measures that appear to conflict with other national laws.

Indonesia continues to review the 2007 investment law and "negative list" of restricted sectors. In 2010 Indonesia issued long-awaited changes to its negative list delivering legal clarifications alongside limited liberalization. The clarifications include protections from retroactive implementation and promise a continuous review of closed sectors for increased market access. The revisions included some modest changes to investment limits for individual sectors, but also maintained or increased restrictions on others.

Although Indonesian officials have in the past provided assurances that the more restrictive provisions of the investment law would apply only to new investments, Indonesia appears to allow retroactive application in practice. Moreover, despite the fact that one of the intended purposes of the new law is to enhance transparency, it is unclear whether the negative list represents the full range of sectors where investment restrictions apply. Several ministries, including the Ministry of Communications and Informatics, the Ministry of Health, and the Ministry of Culture and Tourism, have issued decrees that introduce additional new investment restrictions in their respective sectors. For example, a new horticulture bill was passed by Indonesia's House of Representatives on October 26, 2010, with the President Yudhoyono signing it into Law No. 13/2010 on Horticulture on November 24, 2010. Law 13/2010 contains restrictions on foreign investment in the horticulture sector. Upon implementation, foreign firms will be limited at 30 percent ownership. Firms that currently have more than 30 percent will be required to divest to that level. The United States continues to strongly urge Indonesia to enhance the transparency and openness of its investment regime, and to address specific problems and concerns of U.S. investors.

The GOI and in particular the Corruption Eradication Commission, which coordinates anti-corruption efforts and has the authority to investigate and prosecute high-level corruption cases, continues to address the widespread corruption problem in the country. Still, foreign companies continue to report corruption-related difficulties in Indonesia, including demands for unwarranted fees to obtain required permits or licenses, expedite processes, or to compete for government awards of contracts and concessions. The integrity of the legal system remains a concern, particularly for investors and companies drawn into disputes with local partners, who complain that the courts can be inefficient and corrupt. It is imperative that U.S. firms conduct extensive due diligence before entering into significant trade and investment in Indonesia. A number of U.S. firms which have sought legal relief after having being allegedly defrauded by local partners or clients have been forced to litigate spurious counter-claims.

Mining: Indonesia enacted a new mining law in January 2009. Many of the law's implementing regulations have been released. The first mandated a preference for domestic companies as mining subcontractors. Under the new law, mining Contracts of Work (COW) and Coal Contracts of Work (CCOW) will no longer be issued. Under the new system, all mining companies, foreign and domestic, will require a mining license (IUP) or special mining license (IUPK), which will be issued by competitive tender by the local, provincial, or national government. Companies must obtain separate licenses for exploration and production phases of each mining concession; royalty and tax obligations will be subject to all changes in law; and foreign mining companies are again expected to divest an undefined portion of their holdings during the course of operations. The new law also requires that metal ore be processed in Indonesia, and smelted if the capacity exists. The GOI is seeking to build 35 new coal-fired power plants generating 10,000 MW of electricity by 2010, which will require state electricity firm PLN to double its coal demand to 70 MT per year. PLN is considering a variety of methods to access this coal, including in-kind royalty payments and domestic market obligations for coal producers.

Petroleum: Indonesia became a net oil importer in 2004. Crude oil production has steadily declined over the last decade as new production failed to offset declining output from aging fields. State revenue from the oil and gas sectors declined to an estimated Rp.176.8 trillion in 2009 from Rp.288.6 trillion in 2008, due to a decline in global prices. According to the GOI, Indonesia was only able to produce 954,000 barrels per day (BPD) of petroleum in 2010, well below its target of 965,000 BPD . The downstream market for fuels is technically open for foreign investment, although state-owned oil and gas company Pertamina remains the only authorized large-scale dealer for subsidized fuels in the country.

Natural gas production increased from its 2008 daily production level of 7.9 billion standard cubic feet per day (BSCFD) to 8.3 BSCFD in 2009, and increased 8.8 BSCFD in the first quarter of 2010, due to the LNG terminal at Tangguh coming into regular production. Although the government took some positive steps to reform the industry, including taking the first step to resolve its dispute with ExxonMobil over the East Natuna gas field, the general oil and gas investment climate remained below potential through 2010, due to problems with contract sanctity, regulatory issues, and uncertainty regarding contract terms and conditions. Although tenders for new blocks were increasingly successful in 2007 and 2008, two tenders for oil and gas blocks in 2009 failed to attract any significant international bidders, and tenders in 2010 had mixed results.

Policy changes continue to cause concerns for oil and gas investors. Regulators have begun implementing policies and guidance that mandate PSC holders to favor domestically-owned companies over foreign-invested firms in subcontracting tenders, and 35 percent local content is required to participate in a subcontracting tender. International oil and gas services companies have already felt a negative impact with this rule, and several recent tenders have failed due to the lack of qualified tenders. The Indonesian government has also mandated the use of government-owned banks for all of a PSC's transactions and abandonment funds, despite higher fees associated with some nationally-owned banks. Questions over domestic market obligation also concern investors, and one recent LNG project, Donggi-Senoro, was canceled when the government ordered that all production go to local consumers, canceling the contracts with foreign buyers.

The Oil and Gas Law 22/2001 ordered the liberalization of the downstream sector, ending Pertamina's monopoly and creating new refining, distribution and retail opportunities for private investors. As also required by the Oil and Gas Law, the GOI changed Pertamina into a limited liability company through a presidential decree. Shell became the first private company to open retail fuel stations, followed by Malaysian Petroleum Nasional (Petronas). The government authorized a few private bidders to sell subsidized fuel at their retail fuel stations, but only in extremely small amounts and only outside of Jakarta. Petronas proceeded to sell subsidized fuel under these conditions, but Shell did not.

Infrastructure and Transportation: The GOI said it plans to accelerate transportation infrastructure through the passage of four new bills in the transportation sector and provision of institutional guidelines for mass rapid transit (MRT) management in Jakarta. Parliament passed railway legislation in May 2007 and a maritime bill in May 2008. The Ministry of Transportation (MOT) also passed an aviation bill. Earlier legislation in the four sectors does not provide for an effective mechanism for private investments in the transportation sector or regional transportation planning after decentralization. Transportation projects have attracted few investors and the GOI has failed to provide tender documents for its model transportation projects. In step with the ongoing decentralization process, many regional governments have implemented transportation projects, but they have done so in a piecemeal fashion with little consideration for capacity, other infrastructure links, or transportation projects in neighboring districts. New legislation will focus on increasing opportunities for outside investment in the sector and streamlining the procedure to do so. The new bills also target better strategic planning and coordination for transportation links and infrastructure at the regional (provincial) level.

Jakarta's choking traffic lowers both quality of life and economic growth. To remedy these twin maladies, the GOI infrastructure acceleration plan called for the creation of a Jakarta Mass Rapid Transit (MRT) institution. The local Jakarta administration established the limited liability Mass Rapid Transit Jakarta company (PT MRTJ) which the GOI hopes will serve as a role model for MRT development authorities in other large cities. One of PT MRTJ's tasks will be to spur the controversial on-again-off-again Jakarta monorail project.

Conversion and Transfer Policies

Return to top

The rupiah, the local currency, remains freely convertible, although Bank Indonesia (BI) requires submission of evidence of underlying transactions to support the purchase of a foreign currency against the rupiah through banks exceeding $100,000 per month (regulation 10/28/PBI/2008, effective November 13, 2008). For foreign parties (foreign citizens and foreign legal entities), this regulation governed the purchase of foreign currency against the rupiah in spot transactions. Currently, banks must report all foreign exchange transactions and foreign obligations to BI. With respect to the physical movement of currency, Article 16 of Law No. 15/2002 contains a reporting requirement for any person taking cash into or out of Indonesia in the amount of Rp.100 million ($11,111) or more, or the equivalent in another currency, which must be reported to the Director General of Customs and Excise (DGCE). BI regulation 3/18/PBI/2001 and the DGCE Decree No.01/BC/2005 concerning the Reporting Procedure of Cross Border Cash Carrying, launched on January 2005, contain the requirements and procedures of inspection, prohibition, deposit of rupiah into or out of Indonesia. The Decree provides implementing guidance for Ministry of Finance Regulation No.624/PMK.04/2004 of December 31, 2004, which requires individuals who import or export more than rupiah 50 to 100 million in cash (approximately $5,555-$11,111) to report such transactions to Customs.

In 2005 BI issued certain prohibitions and restrictions in conducting foreign exchange transactions with foreign counterparts. The regulation lowered the limit on transaction amounts for commercial banks engaging in derivative transactions with foreign counterparts from $3 million to $1 million. This limit covers all types of transactions involving foreign exchange selling and purchasing against the rupiah. However, the restrictions will not apply if the derivative transactions are conducted for hedging purposes within the framework of an investment in Indonesia that will last for at least three months. The regulation also requires foreign or domestic currency lending to foreign counterparts to be conducted in the form of a syndicated loan that engages a prime bank (commercial banks with a certain investment rating from a well know rating agency) as lead bank for the purpose of project financing in the real estate sector in Indonesia. The regulation allows for fines at a flat rate of ten percent of the amount of the violating transaction. This is more stringent than under the previous regulation, which provided a fluctuating rate.   BI hopes that the regulation will reduce foreign exchange movement that is not related to a genuine underlying purpose.

Under the 2007 investment law, the GOI gives assurance to investors relating to the transfer and repatriation of funds, in foreign currency, on capital, profit, interest, dividend and other income, funds required for (i) purchasing raw material, intermediate goods or final goods, and (ii) replacing capital goods for continuation of business operations, additional funds required for investment project, funds for debt payment, royalties, income of foreign individual working on the invested project, earnings from selling or liquidation of invested company, compensation for losses, and compensation for expropriation.

Expropriation and Compensation

Return to top

Article 21 of the 1967 Foreign Capital Investment Law stipulates that the government shall not initiate nationalization of foreign investments except by law and when such action is necessary in the interest of the state.   The new 2007 investment law, which replaces both foreign and domestic investment laws, in broad terms opens up a major part of the economy with the guarantee that the government will not enforce nationalization. Foreign firms will be protected against nationalization by the government, except where corporate crime is involved.

According to BKPM, Indonesia respects a company's right to compensation if expropriated; however, the government has not expropriated any foreign investment since the passage of the 1967 law. In 1999, however, the Overseas Private Investment Corporation (OPIC) paid a claim by a U.S. investor after the government failed to honor an arbitration award. Indonesia subsequently agreed to repay OPIC. The government also paid $15 million compensation to the Multilateral Investment Guarantee Agency (MIGA) for its insurance payment to a power project.

The requirement of gradual divestment has been mitigated. Investment assurances such as the right to appoint foreign management and the prohibition to effect nationalization without indemnification (now against market value) have been retained. The same goes for repatriation rights. However, repatriation may now be suspended by a court for as long as the investor has not fulfilled its responsibilities under the Law.

Dispute Settlement

Return to top

Indonesia is a signatory to the Convention On The Settlement Of Investment Disputes Between States And Nationals Of Other States (ICSID). The new investment law ensures that disputes between the government and investors can now be arbitrated using international laws.   It also retains the submission of disputes to ICSID arbitration. The Indonesian court system is seen as weak, lacking in transparency and corrupt by foreign investors. In an attempt to ease the backlog of cases, parties are required to undertake mediation before litigation, although courts do not necessarily fully enforce this rule. As a result, most law firms advise clients not to attempt litigation in the country, with arbitration in another jurisdiction being the preferred method of resolving disputes.

Although the Yudhoyono Administration had made judicial reform and anti-corruption top priorities, the court system does not provide effective recourse for resolving commercial disputes. The judicial system does not have the capacity to effectively decide on commercial cases. The judiciary is nominally independent under the law, and legal practitioners say irregular payments and other collusive practices often influence case preparation and the judicial ruling. GOI recognizes the need for judicial reform, but significant reform is still needed. In several instances, the local courts accepted jurisdiction over commercial disputes despite contractual arbitration clauses calling for adjudication in foreign venues. In addition, criminal laws and penalties may be applied in cases that appear to be covered under civil laws and procedures.

In August 2006 the Constitutional Court stripped the Judicial Commission of its oversight role, questioning its authority to monitor the Supreme Court and Constitutional Court and sent the matter to Parliament and the President to clarify. The Parliament is expected to make simultaneous amendments to three laws, Supreme Court Law, the Constitutional Court Law and the Judicial Commission Law, to restore the authority of the Judicial Commission. A 2006 Indonesian Supreme Court decision upheld a lower court ruling that over US$1 billion in bonds issued by Asia Pulp and Paper were illegal and did not have to be repaid, harming investor confidence. In October 2008, however, the Supreme Court overturned its previous decision through a judicial review (the final judgment on the case), ruling that the bonds were issued legally and Asia Pulp and Paper was responsible for the debts. This was a positive development as the bonds in question follow a common format for international debt and have been used in several other Indonesian investments. So far, only one U.S. investment company has brought a case to the ICSID, which ruled in its favor. Indonesia's arbitration law recognizes the right of parties to apply any rules of arbitration procedure they may mutually agree upon, and provides default procedural rules that apply if no other rules have been designated. An Indonesian commercial arbitration board, BANI, is available if both parties agree. Companies have resorted to ad hoc arbitrations in Indonesia using the United Nations Commission on International Trade Laws (UNCITRAL) arbitration rules, as well as others. Other companies in Indonesia have used ICC arbitrations.

