

# Indonesia

## *An Archipelago of Opportunity*



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# Not just about the headlines



# Indonesia – interesting facts



- Over 17,000 islands
- 251 million people (4<sup>th</sup> most populous)
  - 69% <50
  - 50% urban (2011)
  - ~100,000 expats
  - ~100 million people live on US\$ 2 a day or less.
- Member of G20
- World's largest reserves of untapped minerals
- Biggest Islamic nation
- Ethnic, cultural and religious diversity
- 500 volcanoes- 127 still active
- Jakarta < 5 hours from Perth



Coffee culture

Cycling and jogging

Food (incl beef)

Malls and shopping

Motor bikes

Smart phones and  
selfies



Indonesians love....

# The social media phenomenon

- Politics
- Business
- Social interaction
- Rallies, meetings
- 18% 18-34 yrs



- More than 11 million Facebook users in Jakarta (2<sup>nd</sup> largest)
- 29 million Indonesian users on Twitter
- Jakartan Twitter users post 2.4% of the 10.6 billion tweets worldwide (4<sup>th</sup> largest)
- 1.3 million Linked In users from Indonesia

# Mobile stats



# Political



- The inability of the current coalition to act cohesively has seriously undermined decision making
- There is a desire for change
- Due to legislative election results being indecisive, the next government is also expected to be an unwieldy coalition
- Presidential candidates are:
  - Jokowi
  - Prabowo



