Doing Business in Indonesia: 2012 Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business In Indonesia

Market Overview Return to top

Indonesia is Southeast Asia's largest economy with 240 million people, and GDP growth above 6.5% in 2011 and projected to remain above 6% for the next five years. During the difficult global conditions of 2009, Indonesia's economy was among the top worldwide performers, due to a number of factors, including strong domestic demand and rich natural resources. Solid macroeconomic fundamentals, a stable currency and recent upgrades in bond ratings have made in Indonesia an economy to watch in the coming decade.

- The consumer market continues to lead growth in the world's fourth-largest country with 240 million citizens, 50% of whom are under the age of 30.
- GDP per capita of $3,500 exceeds many of 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 spread over an area the size of the United States and comprising over 17,000 islands.
- 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, significantly increasing the already strong consumer demand.

Market Challenges

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- The business environment in Indonesia is challenging, currently ranked 128 out of 183 for Ease of Doing Business by the World Bank. U.S firms often find it complex and time consuming to enter the market and to negotiate through the regulatory and industrial landscape.
- 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.
- Deregulation has successfully reduced some barriers by creating more transparent trade and investment regimes, but the bureaucracy can still be cumbersome. Laws are often opaque or conflicting and some Ministries may have very different regulations regarding similar actions.
- Although measures have been undertaken by the Indonesian government, Corruption is still active at all levels of society, and is a concern for many businesses looking to operate within Indonesia. Companies are suggested to have a solid due diligence process in place and to consult with the US Commercial Service prior to signing up agents and distributors.
- Although improving, significant rule-of-law issues persist. Dispute settlement mechanisms are not highly developed and 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, and US firms often have to significantly adapt their business model and pricing scheme to compete effectively.
- 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

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- Significant and growing markets include: renovation and construction of regional and municipal infrastructure, military upgrading, safety and security systems and protection of sea-borne traffic.
- The Aerospace market favors U.S. products. Aircraft, replacement parts and service are valuable and significant markets, as well as airport construction and development, air traffic control and airport logistics services and equipment.
- The expansion of banking to previously underserved customers offers software and systems opportunities.
- Important opportunities exist in mining, energy, agribusiness equipment and services.
- Telecommunications technology and satellites remain excellent areas for American products and services.
- 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.
- Indonesians are the second largest users in the world of Facebook, and have the highest proportion of Twitter users in the world. The mobile internet market and next-gen cellular services offer immense opportunities.

Market Entry Strategy

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- 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. ExIm Bank, OPIC and SBA are all suitable providers of export-related trade financing.
- 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.

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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

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Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

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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 ineffective 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 agreement.

The services of an aggressive, active Indonesian agent or distributor can be an important means of expanding sales in Indonesia because of experience with cultural minefields and systemic processes that foreigners often need years to comprehend. 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 additional profits could be made or the relationship is a complementary one.

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 many 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

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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:

Directorate of Trade Development
Directorate General for Domestic Trade
Ministry of Industry and Trade
Jl. M.I. Ridwan Rais No. 5
Jakarta 10110
Tel: (62-21) 3858171 Ext. 1137
Fax: (62-21) 23528531

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:

Capital Investment Coordinating Board (BKPM)
Jl. Jendral Gatot Subroto 44
Jakarta 12190, Indonesia
Tel: (62-21) 5252-008
Fax: (62-21) 5264-211
Email: info@bkpm.go.id

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:

Directorate of Trade Development
Directorate General for Domestic Trade
Ministry of Industry and Trade
Jl. M.I. Ridwan Rais No. 5
Jakarta 10110
Tel: (62-21) 3858171 Ext. 1137
Fax: (62-21) 23528531

Direct Marketing

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

Joint Ventures/Licensing

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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 honesty and a truthful representation of the facts.

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 http://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

The growth of electronic commerce is slower than expected due to several reasons. The law No. 11/2008 on the electronic information and transaction which was designed to become the umbrella law to advance an open and fair electronic commerce has been abused, and contested.

There are also rogue content providers which sell their operations via SMS (called "Premium SMS"). This practice was somehow allowed by the operators to debit a subscriber's pre-paid balance directly without his or her authorization. This kind of business practice surprisingly is not well regulated for the benefit of the people.

The vague roadmap to the wireless broadband, which people see as a way to increase the low-cost internet connectivity to support the electronic commerce businesses, has effectively put a brake on the Wimax operators' plan to deploy networks. Culminating in a new ICT Minister's decree, operators are free to choose the technology to deploy the radio network in their frequency band, ending years of speculations.

The developments of electronic commerce are growing not as a result of a government plan or protected by adequate law and regulations, but because of money invested by short-term players. In the long run, lack of government regulations may hamper business, like the recent regulator's ban on the SMS premium services by the content providers after many users complaints about their unfair debits, costing subscribers millions annually.

There are signs that online shopping will grow more when the sales are linked to m-banking services. This medium is perceived to be safer to do a transaction, as well as having a better law and regulations on the transactions supervised by the Central Bank. In conclusion, the Indonesian electronic commerce market is growing fast, fueled by the technology and hunger of the common people for social media and small on-line businesses. The market still has more room for new technology, applications, products and services, supported by a growing market which consists mostly of younger generation and skilled workers.

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 2012, the prices quoted for a display regular full color 184 mm x 270 mm ad ranged from $6,000 to $18,000 in five prestigious daily newspapers. In those same newspapers, the same black and white ad ranged from $4,000 to $13,000.

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.global.nytimes.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.koran.tempo.co)
The Wall Street Journal Asia (English) (www.wsj-asia.com)

News magazines:

Gatra (Weekly) (www.gatra.com)
Tempo (Weekly) (Indonesian www.majalah.tempointeraktif.com)
Tempo (Weekly) (English www.tempointeraktif.com)
Warta Ekonomi (Twice a week) (www.wartaekonomi.co.id)

Business Journals:

Financial Times (Daily, English)
The Asian Wall Street Journal (Daily, English)
Eksekutif (Monthly) (http://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.co.id)
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. Currently, Indonesia has more than 200 national and local television stations (i.e. 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 24 percent to Rp72 trillion (US$ 8 million) in 2011 from Rp58 trillion in the previous year with television stations as the largest beneficiary, receiving 63 percent of advertisements, followed by newspapers which accounted for 37 percent of ad spending.

Pricing

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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

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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

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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 87 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 Indonesia 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.export.gov/indonesia

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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.

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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/

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

Commercial Sectors

- Aircraft & Parts
- Computers & Peripherals
- Education & Training
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- Medical Equipment and Supplies
- Mining Equipment
- Oil & Gas Equipment
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- Water and Wastewater Equipment

Agricultural Sectors

- Cotton
- Soybeans
- Consumer-Ready Food Products
- Wheat

Aircraft & Parts

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	3,235	2,782	3,347	3,681
Total Local Production	175	200	240	264
Total Exports	126	175	201	221
Total Imports	3,186	2,757	3,308	3,638
Imports from the U.S.	1,717	1,186	1,432	1,575
Exchange Rate: 1 USD	8,996	8,942	9,000	9,000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Central Bureau of Statistics Indonesia, Trade Stats Express USA

Starting in 2000, the aviation industry in Indonesia experienced tremendous development. In 1999, there were only five airline companies. As of December 2011, there are 18 scheduled and 42-chartered airlines operating in Indonesia, with total fleet of more than 500 aircraft serving 222 domestic routes and 47 international routes. Some of them are operating as budget airlines, such as Lion Air, Wing Air, Garuda City Link and Indonesia Air Asia.
With a population of more than 240 million spread over 13,000 islands, Indonesia present itself as an enormous aviation opportunity as one of the fastest growing domestic air traffic markets in the world. The increase in the number of airline passengers in the last three years has been quite impressive. The number of domestic passengers reached 43.8 million in 2009, and 51.8 million in 2010. In 2011, the number of domestic passengers was 58.85 million, and 7.21 million international passengers. In 2012, Directorate General of Civil Aviation, Ministry of Transportation predicts that the industry would grow by 15%.

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 and it will be inaugurated in the first quarter of 2012. The new law also will allow private companies to manage airports and compete with the current operators, PT Angkasa Pura I and II.

Indonesia's major airports are already operated beyond their capacities. For example, the Soekarno Hatta International Airport currently ranks 16th in the world in passenger traffic, with 41 million passengers, compared with its ideal capacity of 22 million passengers per year. PT Angkasa Pura II plans to increase the airport capacity to 62 million passengers by expanding terminal 3 and 1, with the total investment of IDR 11.7 billion. In addition, the Indonesian government is already in the early stage of planning to develop a new, second airport for Jakarta.

In 2012, the GOI will focus to develop 24 new airports, develop the New Jakarta Automation Air Traffic Systems, extending, widening, and overlaying runways (88 airports), aprons (31 airports) and taxiway (21 airports), terminal expansion and rehabilitation (40 airports) and power and lightning procurement (82 airports). In addition, under the Public Partnership Program, there are 5 new airports development, one airport relocation and two airport expansion projects that will be offered to private companies.

There are promising business opportunities in aircraft maintenance services in Indonesia. Currently, around 70% of the total aircraft operating in Indonesia are sent for maintenance service overseas. According to the Indonesian Association of Aircraft Maintenance Companies, the potential market for Maintenance, Repair and Overhaul (MRO) is predicted to reach $65.3 million in 2020. Currently, there are 74 Approved Maintenance Organizations, including Garuda Maintenance Facility AeroAsia, Nusantara Turbine Propulsion, Merpati Maintenance Facility, Indopelita Aircraft Services, Aero Nusantara Indonesia, Lion Technic and Kalimasada. The GOI is offering foreign investors the opportunity to join with Indonesian companies to establish aircraft maintenance facilities, aircraft leasing, and training companies. By having those businesses in Indonesia, the GOI believes there will be a reduced need to send aircraft for maintenance or to send crews for training to other countries.

The size of Indonesia's total market of aircraft and spare-parts reached $3,235 million in 2010, due to several aircraft and helicopters orders from several commercial airlines and the Indonesian military. Imports of aircraft and parts for 2010 amounted to $3,186 million, with imports from the United States reaching $1,717 million. In 2011, the value of imported products from the US was $1,186 million. It is expected that the import value will remain high since several airline companies are expecting to receive deliveries from Boeing such as Lion Air and Garuda, and other aircraft manufacturers such as Embraer, Bombardier, Super Tocano, Sukhoi, COMAC, and Eurocopter.

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

For airport development, there will be a need for air traffic control systems, airport ground support equipment, safety and security equipment, IT infrastructure and services, other airport related equipment and services.

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In order to expand routes, additional aircraft will be needed by new and existing airlines. 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.

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Directorate General of Civil Aviation: http://hubud.dephub.go.id/

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

Garuda Maintenance Facility AeroAsia, GMF AeroAsia: www.gmf-aeroasia.co.id

Computers & Peripherals

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	1,818	1,999	2,198	2,700
Total Local Production	519	571	628	816
Total Exports	0	0	0	0
Total Imports	1,299	1,428	1,570	1,884
Imports from the U.S.	454	499	549	658.8
Exchange Rate: 1 USD	10,312	8,996	8.942	

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: Indonesian Central Bureau of Statistics, and Association of Indonesian Internet Service Providers

There are several locally manufactured computers, netbooks and tablets 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 to take advantage of the AFTA and CAFTA trade scheme.

Total PC, netbook and tablets sales in 2013 are expected to reach around four 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 60 percent of sales. Server x86 and Unix have the largest server market share, accounting for 40 percent and 36 percent, respectively. On volume of sales, Sun Microsystems controls 60 percent of the Unix market share, followed by HP (25 percent) and IBM (10 percent). 5% of servers are locally assembled and branded products.
The Indonesian PC market is dominated by Acer, HP, Dell, Lenovo and Toshiba. There is no brands which dominates the notebooks and netbooks market, as this market is driven more by the trends on style. Brands that are sharing the market includes: Lenovo, HP, Acer, Toshiba, Apple, Sony and ASUS.The tablets are dominated by Apple and Samsung. While locally assembled PCs, netbooks and tablets 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.; hard disks from

Thailand, and the US; and motherboards, mice, keyboards and peripheral cards from Taiwan and China.

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An increasing number of ultra lightweight notebooks and tablets have recently emerged in the Indonesian market. This type of notebook and tablets are 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.