Performance Requirements and Incentives Return to top

The GOI notified the WTO of its compliance with Trade-Related Investment Measures (TRIMS) on August 26, 1998. The government issued on January 1, 2007 a regulation providing investment tax incentives to 15 industries: textiles, chemicals, pulp and paper board, pharmaceutical, products that use rubber as raw materials, iron and steel making, electronics, and component products for land transportation. The regulation allows qualifying investors to deduct up to 30 percent of their realized investment from gross taxable income (five percent of the realized investment per annum for the first six years of the project); carry forward losses for up to ten years; utilize an expedited depreciation schedule; and reduce from 15 to 10 percent the income tax rate on dividends paid outside Indonesia. The incentives will apply to both domestic and foreign direct investors, either for new investment or expansion of existing plants.

The new 2007 investment law offers incentives to new investors and investors expanding their investment in Indonesia, provided that the investment projects satisfy at least one of the conditions listed in the law: create employment for a large number of workers; relate to the infrastructure sector; involve the transfer of technology; classify as a pioneer industry (the government will define "pioneer industry" in subsequent regulation); located in isolated areas, in areas bordering other countries likes Malaysia in West/North Kalimantan, or in developing areas; provide sustainable environmental development; involve research and development; involve partnership with micro-, small- or medium-sized enterprises; or use capital goods, machinery or equipment produced domestically.

Types of incentives that may be offered include: reduction of income payable by five percent of capital investment annually for six years; import duty exemption or tax relief for importation of capital goods, machinery or equipment not produced domestically; import duty exemption or tax relief for importation of raw materials or supporting materials within a certain period of time; exemption or suspension of imposition of value-added tax on imported capital goods, machinery or equipment not produced domestically within a certain period of time; acceleration of amortization; and reduction of land-building tax rates for certain sectors.

Indonesia expects foreign investors to contribute to the training and development of Indonesian nationals, allowing the transfer of skills and technology required for their effective participation in the management of foreign companies. Under Ministry of Manpower regulations, any expatriate who holds a work and residence permit must contribute $1,200 per year to a fund for local manpower training at regional manpower offices. As a general rule, a company can hire foreigners only for positions that the government has deemed open to non-Indonesians. Employers must have manpower-training programs aimed at replacing foreign workers with Indonesians.

At present, Indonesia does not have formal regulations granting national treatment to U.S. and other foreign firms' participating in government-financed and/or subsidized research and development programs. The State Ministry for Research and Technology handles applications on a case-by-case basis. However, the Ministry is currently drafting regulations to enable interested parties to participate in research and development programs in certain circumstances.

Indonesia does not require investors to purchase from local sources or export a certain percentage of output. The government eased rules in June 1998 that encouraged investors to locate in industrial estates. Foreign firms are not required to disclose proprietary information to the government before investing.

Right to Private Ownership and Establishment Return to top

Indonesia recognizes the right to private ownership and establishment and relies on the private sector (albeit often protected), as a principal engine of economic growth. At the same time, State-owned Enterprises (SOEs) play a dominant role in many sectors, including oil and gas, electric power generation and transmission, infrastructure, banking, fertilizer production, and wholesale distribution.

In recent years, Indonesia has promoted competition in some sectors and has decreased the privileges enjoyed by SOEs. The State Ministry for SOEs notes that privatization is an important part of its mandate, but political opposition has effectively hindered attempts to privatize. Some provincial governments have improved management and transparency of provincially owned firms to stem losses and prepare them for possible privatization.

Protection of Property Rights

Return to top

Indonesia was elevated to the Special 301 Priority Watch List in 2009 because of growing concerns about IPR protection and enforcement in Indonesia as well as new market access barriers on intellectual property products. In particular, U.S. companies have serious concerns that widespread optical disc piracy and counterfeiting of consumer goods, including fake drugs, not only causes significant economic losses for rights holders, but also poses significant health and safety risks. Cable signal piracy and the illegal downloading of copyright works using mobile devices also remain pervasive. In addition, Indonesia has implemented policies that undermine the protection afforded by the country’s IPR regime and thereby increase harm to U.S. rights holders. Two such policies – a regulation issued by the Ministry of Health preventing foreign pharmaceutical companies from registering drugs if they do not manufacture in Indonesia and a regulation issued by BPOM – could severely restrict the registration and availability in Indonesia of pharmaceutical products containing alcohol or ingredients of porcine (pork) origin, including vaccines and products delivered in gelatin capsules. Market access restriction in the film and television sectors aggravates piracy of copyrighted material. The United States continues to raise these concerns with Indonesia and to urge Indonesia to strengthen its IPR protection and enforcement regime.

Transparency of Regulatory System

Return to top

Indonesia has a tangled regulatory and legal environment that causes many firms, both foreign and domestic, to avoid the justice system. Laws and regulations are often vague and require substantial interpretation by implementing offices, leading to business uncertainty and rent seeking opportunities. Deregulation has been somewhat successful in reducing barriers, creating more transparent trade and investment regimes, and has alleviated, but not eliminated, red tape. The World Bank’s Doing Business 2010 study found that it takes an average of 60 days to start a business in Indonesia, down from 76 days in 2009. Indonesia’s overall Doing Business 2010 global rank was 122nd of 183 countries, up from 129th in 2009. Still, U.S. businesses routinely cite transparency problems and red tape as factors hindering operations.

U.S. citizens involved in commercial or property matters should be aware that the business environment is complex, and dispute settlement mechanisms are not highly developed. Local and foreign businesses often cite corruption and ineffective courts as serious problems. Business and regulatory disputes, which would be generally considered administrative or civil matters in the United States, may be treated as criminal cases in Indonesia. It is often difficult to resolve trade disputes.

Efficient Capital Markets and Portfolio Investment Return to top

Banks continue to dominate Indonesia's financial sector, holding an estimated 80 percent of the assets in the financial system. The top 3 state-owned commercial banks hold about one-third of banking sector assets and the top 15 banks hold about 70 percent ot total banking assets. The government has encouraged development of Islamic banking, though Islamic banks contain less than five percent of total banking assets. Several conventional banks have also opened Islamic banks. Non-bank financial institutions (NBFIs) remain underdeveloped, accounting for less than 10 percent of GDP. A 2007 World Bank report on NBFIs found domestic retail investor accounts in the stock market barely reached 100,000 and only 250,000 persons held mutual funds.

The Indonesia Stock Exchange (IDX) resulted from the 2007 merger of the Jakarta and Surabaya Stock Exchanges (see idx.co.id for more information). As of end-2010, IDX had 420 listed companies. There were 23 new listings in 2010. The Jakarta Composite Index (JCI) is a key measure of securities trading on the IDX.   The JCI rose by 46 percent in 2010, after rising by more than 87 percent in 2009, and declining by 50.6 percent in 2008. In 2010, the Indonesian stock market was the best performing market in Asia. Stock market capitalization rose by over 60 percent in 2010, after rising by 46.7 percent in 2009, and declining by 46 percent in 2008.

As Indonesia recovered from the global financial crisis and received upgrades in its credit ratings, the pace of capital inflows increased in 2010, Bank Indonesia launched a range of policies aimed at managing liquidity and capital inflows and strengthening financial system stability, including a minimum one-month holding period of Bank Indonesia certificates, and restrictions on banks' short-term external borrowing and capping at 20% of capital the net open position holding limit of foreign exchange by banks.

In early October 2008, in the midst of financial markets turmoil, the IDX halted trading for two and one-half days. In late 2008, the IDX also temporarily banned short selling and implemented asymmetrical daily trading limits (the latter measure was subsequently rescinded). In October 2008, Bapepam-LK, the Capital Markets and Financial Institutions Supervisory Agency, issued a regulation easing conditions on the buyback of shares of publicly listed companies during market crisis conditions. This regulation (No. X1.B.3) provided for the authorization of share buybacks of up to 20 percent of total issued and paid up capital without prior approval from a general meeting of shareholders.

The bond market remains dominated by government-issued debt, accounting for about 85 percent of the bond market. The government of Indonesia has made significant progress in building a strong foundation for its government bonds market. As of end 2010, the GOI had Rp 641.515 trillion of tradable, domestic, rupiah-denominated and US$18.1 billion of international, foreign-currency denominated sovereign bonds outstanding. Foreign investors held over 30 percent of Indonesia's government bonds as of end-December 2010, up from 18.44 percent as of December 23, 2009. In August

2008, Indonesia issued its first sovereign Islamic bond (sukuk). The MOF implemented a primary dealer system for government securities in the first quarter of 2007, as per GOI's July 2006 Financial Sector reform package recommendation. In April 2008, the government addressed differences in the treatment of tax withholding on discounts of treasury bills and state bonds when it issued regulation 27/2008. The regulation provides for the same method of tax withholding, with the transfer of treasury bills at a discount from one party to another, other than by specified parties, subject to tax withholding.

In 2010, firms issued new corporate bonds in the amount Rp.95.671 trillion. Major issuers include financial institutions (banks and finance companies) and infrastructure, utility and transportation firms. Total nominal listed bonds was Rp.114.817 trillion. Domestic leasing funds and insurance funds hold a significant portion of corporate bonds. The secondary market is thin with low turnover ratios and relatively high bid-ask spreads. Some corporate bonds from Indonesia's largest companies are dollar denominated.

The Capital Markets Supervisory Agency (BAPEPAM) and Bank Indonesia established Pefindo, Indonesia's largest rating agency, in 1994. Pefindo is a private limited liability company owned by 96 domestic shareholders including pension funds, banks, insurers, securities companies and the Indonesia Stock Exchange. Pefindo is an affiliate of Standard and Poor's and adapts Standard and Poor's methodology in its rating process. Pefindo has begun to incorporate good governance as a sub-element of its rating methodology. Moodys currently covers Indonesia from its Singapore office. Fitch Ratings opened an office in Jakarta in mid-2006 and is publishing assessments of credit quality on a variety of Indonesian institutions.

Foreign firms generally enjoy good access to the Indonesian securities market. A deregulation package in1988 opened banking, securities and insurance to foreign investment. In line with its commitments under the WTO's Financial Services Agreement, the government equalized the capital requirements for domestic and foreign insurers. It amended the banking law in 1998 and removed restrictions on foreign bank branches outside Jakarta. In 1997, MOF lifted the 49 percent restriction on foreign purchases of shares in non-bank listed firms. In 1998, MOF removed discriminatory capital requirements on foreign securities. BI, the central bank, licenses banks and regulates banking activity. The Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) licenses new securities and insurance ventures, and regulates mutual funds and capital markets.

The Indonesian banking system is considered sound. The IMF Financial System Stability Assessment (August 12, 2010) noted that banking fundamentals have improved, with most Indonesian banks reporting high capital, comfortable levels of liquidity and solid profitability. BI issued a ruling in 1999 allowing 99 percent foreign ownership of local banks. Such banks are allowed to designate foreigners as members of the board of directors and commissioners, but at least one member of the executive board must be Indonesian. In subsequent years, foreign investors bought large domestic banks such as Bank Central Asia and Bank Danamon. In addition, foreign banks may now open branches in Indonesia, but the government extends this privilege only to the world's 200 largest banks (in terms of assets) with minimum credit ratings of A from either U.S.-based credit rating agencies Standard & Poor's or Moody's. At the end of 2010, 47 of Indonesia's 121 banks were under the ownership of foreign investors.

An October 2006 BI regulation requires "controlling" shareholders of more than one bank (defined as ownership of 25 percent or above, or if below 25 percent where there is direct or indirect control in the bank operations) to comply with a “single presence policy,” via merger, divestment or through the use of an Indonesian financial holding company. The policy is not applicable to locally incorporated foreign-owned banks, or to JV banks, or to shareholders having a stake at two banks where one is Syariah-based. BI will give leniency for "complex" situations, apparently aimed at state-owned banks, if it is done in a way that is "objective, transparent, and acceptable for stakeholders".

Competition from State Owned Enterprises Return to top

U.S. companies receive significant competition from State-Owned Enterprises in Indonesia. Indonesia has state-owned enterprises in many strategic sectors, including banking and finance, transportation, energy and mining, electricity, telecommunications, and agricultural products. Some state-owned enterprises maintain monopolies for service provision, such as state-owned electric company PT. PLN for electricity distribution, PT. Telekomunikasi (Telkom) for fixed-line telecommunication, and PT. Pertamina for fuel distribution outside of the Jakarta area.

