

KADIN Business Support Desk

Indonesian Chamber of Commerce and Industry

BSD Bulletin

Indonesia Trade & Investment News 01/12

INDONESIA AND THE REGION

[“One Community, One Destiny” - Cambodia Takes Over as ASEAN Chair for 2012](#)

Capping a productive year of meetings and outreach activities, H.E. I Gede Ngurah Swajaya, Permanent Representative of Indonesia to ASEAN, handed over the Chairmanship of the Committee of Permanent Representatives to ASEAN (CPR) to the H.E. Kan Pharidh, Permanent Representative of Cambodia to ASEAN.

Indonesia's past year as Chair of the CPR was marked by several, significant milestones. For example, many documents endorsed and adopted by ASEAN Ministers and Leaders were finalised. In addition, noticeable with Indonesia as Chair, was the closer and stronger integration and cooperation among the ASEAN Member States and with its Dialogue Partners and friends. Under its Chairmanship, Indonesia not only increased the ASEAN's international profile but also led the CPR to various provinces in Indonesia to reach out and interact with the people of Indonesia, up-close and personal.



Cambodia, as the incoming Chair of ASEAN, hopes to continue the work and sustain gains achieved by its predecessors. Members of the CPR and the Secretary-General of ASEAN, Dr Surin Pitsuwan, expressed their utmost support to Cambodia in continuing the works of ASEAN and in implementing its priorities set for 2012 under the theme of “One Community, One Destiny”.

Source: ASEAN Secretariat, December 13, 2011

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Events & Imprint

INDUSTRY NEWS

Holcim Tries to Keep Up with Demand

Holcim Indonesia, a cement producer, forecasts a 3 percent sales increase next year on domestic demand from the infrastructure and property industries. The Jakarta-based company is aiming for sales to rise to 7.5 million tons in 2012 from an estimated 7.3 million tons this year.

Rusli Setiawan, Holcim's relationship manager, said on Tuesday that the company's focus was to maintain its market share amid a rise in demand that was outstripping the industry's capacity. "We want to maintain our share at 15 percent, which means we need to sell 7.5 million tons," he said.

Rusli said that with total demand growing by around five million tons annually, next year's projected demand was 50 million tons. That is just about equal to the production capacity for the entire industry. "Each year there's demand for 800,000 new houses," Rusli said. "On top of that, infrastructure is growing rapidly, while expansion for the cement industry is limited. Usually, demand for cement grows twice as fast as economic growth."

Rusli said the company had forecast this year's sales at 7 trillion Rupiah (US\$ 777 million), with net income at 1 trillion Rupiah. "Next year we're anticipating a hike in production costs due to the planned increase in electricity rates and coal prices," he said. "So it's a bit hard to give out profit projections."

Source: The Jakarta Globe, December 06, 2011

Indonesia: Thinking Small in Insurance

Local business leaders and foreign investors alike are expressing confidence in the outlook for Indonesia's insurance sector. Continued economic growth, low levels of penetration and strong performances from leading firms this year are all upside indicators. The market is a competitive one, and insurers are actively examining new strategies for capitalizing on its considerable potential.

"The industry has experienced significant growth this past year primarily due to the country's strong macroeconomic fundamentals," William Kuan, the president-director of Prudential Indonesia, a subsidiary of the UK-based insurer, told OBG. "Therefore, we are optimistic that the sector's expansion will continue as various published reports say that the economic conditions are likely to remain very similar in 2012." Kuan has reason to be upbeat. In November, Prudential Indonesia announced that its premium income had grown 52.7 percent in the

first three quarters of the year, to 11 trillion Rupiah (US\$ 1.3 billion), while income from new business surged by 69 percent to 6 trillion Rupiah (US\$ 720 million). Additionally, total funds under management grew to 26 trillion Rupiah (US\$ 3.1 billion), up 18.6 percent.

Manulife Indonesia, part of the Canada-based financial services company, also announced excellent third-quarter results. New business premiums rose to 3.8 trillion Rupiah (US\$ 456 million), up from 2.1 trillion Rupiah (US\$252 million), over the first three quarters of the year. Manulife Indonesia's CEO and president-director, Alan Merten, said that the company expected to perform even better in 2012. Similarly to Prudential, he noted that an expansion in staffing had played an important role in its growth, with a 21 percent increase in the number of agents over the past 12 months. In a rapidly expanding and increasingly competitive market, recruiting and retaining staff is both a priority and a challenge for insurers, he said. "Potential new entrants, as well as the expanding operations of existing players, all of whom have ambitious growth expectations, have created an extremely competitive environment, resulting in a strain on the availability of quality human resources," Merten told OBG.