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

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

Education & Training

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	2010	2011	2012 (estimated)	2013 (estimated)
Number of University Students	5,230,000	5,380,000	5,540,000	5,700,000
Students Going Abroad	54,000	56,700	58,800	61,700
Students Going to U.S.	6,943	6,942	7,640	8,400

Data Sources: *Directorate General of Higher Education of Ministry of National Education, Open Doors 2010/2011 Report, Institute for International Education*

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. The number of university students is about 5.3 million which is about 26.7% of 19.8 million 19-23 year olds. In 2011, around 6,943 Indonesian students studied in the United States. Indonesia is the nineteenth-leading place of origin for students coming to the United States and ranked number three in Southeast Asia after Vietnam and Thailand. In 2011, student visas issuances increased 25 percent from 2010 to the highest figure within 10 years. 95 percent of student visa applicants were approved.

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The majority of students from Indonesia study at the undergraduate level (64.5%), followed by the graduate level (22%). Fields of interest in field studies include: Business/Management (30%), Engineering (18%), Fine/Applied Arts (8%), and Social Sciences (7.4%).

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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.

Community college is also becoming popular for Indonesian students. 40 percent of Indonesians requesting study visas to the U.S. intend to matriculate to community colleges. Half of the top ten destinations for Indonesian students in the U.S. are community colleges.

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EducationUSA - AMINEF
CIMB Niaga Plaza 3rd Floor
Jalan Jenderal Sudirman Kav 25 Jakarta 12920
Tel: 62-21-52962138/39, ext 300-304
Fax: 62-21-52962137
Website: http://www.educationusa.or.id

Directorate General of Higher Education
Ministry of National Education
Gedung D Lt.10
Jln. Raya Jend Sudirman Pintu I, Senayan Jakarta 10270
Tel: 62-21- 57946105
Email: dikti@dikti.go.id
Website: http://www.dikti.go.id; http://www.kemdiknas.go.id

National Education Standards Board
Ministry of National Education
Gedung D Lt.2 Mandikdasmen
Jl. RS Fatmawati, Cipete Jakarta Selatan
Tel: 62-21-7668590
Fax: 62-21-7668591
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: 62-21-57936484
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: http://export.gov/indonesia/
Contact: Ignatius Indriartoto

Electrical Power Systems

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	1,110	1,295	1,475	1,695
Total Local Production	475	545	650	745
Total Exports	375	415	455	520
Total Imports	1,010	1,165	1,280	1,470
Imports from the U.S.	325	375	430	495
Exchange Rate: 1 USD	8,996	8,942	9,000	9,000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Central Bureau of Statistics Indonesia, Trade Stats Express USA*

The electrical power industry in Indonesia has experienced a high growth in demand, averaging seven to nine percent per annum in the last five years. However, due to the lack of infrastructure in the power sector, during 2000-2005, Indonesia still faces a power crisis in various areas. The current installed generation capacity is 36,628 MW, of which the state-owned PLN generates 28,658 MW, and the rest comes from the Independent Power Producers (IPPs). The electrification ratio was increased from 67.2% in 2010 to 70.4% in 2011.

The Indonesian government has been developing power plants through 10,000 MW fast track I and II programs. Until the end of 2011, the first fast track program has developed 4,650 MW. Under the second fast track program, PT PLN will develop a total of 5,118 MW of power plants, requiring a total investment of US$ 5.3 billion, while Independent Power Producers will build 5,035 MW of power plant, requiring US$ 11.1 billion in investments.

In addition to those two fast track programs, the government also offers private sectors to develop power plant through the Public Private Partnership (PPP) program. The first project using this PPP program is the Central Java power plant with capacity of 2 x 1,000 MW. There are six power plant projects will be offered in 2012 with total investment of US$ 4 billion.

On September 23, 2009, the GOI enacted the Electricity Law No 30, 2009. Under the new law, PT PLN is no longer holding a monopoly on supplying and distributing to end customers. A license to provide electricity for public use may be granted to (among others) private business entities, subject to a 'right of first priority' provided to state-owned companies. Recently, the GOI issued an implementation regulation of the Electricity Law, which is Government Regulation (PP) Number 12/2012 which allows private companies to involve in transmission and distribution business. Private companies are allowed to provide electricity from its generation plant for 30 years.

It is estimated that the value of imported products from the U.S. will increase by another 15 percent in 2012. Indonesia imported $1,010 million of electrical power equipment in 2010. The market share of U.S. products was 32 percent of imported products. 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.

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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.

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The new National Electric Generation Plan (RUPTL) 2011-2020 predicted that the electricity demand will grow 8.5% per year. By 2020, the electricity demand will reach 328.3 TWh (terrawatthour), electrification ratio 94%, and 69 million of customers.

During 2011-2020, it is estimated that the total investment needed for electricity development will reach US$ 96.2 billion. Development of power plants will need US$67.8 billion, transmission network US$ 14.9 billion and distribution network US$ 13.4 billion. From the total investment, PT PLN will have to invest US$ 60.5 billion and the rest will come from IPPs.

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, transformers and distribution equipment.

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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

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	2010	2011	2012 (estimated)	2013 (estimated)
Total numbers of franchises	370	380	399	423
Local franchises	92	97	102	112
Foreign franchises	278	283	297	311
U.S. franchises	153	155	158	162

Data Source*: Indonesian Franchise Association*

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 283 foreign and 97 local franchises operating in Indonesia covering a wide range of franchise sectors. American franchises dominate the franchise industry in Indonesia. Until recently, estimated future growth in the franchise industry was considered to be around five percent per year.

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Food and Beverages (F&B) is the most popular and has the greatest potential. Other high potential sectors include education products and services (early childhood education), and retail (specialty stores).

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Local investors are very receptive to U.S. franchises. Indonesia's rising disposable incomes and growing young population make it an attractive opportunity. Although the Indonesian franchise market is very competitive, the high demand for U.S. franchises, especially in the food and beverage sector, presents significant opportunities for U.S. franchisors. U.S. franchises are generally well received by Indonesian consumers and compete successfully with franchisors from other countries. Quality, name recognition, and innovation all play a big part in the success of U.S. franchises with Indonesian investors. In addition to product pricing, U.S. franchisors must consider adapting to local taste to guarantee success in the Indonesian market.

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The Indonesian Franchise Association (AFI)
http://www.franchiseindonesia.org/

Medical Equipment & Supplies

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Unit: USD millions

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	619	664	728	799
Total Local Production	65	75	83	90
Total Exports	30	35	40	45
Total Imports	584	624	685	754
Imports from the U.S.	115	124	137	156
Exchange Rate: 1 USD	10312	8,996	8,942	-

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Sources: *Indonesian Association of Medical Device Industries, Central Bureau of Statistics*

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. Healthcare is a priority in the national development agenda. The central and regional governments continue to build and upgrade healthcare facilities. They are planning to equip community health centers with inpatient facilities and improve their quality of services in the 33 provinces. In a bid to stem the flow of patients seeking medical abroad, the government is preparing seven state-owned hospitals to qualify for internationally accreditation. The government continues to encourage private sector involvement in developing hospitals. In the next five years, private sector plans to develop over 30 hospitals.

Currently only about 10-12 percent of the population is covered by medical insurance. The government is pushing forward to reform the country's healthcare systems by implementing universal social health insurance coverage in place by 2014.
Total imports of medical equipment grew from $584 million in 2010 to $624 million in 2011, with U.S. imports accounting 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 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.

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

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Given the large population and the government's plans in implementing the universal social health insurance coverage, Indonesia is potentially good market for healthcare products. Indonesia relies heavily on import of medical equipment and supplies and offers an excellent opportunity for U.S. manufacturers. U.S., European and U.K. products are widely regarded as top quality and due to 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.

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

Mining Equipment

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Unit: USD millions

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	1,095	1,218	1,354	1,506
Total Local Production	400	445	495	550
Total Exports	339	377	419	466
Total Imports	1,034	1,150	1,279	1,422
Imports from the U.S.	327	364	404	450
Exchange Rate: 1 USD	8,900	8,700	8,800	8,800

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Source: *Central Bureau of Statistic, 2010*

The GOI enacted a new Mining Law No. 4/2009 on January 12, 2009 and replaces Law No. 11/1967. This new law is expected to provide greater certainty for investment in the industry. Under the new law, a company will be given Mining Business License (IUP) replacing Contract of Work (CoW). All new mining licenses will be granted through a competitive tender process. 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 an IUP concession. 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, the maximum allowable area for exploration is 50,000 hectares and 15,000 hectares for production. For mineral mining, the maximum allowable area for exploration is 100,000 hectares and 25,000 hectares 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. Under Ministerial Regulation No. 34/2009, the GOI prohibits mining companies from exporting raw materials, and states that mining companies must refine the mined products in Indonesia starting five years after the enactment of the law (2014). The regulation also required the owner of IUP to prioritize mineral and coal needs for domestic market.

In 2011, the mineral and coal industry is still expanding as the demand for mining products like coal, bauxite, nickel, iron, tin and copper 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. Indonesia is the world's third largest coal exporter. The national coal production in 2011 is projected to reach 327 million ton. In 2012, the GOI is targeting the coal production to increase 1.52% to reach 332 million ton.

The table below shows that most mineral production for 2011 was higher than 2009 production levels.

Coal and Mineral Production

Commodity	Unit	2009	2010	2011 (estimated)
Coal	Ton	228,000,000	325,000,000	327,000,000
Bauxite	Ton	5,400,000	15,600,000	32,900,000
Nickel Ore	Ton	6,100,000	7,500,000	32,900,000
Iron and Iron Sand	Ton	7,000,000	8,000,000	13,100,000
Gold	Kg	140,500	119,700	120,000
Silver	Kg	359,500	335,000	354,000
Tin	Ton	56,600	97,800	96,000
Copper	Ton	973,300	993,000	1,238,000

Source: Ministry of Energy and Mineral Resources

In 2010, investment increased drastically to $3.186 billion from the 2009 figure of $1.81 billion. In 2011, investment realization in mining sector reached $3.6 billion. The government estimates that investment in 2012 will increase significantly supported by greater certainty after the GOI issued new mining regulations. The government had issued several regulations attached to the new mining 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 estimated $1,167 million in 2011. U.S. suppliers held 30 percent of the total market share. Other major suppliers for mining equipment are Japan, Korea, China, Germany, Australia, Italy, and Sweden. Indonesia mining industry is predicted to increase by an average growth of 11.2% until 2015.

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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.

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Several mining companies will continue to implement part of their investment plans in 2012. Under the new law, mining companies must refine the raw materials in Indonesia before they can export. The GOI has received 19 proposals of investment projects to build smelting plants in Indonesia, and 10 projects are projected to be operational in 2014. PT Aneka Tambang, a state-owned mining company, plans to build two smelting plants in West Kalimantan ($1.45 billion), one plant in Halmahera ($1.4 billion) and one plant in Southeast Sulawesi ($140 million), all smelting plants are planned to be operational in 2014. PT Aneka Tambang in cooperation with PT Krakatau Steel and South Kalimantan Administration will have one smelting plant ($130 million investment) operational in 2012. PT Nusantara Smelting will build a copper smelting plant in Bontang, East Kalimantan with a total investment of $700 million. PT Indosmelt will build a copper smelter ($500 million investment) in Maros, South Sulawesi. Each of these provides opportunities for American service and product suppliers.

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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 & Gas Equipment

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	1,117	1,369	1,491	1,531
Total Local Production	297	364	396	407
Total Exports	162	198	216	222
Total Imports	982	1,204	1,311	1,346
Imports from the U.S.	291	357	389	399
Exchange Rate: 1 USD	8,900	8,700	8,800	8,800

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)
Data Source: *Central Bureau of Statistics*

The market for oil and gas equipment in Indonesia remains attractive and has a promising long-term outlook. The country's oil production is declining by 12% per year due to the ageing oil fields and the lack of new oil fields exploration. In 2011, the country's oil production was 903,000 barrels per day (bpd), it is lower than 2010 production of 945,000 bpd. In 2012, it is estimated that production will be 930,000 bpd. Indonesia still has significant reserves for oil and gas but need substantial investment for the exploration. The GOI has recently shifting paradigm in the oil and gas industry. Prior to 2002, oil production is still dominated, but since then gas has been dominating the country's production. The GOI has shifting their focus from oil to conventional gas & unconventional gas (coal bed methane, shale gas, oil sand, tight gas and biogenic gas) and from western part to the eastern part of the country that has huge potential reserves of oil and gas, mainly deep sea areas.