In 2010, Indonesia’s Ministry for State-Owned Enterprises began acting on plans to open up some SOEs to private investment, most notably steel manufacturer PT Krakatau Steel, and plans for an IPO for state-owned airline PT Garuda Indonesia for 2011. In Indonesia, there is broad public support for SOEs in strategic sectors due to large nationalist sentiment.

Corporate Social Responsibility Return to top

The public’s expectation that businesses operating in Indonesia are aware of and implement CSR is high despite clear guidance regarding CSR. Article 74 of Law No. 40 of 2007, enacted on August 16, 2007, mandates that “companies doing business in the field of and/or in relation to natural resources must put into practice Environmental and Social Responsibility.” The legislation states that this provision “constitutes an obligation of the Company which shall be budgeted for and calculated as a cost of the Company performance of which shall be with due attention to decency and fairness.” Companies which do not meet this obligation shall be liable for sanctions in accordance with the regulatory provisions. Despite considerable opposition from the business community, the Constitutional Court upheld the provision in April 2009. Implementing government regulations have not yet been enacted.

Political Violence Return to top

Public reaction, including anti-U.S. demonstrations to events in Middle East continues to be limited to sporadic protests, mostly nonviolent. President Yudhoyono has demonstrated a strong commitment to combating terrorism. There have been successful police investigations (e.g. the successful prosecution of several prominent terrorist leaders), and the discovery of evidence linking terrorist activities to radical

Islamic beliefs have had a constructive effect in turning general public opinion against terrorism. Many members of Jemaah Islamiyah, however, are still active and they have a number of supporters.

Corruption

Return to top

Despite laws that penalize corruption by government officials and active law enforcement geared at rooting out corruption, corruption remains endemic in Indonesia, with businesses complaining of corruption in government procurement, dispute settlement, the regulatory system, and taxation. Corruption scandals garnered significant media attention in 2010, especially allegations of corrupt business dealings that forced the removal of Indonesia's former chief detective, Susno Duadji, and a mid-level tax official, Gayus Tambunan, who allegedly received kick-back for favorable handling for businesses under his authority. Corruption in the judiciary remains a significant problem, and Indonesia slipped as measured by one of the perception-based measures of corruption. This suggests that notwithstanding some efforts mentioned below to tackle this corruption, appearances worry both citizens and investors alike

Leadership issues continued to plague Indonesia's Corruption Eradication Commission as the former Chief Commissioner was convicted of murder and two deputy commissioners continued to battle apparently trumped up charges of extortion and abuse of power. Despite the leadership setbacks, the KPK was able to successfully prosecute former members of parliament, ministers, and regional authorities on corruption charges. The Attorney General Office's 50-person Anti-Corruption Task Force continues to coordinate and prosecute corruption cases throughout Indonesia and regional prosecutors continue to prosecute cases. Corruption watchdogs at the national and local level continue to monitor the police, the government, and the judiciary. Indonesia's media also energetically reports on corruption cases.

In 2010, the Government of Indonesia requested formal candidate status as part of the Extractive Industries Transparency Initiative (EITI) and established an inter-agency Ministerial Team lead by the Coordinating Minister for Economic Affairs. Indonesia aims to be compliant or near-compliant with the EITI in the next two years. Additionally, Indonesia passed anti-money laundering legislation that established a vigorous suspicious transaction reporting regime.

While corruption remains a difficult problem in Indonesia, numerous sources report the atmosphere in the bureaucracy has changed with officials at all levels reluctant to take actions that could appear improper and land them in jail. Indonesia signed the United Nations (UN) Convention Against Corruption in December 2003 and ratified it in March 2006 via Law 7/2006. This will give Indonesia access to UN resources to assist it in improving its efforts against corruption including establishing codes of conduct for public officials. In November 2010, Indonesia, along with France, began co-chairing the G-20 Anti-Corruption Working Group and seeks to pursue denial of entry to corruption suspects and foreign bribery legislation as part of its leadership of this group.

Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The USG seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

U.S. Foreign Corrupt Practices Act: In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: http://www.justice.gov/criminal/fraud/docs/dojdocb.html.

Other Instruments: It is USG policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to UN Convention, but generally all countries prohibit the bribery and solicitation of their public officials.

OECD Antibribery Convention: The OECD Antibribery Convention entered into force in February 1999. As of December 2009, there are 38 parties to the Convention including the United States (see http://www.oecd.org/dataoecd/59/13/40272933.pdf). Major exporters China, India, and Russia are not parties, although the USG strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA.

UN Convention: The UN Anticorruption Convention entered into force on December 14, 2005, and there are 143 parties to it as of December 2009 (see http://www.unodc.org/unodc/en/treaties/CAC/signatories.html). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

OAS Convention: In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 33 parties (see http://www.oas.org/juridico/english/Sigs/b-58.html)

Council of Europe Criminal Law and Civil Law Conventions: Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 46 member States (45 European countries and the United States). As of December 2009, the Criminal Law Convention has 42 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is USG policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: http://www.ustr.gov/trade-agreements/free-trade-agreements.

Local Laws: U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

Assistance for U.S. Businesses: The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business partners or agents overseas.

The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at www.trade.gov/cs.

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate USG officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at tcc.export.gov/Report_a_Barrier/index.asp.

Guidance on the U.S. FCPA: The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the antibribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at www.justice.gov/criminal/fraud/fcpa. Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at http://www.ogc.doc.gov/trans_anti_bribery.html. More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Anti-Corruption Resources

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay-Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: http://www.justice.gov/criminal/fraud/fcpa.

- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at: http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html. See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: http://www.oecd.org/dataoecd/11/40/44176910.pdf

- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: http://www.ogc.doc.gov/trans_anti_bribery.html.

- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: http://www.transparency.org/policy_research/surveys_indices/cpi/2009. TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See http://www.transparency.org/publications/gcr.

- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See http://info.worldbank.org/governance/wgi/sc_country.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://go.worldbank.org/RQQXYJ6210.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See http://www.weforum.org/en/initiatives/gcp/GlobalEnablingTradeReport/index.htm.

- Additional country information related to corruption can be found in the U.S. State Department's annual *Human Rights Report* available at http://www.state.gov/g/drl/rls/hrrpt/.

- Global Integrity, a nonprofit organization, publishes its annual *Global Integrity Report*, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: http://report.globalintegrity.org/.

Bilateral Investment Agreements Return to top

Indonesia has signed investment protection agreements with 60 countries, including: Algeria, Argentina, Australia, Bangladesh, Belgium, Bulgaria, Cambodia, Chile, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, India, Iran, Italy, Jamaica, Jordan, Kyrgyzstan, Laos, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, North Korea, Norway, Pakistan, People's Republic of China, Peru, Philippines, Poland, Qatar, Romania, Saudi Arabia, Singapore, Slovak Republic, South Korea, Spain, Sri Lanka, Sudan, Suriname, Syria, Sweden, Switzerland, Thailand, The Netherlands, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan, Vietnam, Yemen, and Zimbabwe.

OPIC and Other Investment Insurance Programs Return to top

In 2010, the Overseas Private Investment Corporation (OPIC) updated its 1967 investment support agreement between the United States and Indonesia by adding OPIC products such as direct loans, coinsurance and reinsurance to the means of OPIC support which U.S. companies may use to invest in Indonesia. OPIC has been the key USG agency encouraging American private business investment in developing countries, newly emerging democracies, and fledgling free market economies. Over its 39-year history OPIC had committed more than $2.1 billion in financing and political risk insurance to 110 projects in Indonesia. Currently, OPIC is providing more than $94 million in support to six projects in Indonesia, in the energy, manufacturing and services sectors. Investors are urged to contact OPIC directly for up-to-date information concerning availability of OPIC services in Indonesia. See www.opic.gov.

Indonesia has joined the Multilateral Investment Guarantee Agency (MIGA). MIGA, a part of World Bank Group, is an investment guarantee agency help investors and lenders deal with political risks that may accompany an investment in emerging markets, by insuring eligible projects against losses relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

Labor

Return to top

Indonesian labor is relatively cheap by world standards, but the country's under-funded education system and overly rigid labor laws combine to make Indonesia's competitiveness lag behind other Asian competitors. Investors frequently cite high severance payments to dismissed employees, restrictions on outsourcing and contract workers, and rules on expatriate workers, as significant obstacles to new investment in Indonesia. Lack of education is especially problematic among unskilled and semi-skilled workers. Labor contracts are relatively straightforward to negotiate but are subject to renegotiation, despite the existence of a written agreement. Local courts are likely to ignore written contracts and side with locals in labor disputes. On the other hand, some socially responsible foreign investors view Indonesia’s labor regulatory framework and respect for freedom of association and the right unionize as an advantage to investing in the country. The GOI established in January 2006 a new Labor Court as part of a broader labor dispute resolution system. Expert local human resources advice is essential for American companies doing business in Indonesia, even those only opening representative offices.

Industrial relations at the factory level have improved in recent years and frequency of strikes declined. Following the October 2005 fuel price increases, unions demanded annual minimum wage increases (regional, district, or industrial sector) as high as 50 percent, but most settled for increases closer to ten percent. Although demonstrations surrounding these negotiations were vocal, they were not perceived as a significant threat to civil order. Draft revisions to the labor law -- particularly reductions in severance payments and removal of restrictions on outsourcing and contract employment -- led to labor protests in 2006 that prompted the GOI to suspend efforts to amend the law, and to instead formulate regulations aimed at changing severance pay to ease the burden on employers while providing cushion to those unemployed.

Foreign-Trade Zones/Free Ports

Return to top

The GOI offers incentives to foreign and domestic industrial companies that locate in any of Indonesia's seven designated bonded zones. The largest bonded zone is on the island of Batam, located just south of Singapore. Investors in bonded zones are not required to apply for additional implementation licenses (location, construction, nuisance act permits, and land titles), and foreign companies are allowed 100 percent ownership. These companies do not pay import duty, income tax, value-added tax (VAT), and sales tax on imported capital goods, equipment, and raw materials until the portion of production destined for the domestic market is "exported" to Indonesia, in which case fees are owed only on that portion.

Companies operating in bonded zones may lend machinery and equipment to subcontractors located outside of the bonded zone for a maximum two-year period. The companies have also enjoyed exemption from VAT and sales tax on luxury goods on the delivery of products to subcontractors for further processing outside of bonded zones. The Free Trade Agreement between the United States and Singapore, signed on May 6, 2003, allows special tax treatment for certain Singaporean exports made with components sourced in Indonesia.

Foreign Direct Investment Statistics

Return to top

Please note that BPKM data does not include investments in the following sectors: oil and gas, finance, banking, non-bank finance, insurance, and leasing. Also, BKPM ceased releasing investment data in 2008.

