Doing Business in Indonesia:

A Country Commercial Guide for U.S. Companies

6/10/2008

Return to table of contents

Chapter 1: Doing Business In Indonesia

Market Overview Return to top

Indonesia reached major milestones in its transition towards democracy in the last three years. The Indonesian electorate chose a new Parliament, including a newly formed upper house representing regional interests, its first directly elected President, and regional district heads and parliaments.

Indonesia's macro economy demonstrated impressive resilience in 2006 following October 2005 reductions in government fuel subsidies and monetary policy tightening in response to a budget and currency crisis brought on by record world fuel prices. By the end of 2006, inflation and Bank Indonesia's (central bank) benchmark, short-term interest rate returned to single digits, and a rebound in consumption and a record $100 billion in exports (fueled by the run-up in world commodity prices) pushed Indonesia's GDP growth to 5.5 percent for the year. Record foreign reserves also enabled the GOI in October to complete payment of its IMF program four years ahead of schedule.

On March 2, 2006 the GOI announced an ambitious "Investment Climate Improvement Package" containing 85 planned GOI regulatory and institutional reforms to be undertaken in 2006, including significant revisions to the country's investment, tax, labor and customs laws. The GOI announced in February an ambitious infrastructure policy reform package, listing 156 specific actions the GOI would undertake mostly in 2006. The GOI subsequently held a second Infrastructure Summit in November 2006 where it presented a focused list of 10 high-priority commercially viable "model projects" worth USD 4.4 billion. At the end of 2006, however, the GOI had not yet tendered any of the 10 model projects, and key National Committee for the Acceleration of Infrastructure Provision (KKPPI) institutions mandated to review the tendering process had not been fully staffed or funded.

Market Challenges Return to top

Much needed economic and political reform remain the main impediments to Indonesia's economic development. The unpredictable nature of the judicial process and the arbitrary actions of local officials are two problems cited by many businesses as particularly difficult to overcome. In some cases, judges rule against foreigners in commercial disputes, ignoring the facts of the case and the contracts between the parties. It is also difficult to get international arbitration awards enforced by Indonesian courts, often leaving no recourse for international investors. The Government of Indonesia's (GOI) policy of decentralizing political power, although well intentioned, has given local leaders greater authority, which has been used in some provinces to levy unanticipated fees and extract additional services that add to the financial burden of foreign investors. In a few high-profile cases, Indonesia has applied criminal penalties for commercial or environmental infractions that are typically covered by civil law in most countries. On the plus side, President Yudhoyono's anti-corruption campaign made clean progress in 2006 with a slew of high-profile investigations and prosecutions of current and former government of Indonesia officials.

Market Opportunities Return to top

Assuming significant progress on economic and investment law reforms, opportunities should abound in the telecommunications, transportation, oil and gas, electric power, water treatment & sanitation, and engineering sectors. Large infrastructure and reconstruction projects should drive increasing demand for all types of construction machinery and building materials. The police and other government entities are improving their capabilities to deal with the terrorist and crime threats by procuring sophisticated security equipment and services for airports, ports and tourist destinations. Indonesia's tropical climate makes disease control particularly challenging, creating a good market for medical and laboratory equipment and pharmaceuticals. Other "Best Prospects" for American business in Indonesia include aircraft & parts, computer and peripherals, industrial chemicals, retail, medical equipment and supplies, and food & business service franchising.

Market Entry Strategy 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 often 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 whose outcome is not transparent. The value of a local representative in this case is to make sure the outcome is favorable to his/her client, not the reverse. U.S. firms also need to be sensitive to the difficulty some Indonesians have in delivering bad news. For example, if your agent knows a tender is structured against your company's interest, he may be reluctant to disappoint you with the bad news in advance. A close relationship with the agent is the best way to ensure frankness.

Return to table of contents

Return to table of contents

Chapter 2: Political and Economic Environment

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

POLITICAL TRENDS AND OUTLOOK

A. Nature of the Political Relationship with the U.S

The United States and Indonesia have enjoyed good relations in recent decades. The fourth most populous nation in the world and the largest by far in Southeast Asia, Indonesia has pursued cooperative relations with its neighbors, thereby contributing to peace and stability in the region. Through its membership in the Non-Aligned Movement, the Organization of Islamic Conference (OIC), the Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum, and the Asia-Pacific Economic Cooperation (APEC) forum, Indonesia wields substantial influence on a number of security and economic issues of importance to U.S. interests. Indonesia traditionally has acted with a view more to regional consensus than to consistency with U.S. positions. On the bilateral economic front, the United States is the single largest investor in Indonesia, when natural resources and financial services are taken into account, and is a major market for Indonesia's exports.