Indonesia is one of the largest natural gas resources in Asia Pacific region at 594.4 TSCF. The country's gas production in 2011 was 8.935 million standard cubic feet per day (MMSCFD), it is lower than 2010 production of 9.336 MMSCFD. Indonesia has massive potential of CBM resources at 453.30 TSCF. As per December 2011, the GOI has awarded 42 Production Sharing Contracts (PSC) for CBM PSCs. The GOI has also been doing study on potential shale gas in Indonesia (3 basins in Sumatera, 2 basins in Java, 2 basins in Borneo and Papua).

In 2010, investment in the oil and gas industry reached $13.7 billion, increasing from $12.7 billion in 2009. The investment in 2011 was targeted to reach $16.8 billion. Total investment in oil & gas industry is expected to reach $55.5 billion in 2012-2014.

Sub-Sector Best Prospects

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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

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In 2012, the GOI plans to offer 40 work areas (conventional and unconventional) through regular tender, 20 oil & gas work areas and 20 CBM work areas. The GOI also plans to develop three LNG receiving terminals (Floating Storage and Regasification Unit) in West Java, North Sumatera and Central/East Java; city gas distribution networks for household in several cities (Prabumulih, Bogor, Jambi, Sidoarjo and Cirebon), two oil refinery units @ 300 MBCD capacity; gas infrastructure for transportation (CNG, LGV and LNG); and small scale LNG receiving terminals in Samarinda, Balikpapan, Bali and Southeast Sulawesi.

Most of the oil and gas production (90%) in Indonesia come from mature production fields, which are continuing to decline. The GOI will give the opportunity to local cooperatives or state-owned regional companies to operate old wells. In its efforts to increase oil and gas production, the GOI will optimize the existing production fields using technologies such as infill drilling and Enhanced Oil Recovery (EOR) technology. 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

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PT. 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

Telecommunications

Overview

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Unit: USD millions

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	6,689	7,294	7,997	9,596
Total Local Production	515	530	556	667
Total Exports	58	58	59	65
Total Imports	6,202	6,822	7,500	8,994
Imports from the U.S.	605	635	667	734
Exchange Rate: 1 USD	10,312	8,996	8.942	8800

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Indonesian Central Bureau of Statistics, Ministry of Communications and Information, and Telecommunications Operators*

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 Telkom, PT Indosat and PT Satelindo lost their exclusive rights to operate international services to PT Bakrie. 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 and smart phones continue to increase. With around 180 million postpaid and prepaid subscribers (cellular and fixed-wireless) by December 2011, there is a penetration rate of 75 percent. In reality, the penetration rate is only around 50 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. There are also operators which keeps their "in-active" numbers as their subscribers.

The new services offered by operators are using inexpensive handsets capable of browsing the internet, chatting, and accessing social networks such as Facebook and Twitter, and other free apps like Whatsapp. 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 W-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 more than $10 billion in 2012. Some of the new networks upgrades are being financed by Chinese Banks which bundled with the Chinese products (ZTE and Huawei). 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.

Operators prefer to seek “managed services” rather than looking for finance to upgrade and expand networks which could contribute higher CAPEX, OPEX and vendors’ logistic chains. One of successful sales, for example Huawei took over PT XL Axiata’s radio networks in 2011. This selection was not based on the best technology offered by Huawei, but on the best Total Cost of Ownership options coupled with shared risk and benefit.

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 and LTE Base Stations, and Wimax and LTE 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 options to own/operate the networks, new services, functionality (applications), and enhancement of older technology, on top of existing infrastructure, are attractive to both operators and subscribers.

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

Water and Wastewater Equipment

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Unit: USD thousands

	2010	2011	2012 (estimated)	2013 (estimated)
Total Market Size	335	435	500	580
Total Local Production	70	90	105	120
Total Exports	55	70	80	90
Total Imports	320	415	475	550
Imports from the U.S.	50	80	95	115
Exchange Rate: 1 USD	8,996	8,992	9,000	9,000

Total Market Size = (Total Local Production + Total Imports) – (Total Exports)

Data Sources: *Central Bureau of Statistics Indonesia, Trade Stats Express USA*

Indonesia has been struggling to provide adequate clean water and sanitation for its people. Demand for clean water is steadily increasing due to a population growth as well as economic activity in urban and rural areas. Until the end of 2011, service access for clean water has predicted to cover 50%-53% of Indonesia or higher by 3%-6% from 47.7% in 2009. However, the total service access for public is still lower than the target of Millennium Development Goals (MDGs) for clean water access in 2015 at 68.87% of the total population. The number of households with access to adequate sanitation was only 51.02% in 2009 and it is projected to reach 62.37% of the total population by 2015.

The GOI faces several challenges in providing clean water supply such as scarcity of raw water resources, water leakage problems (average of 33% of non revenue water), and mismanagement of water company. Currently, there are 402 companies provide clean water, of which 382 are regional state-owned companies (PDAM), 10 are under the Ministry of Public Works and 10 are private companies. They serve 83 cities and 319 districts in Indonesia. However, only 103 companies are considered as financially healthy.

In order to achieve the MDG, the GOI has formulated national strategic planning on water supply system development which are increasing production capacity in urban, sub urban, strategic areas (fish harbors, remote areas, boundary areas, remote islands) and rural areas (4,650 villages) until 2014 by 14,120 liter/second; facilitating Public Private Partnership Projects for 23 locations, implementation of reuse water supply in 8 locations, facilitating water supply for urban low income community in 577 locations and facilitating 107 PDAM in accessing loan to local banks.

The Ministry of Public Works estimates the investment need for developing water facilities in urban and rural areas will be IDR 65.2 billion during 2011-1014. Investment from private companies is expected to reach IDR 12 billion per year. However, currently, private companies only contributed about IDR 5 billion per year.

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U.S. products and engineering services have a good reputation for their quality and advanced technology in the field of water and wastewater treatment. Although the market is price sensitive, U.S. products are strong competitors in water filtration, water purification equipment and control systems, water treatment chemicals, positive displacement pumps, valves and meters.

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The Supporting Agency for Water Supply System Development (BPPSPAM), Ministry of Public Works offers several water supply projects, which are also included in the Public Private Partnership (PPP) Investment Plan. The projects are proposed to be tendered in 2012:

- Jatigede Water Supply, develop water treatment plant (capacity 2 x 3,000 lps), develop reservoir 2 x 7,000 m3, transmission pipe 7 km, investment US$ 357.6 million
- DKI Jakarta, Bekasi, Karawang Water Supply (Jatiluhur), develop of intake 5,000 lps, develop water treatment plant 5,000 lps, transmission pipe 58 km, investment US$ 189.3 million
- Karian Serpong Water Conveyance, develop water treatment plant 10,000 lps, transmission pipe 90 km, investment US$ 690 million
- Bandar Lampung Water Supply, develop of intake 500 lps, develop water treatment plant 2 x 250 lps, transmission pipe 27 km and rehabilitation and development of distribution system for 42,000 connections, investment IDR 234 billion.

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Supporting Agency for Water Supply System Development, Ministry of Public Works
Website: www.bppspam.com

Director General of Human Settlements, Ministry of Public Works
Website: www.pu.go.id

Agricultural Sectors	Return to top
Cotton	Return to top

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. High international cotton prices have severely impacted Indonesian cotton spinners' capacity to import, which led to a significant drop in export volumes in 2010. Although export numbers rose slightly in 2011, FAS Jakarta expects the market share for U.S. cotton in Indonesia will remain bearish. In addition to high prices, U.S. exporters also face strong competition from Australia.

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

2005	2006	2007	2008	2009	2010	2011
277.6	275.8	340.5	454.6	235.4	293.8	531.2

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

2005	2006	2007	2008	2009	2010	2011
231.1	204.8	241.6	276	186.3	151.8	159.3

Soybeans Return to top

Indonesia is the world's second-largest consumer of soybeans for direct human consumption. FAS Jakarta predicts that soybean consumption will continue to grow relative with the overall population growth. The annual growth of the production of tempeh and tofu – which accounts for a large majority of Indonesian soybean consumption – stands at roughly 2.5 percent. Smaller food sectors such as soymilk and soy sauce are growing at a higher rate, reportedly up to eight percent. Based on that growth rate, domestic soybean consumption is predicted to grow to 2.45 mmt in MY 2011/2012. FAS Jakarta also estimates an increase in importation of soybean meal to 2.7 mmt in MY 2011/2012 thanks to six percent growth in animal feed production.

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.

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

2003	2004	2005	2006	2007	2008	2009	2010	2011
324.4	263.8	302.2	288.3	401.5	589.7	618.1	805.8	857.6

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

2003	2004	2005	2006	2007	2008	2009	2010	2011
1.28	0.9	1.16	1.18	1.26	1.26	1.49	1.85	1.7

Consumer Ready Food Products Return to top

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	2011
Dairy products	61.4	89.4	136.3	209.2	65.8	159.4	209.5
Fresh fruit	37.6	37.4	43.2	59.6	69.5	95.5	110.4
Red meat	17.7	0	0	4.9	5.7	25.0	29.0
Processed fruit & vegetables	16.4	21.4	27.6	27.5	28.1	33.6	39.5
Snack food (excl nuts)	9.3	7.5	5.6	6.3	3.2	4.5	7.4
Tree Nuts	2.2	2.6	4.6	3.0	2.7	5.0	3.9
Total	144.6	158.3	217.3	310.5	158.1	371.1	483.4

Wheat Return to top

In MY 2009/10 U.S. wheat exports to Indonesia declined steeply, primarily due to high prices and strong competition from Australia and Canada. Total Indonesian wheat imports in MY 2010/11 increased significantly because several new wheat millers and multinational food manufacturers have begun production and are driving demand. FAS Jakarta predicts that in the MY 2011/12, Indonesian wheat imports from the United States will be on par with MY 2010/11. 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	2011
18.5	26.8	59.7	236.1	363.9	152.7	130.0	268.4

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

2004	2005	2006	2007	2008	2009	2010	2011
108.8	162.7	348.6	1,042	927.3	669.7	563.8	816.0

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Chapter 5: Trade Regulations, Customs and Standards

Import Tariffs

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In 2011, Indonesia's average MFN applied tariff was 7.6 percent. In November 2011, Indonesia lowered to zero the import tariffs on certain raw material for pharmaceuticals and certain machineries related to the printing industry. However, over the past several years, Indonesia has raised tariffs on a number of products. In 2010, Indonesia increased applied tariffs for products including medicines, cosmetics, and energy efficient lights. In 2009, Indonesia raised rates on a number of goods that compete with locally manufactured products, including certain chemicals, electronic products, electrical and non-electrical milling machines, iron wire and wire nails, and a range of agricultural products including milk products, animal or vegetable oils, fruit juices, coffee, and tea. Indonesia's simple average bound tariff, i.e., the rate which generally cannot be exceeded under WTO rules, is 37 percent. Most Indonesian tariffs are bound at 40 percent, although bound tariff levels exceed 40 percent or remain "unbound" on automobiles, iron, steel, and some chemical products. U.S. motorcycle exports remain severely restricted by the combined effect of a 60 percent tariff, a luxury tax of 75 percent, a 10 percent value added tax, and the prohibition of motorcycle traffic on Indonesia's highways.

In the agricultural sector, tariffs on more than 1,300 products have bindings at or above 40 percent. However, tariffs on almost all food and agricultural products of interest to the United States have an applied rate from 0 – 5 percent. On April 7, 2010, the Ministry of Finance issued Regulation No. 82/PMK.011/2010, imposing new import duties on alcoholic beverages containing ethyl alcohol. This regulation effectively changed the tariff from an ad valorem tariff to a specific tariff. Indonesia's applied tariff on imported spirits is a prohibitive 150 percent, which is its bound rate. U.S. companies report that the reduction or elimination of tariffs on a wide range of products including cooking appliances, cookware, and beverage systems would result in tens of millions of dollars in increased sales to Indonesia. However, in January 2011, Indonesia reduced tariffs on 57 agricultural commodities to zero, in an effort to anticipate a food price hike. The Ministry of Finance Decree No.13/PMK.011/2011 eliminated the tariffs on wheat, soybeans, fertilizer, and feed ingredients. The regulation is valid until December 2011 and could be extended, depending on international food price fluctuations.