Table 1. Foreign Realized Investment

Year	Total Project	FDI Realizations (US$ Billions)
2010 Q1	424	3.8
2009	1,221	10.8
2008	1,138	14.8
2007	983	10.3
2006	867	6.0
2005	909	8.9
2004	546	4.6
2003	571	5.5
2002	444	3.1
2001	454	3.5

Table 2. Foreign Realized Investment By
Top Ten Sectors, 2010 (Q1) and 2009

No	Sector (2010 – Q1)	Projects	Total Value (US$ millions)
1	Transport, Storage, Communication	23	941.5
2	Mining	39	711.2
3	Electricity, Gas & Water Supply	9	681.6
4	Real Estate, Ind.Estate	20	406.1
5	Motor Vehicle & Other Transport Equip	10	244.6
6	Trade and Repair	97	138.8
7	Food Industry	15	175.1
8	Metal, Machinery, & Electronic Industry	32	125.3
9	Leather Goods & Footwear Industry	2	51.5
10	Food Crops & Plantation	29	49.7
	Sub-totals (as a percent of all sectors)	276 (65)	3,525.4 (93)

No	Sector (2009 full year)	Projects	Total Value (US$ millions)
1	Transport, Storage, Communication	51	4,170.5
2	Chemical and Pharmaceutical Industry	41	1.,183.1
3	Trade and Repair	424	706.1
4	Metal, Machinery, & Electronic Industry	121	654.9
5	Motor Vehicle & Other Transport Equip	52	583.4
6	Food Industry	49	552.1
7	Construction	14	512.7
8	Electricity, Gas & Water Supply	6	349.2
9	Mining	36	332.7
10	Real Estate, Ind.Estate	33	315.1

	Sub-totals (as a percent of all sectors)	827 (67)	9,359.8 (86)

Table 3. Foreign Realized Investment by Region – 2010 (Q1) and 2009

Year	Region	Total Investment (US$ millions)	% of Total
2010 Q1	Java	2,453.9	65.1
	Sumatra	70.3	1.7
	Kalimantan	695.3	18.4
	Sulawesi	230.0	6.1
	Maluku/Papua	302.2	8.0
	Bali	17.2	0.4
	Nusa Tenggara	1.4	0.03
TOTAL		3,770.3	

Year	Region	Total Investment (US$ millions)	% of Total
2009	Java	9,370.6	86.6
	Sumatra	776.2	7.2
	Kalimantan	284.4	2.6
	Sulawesi	141.6	1.3
	Maluku/Papua	8.7	0.08
	Bali	227.2	2.1
	Nusa Tenggara	6.7	0.06
TOTAL		10,815.4	

Table 4. Foreign Investment Approvals By
Top Five Leading Countries, 2010 (Q1) and 2009

Rank	Country (2010 – Q1)	Total Number of Projects	Total Investment Amount (US$ millions)

1	Singapore	62	676.8
2	Mauritius	2	446.6
3	United States	12	436.9
4	United Kingdom	19	214.9
5	Australia	14	186.4

Rank	Country (2009)	Total Number of Projects	Total Investment Amount (US$ millions)
1	Singapore	189	4,341.0
2	Netherlands	32	1,198.7
3	Japan	124	678.9
4	South Korea	186	624.6
5	United Kingdom	61	587.7

Table 5. Investment as Percentage of GDP
(source: Bank Indonesia)

Year	% of GDP
2009 (Q3)	31.5
2008	27.6
2007	25.0
2006	24.1
2005	23.6
2004	22.4
2003	19.5
2002	19.4

Additional Metrics

Economic Freedom Index: According to the Heritage Foundation’s Economic Freedom Index, Indonesia’s economic freedom score is 56, making its economy the 116th freest in the 2011 Index. Its score is 0.5 point better than last year and is improved in half of the measured economic freedoms. Indonesia is ranked 22nd out of 41 countries in the Asia–Pacific region, and its overall score is below the world average.

Measure	2011 Index/Ranking
Business Freedom	54.9/ +1.8
Trade Freedom	73.8/ -4.1
Fiscal Freedom	83.0/ +1.1
Government Spending	88.9/ -0.2
Monetary Freedom	74.3/ +3.5
Investment Freedom	35.0/ no change
Financial Freedom	40.0/ no change
Property Rights	30.0/ no change
Freedom From Corruptio	28.0/ +2.0
Labor Freedom	51.8/ +1.0

Transparency International: The 2010 Transparency International's Corruption Perception Index (CPI) shows that nearly three quarters of the 178 countries in the index score below five, on a scale from 10 (very clean) to 0 (highly corrupt). These results indicate a serious corruption problem. The CPI ranks countries according to perception of corruption in the public sector. It is an aggregate indicator that combines different sources of information about corruption, making it possible it possible to compare countries. Indonesia's score is 2.8 number 110 worldwide rank and number 20 for regional rank.

World Bank Doing Business: The 2011 World Bank Doing Business data indicates Indonesia's overall "Ease of Doing Business" rank number 121 out of 183 economies, a six point shrink from rank 115 in 2010. The WB Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate and industrial or commercial business. These include obtaining all necessary licenses and permits and completing any required notifications, verifications or inscriptions for the company and employees with relevant authorities. The ranking on the ease of starting a business is the simple average of the percentile rankings on its component indicators.

The following are rankings by each topic and benchmark against regional and high-income economy (OECD) averages:

Topic rankings	2011 rank	2010 rank	Change in rank
Starting a business *)	155	159	+4
Dealing with construction permits	60	60	No change

Registering property	98	94	-4
Getting credit	116	109	-7
Protecting investors	44	41	-3
Paying taxes	130	125	+2
Trading across borders	47	49	+2
Enforcing contracts	154	153	-1
Closing a business	142	141	-1

*) Starting a business summarized below:

Indicators	Indonesia	East Asia and Pacific	OECD
Procedures (number)	9	7.8	5.6
Time (days)	47	39.0	5.3
Cost (% of income per capita)	22.3	27.1	5.3
Paid-in Min.Capital (% of income per capita)	53.1	50.6	15.3

Summarized Fact Table for Indonesia:

Measure	Year	Index	Ranking
TI Corruption Index	2010	2.8	110
Heritage Economic Freedom	2011	56	116
World Bank Doing Business	2011		121
MCC Government Effectiveness	2011	0.16 (61%)	
MCC Rule of Law	2011	-0.22 (32%)	
MCC Control of Corruption	2011	-0.32 (26%)	
MCC Fiscal Policy	2011	-0.9 (63%)	
MCC Trade Policy	2011	73.8 (48%)	
MCC Regulatory Quality	2011	0.13 (53%)	
MCC Business Start Up	2011	0.952 (38%)	
MCC Land Rights Access	2011	0.671 (40%)	

MCC Natural Resources Management	2011	52.05 (48%)	

Note: MCC indicators (0% is worst; 50% is the median; 100% is best)

Web Resources Return to top

www.bi.go.id
www.ekon.go.id
www.bkpm.go.id
www.dmo.or.id
www.eiu.com
www.icsid.worldbank.org

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

Return to top

U.S. firms exporting to Indonesia use a variety of payment methods depending on their relationship with the purchaser. Payment options for export transactions include letters of credit (L/C), cash in advance, wire transfer, cash on delivery and open account. Confirmed, irrevocable letters of credit, while imposing additional costs, minimize risks faced by the exporter. On June 24, 2010, the Ministry of Trade issued 27/M-DAG/PER/6/2010, cancelling regulation No.1/M-DAG/PER/1/2009, which required the use of a letter of credit through a domestic foreign exchange bank for exports of specified commodity exports, including coffee, CPO, cocoa, rubber, and mining products.

How Does the Banking System Operate

Return to top

The Indonesian banking system has consolidated significantly in the wake of the Asian financial crisis. As of end-2010, Indonesia had 122 commercial banks and 1,706 rural banks. Banks continue to dominate Indonesia's financial system and as of end-2010, banks held 80 percent of total financial system assets. The largest 10 banks contain almost 65 percent of bank assets. There are four state-owned banks: Bank Mandiri, Bank Negara Indonesia, Bank Rakyat Indonesia and Bank Tabungan Negara. Bank Indonesia (BI), the central bank of Indonesia and an independent state institution, regulates key aspects of the banking and financial system, including bank regulation and supervision. Indonesia is encouraging the development of Islamic banking and seeks to increase its share of total banking assets to over five percent. As of December 2010, Islamic banking institutions in Indonesia comprised about 3.3 percent of total banking system assets. In October 2008, the government raised the Deposit Insurance Corp. (LPS) guarantee on bank deposits to Rp.2 billion (about US$225,300) from Rp.100 million. Only those accounts carrying interest rates equal to or below LPS maximum guaranteed reference rates are deemed eligible for LPS deposit guarantees. As of February 9, 2011, those rates were 7.25 percent on rupiah deposits and 2.75 percent on foreign currency deposits.

In December 2008, Indonesia's legislature approved a law to establish an Indonesian Export Financing Agency (LPEI), which will operate under the name of Indonesia Ex-Im Bank. The Indonesia Ex-Im Bank was officially inaugurated on September 1, 2009. LPEI provides competitive export financing and advisory and other exported related services.

The export credit agency's goal is to help promote access to worldwide markets for Indonesia's export-related commodities, support Indonesia's international trade, and improve Indonesian exporter competitiveness in global markets. LPEI services include:

- Export Working Capital Loan Guarantees: LPEI provides Export Working Capital Loan Guarantees facility to a commercial bank on risks related to the financial default of the Exporter that has been issued the EWCL Guarantee from said Commercial Bank;

- Letters of Credit (L/C): LPEI provides L/C facility to Indonesians who import raw materials, spare-parts, and machinery for export production;

- Standby Letters of Credit: LPEI provides the Standby L/C facility to the Exporter in the form of guarantees that are issued to cover the risk faced by the Beneficiary should the Exporter fail to meet its contract/obligation that forms the basis for the issuance of the Standby L/C;

- Export Bills or Receivables Discounting: LPEI provides a financing scheme facility allowing exporters to receive immediate payment for their export-related receivables;

- Export Investment Loan: LPEI provides the Export Investment Loan facility to Exporters in order to finance investments that are undertaken to create and/or boost production capacity for exports;

- Export Working Capital Loans: The Export Working Capital Loan (EWCL) is a financing facility that provides working capital need to Exporter in connection with the export of goods and services;

- Warehouse Receipt Financing: The Warehouse Receipt Financing is a working capital financing facility that is provided by Indonesia Eximbank to Exporter, the underwriting of which is tied to the value of goods/commodities that are stored in warehouses that are operated by the Warehouse Manager;

- Trust Receipts: The Trust Receipt is part of the import financing facility provided by Indonesia Eximbank to Exporters for the purpose of retrieving imported goods (raw materials) from ships or ports to be processed, sold, and parts of the proceeds of which will be used to settle all liabilities related to the import;

- Advisory Services: in addition to providing export/import financing, LPEI also provides advisory services to exporters. These services include: trade finance training for the banking sector and exporters; provision of technical assistance in setting up trade finance systems; policy and procedures training for the banking sector and other related export players; consultations on international trade rules; and provision of international trade policy advice to policy makers.

Indonesia Eximbank is located at Gedung Bursa Efek Jakarta, Tower II 8/F, Jl. Jend. Sudirman, Kav 52-53, Jakarta. Tel: +62 21 515 4638, Fax: +62 21 515 4639.

Foreign-Exchange Controls

Return to top

Indonesia maintains an open capital account, but with some transaction limitations. Only authorized banks may carry out foreign trade related exchange operations. In November 2008, BI imposed a new requirement for the submission of evidence of underlying transactions to support the purchase of a foreign currency against the rupiah through banks exceeding $100,000 per month (regulation 10/28/PBI/2008). For foreign parties (foreign citizens and foreign legal entities), this regulation governed the purchase of foreign currency against the rupiah in spot transactions. BI regulation No. 7/14/PBI/2005, dated June 14, 2005 describes prohibitions and restrictions in conducting foreign exchange transactions with foreign counterparts. The limit on transaction amounts for commercial banks engaging in derivative transactions with foreign counterparts was lowered from $3 million to $1 million. This limit covers all types of transactions involving foreign exchange selling and purchasing against the rupiah, previously unrestricted. However, the restrictions will not apply if the derivative transactions are conducted for hedging purposes within the framework of an investment in Indonesia that will last for at least three months. The regulation also requires foreign or domestic currency lending to foreign counterparts to be conducted in the form of a syndicated loan that engages a prime bank (that is, commercial banks with a certain investment rating from a well know rating agency) as lead bank for the purpose of project financing in the real estate sector in Indonesia. The regulation fines a flat rate of 10 percent of the amount of the violating transaction. This is more stringent than under the previous regulation, which provided a fluctuating rate. BI hopes that the regulation will reduce foreign exchange movement that is not related to a genuine underlying purpose.

In line with anti-money laundering laws, Indonesia tightened its restrictions on the amount of cash that may be carried across its borders. Carrying more than Rp100 million (approx. US $11,265) in or out of Indonesia now requires prior approval from BI, and must be reported to the Director General of Customs and Excise (DGCE).

U.S. Banks and Local Correspondent Banks

Return to top

Exporters should contact the U.S. Commercial Service in Jakarta for up-to-date information on correspondent banking relationships.

BANK OF AMERICA
Jakarta Stock Exchange Building, Tower II, 23rd Floor
Jl. Jendral Sudirman Kav.52-53
Jakarta 12190
Tel (62-21) 515-8000
Fax (62-21) 515-8088
Web www.bankofamerica.com
Contact Person: Ms. Mirasari Djunaidi, Country Manager

J.P. MORGAN CHASE
The Energy Building
Fifth and Sixth Floors

SCBD Lot 11 A
Jl. Jendral Sudirman Kav.52-53
Jakarta 12190
Tel (62-21) 5291-8181
Fax (62-21) 5291-8111
Web www.jpmorgan.com
Contact Person: Mr. Rizal Bambang Prasetijo, Senior Country Officer

CITI INDONESIA
Citibank Tower, 7th Floor
Bapindo Plaza
Jl. Jendral Sudirman Kav.54-55
Jakarta 12910
Tel (62-21) 5290-8301
Fax (62-21) 5290-8303
Web www.citigroup.com
Contact Person: Mr. Tigor M. Siahaan, Managing Director & Country Business Manager

WELLS FARGO BANK
Midplaza 2, 8th Floor
Jl. Jendral Sudirman Kav.10-11
Jakarta 10220
Tel (62-21) 573-9688
Fax (62-21) 573-9687
Web www.wellsfargo.com
Contact Person: Mr. Jahja Anwar, Director and Country Manager

Project Financing

Return to top

Indonesia has prioritized infrastructure development in its medium-term development plan, or Rencana Pembangunan Jangka Menengah 2010-2014 (RPJM), and allocated increased resources to infrastructure projects in its 2010 and 2012 budgets. It is also receiving significant funding for a variety of infrastructure projects and other development priorities from multilateral development banks, primarily the World Bank and Asian Development Bank (ADB). American firms can participate in projects funded by these institutions. Information on projects and procedures is available through U.S. Commercial Service officers assigned to each multilateral development bank as well as commercial officers in individual countries. See web home pages, including http://www.ita.doc.gov/mdbo, for information on all development banks.