The United States assumed a leading role in the international community's response to the economic crisis that struck Indonesia in 1997-1998. Working with international financial institutions, the U.S. contributed to Indonesian efforts to implement needed financial reforms and doubled economic assistance in support of social safety net programs designed to cushion the impact of the economic downturn on poorer Indonesians. Thanks in part to long-standing relationships with Indonesian non-governmental organizations, the U.S. was well placed to provide substantial technical and financial assistance to support Indonesia's June 1999 parliamentary balloting, the country's first free elections in over four decades, and to contribute to the country's democratic transition. The U.S. provided similar support in 2004 for national legislative elections, and for Indonesia's first direct presidential election, a major democratic milestone.

Promoting respect for human rights and strengthening democratic institutions, particularly the justice sector and the rule of law, are prominent features of U.S. policy toward Indonesia. The Indonesian government has taken some steps to promote respect for human rights. Human rights advocates were pleased when Indonesia began trying major human rights cases, such as the 1984 shooting of civilians at Tanjung Priok, and decided to establish permanent human rights courts. The ad hoc tribunal for the 1999 abuses in East Timor, however, proved a largely ineffective arbiter of justice. Recently, a number of senior-level officials have been investigated for corruption.

The media now generally report developments freely and routinely publish a wide range of opinions on sensitive issues. The Government has allowed new political and social organizations to form freely, and promulgated new labor union laws that have permitted more than 70 new labor union federations and hundred of new unions to form, replacing the single union federation allowed under the Suharto government. Human rights concerns, however, remain, especially with regards to security forces, which have been implicated in serious abuses in Aceh, Papua, pre-independence East Timor, and elsewhere. Inter-communal strife, often with religious overtones, has continued to flare up in some areas, such as Central Sulawesi, despite the Government-brokered Malino Accords in those provinces in late 2002 and early 2003.

The United States strongly supported Indonesia's decision to permit the people of East Timor to determine their own future. East Timor voted for independence from Indonesia on August 30, 1999. Following efforts by the United Nations' Transitional Administration in East Timor (UNTAET) to assist in the creation of a new East Timorese Government, East Timor became a sovereign country on May 20, 2002.

B. The Political Situation in Brief

Indonesia held its first pluralistic and competitive parliamentary elections in 44 years in June 1999. The election campaign was generally peaceful, the voting process went relatively smoothly, and, although there were some allegations of fraud, the major parties accepted the results. As in 1999, national legislative elections in 2004 proceeded in a generally free and fair manner, and were exceedingly peaceful and orderly. Some domestic observers complained of irregularities, and the Constitutional Court, in accordance with its mandate, adjudicated numerous disputes, adjusting the allocation of seats in the national and regional parliaments. The country elected a new 550 member DPR and 128 member House of Regional Representatives (DPD) as well as regional legislatures. Twenty-four political parties participated in the election. The Golkar party, closely identified with Suharto-era governance, regained a plurality in the House of Representatives (DPR), winning approximately 23% of the vote and 128 DPR seats. Then-President Megawati's Indonesian Democratic Party – Struggle lost its plurality, receiving under 20% of the vote and 109 DPR seats. Five other parties won at least 45 DPR seats, while eight smaller parties also have representation in the DPR. After the 2004 national elections, the DPR consisted solely of elected legislators, another democratic advance. Previously, institutional representatives of the Armed Forces and the Police were allocated seats in the parliament.

The 2004 elections also brought into existence the House of Regional Representatives (DPD), a parliamentary body whose members are elected in an individual capacity (not from a party list). Four DPD members represent each of Indonesia's 32 provinces. However, true lawmaking authority rests solely in the DPR: the DPD has a consultative role.

Indonesians directly elected their President and Vice President for the first time in 2004. Five tickets competed in a July first-round election, headed by incumbent President Megawati Soekarnoputri; retired General Susilo Bambang Yudhoyono; retired General Wiranto; People's Consultative Assembly (MPR) Chairman Amien Rais; and incumbent Vice President Hamzah Haz. Corruption, the state of the economy and leadership qualities were principle campaign issues. Since no candidate received more than 50 percent of the vote, a runoff election between the top two candidates – Megawati and Yudhoyono – was held on September 20. Yudhoyono won slightly over 60% of the national vote and was inaugurated as Indonesia's sixth President in October 2004. Both domestic and foreign observers described the presidential elections as free and fair. There were no legal challenges to the final result.