With growth rates high, international investors are showing considerable interest in the Indonesian insurance sector. In April, MS&AD, Japan's biggest property and casualty insurer, acquired a 50 percent stake in the life insurance wing of Indonesian conglomerate Sinar Mas for more than US\$ 800 million. More recently, on November 10 the international press reported that LeapFrog Investments, a US-based investment fund with an insurance focus, was looking into buying minority stakes in Indonesian insurers. LeapFrog's founder and president, Andrew Kuper, has said that the fund has up to US\$ 20 million to invest in the country, which it sees as one of the best-performing markets in Asia and Africa. LeapFrog is particularly seeking opportunities in the micro insurance segment, an area of increasing interest in Indonesia. While overall growth levels are impressive, insurers continue to wrestle with the question of how to increase penetration to strengthen the potential for long-term success. Penetration levels are still rather low, largely due to low incomes, and micro insurance is seen as a possible means of increasing the potential market.



In an October interview with the local press at a microfinance event in Jakarta, World Bank insurance specialist Vijayasekar Kalavakonda said that finding distribution channels for insurance was a particular challenge, given the proportion of low-income people who work in the informal sector and thus cannot make payroll-linked insurance contributions.

Industry leaders have drawn attention to other issues holding back insurance development, including pricing and the complexity of insurance products currently available, which are not always suitable to low-income clients. Indonesia's Capital Market and Financial Institution Supervisory Agency is in the process of drafting new regulation that is intended to ensure fairer pricing and better distribution channels for microinsurance products. While there are certainly challenges of regulation and access, and improvements to be made,

successful microinsurance operations do exist: Allianz Life Indonesia has served 570,000 clients in the segment over the past five years. This suggests that insurers who innovate can reap the benefits of this fast-growing but competitive market.

Source: Oxford Business Group, December 19, 2011



OXFORD BUSINESS GROUP

Info: the Oxford Business Group is a partner of KADIN Indonesia. They will jointly publish 'The Report: Indonesia 2012' in due course.
www.oxfordbusinessgroup.com

REFORM AND POLICY UPDATES

Indonesia: Balanced Economy

Indonesia is confident it can ride out any waves whipped up by the storm affecting much of the global economy, thanks in part to its low dependence on exports and booming domestic demand. There are some concerns, however, that reduced interest rates and high consumer spending could reignite inflation.

Deputy Finance Minister Anny Ratnawati said on November 3 that the government saw no reason to amend its forecast for economic growth for the next two years, stating that GDP was still expected to expand by 6.6 percent in 2011 and up to 6.7 percent in 2012, keeping pace with projections by Bank Indonesia and other state agencies. Increased capital spending would fuel some of this growth, she said, as a number of major infrastructure projects are due to be rolled out in 2012.

To accompany the central bank's buoyant GDP fore-

casts, Indonesia's inflation rate has been easing of late, falling from 4.61 percent in September to 4.42 percent in October, with core inflation falling from 4.93 percent to 4.43 percent during the same period, according to data issued by the Central Statistics Agency (BPS) on November 1. This has led Bank Indonesia (BI), the central bank, to cut its key lending rate twice since mid-October, once from 6.75 percent to 6.50 percent, the first such move in more than two years, and then from 6.50 percent to 6 percent in mid-November.

While a further rates reduction was welcomed by some, for others it is seen as a case of too much of a good thing and counterproductive to sound economic management. In a research note issued after the latest inflation data was released, economists from HSBC warned that with monetary policy settings already highly accommodative, a cut would only add to inflation risks.

Edy Putra Irawadi, the deputy coordinating economic minister for trade and industry, was more upbeat on the recent rate cut, saying that it helped promote domestic consumption and supported business expansion. "For the real sector, what needs to be secured is purchasing power because we have a large population that needs to be secured from external shocks," Irawadi said while addressing an economics seminar on November 4.

Helmi Arman, an economist with Citigroup in Jakarta, said the central bank's medium-term policy is to maintain domestic expansion and offset any negative influence from an international downturn. "Indonesia's growth is being driven by strong domestic demand and investment, while net exports may have fallen last quarter due to global conditions," Arman told Bloomberg on November 4. "Inflation is slowing, interest rate differentials with advanced countries remain



high and there is uncertainty in the global growth outlook. BI wants to be forward-looking to support domestic growth."

The Indonesian economy is less exposed to a global downturn because of its low reliance on exports, with domestic consumption accounting for more than 50 percent of GDP. The country's overseas sales appear also to have been little affected by the uncertain conditions in its major markets. Exports totaled US\$ 153 billion for the first

nine months of the year, a 37 percent increase on the same period in 2010, according to BPS.