World Bank

The World Bank Group is a multilateral lending agency consisting of five closely related institutions: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Center for Settlement of Investment Disputes (ICSID). The World Bank provides concessional loans to developing countries to help reduce poverty and to finance investments that contribute to economic growth. (See Chapter 9 for contact information.)

As of December 31, 2009, the World Bank's active financing portfolio in Indonesia comprised of 32 projects with total commitments of $5.98 billion. These lending commitments were made for roads, energy, education, health, irrigation and rural development. In 2009, the World Bank approved the new 2009 – 2012 Country Partnership Strategy (CPS) for Indonesia and increased lending to $4.2 billion from $2 billion annually. It includes the $2 billion in financing to help Indonesia overcome the global economic crisis. The World Bank also manages about $779 million of the complex reconstruction and rehabilitation from the Aceh and Nias and the Java Multi-Donor Trust Funds through a portfolio of 26 projects.

In November 2010, the World Bank approved the Seventh Development Policy Loan for Indonesia totaling $600 million (a loan to support government reform efforts to improve the investment climate, strengthen public financial management and governance and enhance policy alleviation and service delivery efforts), and also approved the Fourth Infrastructure Development Policy Loan totaling $200 million to increase the level and effectiveness of infrastructure financing by addressing financing directly provided by the national government, incentives for sub-national governments to improve infrastructure delivery, and the policy environment for private infrastructure investment.

The World Bank support of Indonesia's infrastructure priorities in its medium-term development strategy includes a substantial program of investment lending, including energy (focus primarily on clean and renewable energy technologies), roads (strengthening fiduciary, operational and management capacities of local counterparts and improve the pace of implementation in ongoing projects), and urban infrastructure, such as low income housing, water supply (such as flood mitigation and dam operations improvement), and sanitation (focus on building capacity to plan system integration for centralized, community and household sanitation, and make long-term financing available for sanitation infrastructure development).

--The International Bank for Reconstruction and Development (IBRD)

The IBRD provides funding for creditworthy developing countries with relatively high per capita income, as well as technical assistance and policy advice. Loans are made only to governments or to agencies that can obtain a government guarantee. The IBRD also provides partial risk or partial credit guarantees (with a counter-guarantee from their government) to private lenders on development projects. Opportunities exist for U.S. companies to supply goods and services in connection with these loans.

-- The International Development Association (IDA) provides assistance on concessional terms to the poorest developing countries that are not sufficiently creditworthy for IBRD financing. As a middle-income country, Indonesia has graduated from IDA. Its access to IDA ceased in June 2008.

-- The International Finance Corporation (IFC) is an affiliate of the World Bank that provides project financing for private investment in developing countries. IFC offers long-term loans and equity investments, as well as other financing services. Unlike the IBRD and IDA, the IFC does not require government guarantees. IFC has a committed investment portfolio of $695 million in Indonesia, of which 57 percent is invested in financial markets projects, 24 percent in agribusiness and 17 percent in manufacturing. Currently, IFC committed $960 million to various sector such as mining, manufacture, stock market, agribusiness, finance, technology and education. IFC expects to invest about $300 million annually in Indonesia in priority sectors of finance, infrastructure and commodity-based supply chains. U.S. companies seeking investment funds should contact the IFC directly. (See http://www.ifc.org for contact information.)

-- The Multilateral Investment Guarantee Agency (MIGA) promotes the flow of foreign direct investment among member countries by insuring investments against non-commercial (political) risk and by providing promotional and advisory services to help member countries create an attractive investment climate. Indonesia is a member of MIGA. U.S. companies seeking investment guarantees should contact MIGA. (See http://www.miga.org for further information).

Contact information for the World Bank and the U.S. Commercial Service Liaison staff at the bank is available in Chapter 9. An excellent resource for all the multilateral development banks is the Office of Multilateral Development Bank Operations at the Department of Commerce. Services offered include a newsletter, counseling center, referrals and business outreach. Contact information for the office is also available in Chapter 9.

Asian Development Bank

Indonesia was a founding member of the ADB in 1966 and, by the end of 2009, had received 303 loans amounting to $25.7 billion, and 504 technical assistance (TA) projects amounting to $282.9 million. Measured by loan approvals, Indonesia is ADB's largest client, and its second largest recipient of TA support. Indonesia graduated from eligibility for Asian Development Fund resources at the end of 2008 and will be reclassified from January 1, 2009 as a borrower eligible for only ADB Ordinary Capital Resources. ADB has allocated indicative Ordinary Capital Resources (OCR) for Indonesia's public sector lending operations of $2.64 billion for 2011–2013, or $880 million per year. ADB provides a mix of program loans to support policy and investment loans. Priority areas for project financing are consistent with the Government of Indonesia's medium-term strategy and include the following: water resource management, infrastructure (energy with an emphasis on clean energy and energy efficiency, road transportation, and water supply and sanitation), education (vocational and higher education), audit and procurement, and community-driven development for targeted poverty reduction.

Indicative lending products in 2011 include Flood Management in Selected River Basins, Geothermal, Java-Bali 500 kV Power Transmission Crossing, PNPM Mandiri Community Driven Development, Polytechnics Development, Climate Change Programs, Support for State Audit Reform and Procurement and Second Local Government Finance and Governance Reform Program. ADB tenders are generally conducted based on international competitive bidding standards. (See http://www.adb.org for additional information).

Islamic Development Bank

The Islamic Development Bank (IDB) seeks to foster the economic development and social progress of member countries and Muslim communities through participation in equity capital and grant loans for projects, as well as providing other types of financial assistance. The IDB has an active program in Indonesia. (See http://www.isdb.org or Chapter 9 for additional information and contact information).

The U.S. Export-Import Bank

The mission of the Export-Import Bank of the United States (Exim) is to assist in financing the export of U.S. goods and services to international markets. Exim provides export credit insurance, loan guarantees and project and structured finance for U.S. exporters and foreign buyers of U.S. goods and services.

On January 12, 2009, the GOI enacted the new Aviation Law. The new law implements the provisions of the Cape Town Convention on International interests in mobile aircraft equipment. This treaty provides a system of registration and recovery that assures lenders protection of their interests. With the new legislation Exim will be able to proceed in financing aircraft sold and leased to Indonesian companies. In FY 2009 and 2010, Exim Bank has authorized almost $1 billion in financing to support the export of up to 30 Boeing 737-800ER aircraft to Lion Air, a private-sector airline in Indonesia.

On June 2010, Exim Bank has pre-approved 11 banks in Indonesia to receive financing as part of the banking facilities amounting to $1 billion to support US exports to Indonesia. The bank facility will support U.S. exports to Indonesia on short, medium and long repayment terms. Both public-sector and private-sector borrowers are eligible. Please refer to Exim's "country limitation schedule (CLS)" for current program coverage in Indonesia. Exim programs are explained on their homepage, located at http://www.exim.gov. For more information, please send inquiries to: info@exim.gov.

Overseas Private Investment Corporation (OPIC)

The Overseas Private Investment Corporation plays an important role in helping U.S. firms reach expanding markets. OPIC assists American investors through four principal activities:

- financing of businesses through loans and loan guarantees;
- supporting private investment funds;
- insuring investments against a broad range of political risks; and
- engaging in outreach activities designed to inform the American business community of investment opportunities overseas.

Investors are urged to contact OPIC directly for up-to-date information concerning availability of OPIC services in Indonesia. (See Chapter 9 for contact information.)

Project financing is crucial in successfully capturing business in Indonesia, especially for engineering services, project management or "big-ticket" purchases. American companies often compete with third country companies offering concessionary financing through soft loans, so it is vital to offer the best financial terms commercially available. Grant assistance available through the Trade and Development Agency (see website below) can be used to offset government financing offered by the Government of Japan, European Union members, and others.

Web Resources Return to top

Export-Import Bank of the United States: http://www.exim.gov
Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
OPIC: http://www.opic.gov
Trade and Development Agency: http://www.tda.gov/
SBA's Office of International Trade: http://www.sba.gov/oit/
USDA Commodity Credit Corporation: http://www.fsa.usda.gov/ccc/default.htm
U.S. Agency for International Development: http://www.usaid.gov
World Bank: http://www.worldbank.org
Multi Donor Fund for Aceh and Nias: http://www.multidonorfund.org
Java Reconstruction Fund: http://www.javareconstructionfund.org
Asian Development Bank: http://www.adb.org
Islamic Development Bank: http://www.isdb.org

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs

Return to top

The best time for an initial business trip is September through June, as school holidays and vacation time in the summer months can impact the availability of many business people. Visitors should check the local holiday schedule before traveling to Indonesia, and in particular should try to avoid the Muslim fasting month of Ramadhan, during which appointments are often difficult to schedule. The normal business attire is a lightweight business suit or white shirt, tie and slacks for men, and a business suit or dress for women.

Indonesia is a very diverse country, with more than 300 different ethnic groups. Some Indonesians are traditional in culture, others may be considerably "Westernized." Many Indonesians do not conduct business transactions or make decisions in the same direct fashion Americans do, so U.S. business people should be prepared to spend a good deal of time with clients before getting down to the business transaction. Traditional Javanese culture emphasizes harmony and the word "no" is rarely used. This can make it difficult for a Westerner to ascertain exactly how a business proposal is being received. Patience and the development of personal relations is the key. Because Indonesians do business with "friends," people who they know, developing a rapport is crucial. While quality and price are important, they are often secondary to the personal interaction of the business partners.

During business meetings, tea or coffee is almost always served and should be accepted. It should not be consumed until the host invites you to do so, which may not occur until the end of the meeting. Generally speaking, it is best to use the right hand in receiving or eating. Although hand shaking is a common practice, avoid hearty handshakes and other physical contact. Do not show the soles of your shoes when seated.

Business travelers to Indonesia seeking appointments with U.S. Embassy-Jakarta officials should contact the U.S. Commercial Service in advance. The U.S. Commercial Service can be reached by telephone at (62-21) 526-2850, fax at (62-21) 526-2855 or by e-mail: Jakarta.Office.Box@trade.gov

Travel Advisory

Return to top

Travelers visiting Indonesia may wish to review the State Department Country Specific Information for Indonesia at: http://travel.state.gov/travel/cis_pa_tw/cis/cis_2052.html

Visa Requirements

Return to top

U.S. citizens traveling to Indonesia are required to have a valid visa. Visas can be obtained by applying at the Indonesian Embassy in Washington or at their Consulates in New York, Los Angeles, and Chicago. Visas on arrival (30-day visa) are available at the airport in Jakarta, Surabaya, Medan, Denpasar and several other large cities for a fee of $25. All travelers to Indonesia must have a passport valid for at least six months from the date of arrival in Indonesia as well as an onward/return ticket. Indonesian authorities regularly deny entry to Americans who arrive with less than six months validity on their passports. Travelers are strongly urged to check with their airline and with the Indonesian Embassy or the Directorate General of Immigration at the following links, as requirements can change on short notice.

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security options are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: http://travel.state.gov/visa/index.html

United States Visas.gov: http://www.unitedstatesvisas.gov/

Consular Section, U.S. Embassy Jakarta: http://jakarta.usembassy.gov/visas.html

Telecommunications

Return to top

Telephone services vary between areas in Jakarta. They depend largely on the local telephone exchange's capacity to handle traffic. Phone service is good along the main business thoroughfares and the newer residential areas, which are served by fiber optic trunk lines. In the older residential areas, service is less reliable. Extra phone lines can be costly, and obtaining them can be time consuming. International direct dial (IDD) lines are available and will allow connection to an AT&T operator, but rates are considerably higher than calling from the United States. The cellular market is in the middle of a boom with around 180 million subscribers in 2010. Cellular services could easily be obtained as various operators offering GSM or CDMA technologies.

When traveling throughout Indonesia, the options for cell phones are widely used. In terms of cell phone service in Indonesia, there are eleven carriers with GSM and CDMA technologies. Out of the eleven carriers, three GSM carriers - Telkomsel, Indosat, and XL - provide solid coverage across the country. The good thing about using cell service in Indonesia is that the service can easily be subscribed and cheap compared to U.S.

standards. It is also worth noting that pre-paid SIM cards are easily purchased at many stores and kiosks. The use of BlackBerry has also been growing significantly.