## Quick Facts

**Population:** 244.5 M

**GDP (PPP):** \$1.2 T

6.2% growth in 2012

5-year compound  
annual growth 5.9%

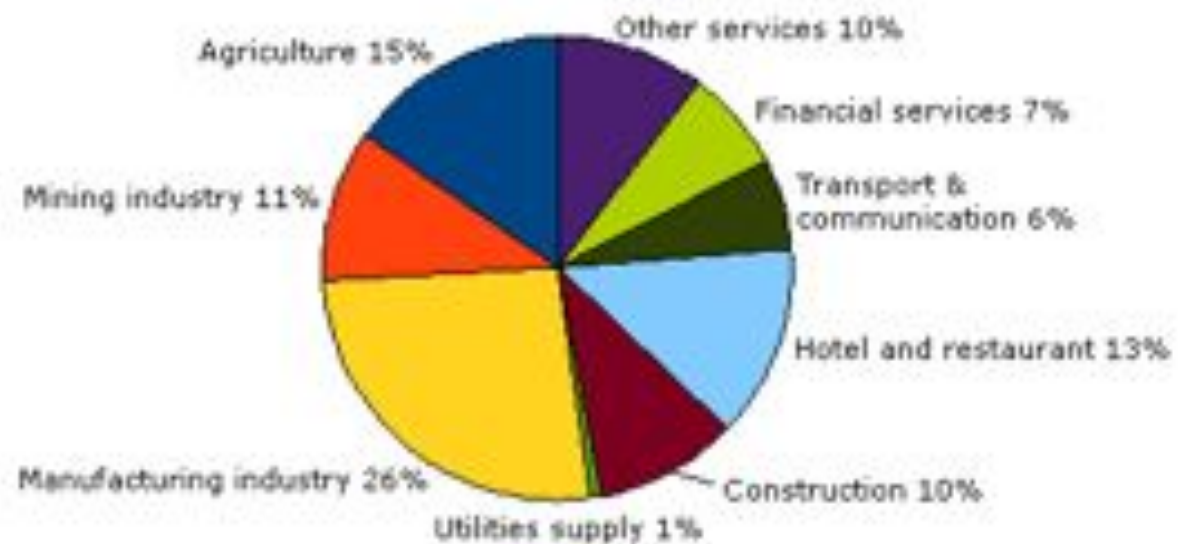
\$4,977 per capita

**Unemployment:** 6.2%

**Inflation (CPI):** 4.3%

**FDI Inflow:** \$19.9 B

**Public Debt:** 24.0% of  
GDP



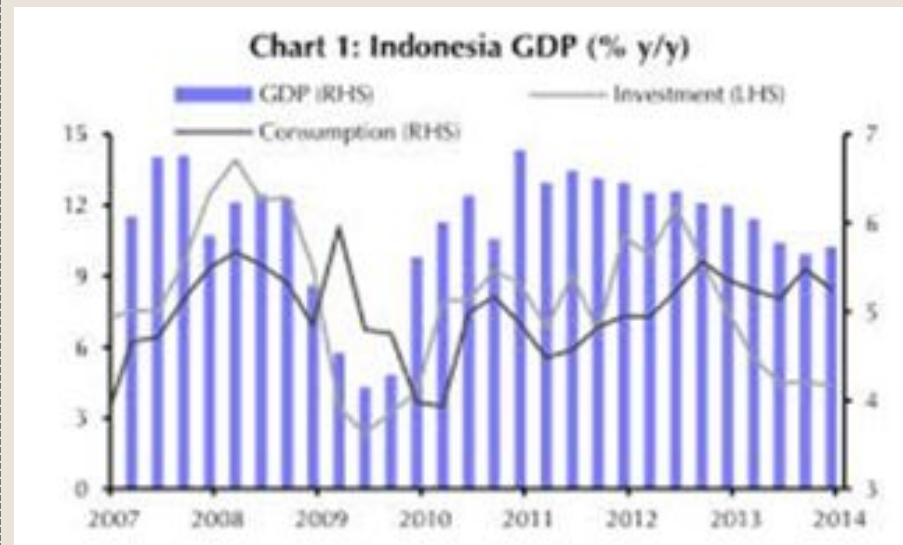


# Economy



## 3<sup>rd</sup> fastest growing economy in Asia

- Slowing growth
- Balance of payments deficit but reducing
- Falling 'blue-chip' investment
- Rising inflation but easing
- Petrol and electricity subsidies high percentage of GDP



# Indonesia growth



## Today

- 16<sup>th</sup> largest economy
- 45 M consuming class
- 53% urban population producing 74% of GDP
- 55 M skilled workers
- US\$ 500 B market opportunity
  - consumer services, agriculture and fisheries, resources and education

## 2030

- 7<sup>th</sup> largest economy
- 135 M consuming class
- 71% urban population producing 86% of GDP
- 113 M skilled workers needed
- \$US\$1.8 T market opportunity

# Market strengths



- Huge renewable energy sources
- Diversity of natural resources
- Positive business and consumer confidence
- ASEAN (AEC)
- Dynamic domestic tourism sector
- Highly competitive due to low labour costs
- Greatly expanding consumer class
- Large & youthful domestic market
- Improved credit rating in early 2013 by some ratings agencies

# Market Challenges



- Corruption remains endemic
- Lack of infrastructure
- Overall regulatory efficiency is weak
- Lack of transparency and non transparent random regulations
- Ineffective courts and rule of law issues
- Cumbersome bureaucracy
- Increasing economic nationalism with accompanying policies and laws
- Indonesia's average tariff rate is only 2.6 percent, but import licensing and quotas further restrict trade



## Top 5 Barriers to exports and international business

- Lack of information on local culture, business practices, language and consumers
- Lack of information on local regulation and tariffs
- Customer payment issues
- Tariff, quotas and import duties and regulatory issues including operating permits, licenses, and foreign company regulation

# Doing Business



- Business relationships in Indonesia are based on trust and familiarity
  - Personal contacts and networks are important in making business deals.
- Indonesians place great emphasis on age and respect towards elders in Indonesian society is expected
- Big business inextricably linked to political influence and patronage
  - almost impossible to make progress on any major project without the right level of influence with senior people

# Doing Business



- Negotiations can be quite lengthy
  - give enough time to carefully consider the business proposal
  - may take several meetings before coming to an agreement
  - initial meetings generally serve to make acquaintances
- Indonesia is a relationship-driven market
- Companies may not respond very quickly to emails especially if the sender is not well known to them
- Patience is a key element in doing business successfully in Indonesia
- Indonesian business is not very outward looking - ASEAN Common Market should encourage this to change

# Starting a Business



- The World Bank and International Finance Corporation (IFC) rank Indonesia in 166th place in the world for ease of doing business,
  - rigorous processes involved in starting up.
  - Compared to the OECD average of five, it takes nine procedures to establish a corporate entity in Indonesia,
  - Takes an average of 47 days to complete.
  - Businesses must liaise with the State Treasury, the Ministry of Law and Human Rights and the Ministry of Manpower,
  - complete several registrations.





## Key messages

- P to P makes good B to B
- A place for grown ups
- Need long term vision/plans
- Cannot use Western business model
- Service the market – do not rely on emails
- There is no place for arrogance
- The company that acts alone may be left alone – interact with local government and community

# Doing business



- **Do** contact the WATO Office
- **Do** take time to find a trustworthy local partner or agent
- **Do** your homework, due diligence, references
- **Do** visit regularly and maintain relationships
- **Do** 'socialise' your project with local government
- **Do** seek professional help (legal, accounting etc)
- **Do** mind your P's and Q's
  - Patience, Perseverance, Partnerships and Presence
  - Questions – the only silly one is the one you don't ask!



## The WA Government commitment

- Registered representative office
- New office premises
- RD, Agribusiness manager, office manager
- WA tourism to join the office
- DAFWA to invest in research
- East Java Sister-State Relationship
  - Agriculture
  - Sports
  - Autism
  - Visits