Though imports for the first three quarters also rose, climbing 33 percent to US\$ 130 billion, Indonesia was left with a healthy surplus of US\$ 23 billion. How this will look at the end of 2011 is harder to predict, as demand for commodities such as hydrocarbons, palm oil, rubber, coal and metals – Indonesia's major export products – could ease if Europe and the US slip into recession again.

Though a weakening of the global economy will have some affect on Indonesia, the government's careful management of monetary policy and the central bank should be able to mitigate the worst of any such disturbances. As long as inflation can be kept in check while steady levels of domestic demand are maintained, Indonesia should be better placed than many to weather a renewed storm of international economic uncertainty.

Source: Oxford Business Group, December 6, 2011

Indonesia Minister Denies 'Protectionist' Move

Indonesian Trade Minister Gita Wirjawan denied that the country's move to restrict some imports and exports was protectionist. Indonesia is only catching up with other countries in the regulation of trade in response to the surge of imports brought about by low tariffs and a booming economy, he told the Wall Street Journal in an interview. "My posture is not protectionist," Wirjawan was quoted as saying. "The fact is that there are thousands of products out there that are not in compliance with the rules and regulations in terms of environmental concerns, safety measures and labeling," he added.

President Susilo Bambang Yudhoyono in October appointed Wirjawan as the new trade minister in a cabinet reshuffle which Yudhoyono said was "to improve the performance and effectiveness of the cabinet". The respected former investment banker replaced Mari Elka Pangestu, one of the country's most high-profile ministers who is widely seen as supportive of liberal and free-trade policies.

Wirjawan has already sparked concern in business and diplomatic circles by limiting rattan exports meant to help the struggling local furniture industry and unveiling plans for tighter safety and labeling requirements on imports, the report said. The government is still in the process of identifying which types of imports would require tighter regulations, including mangoes, potatoes, steel, toys and used clothing, it added.

Wirjawan, the outgoing chairman of Indonesia's In-

vestment Coordinating Board, maintained he only wanted to ensure Indonesian businesses were shielded from unfair competition and were spurred to make better quality goods. "We need to climb up the value chain and make sure that we are able to produce goods and services. Hopefully we won't just produce Nike shoes; hopefully someday we can make iPads," he said.

Agence France-Presse The Jakarta Globe, December 12, 2011

Indonesia Regains Investment Grade Status

Indonesia regained "investment grade" status on Thursday, the first time the emerging democracy was awarded the coveted rating since the 1997 Asian financial crisis. Fitch said it was lifting Indonesia's sovereign credit rating from BB+ to BBB-, citing steady economic growth, declining debt and general macroeconomic stability.

The move will give a significant boost to Indonesian's business confidence and open the way for greater capital inflows. Indonesia lost its BBB- status 14 years ago when the rupiah, its local currency, was devalued and the economy contracted by 13 percent.

Fitch is the first of the three agencies to award investment grade to Indonesia. Standard & Poor's and Moody's are widely expected to follow in 2012, even as sovereign downgrades were given to the debt-laden US and EU countries.

"The upgrades reflect the country's strong and resilient economic growth, low and declining public debt ratios, strengthened external liquidity and a prudent overall macro policy framework," said Philip McNicholas of Fitch's Asia-Pacific operations.

"Low public debt and positive real interest rates give the authorities policy flexibility to respond to any slow-down," Fitch said. It cited as other positive factors increased foreign reserves and strong foreign direct investment, which is expected to reach US\$ 20 billion this year. Some economists have argued it is too soon for an investment grade rating because Indonesia's inadequate infrastructure, weak government institutions, legal uncertainties and corruption that led to a drop in international rankings by watchdog Transparency International. Still, Indonesia's debt rating steadily climbed in recent years as its gross domestic product accelerated to more than 6 percent, while debt-to-GDP fell to 25 percent.

In 2009, as its more export-reliant neighbours in south-east Asia went into a recession, it steamed along at 4.5 percent growth. Even though Indonesia is the world's largest exporter of coal, palm oil and other min-

eral resources, it is seen realizing healthy growth in coming years, due to a rising middle class, higher energy use and demographic dividend of a young population of 240 million.

The Organisation for Economic Co-operation and Development (OECD) said in December it expected Indonesia to be the only country in the 10-country ASEAN region to grow more quickly in the coming five years than the last five. With investment grade, a wave of money will likely flow into stocks and bonds, which have already attracted record inflows in recent years.

New capital is good news for banks and will generate increased profits. But some economists warn Indonesia's markets are still too shallow and illiquid to handle such massive capital and could cause overvaluations and greater capital flight risk.