Indonesia had an estimated 45 million internet users. As of 2010, broadband internet services are very much in their infancy. Problems with inferior telecommunications infrastructure will continue to impede internet growth.

Transportation Return to top

Airlines flying into Jakarta include Garuda (the national airline), Qantas, Singapore Airlines, Cathay Pacific, KLM, and a number of other regional carriers. Connections can be made to all major airlines, including U.S. carriers, in Singapore or Hong Kong. No U.S. airlines currently fly into Jakarta. Internal flights are readily available, but connections not involving Jakarta are often problematic. There is an extensive rail network, but it is generally not appropriate for business travel. Extreme caution must be taken when traveling by car, as conditions are crowded and dangerous. Taxis in Jakarta are plentiful, but you should only use call taxi services available at your hotel: Silver Bird and Blue Bird are the most reliable and safest taxi services. Golden Bird cars and drivers can be hired by the day, and cost around $100 per day.

Language Return to top

The national language of Bahasa Indonesia is spoken all over Indonesia, in addition to local languages. English is widely spoken and understood in Jakarta by most business people, although much less so in other cities. Most of the better hotels have English-speaking staff, as do the shopping centers that cater to expatriates. International telephone operators also speak English. The level of English can vary. Indonesian firms hoping to conduct business with foreigners generally try to employ some English speakers.

Health Return to top

Short-term visitors to Indonesia are advised to be up-to-date on their Hepatitis A, Hepatitis B, and Typhoid vaccinations, in addition to all routine childhood immunizations before arrival. The hepatitis vaccination series takes six months to complete. Those considering travel outside the major cities (Jakarta, Surabaya, Medan, southern Bali, etc.) should take anti-malaria medication; mefloquine or doxycycline is considered adequate prevention measures against malaria. Physicians in the United States should be able to answer questions pertaining to immunizations and other health concerns.

Air pollution in the larger cities causes a number of common respiratory ailments to both visitors and long-term residents. Dehydration as a result of intestinal illnesses can be a serious, even life-threatening, condition if not treated. Persons suffering from severe diarrhea may obtain an oral re-hydration solution from a local pharmacy. If vomiting makes it impossible to adequately re-hydrate, visit a clinic immediately.

Avian Influenza – Indonesia has experienced several outbreaks of Avian Influenza (AI). Economic hardship and ignorance of modern disease control methods have combined to make Indonesia's AI control efforts somewhat ineffective. Of the 171 cases confirmed to date in Indonesia, 141 have been fatal. Americans who travel to Indonesia should obtain up to date health information before departing the U.S. The websites of the U.S. Centers for Disease Control at http://www.cdc.gov/travel and the World Health Organization at http://www.who.int have up to date information on outbreaks of contagious and tropical diseases.

There are a few modern, well-equipped clinics and hospitals in Jakarta that are considered adequate for minor illnesses, but expatriates generally prefer to fly to Singapore or their home countries for treatment of serious illnesses and/or operations. An adequate pre-hospital emergency system, similar to the "911" system in the U.S., does not exist in any Indonesian cities. Many local hospitals operate their own ambulances, with no common standards. Response time can be prolonged. In the event of illness or emergency, the following clinics and hospitals are among those frequented by expatriates in Jakarta:

SOS Medika Klinik
(International SOS)
Jl. Puri Sakti No. 10, Cipete,
Jakarta Selatan, 12410.
Tel: 750-5980
Fax: 750-6002, 750-6003
http://www.sosindonesia.com

Global Doctor International Medical Centre
Jl. Kemang Raya No. 87
Jakarta 12730
Tel: 7194565
Fax: 719-8969
http://www.globaldoctorjakarta.com/

<u>Food</u>: Exercise reasonable care in food preparation at home and menu selection while eating out because of questionable sanitation practices. Imported meats, vegetables, and packaged foods are readily available from most stores in the Carrefour, Giant, Hypermart and Hero grocery stores chain (locations throughout Jakarta), at all Sogo department stores, at Kem Chicks in the Kemang district, and Ranch Market grocery stores.

Drinking tap water anywhere in Indonesia is not advised. Use commercial bottled water from your hotel or purchase from a supermarket. "Aqua" is one of the more common brands used by expatriates. Avoid buying bottled water from street vendors if possible.

Short-term visitors to Indonesia are well advised to eat only in hotels and restaurants that cater to up-scale visitors. Caution, however, should also be exercised in such "5-star" establishments. Do not eat from street stalls. Avoid raw, unpeeled fruits and uncooked vegetables, food that is prepared in advance and then left to stand, raw or undercooked meats, seafood, and shellfish in questionable eating venues.

Local Time, Business Hours, and Holidays [Return to top]

Indonesia has three time zones:

Eastern Indonesian time is 11 hours ahead of Eastern Standard Time (12 hours ahead of Eastern Daylight Time).

Central Indonesia (Java and Jakarta) time is 12 hours ahead of Eastern Standard Time (13 hours ahead of Eastern Daylight Time).

Western Indonesian time is 13 hours ahead of Eastern Standard Time (14 hours ahead of Eastern Daylight Time).

Business hours are generally:

Commerce
0900 -1700 Monday - Friday (note Friday prayers at 1200-1300)

Government
0730 – 1600 Monday – Friday

Banks
0900 – 1500 Monday – Friday

Shops
1000 – 2200 Monday – Sunday

Holiday Listing for 2011 – Local and U.S. Embassy

Saturday, January 1	New Year's Day (U.S. and Indonesian) (Celebrated Friday, December 31, 2010)
Monday, January 17	Martin Luther King, Jr.'s Birthday (U.S.)
Thursday, February 3	Chinese New Year (Indonesian)
Tuesday, February 15	Mohammed's Birthday (Indonesian)
Monday, February 21	Washington's Birthday (U.S.)
Saturday, March 5	Nyepi (Indonesian)
Friday, April 22	Good Friday (Indonesian)
Tuesday, May 17	Waicak (Indonesian)
Monday, May 30	Memorial Day (U.S.)
Thursday, June 2	Ascension of Christ (Indonesian)

Wednesday, June 29	Ascension of Mohammed (Indonesian)
Monday, July 4	Independence Day (U.S.)
Wednesday, August 17	Independence Day (Indonesian)
Tuesday-Wednesday-Thursday, August 30-September 1	Idul Fitri 1 Syawal 1432 H (Indonesian)
Monday, September 5	Labor Day (U.S.)
Monday, October 10	Columbus Day (U.S.)
Sunday, November 6	Idul Adha 1432 H (Indonesian)
Friday, November 11	Veterans' Day (U.S.)
Thursday, November 24	Thanksgiving Day (U.S.)
Sunday, November 27	Muslim New Year 1433 H (Indonesian)
Sunday, December 25	Christmas (Indonesian)
Monday, December 26	Christmas (U.S.)

Temporary Entry of Materials and Personal Belongings

Return to top

The GOI encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are a number of EPZs in Indonesia, the most well known being Batam Island, located 20 kilometers south of Singapore. Indonesia also has several bonded zones or areas that are designated as entry ports for export destined production (EPTE). Companies are encouraged to locate in bonded zones or industrial estates whenever possible. Other free trade zones include a facility near Tanjung Priok, Jakarta's main port, and a bonded warehouse in Cakung, also near Jakarta.

There is a duty drawback facility (BAPEKSTA) for exports located outside the zones. Foreign and domestic investors wishing to establish projects in a bonded area must apply to the Capital Investment Coordinating Board. Expatriates relocating to Indonesia should seek the advice of a qualified international relocation firm. Indonesia is a "Right Hand Drive" country and only vehicles with right hand steering wheels can be imported, even for personal use.

Web Resources

Return to top

Association of South East Asian Nations (ASEAN) - www.asean.or.id
Expat.or.id - www.expat.or.id
Department of Industry and Trade - www.dprin.go.id
IndoExchange - www.IndoExchange.com
Indonesian Investment Coordinating Board - www.bkpm.go.id/en
Indonesiatourism.com - www.indonesiatourism.com
Indo.com - www.indo.com
Ministry of Manpower and Transmigration - www.nakertrans.go.id
TradeIndonesia.com - www.tradeindonesia.com

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research and Trade Events

Contacts Return to top

1. Chambers of Commerce

American Chamber of Commerce in Indonesia

The American Chamber of Commerce in Indonesia (AMCHAM) has over 300 members, including leading U.S. firms with offices in Indonesia, associate members (non-U.S. companies), individuals, and special members. The Chamber prepares a number of useful guides to doing business in Indonesia, has developed position papers on key policy issues, and maintains a useful membership directory. AMCHAM assists U.S. firms in assessing business opportunities by staging briefing breakfasts at the requester's expense. Members have access to a number of active committees addressing business issues in the areas of banking, telecom, IPR, energy, etc. The contact information is as follows:

American Chamber of Commerce (AMCHAM)
World Trade Center, 11th Floor,
Jl. Jendral Sudirman Kav. 29 - 31
Jakarta 12920, Indonesia
Tel: (62-21) 526-2860;   Fax: (62-21) 526-2861
E-mail: director@amcham.or.id
Website: www.amcham.or.id
Contact: Mr. Daniel Hughes, President
Ms. Sarah Howe, Executive Director

American-Indonesian Chamber of Commerce

Based in New York City, the membership of the American-Indonesian Chamber of Commerce is comprised of over 150 companies and individuals doing business in Indonesia. It has an active program of monthly luncheons, featuring speakers knowledgeable about Indonesia and briefing programs for newly appointed American and Indonesian government officials. The Chamber also publishes "OUTLOOK INDONESIA," a quarterly publication containing interpretations of new Indonesian policies, sectoral reviews, summaries of recent Chamber activities, and an Executive Director's column. In addition, the American-Indonesian Chamber of Commerce provides business translations, either from English to Indonesian or Indonesian to English. Their contact information is as follows:

The American-Indonesian Chamber of Commerce
317 Madison Avenue, Suite 1619
New York, NY 10017
Tel: (212) 687-4505;   Fax: (212) 687-5844
E-mail: wayne@aiccusa.org
Website: www.aiccusa.org
Contact: Mr. Wayne Forrest, President

U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the most extensive nationwide chamber in the United States. The U.S. Chamber has expanded its overseas activities and is exploring a number of programs designed to assist SME exporters to the Asian Region.

U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel: (202) 463-5584;   Fax: (202) 822-2491
E-mail: mhiebert@uschamber.com
Website: www.uschamber.com
Contact: Mr. Murray Hiebert, Senior Director, Asia

2. Related Business Councils and Associations in the U.S.A.

U.S.-ASEAN Business Council
1101 17th Street, N.W., Suite 411
Washington D.C. 20036
Tel: (202) 289-1911;   Fax: (202) 289-0519
E-mail: morgill@usasean.org
Website: www.us-asean.org
Contact: Mr. Mike Orgil, Senior Manager, Indonesia, Malaysia and Singapore

California-Asia Business Council
One Maritime Plaza, Suite 400
San Francisco CA 94111
Tel: 415-986-8808;   Fax: 415-986-3545
E-mail: jeremy@calasia.org
Website: www.calasia.org
Contact: Mr. Jeremy Potash, Executive Director

Pacific Basin Economic Council
Unit 1202 ING Tower
308 Des Voeux Road Central
Hong Kong
Tel: (852) 2815-6550;   Fax: (852) 2545-0499
E-mail: info@pbec.org
Website: www.pbec.org

3. Indonesian Trade Associations

KADIN

The major trade association in Indonesia is the Indonesian Chamber of Commerce and Industry (KADIN). Members include representatives from private industry, cooperatives, public corporations, utilities, as well as state-owned enterprises. In addition, there are numerous other specialized and professional organizations that represent the interests of various other sectors and trades in the economy. Contact information for KADIN is as follows:

Indonesian Chamber of Commerce & Industry (KADIN)
Menara Kadin, 29th Floor
Jl. H.R. Rasuna Said X-5 Kav. 2-3
Jakarta 12950
Tel: (62-21) 527-4484/85;   Fax: (62-21) 527-4331/32
E-mail: sekretariat@kadin-indonesia.or.id or kadin@kadin-indonesia.or.id
Website: www.kadin-indonesia.or.id
Contact: Mr. Suryo Bambang Sulisto, Chairman

GINSI/GPEI

Associations of importers and exporters, most of whom are organized on a commodity basis, include the Importers Association of Indonesia (GINSI) and the Indonesian Association of Exporters (GPEI). Both organizations have head offices in Jakarta. Contact information is as follows:

Importers Association of Indonesia (GINSI)
Wisma Kosgoro, 8th Floor
Jl. MH. Thamrin No.53
Jakarta 10350
Tel: (62-21) 3983-2510;   Fax: (62-21) 3983-2499, 3983-2504
Contact: Mr. H. Amirudin Saud, Chairman