Indonesia has extensive preferential trade relationships with other Asian countries. Under the ASEAN Free Trade Agreement (FTA), import duties from ASEAN countries are applied at zero percent to five percent, except for products specified on an exclusion list. In addition, Indonesia accords preferential market access to Australia, China, Japan, Korea, India, and New Zealand (under ASEAN FTAs) and to Japan (under a bilateral Economic Partnership Agreement). Implementation of the ASEAN-China FTA has been contentious, with domestic industries pressing for more time to implement tariff commitments as well as for the imposition of new non-tariff barriers to offset the reduction in tariff protection. Indonesia also is currently negotiating bilateral agreements with Iran, India, Pakistan, Australia, and European Free Trade Association (EFTA) countries. Indonesia has also been exploring joint studies on potential FTAs with Chile, Turkey, South Korea, Tunisia, and Egypt.

Import Requirements and Documentation

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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.

The Indonesian National Agency of Drug and Food Control (BPOM) announced on September 1, 2010, that it would modify enforcement of its labeling policies and require that all processed food products entering Indonesia be fully labeled in the Bahasa language. This requirement has the potential to seriously disrupt U.S. processed food exports to Indonesia. The Ministry of Trade (MOT) followed this announcement by issuing a press release indicating that BPOM and MOT were working together to harmonize their regulations on mandatory labeling.

As of March 2012, trade has not been interrupted as a result of the aforementioned requirements. One solution would allow supplementary labels to be applied post-entry to Indonesia in a facility under the importer’s control, subject to BPOM approval. U.S. officials continue to engage with the Indonesia, seeking a solution that will satisfy Indonesia’s objectives vis-à-vis consumer protection, as well as maintain access for U.S. suppliers.

U.S. Export Controls

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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

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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. There are also several bonded zones or export processing zones near Jakarta such as Tanjung Priok, Cakung and Marunda which are very close to international port and international harbor. Products can be imported into a bonded zone and re-exported without paying tariffs, unless the products are sent into Indonesian customs area. A recent Ministry of Finance Regulation stipulates that the delivery of products outside of bonded zones into the domestic market is set at a maximum of 25% (down from 50%).

Foreign and domestic investors wishing to establish projects in a bonded area near Jakarta can contact PT (Persero) Kawasan Berikat Nusantara, a State Owned Company, detailed information is available at www.kbn.co.id.

Labeling and Marking Requirements

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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.

Prohibited and Restricted Imports

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Exporters to Indonesia must comply with numerous and overlapping import licensing requirements that impede access to Indonesia’s market. In 2009, the Indonesian government implemented a sweeping regulation imposing non-automatic import licensing procedures on a broad range of products, including electronics, household appliances, textiles and footwear, toys, and food and beverage products. The measure, known as Decree 56, was extended by Ministry of Trade Regulation 57/2010 in December 2010, and it will remain in effect until December 31, 2012. The extended decree includes a requirement for preshipment verification by designated surveyors at importers' expense and a restriction that limits entry of imports to five designated ports and airports. The Indonesian government was considering extending these licensing provisions to additional products; however, it has informally limited application of the decree to "final consumer goods." The Indonesian government also appears to be exempting select registered importers from certain requirements of this decree. However, the approval process to qualify as a registered importer is opaque, ill-defined, and potentially discriminatory. The United States and other WTO Members have expressed concern about the decree and are seeking its withdrawal.

Exporters of pharmaceuticals may face barriers to entry. Ministry of Health Decree 1010 requires foreign pharmaceutical companies operating in Indonesia to manufacture locally in order to be considered domestic manufacturers and qualify to apply for drug approvals for import. An amendment to Decree 245/1990 was signed into law in December 2010 altering the definition of local manufacturing in Indonesia to include domestic packaging and labeling facilities.

The Indonesian government requires an import permit from the Directorate General of Livestock Services for imports of animal-based food products. In approving import permits, the Indonesian government retains discretion to alter the quantity it allows to enter. The Ministry of Trade issues import permits for the import and export of animals and animal products after receiving the recommendation approval from Ministry of Agriculture (specifically, the Directorate General of Livestock and Animal Health Service), per Ministry of Trade regulation No. 24/M-DAG/PER/9/2011 and Ministry of Agriculture regulation No. 50/PERMENTAN/OT.140/ 9/2011 dated September 7, 2011. Both regulations were put into effect on October 1, 2011. These regulations also now effectively ban imports of any chicken product, including whole birds and mechanically deboned meat (MDM). U.S. industry estimates the annual trade impact of this restriction to be between $75 million and $100 million. The United States will continue to press Indonesia to address U.S. concerns about these practices.

Indonesia applies quantitative limits to imported wines and distilled spirits. However, companies can now apply to be designated as registered importers authorized to import alcoholic beverages with an annual quota set by the Ministry of Trade.

Mining firms operating in Indonesia are prevented from exporting unprocessed ore. Under the mining law, companies are required to process ore locally 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.

Companies wishing to both import to and manufacture in Indonesia may face restrictions. Ministry of Trade Regulation 45/2009 and Regulation 17/2010 introduced a requirement that companies can only import goods for further distribution or goods for their own manufacturing, but not both. Trade Minister Decree 39/2010 provided a "fix" to allow manufacturers to also import finished goods, but in February 2012, the Supreme Court struck down Trade Minister Decree 39/2010. This decision may force foreign companies to hand over distribution of products to other companies or stop manufacturing in Indonesia. The rationale for this policy is unclear, though importers report that it is being applied more stringently on imports destined for distribution than on imports used in the production process. This ruling is especially problematic for companies that want to import goods for both manufacturing and distribution. Especially hard hit would be pharmaceutical companies because they are required (by Decree 1010) to manufacture in Indonesia in order to obtain drug approvals, but (under Decrees 45 and 17) are prohibited from distributing as a manufacturer, effectively creating a regulatory Catch 22. The Ministry of Trade may be working to find another solution.

Since 2002, Indonesia has continued to maintain other additional non-automatic licensing requirements on textiles, clothing, and other “made-up goods” such as curtains and blankets, which limit market access for a wide range of products. Only approved local producers are authorized to import products covered by this regulation, and these products are permitted for use only as inputs in domestic production, not for resale or transfer. Approval must be obtained for both the quantity and timing of imports. Additional burdensome product-specific import licensing and registration requirements apply to agricultural products, including beef, sugar, and dairy.

Customs Regulations and Contact Information Return to top

U.S. firms continue to report that Indonesia’s Customs Service uses a schedule of reference prices to assess duties on some imports, rather than using actual transaction prices as it committed to do under the WTO Customs Valuation Agreement. Customs makes a valuation assessment based on the perceived risk status of the importer and the average price of a same or similar product imported during the previous 90 days. In addition, the U.S. Government has received complaints from importers about costly delays in customs processing and requests for unofficial payments to customs officers.

In late 2010, the Customs Service changed its procedure for valuing imported motion pictures for customs purposes. Instead of imposing tariffs according to the value of the imported physical media, Indonesian customs is levying duties based on the amounts paid by importers for the exclusive right to distribute films, which results in a dramatic increase in the duties payable and stifles commercial cooperation and trade in this sector. Although the new policy was never publicly announced by the Indonesian Customs Service and its implementation has not been fully explained to traders, the Customs Service is aggressively auditing the accounts of movie companies and imposing severe fines for the underpayment of duties. The United States continues to work with Indonesia to resolve these concerns.

Director General for Customs & Excise
Ministry of Finance
Jl. Jend. A. Yani 108, 2nd Floor
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Standards Return to top

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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

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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

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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

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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

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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

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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

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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.

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Trade Agreements

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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

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ASEAN Free Trade Area (AFTA): http://www.aseansec.org/19585.htm
ASEAN Tariff database: http://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

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Chapter 6: Investment Climate

Openness to Foreign Investment

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Indonesia's growing middle class, strong domestic demand, stable political situation, and sound macroeconomic policy paired with gross domestic product (GDP) growth of 6.5% in 2011 make Indonesia an attractive destination for Foreign Direct Investment (FDI). In 2011, Indonesian government officials verbally welcomed increased FDI, aiming to create jobs and spur economic growth, and courted foreign investors, notably focusing on participation in a large number of public private partnerships to develop Indonesia's infrastructure. However, vague and conflicting regulations, poor infrastructure, and corruption continued to be significant concerns for foreign investors. U.S. firms lamented the lack of ministerial coordination and a body empowered to act as a final authority in the case of regulatory uncertainty.

Restrictions on FDI are, for the most part, outlined in presidential decree 36/2010, commonly referred to as the Negative List. The Negative List aims to consolidate FDI restrictions from numerous decrees and regulations to create greater certainty for foreign and domestic investors. The 2010 iteration of the Negative List clarified that companies are grandfathered in the case of increased foreign ownership restrictions. However, exceptions remain; in the case of wholly foreign owned security service companies, their licenses were not renewed, despite grandfathering provisions. In 2010, the share of foreign ownership permitted was increased in health services, creative industries, construction services, and multilevel marketing, but decreased in cell towers, security services, and inspection services. For investment in certain sectors, such as mining and higher education, the Negative List is useful only as a starting point, as additional licenses and permits are required from individual ministries. Foreign capital investment, through the stock market, is not governed by the Negative List. Foreigners may purchase equity in state-owned firms through initial public offerings, and capital investments in publicly listed companies through the stock exchange are not subject to Indonesia's negative list unless an investor is buying a controlling interest.

The Investment Coordinating Board (BKPM) is responsible for issuing investment licenses to foreign entities and has taken steps to simplify the application process through better coordination between various government institutions. BKPM launched a National Single Window for Investment which will eventually allow foreign investors to apply for licenses and other services online. Although BKPM is meant to act as a one-stop service institution, investments in the mining, oil and gas, plantation, and other sectors require further licenses from related ministries and authorities. Likewise, certain tax and land permits, among others, typically must be obtained from local government authorities. Though Indonesian companies only require one approval at the local level, businesses report that foreign companies must obtain both administrative and legislative approval in order to establish a business.

The Coordinating Ministry of Home Affairs, Ministry of Administrative Reform and Bureaucracy Reform, and BKPM issued a circulating letter on September 15, 2010, to clarify investment that crosses provincial and regional boundaries. Investment in one regency is managed by the regency government; investment that lies in two or more regencies is managed by the provincial government; and investment that lies in two or more provinces is managed by central government, or central BKPM.

Natural Resources: Indonesia’s vast natural resource wealth has attracted significant foreign investment over the last century. Though the potential for gain is evident, a variety of government regulations have made doing business in the resources sector increasingly difficult. For example, Government Regulation 79 retroactively removes previously-agreed recoverable oil and gas production costs from some production sharing contracts (PSCs). Also, the 2009 mining law requires mining companies to renegotiate their contracts of work to increase government tax and royalty rates.

Infrastructure: Indonesia’s Master Plan for Acceleration and Economic Development (MP3EI) http://www.ekon.go.id/media/filemanager/2011/05/27/p/d/pdf_mp3ei.pdf is an ambitious 15-year, $1 trillion infrastructure development plan that includes several public-private partnership tenders and will require almost $700 billion in private financing. The Government of Indonesia (GOI) has already sent delegations to Korea, Japan, China, and the United States to increase foreign participation.

Measure	Year	Index/Ranking
TI Corruption Index	2011	3.0/100 of 183
Heritage Economic Freedom	2011	56/116 of 179
World Bank Doing Business	2011	129 of 183
MCC Gov’t Effectiveness	2011	0.27 (66%)
MCC Rule of Law	2011	-0.16 (34%)
MCC Control of Corruption	2011	-0.24 (31%)
MCC Fiscal Policy	2011	-1.0 (77%)
MCC Trade Policy	2011	73.9 (44%)

MCC Regulatory Quality	2011	0.17 (59%)
MCC Business Start Up	2011	0.952 (44%)
MCC Land Rights Access	2011	0.705 (41%)
MCC Natural Resource Mgmt	2011	100.0 (82%)

Conversion and Transfer Policies Return to top

The rupiah, the local currency, is freely convertible. Currently, banks must report all foreign exchange transactions and foreign obligations to the Bank of Indonesia (BI). With respect to the physical movement of currency, any person taking cash into or out of Indonesia in the amount of Rp 100 million ($11,000) or more, or the equivalent in another currency, must report the amount to the Director General of Customs and Excise.

Banks on their own behalf or for customers may conduct derivative transactions related to derivatives of foreign currency rates, interest rates, and/or a combination thereof. BI requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

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. U.S. firms report no difficulties in obtaining foreign exchange.