Source: Financial Times, December 15, 2011

BUSINESS COMING IN

[Toyota to Build New Models in Java Plant](#)

Japanese automaker Toyota plans to produce new models for Indonesian consumers in the second plant it wants to build in Karawang, West Java, an executive said on early December.

Toyota, through its production subsidiary Toyota Motor Manufacturing Indonesia, plans to build another plant next to its existing one in Karawang. The Japanese automaker plans to spend 30 billion yen (US\$ 384 million) to double the local unit's production capacity.



"There will be new products in the next two to four years," said Johnny Darmawan, president director of Toyota Astra Motor (TAM), the sole distributor of Toyota cars in Indonesia. He was speaking on the sidelines of the Tokyo Motor Show in Japan.

He said that among the new models would likely be

a multipurpose vehicle or a compact sedan for use in urban areas. Johnny said such cars were the most popular in Indonesia.

According to Toyota's statement in September, TMMI — which is 95 percent owned by Toyota and 5 percent by Astra International — plans to produce 70,000 cars per year by 2013. The existing plant produces 110,000 cars on an annual basis. Indonesia is Toyota's second-biggest production base in Southeast Asia, after Thailand. Astra International is Indonesia's biggest automotive distributor.

Widyawati Soedigdo, general marketing manager at TAM, said that the Japanese automaker would introduce two sports sedans in Indonesia next year to tap into the country's booming economy.

TAM leads the domestic market with a 36 percent share, according to October sales data by the Association of Indonesian Automotive Industries (Gaikindo). Total car sales from January to October reached 746,203 units. TAM sold 269,769 units.

Source: The Jakarta Globe, December 4, 2011

[Sharp to Build New Factory in Indonesia](#)

PT Sharp Electronics Indonesia will build a 10-billion-yen- (US\$ 128 million) factory in Jakarta in anticipation of the rising demand for household appliances from the market.

The new factory, which is scheduled to operate in 2013, is expected to double the production of electronic household appliances, such as refrigerators and washing machines, according to Nikkan Kougyou, as reported by *tribunnews.com*.

In 2011, Sharp had received a demand of 3 million units of refrigerators and 1.8 million units of washing machines. The demand is expected to keep rising over the next 10 years in accordance with the encouraging economic condition in Indonesia.

Sharp also plans to move the production of LCD televisions from its factory in Pulo Gadung, East Jakarta, to the new factory.

Source: The Jakarta Post, December 20, 2011

[Pertamina Kicks Off US\\$1.4 Bln Refinery Upgrade](#)

Pertamina, the state-controlled Indonesian oil and gas company, has begun a \$1.4 billion project to upgrade an oil refinery in Cilacap, Central Java, with President Susilo Bambang Yudhoyono inaugurating the project's groundbreaking on December 28.

The company is upgrading its refinery into a residual fluid catalytic cracking plant that can convert crude

oil and its residual components into higher-value products such as gasoline, liquefied petroleum gas and propylene.

The refinery, which can currently process 348,000 barrels of crude oil per day, will be able to process an extra 62,000 barrels a day after the upgrade.

“Refineries are an important chain of Pertamina’s downstream sector business,” Karen Agustiawan, Pertamina’s president director, said in a speech. She added that the refinery’s “commercial operation is expected [to begin] by the end of 2014.”

“More than that,” she said, “Pertamina’s refineries play a vital role in the nation’s energy security.”

Pertamina has six refineries with a total processing capacity of one million barrels per day, and the company produces 41 million kiloliters of gasoline per year.

The Cilacap refinery produces 3.8 million kiloliters of gasoline every year. The upgrade will boost the refinery’s annual production by 1.9 million kiloliters. State construction firm Adhi Karya and Goldstar of South Korea won an engineering procurement contract worth US\$931 million to lead the refinery upgrade project.

Source: The Jakarta Globe, December 29, 2011

[Govt Reinforces Economic Partnership with S. Korea](#)

Trade Minister Gita Wirjawan says that Indonesia will obtain new and exciting opportunities following its economic partnership with South Korea.

“The CEPA (Comprehensive Economic Partnership Agreement) will offer more investment opportunities and larger market access for Indonesia’s export products,” Gita said on December 22, as quoted by kompas.com.

Speaking at the Public Consultation on the Report of the Joint Study Group for Korea-Indonesia on December 22, the minister explained that the CEPA had to be matched with the country’s current business and economic dynamics, which aimed to raise economic growth, create employment opportunities and lower the number of people living in poverty.

The public consultation was the first of a chain of dissemination meetings being carried out by the Trade Minister. The meetings will report the results of a Joint Study Group (JSG) initiative and also seek support for the formation of comprehensive partnership cooperation between Indonesia and Korea.