Indonesian Exporters Association (GPEI)
ITC Cempaka Mas 7th Floor No. 6
Jl. Letjen Suprapto, Cempaka Putih
Jakarta Pusat
Tel: (62-21) 4290-0549;   Fax: (62-21) 4290-0546
Contact: Mr. Benny Soetrisno, Chairman
Mr. Toto Dirgantoro, Secretary General

4. Trade and Project Financing

U.S. Trade and Development Agency
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Tel: (703) 875-4357;   Fax: (703) 875-4009
E-mail: info@tda.gov
Website: www.tda.gov
Contact: Mr. Henry Steingass, Regional Director for Asia

Ms. Pinsuda Alexander, Country Manager for Indonesia
U.S. Trade and Development Agency (USTDA)
Asia Regional Office
Bangkok, Thailand
Tel: (662) 205-5090/5600 (direct); Fax: (662) 255-4366
E-mail: mdunn@ustda.gov
Website: www.tda.gov
Contact: Mr. Mark Dunn, Regional Manager for Asia

U.S. Commercial Liaison Office to the Asian Development Bank (CS/ADB)
American Business Center, 25th Floor
Ayala Life - FGU Center
6811 Ayala Avenue, Makati City
Metro Manila 1226, Philippines
Tel: 63-2-887-1345; Fax: 63-2-887-1164
E-mail: manila.adb.office.box@trade.gov
Website: www.buyusa.gov/adb/
Contact: Mr. Joel Fischl, Senior Commercial Officer

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: (202) 336-8400; Fax: (202) 336-7949
E-mail: info@opic.gov
Website: www.opic.gov

Export-Import Bank of the United States (Exim Bank)
811 Vermont Ave., N.W.
Washington, DC 20571
Tel: (202) 565-3946 or (800) 565-3946; Fax: (202) 565-3380
Asia hotline: (800) 565-3911/3402
Website: www.exim.gov

Islamic Development Bank
P.O. Box 5925
Jeddah 21432
Kingdom of Saudi Arabia
Tel: (966-2) 636-1400 (10 lines); Fax: (966-2) 636-6871
Telex: 601 137 ISDB SJ
E-mail: idbarchives@isdb.org
Website: www.isdb.org

U.S. Commercial Service - World Bank, Washington
Commercial Service Liaison Office
The World Bank
1818 H Street, NW; MC 13-1307
Washington, DC 20433
Tel: (202) 458-0120; Fax: (202) 477-2967
E-mail: David.Fulton@trade.gov

Website: www.buyusa.gov/worldbank/

Contact: Mr. David Fulton, Advisor & Director of Business Liaison

The World Bank (Indonesia Office)
Jakarta Stock Exchange Building
Tower 2, 12th & 13th Floor
Jl. Jendral Sudirman, Kav. 52-53
Jakarta 12190, Indonesia
Tel: (62-21) 5299-3000; Fax: (62-21) 5299-3111
Website: www.worldbank.org/id
Contact: Mr. Stefan Koeberle, Country Director for Indonesia

5. Indonesian Government Contacts

The GOI established the National Agency for Export Development within the Ministry of Trade to promote the export of certain products. These products include handicrafts (i.e., jewelry, batik, hand-woven fabric, and wood carvings), agricultural and cottage industry products, and new manufactured products. The agency will also assist foreign buyers and importers in establishing contacts with Indonesian companies. Contact information is as follows:

Directorate General of National Agency for Export Development (DGNED)
Ministry of Trade, Main Building
Jl. M. I. Ridwan Rais No. 5
3rd, 4th, 13th, 14th Floor
Jakarta Pusat 10110, Indonesia
Tel: (62-21) 3858-171; Fax: (62-21) 2352-8662
E-mail: kabpen@depdag.go.id
Website: www.nafed.go.id
Contact: Ms. Hesti Indah Kresnarini, Director General

Other Indonesia Government contacts of interest are:

Directorate General for International Trade Cooperation
Ministry of Trade
Jl. M.I. Ridwan Rais No. 5, Main Building, 8th Floor
Jakarta 10110, Indonesia
Tel: (62-21) 2352-8600, 385-8171 ext. 36900; Fax: (62-21) 2352-8610
E-mail: djkpi@depdag.go.id
Website: www.depdag.go.id
Contact: Mr. Gusmardi Bustami, S.H., Director General

Directorate General for Customs and Excise
Director for Customs and Excise Information
Ministry of Finance, Building A, 1st Floor
Jl. Jend. A. Yani 108, By Pass
Jakarta 13230, Indonesia
Tel: (62-21) 489-1581; Fax: (62-21) 489-2859
E-mail: perpen@beacukai.go.id
Website: www.beacukai.go.id
Contact: Mr. Susiwijono, Director

6. Coordinating Ministers/Cabinet

The following is a listing of the current GOI's cabinet. Elections are coming up and ministers can change at any time. Those who wish to get in touch with these cabinet members can contact the U.S. Commercial Service in Jakarta for up-to-date contact information.

<u>Coordinating Ministers</u>:

Political, Legal, and Security Affairs: Marsekal TNI (Purn) Djoko Suyanto
Economy: Ir. Hatta Rajasa
People's Welfare: Dr. H.R. Agung Laksono

<u>Ministers</u>:

Agriculture: Ir. H. Suswono, MMA
Defense: Prof. Dr. Ir. Purnomo Yusgiantoro
National Education: Prof. Dr. Ir. Muhammad Nuh
Energy and Mineral Resources: Dr. Darwin Zahedy Saleh
Finance: Agus D.W. Martowardojo
Foreign Affairs: Dr. Raden Mohammad Marty Muliana Natalegawa, M.Phil, B.Sc
Forestry: Zulkifli Hasan, SE, MM
Health: Dr. dr. Endang Rahayu Sedyaningsih
Home Affairs: Gamawan Fauzi SH,MS
Industry: Ir. Mohamad Suleman Hidayat
Trade: Dr. Mari Elka Pangestu
Justice and Human Rights: Patrialis Akbar, S.H.
Manpower and Transmigration: Drs. H. A. Muhaimin Iskandar, MSi
Maritime Affairs and Fisheries: Dr. Ir. Fadel Muhammad
Religious Affairs: Drs. H. Suryadharma Ali
Public Works: Ir. Djoko Kirmanto, Dipl. HE
Transportation: Laksamana Madya (Purn.) Freddy Numberi
Social Affairs: Dr. H. Salim Segaf Al-Jufrie
Cultural and Tourism: Ir. Jero Wacik, S.E.
Information and Communications: Ir. H. Tifatul Sembiring

<u>State Ministers</u>:

Administrative Reform: Evert Ernest Mangindaan, Sip
Cooperatives Small, and Medium Enterprises: Dr. Syariefuddin Hasan
Environment: Prof.Dr.Ir. H. Gusti Muhammad Hatta
Research and Technology: Drs. H. Suharna Surapranata, MT
Women and Empowerment: Linda Amalia Sari, Sip
State Enterprises: Dr. Ir. Mustafa Abubakar
Disadvantaged Regions: Ir. H. Ahmad Helmy Faishal Zaini
Public Housing: Suharso Manoarfa, MA
Youth and Sports Affairs: Dr. Andi Alfian Mallarangeng
National Development Planning and Chairperson of the National Development Planning Agency (BAPENNAS): Prof. Dr. Armida Alisjahbana

<u>Officials of Ministerial Rank</u>:

State Secretary: Letjen. TNI (Purn) Sudi Silalahi
Cabinet Secretary: DR. Dipo Alam
Attorney General: Basrief Arief, S.H.

> * In Indonesia, DR refers to a person with a Doctorate degree; dr. refers to a person with a medical degree; Drs. refers to a male with a bachelor degree; Dra. refers to a female with a bachelor degree; SH. refers to a person with a law degree; MSC is a person with a Master of Science; Ir. refers to a person with an engineering degree.

7. U.S. Government Contacts

<u>U.S. Embassy Jakarta</u>:

Mailing Address from U.S.:	International Mail:
American Embassy - Jakarta	American Embassy - Jakarta
Unit 8129	Jl. Medan Merdeka Selatan 3-5
DPO, AP 96520-8129	Jakarta 10110, Indonesia

U.S. Ambassador Scot Marciel
Aide to Ambassador Jo Villemarette

Deputy Chief of Mission Theodore Osius
Aide to DCM Jan Cordell

Website: www.usembassyjakarta.org

U.S. Commercial Service
Mr. Joseph Kaesshaefer, Counselor for Commercial Affairs
Wisma Metropolitan II, 3rd Floor
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920, Indonesia
(From the U.S., use Embassy's DPO mailing address – see above)
Tel: (62-21) 526-2850; Fax: (62-21) 526-2855
E-mail: jakarta.office.box@trade.gov

Foreign Agricultural Service (FAS)
Mr. Dennis Voboril, Counselor for Agricultural Affairs
Tel: (62-21) 3435-9000 (ext. 9161); Fax: (62-21) 3435-9920

Economic Section
Mr. Peter D. Haas, Economic Counselor
Tel: (62-21) 3435-9000 (ext. 9073); Fax: (62-21) 3435-9971

Administrative Section
Mr. Michael Mullins, Management Counselor
Tel: (62-21) 3435-9000 (ext. 9018); Fax: (62-21) 3435-9940

Political Section
Mr. Ted Lyng, Political Counselor
Tel: (62-21) 3435-9000 (ext. 9280); Fax: (62-21) 3435-9916

Consular Section
Mr. Jeffrey Tunis. Consul General
Tel: (62-21) 3435-9000 (ext. 9050); Fax: (62-21) 385-7189

Regional Security Office (RSO)
Mr. James W. Schnaible, Regional Security Officer
Tel: (62-21) 3435-9000 (ext. 9188); Fax: (62-21) 3435-9911

Library of Congress (LOC)
Mr. William P. Tuchrello, Field Director
Jl. HOS Cokroaminoto 65, Jakarta 10350
Tel: (62-21) 314-4944, 3193-4296, 310-2127; Fax: (62-21) 314-4945
E-mail: jakarta@loc.gov

Public Affairs Section (PAS)
Mr. Don Q. Washington, Public Affairs Counselor
Tel: (62-21) 3435-9000 (ext. 9500); Fax: (62-21) 381-0243
Informational Resource Center (IRC)
Ms. Oktaviane Anita Sinaga
Tel: (62-21) 350-8467; Fax: (62-21) 350-8466
Email: irc@usembassyjakarta.org

U.S. Agency for International Development (USAID)
Mr. Walter North, Mission Director
Tel: (62-21) 3435-9000 (ext. 9303); Fax: (62-21) 380-6694

Defense Attaché Office (DAO)
Col. Russell N. Bailey, Defense and Army Attaché
Tel: (62-21) 3435-9000 (ext. 9186); Fax: (62-21) 3435-9921

Office of Defense Cooperation (ODC)
Col. Randall Koehlmoos, Military Attaché for Defense Cooperation
Tel: (62-21) 3435-9000 (ext. 9600); Fax: (62-21) 384-3339

Department of Justice (DOJ) ICITAP
Mr. Gerald Heuett
Tel: (62-21) 3435-9000 (ext. 9611); Fax: (62-21) 345-9743

Department of Justice (DOJ) OPDAT
Mr. Robert Strang, Resident Legal Advisor
Wisma Metropolitan II, 3rd Floor
Jl. Jendral Sudirman Kav. 29-31
Jakarta 12920, Indonesia
Tel: (62-21) 526-2846; Fax: (62-21) 526-2849

American-Indonesia Exchange Foundation (AMINEF)

Mr. Michael E. McCoy, Executive Director
Balai Pustaka Building, 6th Floor
Jl. Gunung Sahari Raya No. 4
Jakarta 10720, Indonesia
Tel: (62-21) 345-2016;   Fax: (62-21) 345-2050
Website: www.aminef.or.id

Voice of America (VOA) – Jakarta News Center
Mr. Brian Padden
Jl. Lembang No. 47. Menteng
Jakarta 10350, Indonesia
Tel: (62-21) 3193-4767;   Fax: (62-21) 390-0917

U.S. Consulate General – Surabaya
Ms. Kristen Bauer, Consul General
American Consulate General
Jl. Raya Dr. Sutomo No. 33
Surabaya 60264, Indonesia
Tel: (62-31) 295-6400; Fax: (62-31) 567-4492
E-mail: consurabaya@state.gov
Website: http://surabaya.usconsulate.gov/

American Presence Post, Medan, North Sumatra
Mr. Stanley Harsha, Principal Officer
Uni Plaza Building 4th Floor, West Tower
Jl. Let. Jend. MT. Haryono A-1
Medan 20231, Indonesia
Tel: (62-61) 451-9000;   Fax: (62-61) 455-9033
E-mail: sumatra@state.gov