Beginning in 2012, BI will require exporters to repatriate their export earnings from offshore banks to domestic banks within three months from the date of the Export Declaration Form. Exporters will have six months from the date on the Export Declaration Form during a transition period when the regulation becomes effective on January 2, 2012. Once repatriated, there are no restrictions on exporters from re-transferring the export earnings back to an offshore bank.

Expropriation and Compensation Return to top

The GOI continues to recognize and uphold property rights of foreign and domestic investors, and there have been no overt expropriatory actions forced on investors in recent years. The 2007 Investment Law opened major sectors of the economy to foreign investment while assuring investors' protection from nationalization, except where corporate crime is involved.

In the area of land ownership, some assert that the GOI has been too protective of private property rights when it comes to land acquisition in the public interest for roads, electrical transmission lines, pipelines, and other badly needed infrastructure projects. The new Law on Land Acquisition Procedures for Public Interest Development passed in December 2011 seeks to address this problem and significantly increase the feasibility of land acquisition projects. However, the law is too new to have undergone real-world testing. The law seeks to clarify roles, impose time limits on each phase of the land acquisition process, deter land speculation, and curtail obstructionist litigation, while still ensuring safeguards for land-right holders. However, because the crucial power of revoking land rights will rest with provincial governors, the new law's effectiveness – or potential misuse as a tool of expropriation – will depend in part on the inclination of respective governors.

Other GOI actions – including new and pending laws and regulations – reflect an increasing sense of economic nationalism, especially in the natural resources sector, and could represent a form of creeping expropriation that will require close monitoring.

Recent examples:

- Government Regulation 79 retroactively removes previously-agreed recoverable oil and gas production costs from some PSCs – effectively raising tax rates after the fact. Although a clear violation of contract sanctity, the Supreme Court in October 2011 refused to hear the Indonesian Petroleum Association's appeal for judicial review of the regulation, and its implementation is expected in 2012.
- The GOI is requiring mining companies to renegotiate their contracts of work with the government in an effort to bring those contracts into line with the 2009 Mining Law, but also to increase government tax and royalty rates. The Mining Law reduces the size of the mining production concession areas by 85% to 90% and reduces the potential length of contracts of work, but it is unclear which provisions of the law will be incorporated into renegotiated contracts of work. Renegotiations, while strongly supported by the GOI, have only recently begun and are proceeding slowly on a case-by-case basis with no guarantee of consistent outcomes. The GOI is focusing initially on the few hundred nationally-issued contracts of work that includes most major foreign companies.

Dispute Settlement Return to top

Indonesia's legal system is based on civil law. The court system consists of District Courts, primary courts of original jurisdiction, High Courts, courts of appeal, and the Supreme Court, court of last resort. Indonesia's Constitutional Court has the same legal standing as the Supreme Court, and its role is to review the constitutionality of legislation. Both the Supreme and Constitutional Courts have authority to conduct judicial review.

Judicial handling of investment disputes remains mixed. Indonesia is a signatory to the Convention On The Settlement Of Investment Disputes Between States And Nationals Of Other States (ICSID) and the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Thus, foreign arbitral awards are recognized and enforceable in the Indonesian courts. Indonesia's legal code recognizes the right of parties to apply any rules of arbitration upon which they mutually agree. Some arbitration but not all is handled by Indonesia's domestic arbitration agency, the Indonesian National Arbitration Body. District Courts do not have authority to hear disputes where parties are bound by an arbitration agreement. In reality, some claims are still accepted by District Courts on the basis of tort or fraud, but are often reversed upon appeal. Some companies have resorted to ad hoc arbitrations in Indonesia using the UN Commission on International Trade Laws (UNCITRAL) arbitration rules. While doing business in Indonesia remains challenging, there is not a clear pattern of investment disputes involving U.S. or other foreign investors.

The court system often does not provide effective recourse for resolving property and contractual disputes. Judges are not bound by precedent and many laws are open to various interpretations. Lack of clear land titles has plagued Indonesia for decades, although a land acquisition law enacted in December 2011 included legal mechanisms that may begin to resolve some past land ownership issues. Indonesia also has a poor track record on contract sanctity, most recently seen in the issuance of a government regulation that requires foreign oil and gas companies to renegotiate the terms of their contracts, with terms that would be financially more favorable to the Indonesian government.

Indonesia's commercial code, grounded in colonial Dutch law, has been updated to include provisions on bankruptcy, intellectual property rights, incorporation and dissolution of businesses, banking, and capital markets. Application of the commercial code, including the bankruptcy provisions, remains uneven, in large part due to corruption and training deficits for judges, prosecutors, and defense lawyers, as well as the lack of a commercial court. The bankruptcy law is decidedly pro-creditor and the law makes no distinction between domestic and foreign creditors. As a result, foreign creditors have the same rights as all potential creditors in a bankruptcy case, as long as foreign claims are submitted in compliance with underlying regulations and procedures. Monetary judgments in Indonesia are made in local currency.

Performance Requirements and Incentives Return to top

The Indonesian government notified the WTO of its compliance with Trade-Related Investment Measures (TRIMS) on August 26, 1998. The 2007 Investment Law states that the GOI shall provide the same treatment to both domestic and foreign investors originating from any country pursuant to the rules of law.

On August 15, the GOI announced a tax holiday scheme to exempt certain businesses from paying corporate income taxes for up to ten years under Ministry of Finance Decree No. 130/PMK.011/2011. Businesses must have operated as a legal entity in Indonesia for at least 12 months prior to the issue of the tax holiday regulation, among other requirements. Priority is given to investment in resource extraction, resource refinement, industrial machinery, renewable resources, telecommunications equipment, or pioneer sectors. Government Regulation No. 62 of 2008 provides a tax incentive program for projects conducted in national high-priority sectors which encompass 128 different fields. Businesses may only apply for one tax incentive: either the tax holiday or the tax incentive program.

The GOI 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. 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. If a direct investment enterprise wants to employ foreigners, the enterprise should submit an Expatriate Placement Plan to BKPM to get a Limited Stay Visa or Semi Permanent Residence Visa (VITAS/VBS).

Expatriates are issued a Limited Stay Permit (KITAS) and a blue book, valid for two years and renewable for up to two extensions without leaving the country. 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. Some U.S. firms report difficulty in renewing KITAS for their foreign executives.

The Indonesian Government does not impose offset requirements for any procurement. However, the GOI grants special preferences to encourage domestic sourcing and to maximize the use of local content in government procurement. It also instructs government departments, institutes, and corporations to utilize domestic goods and services to the maximum extent feasible. The Negative List seeks to maximize local content in procurement, use foreign components only when necessary, and delegate foreign contractors as sub-contractors to local companies. Foreign firms bidding on high value government sponsored projects report that they have been asked to purchase and export the equivalent value of selected Indonesian products if they are awarded the contract. Some businesses established as Indonesian entities report discrimination as they possess higher foreign equity.

The Ministry of Law and Human Rights' implementation of an electronic business registration filing and notification system has dramatically reduced the number of days needed to register a company. At present, it takes four days to obtain the standard form of the company deed, obtain clearance for the Indonesian company's name, and arrange for a notary electrically. Another seven days is needed to apply for approval of the deed of establishment. Foreign firms are not required to disclose proprietary information to the government before investing.

At present, Indonesia does not have formal regulations granting national treatment to U.S. and other foreign firms participating in Government-financed or subsidized research and development programs. The State Ministry for Research and Technology handles applications on a case-by-case basis.

Effective January 1, 2011, the GOI introduced a requirement that companies can only import goods for further distribution or goods for their own manufacturing, but not both. The rationale for this policy is unclear, though importers report that it is being applied more stringently on imports destined for distribution than on imports used in the production process, raising concerns that its application is import restriction. Exporters to Indonesia must comply with numerous and overlapping import licensing requirements that impede access to Indonesia's market. In 2009, the Government implemented a sweeping regulation imposing non-automatic import licensing procedures on a broad range of products, including electronics, household appliances, textiles and footwear, toys, and food and beverage products. The measure includes a requirement for pre-shipment verification by designated surveyors at importers' expense and a restriction that limits entry of imports to five designated ports and airports.

Indonesia's average most favored nation applied tariff is 7.6%. Over the past several years, Indonesia has raised tariffs on a number of products. In 2010, Indonesia increased applied tariffs for products including medicines, cosmetics, and energy efficient lights. Most Indonesian tariffs are bound at 40%, although bound tariff levels exceed 40% or remain "unbound" on automobiles, iron, steel, and some chemical products.

Right to Private Ownership and Establishment Return to top

Indonesia recognizes the right to private ownership and establishment by both foreign and domestic entities. Foreign investors are restricted from establishing or acquiring businesses in certain sectors as laid out in the Negative List. Private entities have the right to dispose of interests in business enterprises under Indonesia's bankruptcy law, although it may take several years to do so. Likewise, terminating employees is associated with high costs and a lengthy process that requires bipartite negotiation, non-binding mediation, and Labor Court approval unless settled by agreement in writing at any time during the process.

To establish a business, one must: obtain the standard form of the company deed; arrange for a notary electronically; obtain clearance for the Indonesian company's name at the Ministry of Law and Human Rights; notarize company documents; pay the State Treasury for the non-tax state revenue fees for legal services; apply to the Ministry of Law and Human Rights for approval of the deed of establishment; apply at the one stop service for the permanent business trading license and company registration certificate; register with the Ministry of Manpower; apply for the workers social security program; and, obtain a taxpayer registration number and a valued added tax (VAT) collector number. The process takes an average of 45 days.

Protection of Property Rights Return to top

The Basic Agrarian Law of 1960, the predominant body of law governing land rights, recognizes the right of private ownership. Indonesia's 1945 Constitution states that all natural resources are owned by the GOI for the benefit of the people. This principle was augmented by the passage of a land acquisition bill in December 2011 that enshrined the concept of eminent domain and established mechanisms for fair market value compensation and appeals. The National Land Agency registers property under Regulation No. 24 of 1997, though the Ministry of Forestry administers all 'forest land'. Registration is sometimes complicated by local government requirements and claims as a result of decentralization. Registration is also not conclusive evidence of ownership, but rather strong evidence of such. Foreigners are not allowed to own land in Indonesia, but can acquire the rights to use, sell, lease, and mortgage land through an Indonesian entity.

Indonesia is currently on the Special 301 priority watch list for intellectual property rights (IPR) protection. Indonesia's failure to effectively protect intellectual property and enforce IPR laws has resulted in high levels of physical and online piracy. The International Intellectual Property Alliance estimates that 87% of business software is unlicensed, while retail and mall piracy rates are likely even higher.

Indonesia's 2002 Copyright Law and 2001 Trademark Law are currently under review. While not fully adequate, both laws provide a solid foundation for enforcement efforts. Unfortunately, enforcement has been insufficient. The Copyright Law requires commercial courts to try cases of alleged copyright violations and render judgments within 90 days, though it often takes much longer. Even so, criminal cases against corporate end-user piracy in Jakarta and Semarang were successfully prosecuted in 2009. The GOI has signed and ratified the WIPO internet treaties, but further clarifications in its Copyright Law must be made to fully implement both treaties.

Transparency of Regulatory System

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Indonesia continues to bring its legal, regulatory, and accounting systems into compliance with international norms, but progress is slow. Recent successes include passage of a comprehensive anti-money laundering law in late 2010 and a land acquisition law in December 2011, both of which have positive implications for foreign investment. Although Indonesia continues to move forward with regulatory system reforms, these efforts have not yet created a level playing field for foreign investors nor does the current regulatory system establish clear and transparent rules for all actors.

Certain laws and policies, including the Negative List, establish sectors that are either fully off-limits to foreign investors or are subject to substantive conditions. A proposed revision to Indonesia's 2003 labor law may establish more stringent restrictions on outsourcing, currently used by many firms to circumvent a laundry list of formal-sector job benefits that tend to make the labor market rigid and uninviting to potential investors. Bureaucratic reforms have slowed, and decentralization has introduced another layer of bureaucracy for firms to navigate, resulting in unnecessary and costly red tape. U.S. businesses cite regulatory and transparency problems as ongoing factors hindering operations.

Government ministries and agencies, including the Indonesian Parliament, continue to publish many proposed laws and regulations in draft form for public comment; however, not all draft laws and regulations are made available in public fora. Laws and regulations are often vague and require substantial interpretation by implementing offices, leading to business uncertainty and rent-seeking opportunities. In short, investors remain interested but wary, as Indonesia is not currently making the longer-term regulatory changes to generate substantive domestic or foreign investment.