The meeting on December 22 was officially opened by the minister and attended by several senior Indonesian and Korean officials and entrepreneurs, as well as

representatives from the media, academics and the House of Representatives.

Source: The Jakarta Post, December 22, 2011

KADIN INDONESIA

[Czech Machinery Delegation explores potentials](#)

Led by a high-ranking official from the Czech Ministry of Industry and Trade, a delegation of machinery entrepreneurs met potential Indonesian partners at KADIN premises.

According to Vlastimil Lorenz, Director General in the Czech’s Ministry of Industry and Trade, the ‘tiny country’ in the centre of Europe is depending on anything but trade. With some 84 percent of its exports going into the European Union, the country depends pretty much on its Western neighbors, but statistics do not reveal that two thirds of these goods are re-exported from there across the world, Lorenz responded to a question of KADIN Vice Chairman of Industry, Bambang Sujagad.

With the bilateral trade in goods being quite dynamic in the last years, the general trade volume remains relatively low, with some US\$ 240 million in 2010. The dominating sector on both sides is electronics industries, being very much intertwined. The Czech delegation explained that the country has much more to offer, especially manufactured and machinery goods. According to the Czech Ambassador, H. E. Tomas Smetanka, Czech faces a tough competition especially from Asia itself, but they have ‘added value’ to offer, making them cost-effective suppliers with known quality.

Source: Own contribution

[Mexico – a Natural Partner](#)

A half-day seminar organized by the Mexican Embassy in Indonesia attracted a remarkable attention among Indonesian businessmen. The Mexican Ambassador in Indonesia, H. E. Melba Pria, underlined in her opening statement the proximity between the two countries, but also the economic advance of her home country which is a step further already, being the world’s 14th largest economy with a per capita income of US\$14,000. Several speakers – from Mexico as well as entrepreneurs experienced in both countries – highlighted the potentials for enhanced cooperation.

Indeed, with a non-oil and gas trade volume of close to US\$ 700 million, exchange of goods between the two



rising giants still is relatively small. A closer look reveals that on both sides a broad range of manufactured products is traded. According to the discussants during the seminar the two countries produce a pretty complementary list of products and services. Several Indonesian companies reported about their successful first steps on the Mexican market.

In his closing remarks KADIN Chairman Suryo Bambang Sulisto singled out the remarkable bouncing back of the Mexican economy after the world's financial crisis in 2009 which hit the country hard. Such a combination of domestic demand-driven growth and diversification of exports could serve as a blueprint for the Indonesian economy as well.

Source: Own contribution

[US Franchising Event](#)

The US Embassy in Jakarta has cooperated with KADIN Indonesia to bring a delegation of leading US franchise companies to Indonesia and facilitating them to meet Indonesian franchise veterans and leaders. This successful event took place on December 13, 2011 in Headquarter of KADIN Indonesia.

The US delegation was headed by Mrs. Beth Solomon, VP of Strategic Initiatives & Industry Relation of the International Franchise Association (IFA) and Mr. David Gossack, Commercial Counselor of US Embassy in Jakarta. They introduced 11 franchising companies looking for local partners with each company presenting their business model to more than 30 leading KADIN and HIPMI members. The Indonesian delegation was headed by Mr. Amir Karamoy as KADIN's Chairman on Franchising & Licensing Committee.

During the opening session, Gossack mentioned the attractiveness of local franchise market while Karamoy stated the actual market size of approximately US\$11.6 billion, which represents about 5% of Indonesia's GDP. Mrs. Solomon outlined the differences between Vietnamese and Indonesian market noting that Indone-

sia is more life-style oriented and has more significant purchasing power.

David L Benton, the Director of the International Group of Global Franchise referred to this type of matchmaking as a "searching for a soul mate" which explains the lengthy process of business matching in this particular sector. Indonesian entrepreneurs left having learned that American franchises have a lot more to offer than McDonalds, KFC, and Starbucks.

Source: Own contribution

[The First US-Indonesia Commercial Dialogue Meeting in Jakarta](#)

The United States of America-Indonesia Commercial Dialogue (CD) is a program created by the US and Indonesian governments to increase bilateral investment with special attention paid to creating more clean energy and improving the condition of the environment. A Memorandum of Understanding for the US-Indonesia CD was signed at the APEC meeting in Honolulu on November 10 and the first meeting on December 14 in Jakarta focused on creating better cooperation and understanding between governments and businesses from both sides regarding the CD.

At the December 14th meeting, KADIN representatives John Riady and Peter Gontha, as well as Chris Kanter from APINDO together with US-ASEAN Business Council representatives discussed the creation of a working group which will develop specific actions and recommendations. The outcomes of the discussion will be submitted to the government to improve the investment climate in Indonesia and also to reach other CD's goals. KADIN will continue to represent the private sector in this working group.