U.S. Consular Agency, Denpasar, Bali
Mr. Joseph Curtin, Consular Agent
Jl. Hayam Wuruk 188, Denpasar, Bali 80235, Indonesia
Tel: (62-361) 233-605;   Fax: (62-361) 222-426
E-mail: amcobali@indosat.net.id

8. U.S. Government – Washington D.C.

Trade Information Center
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington DC 20230
Tel: 1-800-USA-TRADE (8723) or (202) 482-0543 / 482-4473
Fax: (202) 482-4473
Email: tic@ita.doc.gov
Website: www.export.gov/exportbasics

Holly Vineyard
Deputy Assistant Secretary - Africa, the Middle East and South Asia
Market Access and Compliance
U.S. Department of Commerce, Room 2329

1401 Constitution Ave., NW
Washington, DC 20230
Phone: (202) 482-4651
Fax: (202) 501-0224
Website: www.trade.gov/mac

Lorraine Hariton
Special Representative
U.S. Department of State
Office of Commercial and Business Affairs (EB/CBA)
2201 C Street, NW, Room 2318
Washington, DC 20520
Phone: (202) 647-1625
Fax: (202) 647-3953
E-mail: BusinessOutreachweb@state.gov
Internet: www.state.gov

Office of Commercial and Business Affairs (EB/CBA)
Regional Commercial Coordinator
Bureau of South Asia (SA)
2201 C Street, NW, Room 5246
Washington, DC 20520
Phone: (202) 736-4254
Fax: (202) 736-4259

Jose W. Fernandez
Assistant Secretary
U.S. Department of State
Office of Bureau Economic, Energy and Business Affairs (EEB)
2201 C Street, NW, Room 6828
Washington, DC 20520
Phone: (202) 647-5973
Fax: (202) 647-5713
Email: ebweb@state.gov
Website: www.state.gov

9. Indonesian Embassy and Consulates in the United States

Embassy of the Republic of Indonesia
2020 Massachusetts Avenue, N.W.
Washington, D.C. 20036
Tel: (202) 775-5200
Fax: (202) 775-5365
Email: info@kbri.org
Website: http://www.embassyofindonesia.org

Consulate General of the Republic of Indonesia - New York
5 East 68th St.
New York, NY 10065

Tel: (212) 879-0600
Fax: (212) 570-6206
Email: information@indonesianewyork.org
Website: www.indonesianewyork.org

Permanent Mission of the Republic of Indonesia to the United Nations
325 East 38th Street
New York, N.Y. 10016
Tel: (212) 972-8333
Fax: (212) 972-9780
Email: ptri@indonesiamission-ny.org
Website: www.indonesiamission-ny.org

Consulate General of the Republic of Indonesia - Los Angeles
3457 Wilshire Boulevard
Los Angeles, CA 90010
Tel: (213) 383-5126
Fax: (213) 487-3971
Email: kjri@kjri-la.net
Website: www.kjri-la.net

Consulate General of the Republic of Indonesia - Houston
10900 Richmond Avenue
Houston, TX 77042
Tel: (713) 785-1691
Fax: (713) 780-9644
Email: kjrihouston@prodigy.net
Website: www.indonesiahouston.net

Consulate General of the Republic of Indonesia - Chicago
211 West Wacker Drive 8th Floor
Chicago, Illinois 60606
Phone: (312) 920-1880
Fax: (312) 920-1881
Website: www.indonesiachicago.org

Consulate General Office-San Francisco
1111 Columbus Ave.
San Francisco, CA 94133
Tel: (415) 474-9571
Fax: (415) 441-4320
Email: sanfancisco@indonesia-sanfranciso.net
Website: www.kjrifso.net

10. Consultants and Market Research Firms

Performing market research in Indonesia is difficult because detailed statistics on production and consumption are often not available through published sources. External trade statistics, however, are fairly detailed and additional data can be obtained for a fee from the Central Bureau of Statistics (Badan Pusat Statistik or BPS).

Unrecorded trade may distort import statistics and trends. For example, BPS figures tend to understate import values, as these figures exclude duty-free imports, including duty-free imports for investment and certain other transactions. Although there are a growing number of Indonesian organizations active in market research, the number remains small and expertise varies. Branches of American banks will often conduct market surveys for their customers, and several U.S. consulting firms now have affiliates in Jakarta.

Badan Pusat Statistik Republik Indonesia
(Central Bureau of Statistics of the Republic of Indonesia)
Jl. Dr. Sutomo No.6-8
Jakarta Pusat 10710
Tel: (62-21) 384-1195, 384-2508, 381-0291
Fax: (62-21) 385-7046
E-mail: bpshq@bps.go.id, webmaster@mailhost.bps.go.id
Internet: http://www.bps.go.id
Contact: Dr. Rosman Heriawan, Chairman

A growing number of foreign law firms, including some from the U.S., are also entering the Indonesian business community as business consultants. Members of INKINDO, the Association of Indonesian Consultants, are able to perform a wide range of research and consulting services. INKINDO was established by Indonesian consultants based in Jakarta. The contact information for this association is as follows:

The National Association of Indonesian Consultants (INKINDO)
Jl. Bendungan Hilir Raya, No. 29
Jakarta 10210
Tel: (62-21) 573-8577
Fax: (62-21) 573-3474
E-mail: inkindo@inkindo.org
Internet: www.inkindo.org
Contact: Mr. Bachder Djohan, Chairman

A number of Indonesia-based firms have identified themselves to the U.S. Commercial Service as offering consulting or market research services. Information regarding firms that are capable of conducting market surveys may be obtained from the Commercial Service, U.S. Embassy in Jakarta, or in the following list of consultants and market research firms.

The Nielsen Company Indonesia, PT.
Mayapada Tower, 15/F & 17/F
Jl. Jend. Sudirman Kav. 28
Jakarta 12920, Indonesia
Tel: +62 21 5212200
Fax: +62 21 5212203/4
E-mail: Nielsen.indonesia@nielsen.com
Internet: www.id.nielsen.com
Expertise: consumer & media measurements and insights
Contact: Ms. Catherine Eddy, Managing Director
Ms. Maika Randini, Head of Corporate Communications & Marketing

Business Advisory Indonesia (PT. Laksana Tata Indonesia)
Mayapada Tower, 11^{th} Floor, Suite 1103
Jl. Jend. Sudirman Kav. 28
Jakarta 12920, Indonesia
Tel: (62-21) 522-8613
Fax: (62-21) 522-8612
E-mail: bai@prima.net.id
Expertise: Management consulting, government and corporate research, official sworn English/Indonesia language translations of documentation.
Contact: Ms. Mariana M.G. Warokka, Director

CastleAsia
ANZ Tower, 15A Floor
Jl. Jend. Sudirman Kav. 33 A
Jakarta 10220, Indonesia
Tel: (62-21) 572-7321
Fax: (62-21) 572-7329
E-mail: castle@castleasia.com
Internet: http://www.castleasia.com/www.castleasia.co.id
Expertise: CastleAsia manages the Indonesia Country Program (ICP), the largest and most prestigious CEO forum in the country. With over 125 of Indonesia's largest and best corporations and institutions as its member base, the ICP provides a series of written reports and meeting opportunities designed to keep corporate leaders fully informed on the most important economic, political and regulatory issues facing business. CastleAsia also specializes in developing and implementing market entry strategies and solutions for corporate clients. With more than 30 years of experience in Indonesia, CastleAsia is the leader in analyzing the risk and rewards of the Indonesian market and advising companies on their best possible options.
Contact: Mr. James Castle, Principal
On April 2011, CastleAsia address will be:
Cyber 2 Tower, 6^{th} Floor
Jl. HR Rasuna Said Blok X-5 No. 13
Jakarta 12950

CIC Consulting Group
Jl. Raden Saleh No. 46
Jakarta 10330
Tel: (62-21) 310-1081, 314-7433
Fax: (62-21) 310-1505
Cable: CISIRAYA-JAKARTA
E-mail: cisi-cic@cic.co.id
Internet: www.cic.co.id
Expertise: Market and feasibility studies (including pharmaceuticals, cosmetics, medical supplies, health equipment, food and beverages, hotels, golf course, resorts, and recreation facilities), periodical/business reports, credit information services, partner seeking services, project reports, consumer research, business to business research, social research, and agricultural research.
Contact: Mr. Parlin Sihombing, Marketing Manager

Citra Duta Artistry (CDA International)
Ratu Plaza Office Tower, 23rd floor
Jl. Jend. Sudirman Kav. 9
Jakarta 10270 Indonesia
Tel: (62-21) 7280-1308/ (62-36) 1747-5823
Fax: (62-21) 7280-1309
E-mail: info@cda.co.id
Web site http://www.cda.co.id
Expertise: Architecture, interior design and office renovation.
Contact: Mr. Richard McBride AIA IIDA, President Director

Taylor Nelson Sofres (TNS)
Wisma Metropolitan II, 7th Floor
Jl. Jend. Sudirman Kav. 20-31
Jakarta 12920
Tel: (62-21) 252-6022/23
Fax: (62-21) 252-6369
E-mail: Raghavan.Srinivasan@tns-global.com
Internet: www.tns-global.com
Expertise: Market research and strategic planning and consultancy
Contact: Mr. Raghavan Srinivasan, President Director

PT. Data Consult
Maya Indah Building
Jl. Kramat Raya No.5-L
Jakarta 10450, Indonesia
Tel: (62-21) 390-4711, 390-1877
Fax: (62-21) 390-1877
E-mail: datacon@idola.net.id or info@datacon.co.id
Internet: http://www.datacon.co.id
Expertise: Market research and publishes a monthly newsletter entitled "Indonesian Commercial Newsletter." The newsletter contains a sectorial survey in each issue and other market information.
Contact: Mr. D. Ganjar Sidik, Managing Director

Ganesha Aggies Jaya
Jl. Cipete Raya No.11
Jakarta 12430, Indonesia
Tel: (62-21) 766-8922
Fax: (62-21) 766-8825
E-mail: ganesha@ganesha-aggies.com or smursidi@ptghrsys.com
Internet: www.ganesha-aggies.com or www.ptghrsys.com
Expertise: Consulting - the establishment of new FDIs, corporate governance and compliance, OD, OS/OR, recruitment & outplacement, technical training (oil & gas, manufacturing), business service outsourcing & shared services, HR budgeting and cost control, employee/ industrial relation, and Indonesian Labor Law.
Construction – building construction, maintenance and renovation.
Contact: Mr. Sigit Mursidi, Director

Mazars
Jl. Sisingamangaraja No. 26
Jakarta 12120, Indonesia
Tel: (62-21) 720-2605
Fax: (62-21) 720-2606
E-mail: contact-jakarta@mazars.co.id
Internet: http://www.mazars.co.id
Expertise: Accounting and audit services, tax advice and compliance, government advisory, municipal finance, corporate recovery and reconstruction, merger and acquisition advisory, information technology, hospitality and leisure consulting, business establishment and maintenance, inbound investment services, corporate finance, valuation and business planning, employee compensation and benefit planning, human resource consulting, outsourcing and management of donor and development projects.
Contact: Mr. James S. Kallman, President Director

Penelitian Hukum Indonesia (PHI)
(PT. Terataimas Indocitra)
Graha Iskandarsyah 4-03
Jl. Iskandarsyah Raya No.66c
Jakarta 12160, Indonesia
Tel: (62-21) 270-2383
Fax: (62-21) 270-2384
E-mail: patricia@penelitianhukum.com
Internet: www.penelitianhukum.com
Expertise: CD-ROMs containing full text of Indonesian law in English and Indonesian, development of full text databases for business and industry and information systems consulting.
Contact: Ms. Patricia Soetjipto, Director

Plansearch Associates
Golden Plaza Blok G 12
Jl. Fatmawati 15, Jakarta 12430
Tel: (62-21) 759-12390/91
Fax: (62-21) 759-12392
E-mail: plans@indo.net.id, schwarze@cbn.net.id
Expertise: Corporate market research (industry, trade, services, environment), consumer market research (quantitative, qualitative surveys, market tests, marketing strategy development), intellectual property, due diligence, partner search, asset search, financial inquiries and analysis, competitive intelligence and surveillance.
Contact: Mr. Gunter Schwarze, Director

11. Law Firms and Attorneys

Ali Budiardjo, Nugroho, Reksodiputro
Graha Niaga, 24th Floor
Jl. Jendral Sudirman Kav. 58,
Jakarta 12190
Tel: (62-21) 250-5125/250-5136
Fax: (62-21) 250-5392/250-5001
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Return to top

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Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The President's National Export Initiative (NEI) aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully**, **connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: www.export.gov

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: http://www.buyusa.gov/indonesia/en/

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E).**

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Return to table of contents