Efficient Capital Markets and Portfolio Investment

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Although there is some concern regarding the operations of the many small, family-owned banks, the banking system is generally considered sound with banks enjoying some of the widest interest rate margins in the region. The 10 largest banks, with Rp 2,103 trillion ($238.1 billion) in total assets or 62.4% of the total, dominate the banking sector. Loans grew 26% year-on-year as of October 31, 2011, (vis-à-vis 22% in 2010) while gross non-performing loans stood at 3%, down from 3.6% a year earlier.

Foreigners may purchase up to 99% of the total shares of a domestic bank through private placement or on the stock exchange. Purchases of 25% or more require BI approval. Foreign banks may establish branches if the foreign bank is ranked in the top global 200 banks by assets. To establish a representative office, the foreign bank must be ranked in the top global 300 banks by assets. A special operating license is required from Bank Indonesia in order to establish a foreign branch.

BI is considering limiting bank ownership to no more than 50% by any single shareholder, applicable to foreign and domestic shareholders, and requiring foreign bank branches to become subsidiaries.

The Indonesia Stock Exchange (IDX) index closed at 3,821.99 on December 30, 2011, up 3.2% for the calendar year. As of December 30, 2011, IDX had 440 listed companies with a total capitalization Rp 3,511.6 trillion. There were 15 initial public offerings in 2011. Foreigners made up about 30% of the total stock traded in 2011. In 2011, the IDX launched the Indonesian Shariah Stock Index (ISSI), its first index of sharia-compliant companies, primarily to attract greater investment from Middle East companies and investors. The ISSI is composed of 214 stocks that are already listed on IDX's Jakarta Composite Index.

Government treasury bonds are the most liquid bonds offered by the GOI. Treasury bills are less liquid due to their small issue size. Liquidity in BI-issued Sertifikat Bank Indonesia (SBI) is also limited due to the six-month required holding period. As of November 2011, the government's total gross bond sales (including international bond issuance) had reached Rp 184.5 trillion. The GOI also issued its first sukuk treasury bills as part of efforts to diversify Islamic debt instruments and increase their liquidity. Indonesia's sovereign debt was upgraded to investment grade by Fitch Ratings in December 2011, and by Moody's in January 2012.

The corporate bond market is dominated by banks and automotive financing companies. Trading in the corporate bond market by value was up 31% as of December 30, 2011. The corporate bond market is small but growing, accounting for only 16 %of the total rupiah-denominated bonds outstanding as of December 30, 2011. For the twelve month period ending December 30, 2011, total outstanding corporate bonds rose 28%to Rp 146.97 trillion and total trading in corporate bonds was up 40%.

The Financial Services Supervisory Authority (OJK) will assume BI's supervisory role over commercial banks as of January 1, 2014.   OJK will also oversee the capital markets and non-banking institutions as of January 1, 2013, replacing the Capital Market and Financial Institution Supervisory Board.

Foreigners have good access to the Indonesian securities market and are a major source (29.7% in government securities) for portfolio investment. Foreign ownership of Indonesian companies may be limited in certain industries as determined by the Negative List.

Competition from State Owned Enterprises Return to top

Indonesia has 142 SOEs, 26 of which contributed more than 90% of the total SOE profit . Sixteen are listed on the Indonesian stock exchange and 14 are special purpose entities such as the Indonesian Infrastructure Guarantee Fund. SOEs are present in almost every sector including banking, tourism, agriculture, forestry, mining, construction, fishing, energy, and telecommunications. SOEs employ around 780,000 people and contribute an estimated 40 %of the country's gross domestic product. Currently, SOEs command around 53.2% of market share in the cellular telecommunication sector in terms of number of subscribers, hold around 37.1%of the banking sector's total assets, 52%of the cement sector's total sales, and 50%of the total energy supply.

GOI has stated it will consolidate the number of SOEs in order to increase efficiency and benefits. The consolidation is expected to take place through mergers, privatization, establishing sectoral holding companies, or liquidation. The government expects the number of SOEs to decrease from 78 in 2014 to 25 in 2025.

Private enterprises can compete with SOEs under the same terms and condition with respect to access to markets, credit, and other business operations. However, some sectors reported that, in reality, SOEs receive increased preference for GOI projects. SOEs publish an annual report and are audited by the Supreme Audit Agency (BPK), the Financial and Development Supervisory Agency (BPKP), and external and internal auditors.

Indonesian SOEs adopts a two-tier Board structure with a Board of Commissioners (similar to an American company's board of directors) and a Board and Directors (similar to an American company's executive management team). Depending on the type of SOE, either the President or the Minister of SOEs has the right to make appointments and to dismiss members of either the Board of Commissioners or Board of Directors. With such control, board member appointments are subject to government interference. Hence, it is not uncommon for SOEs to have ministers, high-ranking bureaucrats, military generals, or member of political parties, either retired or still active, sitting as Board members. Consequently, SOEs may suffer from poor management, which has led to several cases of graft and corruption against former Commissioners and Directors.

The GOI established the Pusat Investasi Pemerintah (PIP) to act as a special purpose investment entity and eventually as a sovereign wealth fund. To date, it has limited its investments to the domestic market in strategic sectors with the goal of stimulating national economic growth. PIP can invest in a variety of asset classes such as equity, debt, infrastructure, and direct investments. PIP is in addition to other GOI SOEs that invest in domestic markets such as PT Sarana Multi Infrastructure, PT Indonesia Infrastructure Guarantee Facility, and Indonesia Infrastructure Finance.

Corporate Social Responsibility Return to top

CSR, as a comprehensive management paradigm as envisioned by international organizations like the OECD and UN, is not well understood beyond a limited group of large, mostly multinational corporations operating in Indonesia. Although CSR in the international context includes concepts like human rights, employee relations, environment and science, bribery and corruption, consumer interests, and taxation, understanding of CSR in Indonesia tends to focus on community, economic development, and educational projects and programs. This is at least in part caused by the fact that such projects are often required in the environmental impact permits ("Amdal") of resource extraction companies, who undergo a good deal of domestic and international scrutiny in their operations.

Even so, there is limited general awareness of the CSR projects these companies develop, even among government regulators and officials, and resource extraction companies are not necessarily viewed favorably even if they operate large, successful CSR projects. Because much resource extraction activity occurs in remote and rural areas where government services are limited or completely absent, these companies face very high community expectations to provide such services themselves.

The American Chamber of Commerce in Indonesia has a corporate responsibility committee that is seeking to raise a more holistic understanding of CSR among its membership and give public recognition to companies with strong CSR programs.

Political Violence

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As in other democracies, politically motivated demonstrations occur regularly throughout Indonesia. Such demonstrations on occasion become violent, but are not a major ongoing concern for most foreign investors. Public reaction to events in the Middle East, including anti-U.S. demonstrations, continues to be limited to sporadic protests, mostly nonviolent.

Fighting terrorism remains a top priority for the Indonesian government, and President Yudhoyono has demonstrated a continued strong commitment to combating terrorism. Since the 2009 bombings of two international hotels in Jakarta, Indonesian police and security forces have disrupted a number of terrorist cells, including some affiliated with Jemaah Islamiyah (JI), a U.S. government-designated terrorist organization that carried out several bombings at various times since 2000. In response to terrorist threats and attacks, Indonesia has effectively pursued counterterrorism efforts through legislation and law enforcement. As of mid-2011, more than 150 terrorism cases were awaiting trial. Violent elements in Indonesia continue to demonstrate a willingness and ability to carry out attacks with little or no warning. Although U.S. and Western-affiliated interests remain potential targets of terrorists, increasingly the focus of terrorists is on attacks against local governments and law enforcement entities, especially the police.

Foreign investors in Papua face certain unique challenges relative to those operating in other parts of Indonesia. Indonesian security forces are engaged in operations to suppress the Free Papua Movement, a low-intensity separatist insurgency. Low-intensity communal, tribal, and political conflict also exists in Papua and has caused numerous deaths and injuries. Travelers should strictly avoid situations involving armed tribal members. Anti-government protests have caused numerous deaths and injuries and led to temporary closures of the airport in Timika. Between 2009 and 2011, sniper fire from unknown attackers on a private road from Kuala Kencana to Tembagapura caused several casualties, including deaths, of government forces, local workers, and expatriates.

Corruption

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President Yudhoyono campaigned and was re-elected in 2009 on a strong anti-corruption platform. However, some believe efforts to combat corruption have weakened, both within the administration, and within Indonesia as a whole. Corruption is endemic across all sectors. Campaign financing, rife with money politics, ensures that corruption remains endemic and engrained within the ranks of government officials. Although the government has issued detailed directions on combating corruption in targeted ministries and agencies, there has not been a concerted government-led effort to encourage or require companies to establish internal codes of conduct, or effective internal controls, ethics, and compliance programs to detect and prevent bribery of public officials.

Although Indonesia’s ranking improved in Transparency International’s Corruption Perceptions Index for 2011, corruption remains pervasive despite laws to combat corruption and a strong, independent Corruption Eradication Commission (KPK). The KPK’s purview in corruption cases is typically limited to law enforcement and other public officials, cases that exceed $110,000 in value and/or that represent significant loss to the state. Outside of those parameters, corruption cases are handled by the Indonesian National Police and Attorney General's Office, neither of which have the same organizational capacity to investigate or prosecute corruption cases. Giving or accepting a bribe is a criminal act, with possible fines ranging from $5,500 to $110,000 and imprisonment up to a maximum of 20 years, depending on the severity of the charge.

Indonesia ratified the UN Convention Against Corruption in September 2006. Indonesia has not yet acceded to the OECD Anti-Bribery Convention, but does co-chair the OECD Anti-Corruption Working Group. Indonesia is a steering committee member of the Open Government Partnership, a multilateral platform to promote transparency, empower citizens, fight corruption, and strengthen governance. Indonesia has also committed to sending an anti-corruption expert to Afghanistan every three months to build the capacity of that country's anti-corruption institution. Several civil society organizations function as vocal and competent corruption watchdogs, including Transparency International Indonesia and Indonesia Corruption Watch.

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 U.S. Government 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/

Other Instruments: It is U.S. Government 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 [add instrument to which this country is party], 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 March 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 U.S. Government 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 158 parties to it as of November 2011 (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 34 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 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see www.coe.int/greco.)

Free Trade Agreements: While it is U.S. Government 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.export.gov

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 U.S. government 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 anti-bribery 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 213 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/index.asp. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: http://data.worldbank.org/data-catalog/BEEPS.

- 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/s?s=global+enabling+trade+report.

- 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 106 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.

Indonesia has extensive preferential trade relationships with other Asian countries. Under the ASEAN Free Trade Agreement (FTA), import duties from ASEAN countries are applied at zero percent to five percent, except for products specified on an exclusion list. In addition, Indonesia accords preferential market access to Australia, China, Japan, Korea, India, and New Zealand (under ASEAN FTAs) and to Japan (under a bilateral Economic Partnership Agreement). Implementation of the ASEAN-China FTA has been contentious, with domestic industries pressing for more time to implement tariff commitments as well as for the imposition of new non-tariff barriers to offset the reduction in tariff protection. Indonesia also is currently negotiating bilateral agreements with Iran, India, Pakistan, Australia, and European Free Trade Association countries. Indonesia has also been exploring joint studies on potential FTAs with Chile, Turkey, South Korea, Tunisia, and Egypt.

Non double income taxation between the United States and Indonesia is granted in accordance with the Convention between the Government of the Republic of Indonesia and the Government of the United States of America for the Avoidance of Double Taxation and the Prevention of the Fiscal Evasion with Respect to Taxes on Income, signed at Jakarta July 11, 1988, and its amending Protocol, signed at Jakarta July 24, 1996.

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.

Indonesia has joined the Multilateral Investment Guarantee Agency (MIGA). MIGA, a part of the World Bank Group, is an investment guarantee agency to insure investors and lenders against losses relating to currency transfer restrictions, expropriation, war and civil disturbance, and breach of contract.

The Indonesian Rupiah may be purchased using the exchange rate provided by BI pursuant to the current rate on the date of the transaction. The BI exchange rate can be found at www.bi.go.id. In 2011, the Rupiah depreciated 0.9% against the USD.

Labor Return to top

Indonesian labor is relatively low cost by world standards, but the country's under-funded education system and 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 local citizens in labor disputes.