Source: Own contribution

[ASEAN-Latin American Business Forum Confirmed for February 23-24, 2012](#)

Dr. Makarim Wibisono received a visit from Brazilian Ambassador Paulo Alberto Da Silveira Soares at the ASEAN Foundation on December 16, 2011 to discuss on preparations for the upcoming ASEAN-Latin American Business Forum 2012. Ambassador Soares confirmed the participation of Latin American dignitaries and business personalities to be present at the Forum set to be held in Jakarta on February 23-24, 2012. He said that both ASEAN and Latin American business on trade and investment can be expected to flourish through the said important forum that will lead towards concrete actions. He hoped to see seminars, workshops and activi-

ties between ASEAN and Latin American business stakeholders to happen in 2012 in areas not only in the business sector but also transfer of knowledge on issues on environment, food safety and renewable resources.



Dr. Makarim Wibisono concurred to the idea of realizing the commitments that will transpire during the Forum into concrete actions to develop trade and business in ASEAN and Latin America as well as activities that will help solve global problems for both regions.

Dr. Makarim Wibisono reiterated ASEAN Foundation's commitment to support ASEAN community building by promoting greater awareness of ASEAN, people-to-people interaction, and close collaboration among the business sector, civil society, academia and other stakeholders on ASEAN.

Source: ASEAN Latin Business Forum 2012

[World Bank and KADIN Indonesia Launches Economic Quarterly Report](#)

World Bank together with KADIN Indonesia held a launch event for the World Bank's Indonesia Economic Quarterly Report December edition on December 14, 2011 in Hotel Nikko Jakarta. The report showed that despite the current global economic uncertainties, Indonesia's economy continued to perform strongly, including the manufacturing sector.

However, the global economy may have an inevitable impact on Indonesia's economy, which prompted the World Bank to revise its 2012 economic growth forecast for Indonesia to 6.2 percent from 6.3 percent forecast in October. Shubham Chauduri, Lead Economist for the World Bank in Indonesia, said that due to the resilient nature of the economy Indonesia was well-positioned to navigate the turbulence of the global economy; however, the country needed to be prepared for prolonged downturn in major emerging economies caused by the freezing up of international markets.

KADIN Indonesia was represented by Dr. Ing. Gunadi

Sindhuwinata, Head of Standing Committee for Increased Productivity, who gave a presentation regarding the manufacturing industry in Indonesia, specifically about the automotive industry.

Sindhuwinata said that the automotive industry in Indonesia would grow 10-15 percent in the years to come. The robust growth was helped by underdeveloped public transportation, low interest rate, low human-to-vehicle ratio, and increasing GDP per capita. Indonesia currently exports four-wheeled vehicles to 82 countries. Gaikindo data showed that Indonesian producers exported 85,796 completely built up (CBU) units and 55,624 completely knocked down (CKD) units in 2010.

According to Sindhuwinata, four-wheeled vehicle exports could become more competitive if there were good logistics and supply chain. He said that external factors may hamper growth, but recovery would be speedy as Indonesia has a big domestic market and robust economic growth. He concluded his presentation by saying that derivative industries should be developed to increase the added value of raw materials and logistics should be improved to increase competitiveness.

To access the Indonesia Economic Quarterly report please go to:

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/INDONESIA-AEXTN/0,,contentMDK:23067463~pagePK:1497618~piPK:217854~theSitePK:226309,00.html>

Source: World Bank, own contribution

[Ease of Doing Business Symposium](#)

On December 12, 2011, Peter Gontha and John Riady represented KADIN at the Ease of Doing Business Symposium organized by the Coordinating Ministry for Economic Affairs, the World Bank and the United States Department of Commerce.

Highlighting the 2011 findings of the World Bank's Ease of Doing Business survey, the event focused on finding ways to improve Indonesia's investment climate particularly in the area of regulatory reform.

Source: Own contribution



CHAIRMAN'S COLUMN

New values of Indonesian business

In April 2009, half of the graduating class at the Harvard Business School (HBS) took the voluntary MBA Oath declaring that they would partake in ethical and responsible value creation throughout the course of their careers. These students at one of the world's most prestigious universities felt outraged by the unfettered greed on Wall Street that had crippled the US economy and helped usher in a global debt crisis.

Today on that crimson-colored campus there is a sense of social imperative, of being held to a higher standard, that imbues the classroom. Renowned HBS Professor Michael Porter, known in the public as an evangelist for attaining a singular competitive edge, now preaches "shared value." Today business leaders are starting to see themselves rightfully as responsible stakeholders for the society at large.

As a vehicle for industry leaders to take coordinated action, chambers of commerce are well-positioned to blaze a path for businesses to impart broader impacts on society. To be sure, the Indonesian Chamber of Commerce and Industry (KADIN) offers no disclaimers when it states proudly that its aim is to help businesses become better attuned to the deeper needs of the Indonesian people.

KADIN's new agenda

KADIN was established in 1968 as an umbrella organization for all business associations and chambers of commerce, both foreign and domestic, domiciled in Indonesia. It was recognized by the government through Presidential Decree No. 49/1973. Law No. 1/1987 on the Creation of the Chamber of Commerce and Industry further affirmed its legal basis, making KADIN the only nationwide business organization mandated to represent the private sector and to enjoy a privileged liaison with the government.

Since its inception, KADIN has been committed to advancing the skills, activities and interests of all Indonesian businesses because they are important national economic players in achieving a well-balanced and sustainable national economy as outlined by Article 33 of our beloved 1945 Constitution.

KADIN aims to tap the transformative potential of Indonesian entrepreneurs, especially those hailing from



outlying regions. Over 90% of KADIN's business members represent small and medium enterprises (SME). Naturally KADIN must be inclusive in its policies and programs.

With more than 30 years of business experience, at first as a bootstrap entrepreneur, I am passionate about my new role as chairman of KADIN as it faces today's challenges and opportunities.

Managing businesses that stretch across the country has provided me with an intimate understanding of its intricate business landscape. Over this same period, I also have been an active member of KADIN under different roles and responsibilities.

[...]

KADIN's five for five

First is job creation. Indonesia continues to be gripped by poverty and unemployment. Job creation thus is a priority of this administration, and as one of its strategic partners, KADIN views promotion of SMEs as an important way to overcome these twin scourges.

SMEs are of great importance to our economy. According to estimates from the Central Bureau of Statistics, 99.98% of business establishments were SMEs in 2006, employing 96.2% of the work force and accounting for 54% of that year's GDP.

Capacity to absorb labor only, however, is not enough. In Indonesia, SMEs still cater mainly to the domestic market and have not yet been proven to have significantly contributed added-value to the economy. They still produce basic, low-skilled goods.

What is crucially lacking is innovation. Indonesian SMEs are driven more by necessity arising from poverty rather than a rebellious entrepreneur's spirit of wanting to produce something revolutionary.

Sociologist David McClelland posited that a nation could prosper if the proportion of entrepreneurs is at least 2% of the population. By some accounts, Indonesia has a low number of entrepreneurs at 0.2% of the population, and this is said to be among the factors accounting for Indonesia's imbalanced economic composition.

If Indonesian businesses strive to compete regionally and globally, SMEs must think like entrepreneurs and focus on innovation.

KADIN aims to aid this effort and help spawn four million new jobs from SMEs over five years. This will require revisiting how we educate our work force, looking to both an overhaul of the national curriculum and

and improved vocational training. KADIN will also foster entrepreneurship through business expansion programs such as Palapa Partner, which relies on funds from KADIN's business members to help SMEs grow by providing them with mentoring, market access and capital. The launch of this program was witnessed by President Yudhoyono in April 2011 and is further supported by a MoU signed with the Ministry of Cooperatives and Small and Medium Enterprises in June 2011 for SME development.

Other such initiatives include the partnership between KADIN and the Mekar Entrepreneur Network, which through the Sampoerna Foundation helps connect entrepreneurs with angel investors. KADIN will cooperate with Mekar to open the path for entrepreneurs from all over Indonesia to obtain funding from angel investors through mentoring on drafting business and financial plans, as well as on pitching their business ideas to potential investors.

The regional connection

The second plank of KADIN's five-point program is regional development Supporting SMEs is also a way to create strong regional economies to serve as pillars of a robust and sustainable national economy. KADIN is increasing multifold its outreach at the regional level. It will not only more proactively engage local entrepreneurs but also local governments.

Progress from this deepened relationship hinges on better coordination with the regional chapters of KADIN (KADINda). Interaction and the relationship between KADIN and KADINda will significantly improve as a result. Working closely with the Indonesian Investment Coordination Board (BKPM), KADIN looks to channel more direct investment into outlying areas. This is not only critical for job creation but also to develop pioneer sectors.

Many investors are not informed about the vast potential outside of Java. Oil and gas, coal mining and palm oil plantations remain their favorites but there are a host of other opportunities that merit investment and can spread wealth creation. KADIN will continue working with strategic partners to pass along actionable information to investors for the purpose of dispersing economic activity.