On the other hand, some socially responsible foreign investors view Indonesia’s labor regulatory framework, 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 had been improving in recent years, but some business leaders are concerned that recent strikes could influence an increase in factory-level industrial actions. Each year provincial governments adjust their respective provincial minimum wages. Unions have demanded annual minimum wage increases (regional, district, or industrial sector) as high as 50%, but most provinces settled for increases closer to 10%. In 2011, the highest annual increase was 16.5% for West Papua province, thus making the minimum wage there the highest for the year. There was an increase in 2011 of labor protests, sometimes violent, over negotiations of 2012 minimum wage levels.

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 a cushion to the unemployed. In October 2011, the Indonesian government passed a revised Social Security Law that will establish a national agency to support workers in the event of work accident, death, retirement, or old age. The new law will begin taking effect in January 2014.

Foreign-Trade Zones/Free Ports Return to top

The GOI offers incentives to over 1,500 foreign and domestic industrial companies that operate in bonded zones throughout Indonesia. The largest bonded zone is the free trade zone island of Batam, located just south of Singapore. Investors in bonded zones are not required to apply for additional implementation licenses (location, construction, and nuisance act permits and land titles), and foreign companies are allowed 100% ownership. These companies do not pay import duty, income 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.

A recent Ministry of Finance Regulation No. 147/2011 stipulates that the delivery of products outside of bonded zones into the domestic market is set at a maximum of 25% (down from 50%) of export realization value of the previous year. If a bonded zone company exceeds the 25% limitation, its domestic quota for the next year will be reduced. The new regulation also restricts subcontract work and requires bonded zones less than 10,000 square meters in size to relocate to industrial estates.

As stipulated by the 2007 Investment Law, the Indonesian Legislature (DPR) passed regulations on special economic zones (SEZ) in 2009. Though 20 areas have submitted applications for SEZ status, none have been created to date.

Foreign Direct Investment Statistics Return to top

Indonesia has two main sources for FDI statistics: BKPM, which issues permanent business licenses to domestic and foreign investors, and BI, which records international capital flows as part of balance of payments statistics. BKPM records FDI figures based on issued business licenses. Since licenses for oil and gas, mining, banking, non-bank financial institutions, insurance and leasing are issued by other government bodies, these sectors are not covered under the BKPM statistics. BKPM is expected to increase the sectoral coverage gradually while BI statistics cover all sectors.

BKPM categorizes all investments made into a foreign capital investment company as FDI, even if it is a joint venture with a local partner. This practice tends to inflate BKPM's FDI figures, which may additionally include equity contributions from domestic partners and investments financed from domestic sources. BI instead follows the standard FDI categorization of equity investment, retained earnings and other capital inflows.

Table 1. FDI by industry
in USD million

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Agriculture & Forestry	3	225	286	197	-52	286
Fishing	9	4	19	-25	10	52
Mining & Quarrying	1,226	322	1,904	3,610	1,302	1,896
Manufacturing	5,264	1,691	2,412	2,322	1,573	4,971
Electricity, Gas and Water	162	-1	-61	-56	53	204
Construction	130	85	195	24	7	-49
Wholesale & Retail	60	375	215	1,159	73	2,463
Hotel & Restaurant	0	7	-10	16	0	1
Transport, Storage & Communication	384	592	919	134	1,799	2,389
Financial Intermediation	780	1,027	1,361	1,927	149	408
Real Estate and Business Activity	17	-14	-4	-201	-25	27
Others	0	599	37	212	-11	654
TOTAL	**8,338**	**4,914**	**6,928**	**9,318**	**4,876**	**13,303**
% of GDP	**2.9**	**1.3**	**1.6**	**1.8**	**0.9**	**1.9**
Note: Public Administration & Defense, Education, Health, Other Community Services all recorded zero FDI						
Source: Bank Indonesia *2011 Statistics are available for Q1 only, and do not accurately represent the full projected year						

Table 2. FDI by Country of Origin
in USD million

	2005	**2006**	**2007**	**2008**	**2009**	**2010**
Japan	1,542	1,057	1,126	1,144	896	3,728
U.S.	3,442	-549	1,093	1,040	159	571
Europe	1,581	2,017	2,622	1,966	674	279
China	300	124	117	531	358	354
Korea	239	317	250	186	80	342
ASEAN	884	1,354	1,107	3,397	1,381	5,903
Malaysia	141	278	232	1,018	313	340
Singapore	741	1,077	836	2,297	1,016	5,479
Other	25	20	436	597	174	950
Total	8,338	4,914	6,928	9,318	4,877	13,304
Source: Bank Indonesia						

Table 3. FDI by Country of Origin
in total percentage

	2005	2006	2007	2008	2009	2010
Japan	18.5	21.5	16.3	12.3	18.4	28.0
U.S.	41.3	-11.2	15.8	11.2	3.3	4.3
Europe	19.0	41.0	37.8	21.1	13.8	2.1
China	3.6	2.5	1.7	5.7	7.3	2.7
Korea	2.9	6.5	3.6	2.0	1.6	2.6
ASEAN	10.6	27.5	16.0	36.5	28.3	44.4
Malaysia	1.7	5.6	3.3	10.9	6.4	2.6
Singapore	8.9	21.9	12.1	24.7	20.8	41.2
Other	0.3	0.4	6.3	6.4	3.6	7.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
Source: Bank Indonesia						

Table 4. FDI by Type of Investment
in USD million

	2005	2006	2007	2008	2009	2010
Equity Capital	5,129	2,451	5,252	8,033	4,358	7,895
Reinvested Earnings	2,683	2,164	2,294	1,070	621	4,105
Other Capital	525	298	-619	215	-104	1303
Total	**8,338**	**4,914**	**6,928**	**9,318**	**4,877**	**13,303**
Source: Bank Indonesia						

Table 5. FDI by Industry and Country of Origin
in USD million

	2005	2006	2007	2008	2009	2010
Agriculture, Hunting, and Forestry	**225**	**286**	**197**	**-52**	**286**	**0**
Japan	0	3	0	-4	1	12
U.S.	9	-2	5	0	0	0
European Union	-36	183	185	10	-157	34
China	4	-4	6	7	21	-24
ASEAN	2	-2	-8	0	-5	0
Other	0	-2	15	7	16	-12
Mining & Quarrying	**1,226**	**322**	**1,904**	**3,610**	**1,302**	**1,896**
Japan	182	83	341	546	-78	84
U.S.	165	34	1,262	1,056	177	430
European Union	218	37	405	617	392	404
China	239	123	170	534	357	354
ASEAN	32	-142	113	614	144	186
Other	295	277	-50	228	295	272

Electricity, Gas, and Water Supply	**162**	**-1**	**-61**	**-56**	**53**	**204**
Japan	-14	-7	16	0	0	63
European Union	176	-13	-76	4	9	135
ASEAN	0	19	-1	-66	31	4
Other	0	0	0	8	1	8
Manufacturing	**5,264**	**1,691**	**2,412**	**2,322**	**1,573**	**4,971**
Japan	182	83	341	546	-78	84
U.S.	165	34	1,262	1,056	177	430
European Union	647	819	1,128	991	185	-1,016
China	46	0	8	-4	1	1
ASEAN	627	423	397	989	531	1,722
Other	-90	-49	45	-230	-49	814
Wholesale & Retail	**60**	**375**	**215**	**1,159**	**73**	**2,463**
Japan	25	30	-23	86	74	133
U.S.	9	-13	-20	-1	-8	0
Construction	**130**	**85**	**195**	**24**	**7**	**-49**
Japan	2	21	6	0	-1	10
U.S.	0	-14	-6	0	0	0
European Union	125	31	27	0	-1	0
China	0	0	0	0	0	2
ASEAN	2	35	24	14	-5	-23
Other	0	-14	-6	0	0	0
Others	**301**	**599**	**37**	**212**	**-11**	**654**
Japan	354	166	-123	-13	13	61
U.S.	2	-3	-1	8	3	-7
European Union	-32	86	183	6	-86	10
China	0	-1	-62	0	0	0
ASEAN	-72	339	27	-4	26	122
Other	26	7	18	159	26	419
TOTAL	**8,338**	**4,914**	**6,928**	**9,318**	**4,877**	**13,304**
Source: Bank Indonesia						

Table 6. FDI Realization by Region in Indonesia in USD Million

	2005	2006	2007	2008	2009	2010
Java	**7,251**	**4,413**	**8,498**	**13,567**	**9,370**	**11,736**
Jakarta	3,272	1,468	4,669	9,928	5,511	6,606
West Java	2,567	1,619	1,328	2,552	1,934	1,704
East Java	702	384	1,691	457	422	1,739
Banten	668	512	708	478	1,412	1,622
Kalimantan	**182**	**537**	**309**	**115**	**284**	**2,062**

East Kalimantan	39	405	160	13	80	1,147
Sumatera	**1,225**	**884**	**1,386**	**1,009**	**776**	**787**
Riau	796	585	724	461	252	142
Sulawesi	**145**	**14**	**80**	**65**	**142**	**851**
Nusa Tenggara	**103**	**110**	**57**	**96**	**234**	**368**
Bali	97	103	51	81	227	278
Maluku	**9**	**20**	**0**	**0**	**6**	**383**
Papua	**0**	**1**	**2**	**19**	**2**	**397**
Total	**8,915**	**5,977**	**10,350**	**14,870**	**10,815**	**16,585**
% of GDP	**3.1**	**1.6**	**2.4**	**2.9**	**2.0**	**2.3**
Source: Investment Coordinating Board (BKPM)						

Web Resources

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

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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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

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The Indonesian banking system has consolidated significantly in the wake of the Asian financial crisis. As of end-2011, Indonesia had 120 commercial banks and 1,669 rural banks. The largest 10 banks contain almost 63.3 percent of bank assets. As ranked by assets, the following are the four largest state-owned banks: Bank Mandiri, Bank Rakyat Indonesia, Bank Negara 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 October 2011, Islamic banking institutions in Indonesia comprised about 3.5 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 15, 2012, those rates were 6.0 percent on rupiah deposits and 1.25 percent on foreign currency deposits.

The Indonesian Export Financing Agency (LPEI), which operates under the name of Indonesia Ex-Im Bank, 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

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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). A 10% fine up to Rp300 million may be applied for failure to report.

Effective January 2, 2012, exporters in Indonesia must repatriate their export earnings from offshore banks to domestic banks within 90 days from the date of the Export Declaration Form. During a transition period, exporters will be given up to 6 months from the date on the Export Declaration Form to comply with the new measure. Once repatriated to Indonesia, there are no restrictions on exporters from re-transferring their export earnings back to an offshore bank.

BI also requires borrowers to conduct their foreign currency borrowing through domestic banks registered with BI. The regulations apply to borrowing in cash, non-revolving loan agreements, and debt securities.

U.S. Banks and Local Correspondent Banks

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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 BANK
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. Haryanto T. Budiman, Senior Country Officer

CITI INDONESIA
Citibank Tower, 7th Floor
Bapindo Plaza
Jl. Jendral Sudirman Kav.54-55
Jakarta 12910
Tel (62-21) 5290-8301/8302
Fax (62-21) 5290-8303
Web www.citigroup.com
Contact Person: Mr. Tigor M. Siahaan, Chief Country Officer

WELLS FARGO BANK
Jakarta Representative Office
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 September 2011, the World Bank's active financing portfolio in Indonesia comprised of 77 projects with total commitments of $6.977 billion. These lending commitments were made for roads, energy, education, health, irrigation and rural development. In addition, the World Bank supervises another 11 projects financed out the Aceh and Nias, and the Java Multi Donor Trust Funds. 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.

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 one of the bank’s largest borrowers. In 2011, Indonesia received $1.1 billion in ADB assistance for projects such as regional roads, urban sanitation, water supply and water resources management.

For 2012, ADB has allocated $840 million in lending and grant assistance to Indonesia for polytechnics development ($75 million); geothermal and renewable energy development ($90 million); the West Kalimantan Power Grid ($50 million); capital markets development ($300 million); and state audit reform ($60 million). Two other projects are on stand-by: the Java-Bali power transmission ($185 million); and neighborhood upgrade and shelter ($100 million). ADB will draw up its future lending program when the government completes its on-going borrowing policy review.