The third plank is the master plan for economic corridors. Investing in outlying areas cannot produce social impact without basic infrastructure. Thus KADIN is supporting the government's Master Plan for Economic

Expansion and Acceleration (MP3EI), a multi-stage economic plan that carves out economic corridors partly through public-private partnerships. KADIN has worked closely with the government, through consultation and technical assistance, in the formulation of the master plan, but we are not content to occupy only an advisory role.

The first stage of the master plan puts emphasis on infrastructure build-up. Of the Rp4,000 trillion (\$468.5 billion) required for this stage, KADIN has lined up investment pledges to the tune of Rp1,350 trillion (\$150 billion) and plans to secure even more commitments.

The fourth plank is inbound direct investment The sheer scale of MP3EI precludes any prospect of domestic capital alone plugging the financing needs. KADIN has established partnerships with foreign chambers of commerce, business associations, embassies and other organizations to hold routine dialogue sessions to not only help resolve barriers to much-needed inbound direct investment but also to identify and court specific investors who would complement national development objectives.

A MoU that KADIN has signed with BKPM allows for facilitation of inbound investment. It brings KADIN's Business Support Desk and BKPM, the first point of contact for investors interested in Indonesia, together to work on market research, information exchange and matchmaking services.

Finally is the issue of capacity-building To be most effective on this elevated platform and provide sound economic policy inputs, particularly to achieve greater social impact, KADIN has been strengthening capacity, namely in research, data management and advocacy.

KADIN's policy wing is being backed by more professionals who have expertise in such areas and will instill institutionalized systems and procedures.

[...]

KADIN is rolling out a rich variety of policies and programs to turn this vision into reality. Appearing regularly, this column will highlight KADIN's various endeavors under this new values-centered approach to business.

To read the complete version please go to:

<http://www.thejakartaglobe.com/columnists/new-values-of-indonesian-business/482480>

Source: Globe Asia's December 2011

CSR IN KADIN

PT Wijaya Karya Tbk

Each month we profile the corporate social responsibility (CSR) activities of one of our members. This month's issue presents the wide array of programs implemented by PT Wijaya Karya Tbk.

State-owned construction firm PT Wijaya Karya Tbk (Wika) has implemented numerous CSR programs through its partnerships and community development program (PKBL) as stipulated by the regulation of the state-owned enterprises minister.

Wika has allocated 3.78 billion Rupiah for Partnership Program and 1.89 billion Rupiah for Community Development Program in 2010. Throughout 2010, Wika implemented 8 CSR programs, namely environmental conservation, clean water well, public health improvement, education and training, religious assistance, natural disaster relief, SOE care, and partnership program.

They have built six units of clean water wells in Cilincing, Koja, North Jakarta, and in the Bantar Gebang area in cooperation with Rumah Zakat, which supply clean water for bathing, washing, and toilet facilities.

The CSR program aimed to improve the community's

health have built and renovated clean water infrastructure and communal sanitation facilities.

In the education sector, Wika organized training on arithmetic, provided mobile library, language laboratory assistance, school uniforms, stationery and scholarships for children.

Wika assisted several development and improvement of worship facilities, as well as donated money in conjunction with religious ceremonies.

They provided aid for natural disaster victims, giving them basic needs for food, clean water supply and sanitation, medicines, raft, and refugee tents. The company worked together with the state-owned enterprises ministry in providing extended disaster relief for disaster victims in Papua, Yogyakarta, and West Sumatra.

Wika also held partnership programs with small and medium enterprises (SMEs) in Jakarta, Banten, West Java, Central Java, Yogyakarta, and East Java by giving financial assistance, trainings, grant assistance for product exhibitions in Jakarta, handyman skills training, and facilitating marketing of the products through SMEs exhibitions.

Source: PT Wijaya Karya Tbk

EVENTS

Date	Event	More information
January 10, 2012	Indonesia Endangered Species Forum	www.eco-dynamics.org
January 11, 2012	Getting Indonesian Business Online Launch	yenny@thecelsius.com
January 12, 2012	Growing Your Business in the Region , joint event of UOB and Rajah & Tann, Jakarta	oliver@bsd-KADIN.org
January 23—25, 2012	Finnish Business Delegation	www.finland.or.id
February 07—10, 2012	Feed Indonesia-Feed The World 2	www.expotama.com
February 23—24, 2012	ASEAN Latin Business Forum, Jakarta	www.asean-latin2012.com

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About KADIN BSD

KADIN Business Support Desk is the service unit of the national Indonesian Chamber of Commerce and Industry (KADIN) in the KADIN Secretariat. Its major goal is to help foreign parties to settle in Indonesia and to support Indonesian companies on their way to international markets. BSD also works as research partner on emerging issues in investment and trade. It draws on a network of Indonesian and international institutions.