ADB’s lending and grant assistance yield opportunities for U.S. consultants, contractors and equipment and materials suppliers. In 2011, U.S. firms were awarded $634 million in procurement contracts under ADB projects. To assist U.S. firms in accessing ADB business opportunities, the U.S. Commercial Service maintains a U.S. liaison office based in Manila (CS ADB), site of the ADB headquarters. U.S. firms are encouraged to work with CS ADB to learn about ADB procurement opportunities: email: Office.ManilaADB@trade.gov; tel: (632) 887 1345/46; website: http://export.gov/adb/

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

Asian Development Bank: http://www.beta.adb.org

Islamic Development Bank: http://www.isdb.org

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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. While some Indonesians are traditional, 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: office.jakarta@trade.gov

Travel Advisory
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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
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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 business persons 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/

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

Telecommunications
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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 250 million subscribers in 2011. 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. Cell service in Indonesia is easy to obtain and inexpensive by U.S. standards. It is also worth noting that pre-paid SIM cards are easily purchased at many stores and kiosks. Blackberry usage is significant in Indonesia and widespread.

Indonesia has more than 55 million Internet users. As of 2011, broadband Internet services are still very much in their infancy. Problems with inferior telecommunications infrastructure will continue to impede fixed-line Internet growth.

Transportation

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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 traffic conditions are significantly worse than in the US. Taxis in Jakarta are plentiful, but it is suggested to use only 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

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The national language of Bahasa Indonesia is spoken across 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 widely in all situations. Indonesian firms hoping to conduct business with foreigners generally try to employ some English speakers, but it is not expected within every company.

Health

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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 184 cases confirmed to date in Indonesia, 152 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 12410
Tel: (62-21) 750-5973
Fax: (62-21) 750-6002, 750-6003
http://www.sosindonesia.com

Global Doctor Indonesia
Jl. Kemang Raya No. 87
Jakarta 12730
Tel: (62-21) 719-4565
Fax: (62-21 719-8969
http://www.globaldoctor.co.id/

Food: 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 international tourists. 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 2012 – Local and U.S. Embassy
(http://jakarta.usembassy.gov/holidays.html)

Monday, January 2	New Year's Day (U.S. and Indonesian) (Substitute for New Year's Day on Sunday)
Monday, January 16	Martin Luther King, Jr.'s Birthday (U.S.)
Monday, January 23	Chinese New Year (Indonesian)
Sunday, February 5	Mohammed's Birthday (Indonesian)
Monday, February 20	Washington's Birthday (U.S.)
Friday, March 23	Nyepi (Indonesian)
Friday, April 6	Good Friday (Indonesian)
Sunday, May 6	Waisak (Indonesian)
Thursday, May 17	Ascension of Christ (Indonesian)
Monday, May 28	Memorial Day (U.S.)
Sunday, June 17	Ascension of Mohammed (Indonesian)
Wednesday, July 4	Independence Day (U.S.)
Friday, August 17	Independence Day (Indonesian)
Sunday-Monday, August 19-20	Idul Fitri 1 Syawal 1433 H (Indonesian)
Monday, September 3	Labor Day (U.S.)

Monday, October 8	Columbus Day (U.S.)
Friday, October 26	Idul Adha 1433 H (Indonesian)
Monday, November 12	Veterans' Day (U.S.) (Substitute of Veteran's Day on November 11)
Thursday, November 15	Muslim New Year 1434 H (Indonesian)
Thursday, November 22	Thanksgiving Day (U.S.)
Tuesday, December 25	Christmas (U.S. and Indonesian)

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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.

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Association of South East Asian Nations (ASEAN) - http://www.aseansec.org
Expat.or.id - http://www.expat.or.id
Department of Trade - http://www.kemendag.go.id
Indonesian Investment Coordinating Board - http://www3.bkpm.go.id
Indonesiatourism.com - http://www.indonesiatourism.com
Indo.com - http://www.indo.com
Ministry of Manpower and Transmigration - http://www.depnakertrans.go.id

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Chapter 9: Contacts, Market Research and Trade Events

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1. Chambers of Commerce

American Chamber of Commerce in Indonesia

Today, American Chamber of Commerce in Indonesia (AMCHAM) has more than 450 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: http://www.amcham.or.id
Contact: Mr. Andrew White, Managing 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: http://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 Asia Region.

U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel: (202) 463-5519; Fax: (202) 822-2491
E-mail: toverby@uschamber.com
Website: http://www.uschamber.com
Contact: Ms. Tami Overby, Vice President, Asia

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

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: dfumagalli@usasean.org
Website: http://www.us-asean.org
Contact: Ms. Danielle Fumagalli, Manager, Indonesia and Energy Working Group

California-Asia Business Council
525 Market St., 25th Floor
San Francisco CA 94105
Tel: 415-986-8808; Fax: 415-986-3545
E-mail: jeremy@calasia.org
Website: http://www.calasia.org
Contact: Mr. Jeremy Potash, Executive Director

Pacific Basin Economic Council
2803-04, 28/F, Harbour Centre
25 Harbour Road
Wanchai, Hong Kong
Tel: (8522815 6550 / 2815 6560; 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: http://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. Yayat Priyatna, 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: hsteingass@ustda.gov; palexander@ustda.gov
Website: http://www.ustda.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.ustda.gov
Contact: Mr. Mark Dunn, Regional Manager for Asia

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

Overseas Private Investment Corporation (OPIC)
Information Officer, Office of External Affairs
1100 New York Avenue, NW
Washington, D.C. 20527
Tel: (202) 336-8400;   Fax: (202) 336-7949
E-mail: info@opic.gov
Website: http://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
Email: james.lewis@exim.gov
Website: http://www.exim.gov
Contact: James S. Lewis - Sr. Business Development Officer - Asia/Pacific

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

Kuala Lumpur Regional Office
For Member Countries: Brunei, Malaysia and Indonesia. And for non member countries : Australia, Cambodia, China, Japan, New Zealand, Singapore, South Philippines, Thailand, and Vietnam

Level 13, Menara Bank Pembangunan
Bandar Wawasan
Jalan Sultan Ismail
50250 Kuala Lumpur Malaysia
Tel: (603) 2694 6627; Fax: (603) 2694 6626
E-mail: ROKL@isdb.org
Contact: Hon. Tan Sri Dr. Wan Abdulaziz Wan Abdullah, Executive Director for Indonesia, Brunei, Suriname, and Malaysia

U.S. Commercial Service - World Bank, Washington
U.S. Business Liaison
Office of the U.S. Executive Director
U.S. Trade Advocacy Center
MSN MC-13-1307
The World Bank 1818 H Street, N.W.
Washington, DC 20433
Tel: (202) 458-0120; Fax: (202) 477-2967
E-mail: david.fulton@trade.gov
Website: http://export.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: http://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 4th Floor
Jl. M. I. Ridwan Rais No. 5
Jakarta Pusat 10110, Indonesia
Tel: (62-21) 2352-8640, 385-8171 ext. 37900; Fax: (62-21) 2352-8650
Website: http://djpen.kemendag.go.id/
Contact: Ms. Hesti Indah Kresnarini, Director General

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@kemendag.go.id
Website: http://ditjenkpi.kemendag.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: http://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.

Coordinating Ministers:

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

Ministers:

Agriculture: Ir. H. Suswono, MMA
Defense: Prof. Dr. Ir. Purnomo Yusgiantoro
National Education: Prof. Dr. Ir. Muhammad Nuh
Energy and Mineral Resources: Ir. Jero Wacik, SE
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: Gita Wirjawan
Justice and Human Rights: Amir Syamsudin
Manpower and Transmigration: Drs. H. A. Muhaimin Iskandar, MSi
Maritime Affairs and Fisheries: Syarif Cicip Sutardjo
Religious Affairs: Drs. H. Suryadharma Ali
Public Works: Ir. Djoko Kirmanto, Dipl. HE
Transportation: EE Mangindaan,SIP

Social Affairs: Dr. H. Salim Segaf Al-Jufrie
Tourism and Creative Economy: Dr. Mari E. Pangestu
Information and Communications: Ir. H. Tifatul Sembiring

State Ministers:

Administrative Reform: Azwar Abubakar
Cooperatives Small, and Medium Enterprises: Dr. Syariefuddin Hasan
Environment: Balthazar Kambuaya
Research and Technology: Prof. Dr. Ir. H. Gusti Muhammad Hatta
Women and Empowerment: Linda Amalia Sari, Sip
State Enterprises: Dahlan Iskan
Disadvantaged Regions: Ir. H. Ahmad Helmy Faishal Zaini
Public Housing: Djan Faridz
Youth and Sports Affairs: Dr. Andi Alfian Mallarangeng
National Development Planning and Chairperson of the National Development Planning Agency (BAPENNAS): Prof. Dr. Armida Alisjahbana

Officials of Ministerial Rank:

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.S. Embassy Jakarta:

Mailing Address from U.S.:
American Embassy - Jakarta
Unit 8129
DPO, AP 96520-8129

International Mail:
American Embassy - Jakarta
Jl. Medan Merdeka Selatan 3-5
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: http://jakarta.usembassy.gov/

U.S. Commercial Service
Mr. David Gossack, 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: office.jakarta@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. James Carouso, Economic Counselor
Tel: (62-21) 3435-9000 (ext. 9073);   Fax: (62-21) 3435-9971

Administrative Section
Ms. Jacqueline Holland-Craig, 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. Thurmond H. Borden, Consul General
Tel: (62-21) 3435-9000 (ext. 9050);   Fax: (62-21) 385-7189

Regional Security Office (RSO)
Mr. James W. Schnaible, Counselor for Regional Security
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: ircjakarta@state.gov

U.S. Agency for International Development (USAID)

Mr. Glenn Anders, 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)
Lieutenant Colonel Andrew Marble, (Acting) 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. Terry Mark Kinney, 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

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
Ms. Kathryn A. Crockart, 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
Website: http://medan.usconsulate.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: BaliConsularAgency@state.gov

8. U.S. Government – Washington D.C.

Trade Information Center
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington DC 20230
Tel: 1-800-872-8723
Fax: (202) 482-4473
Email: tic@trade.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 for Commercial and Business Affairs
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
www.state.gov/e/eeb/cba/

Jose W. Fernandez

Assistant Secretary of State for Economic, Energy, and Business Affairs
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

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, 11th 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
Cyber 2 Tower, 6th Floor
Jl. HR Rasuna Said Blok X-5 No. 13
Jakarta 12950
Tel.: +62-21-2902-1641
Fax.: +62-21-2902-1648
E-mail: castle@castleasia.com
Internet: 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

CIC Consulting Group
Jl. Salemba Tengah No. 66A
Jakarta 10440
Tel: (62-21) 310-1081
Fax: (62-21) 310-1505
Cable: CISIRAYA-JAKARTA
E-mail: marketing@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
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 Sudhi Karsa
Komplek Sentra Niaga 3rd Floor, Block B No. 24
Jl. Raya Kali Malang
Jakarta 13620
Tel: (62-21) 4460-2439
Fax: (62-21) 2936-1534
E-mail: 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
E-mail: info@abnrlaw.com
Website: www.abnrlaw.com
Expertise: Corporate Practice, Capital Market, Banking and Finance, Investment Law, Restructuring & Bankruptcy, Mergers and Acquisitions, Telecommunications and Information Technology, Oil and Gas, Mining and Energy, Maritime, Aviation, Labor Law, Intellectual Property, Real Estate, Environment, Project and Finance, Tourism, Forestry and Plantation, Anti Trust and International Trade, Arbitration and Alternative Dispute Resolution
Contact: Mr. Emir Nurmansyah, Partner
Mr. Nafis Adwani, Partner

Dyah Ersita & Partners
Graha Aktiva, 3rd Floor
Jalan H.R. Rasuna Said, Block X-1, Kav. 3
Jakarta 12950
Tel: (62-21) 520-3171
Fax: (62-21) 520-3279
E-mail: dep@sriro.com
Website: www.sriro.com
Expertise: Comprehensive Indonesian legal counsel in the fields of administrative, admiralty, antitrust, arbitration, aviation, banking, bankruptcy, business, civil litigation, civil rights, communications, construction, consumer protection, contracts, corporate, criminal, debtor-creditor, defamation, education, employment, energy, entertainment, family, franchise, general practice, governmental, health, immigration, infrastructure, insurance, intellectual property rights, international, labor, land use, legislative advocacy, maritime, media, mining, oil and gas, press, real estate, securities and taxation.
Contact: Mr. Andrew Ian Sriro, Attorney at Law
Mrs. Dyah Ersita, Managing Partner

FRANS WINARTA & PARTNERS ("FWP")
WINARTA IP PRACTICE ("WIP")
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Chapter 10: Guide to Our Services

The President's National Export Initiative 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: www.export.gov/indonesia

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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