The Indonesian government has faced an array of challenges. Most prominent have been separatism in Aceh and Papua (formerly known as Irian Jaya), social unrest, complications associated with implementing decentralization, restoring the Indonesian economy, and combating an evolving terrorist threat from regional and international terrorist groups. On December 26, 2004, a massive earthquake and tsunami hit Aceh and North Sumatra, leaving over 200,000 people dead or missing. After the disaster, the government and the separatist Free Aceh Movement (GAM) began negotiations to find a settlement to the armed separatist struggle in Aceh that has been ongoing for almost three decades. The resulting Memorandum of Understanding the government and GAM signed on August 15, 2005 to end the insurgency ended the conflict has led to GAM's surrender of weapons and the departure of non-local government troops from the province and the prospect of a lasting peace.

The DPR has vigorously asserted its constitutional prerogatives, including its right to review Government-proposed legislation, to question and challenge the President and members of the cabinet, and to provide a forum for public debate and presentation of grievances. However, the DPR has proven slow in passing legislation, even that concerning important political, economic, and security matters. Golkar legislator Agung Laksono currently chairs the DPR.

Direct election of provincial governors, regents (county level executives) and mayors began in the summer of 2005. Previously, those officials were indirectly elected by local assemblies.

C. Major Political Issues Affecting the Business Climate

The Government faces great challenges in consolidating Indonesia's democratic transition, restoring the country's economic momentum, and in bringing the benefits of development to all Indonesia's citizens. Among the key political issues with economic implications are periodic outbreaks of communal violence around the country, particularly in Central Sulawesi; demands for greater autonomy or independence in Papua; the presence of the regional terrorist organization Jemaah Islamiyah (JI); and deep-seated weaknesses in the rule of law at all levels throughout the country.

In January 2001, the Government began an ambitious and massive decentralization of political and economic authority to the districts. While well intentioned in theory, the implementation of decentralization has been uneven, and many issues involving power- and revenue sharing between the central and local governments remain unresolved. In light of these experiences, the Government is discussing revisions to the regional autonomy laws.

Continuing allegations of high-level corruption, especially in the judiciary, point to the need for comprehensive reform and implementation of good governance practices. In this regard, far more effective mechanisms will be required to enforce commercial, criminal, and administrative laws.

ECONOMICAL TRENDS AND OUTLOOK

Indonesia reached major milestones in its transition towards democracy in the last three years. The Indonesian electorate chose a new Parliament, including a newly formed upper house representing regional interests, its first directly elected President, and regional district heads and parliaments.

Since taking office on October 20, 2004, President Susilo Bambang Yudhoyono has pursued a "pro-growth, pro-job and pro-poor" economic reform agenda. His plan places particular emphasis on improving Indonesia's business climate and regional competitiveness, attracting greater foreign and domestic investment -- especially in infrastructure, agriculture, biofuels, and export sectors -- and generating high-quality job growth needed for sustained economic development. The Yudhoyono Administration has focused its reform agenda on revising Indonesia's investment, tax, customs and labor laws; undertaking an effective anti-corruption campaign; and laying the foundation for judicial and civil service reform. President Yudhoyono's anti-corruption campaign made clear progress in 2006 with a slew of high-profile investigations and prosecutions of current and former Government of Indonesia (GOI) officials.

Indonesia's macro economy demonstrated impressive resilience in 2006 following October 2005 reductions in government fuel subsidies and monetary policy tightening in response to a budget and currency crisis brought on by record world fuel prices. By the end of 2006, inflation and Bank Indonesia's (central bank) benchmark, short-term interest rate returned to single digits, and a rebound in consumption and a record $100 billion in exports (fueled by the run-up in world commodity prices) pushed Indonesia's GDP growth to 5.5 percent for the year. Record foreign reserves also enabled the GOI in October to complete payment of its IMF program four years ahead of schedule.

Investment showed some signs of recovery with the improving macro-economic environment, but remains around 22 percent of GDP, far less than consistent pre-Asian financial crisis levels of 30 percent. Regional competition, delayed reform, and several high profile investment disputes continue to inhibit investor confidence. Further improvements in investment, job creation and macro economic stability will depend in part on the GOI's ability to meet expectations in implementing its proposed investment and business climate reforms.

President Yudhoyono's focus on improving Indonesia's business climate and competitiveness touches on investors' continuing concerns over the wide range of business problems they encounter in Indonesia, including weak contract enforceability, deteriorating infrastructure, labor market rigidities, tax administration weaknesses, the absence of a transparent and predictable regulatory environment, the inconsistent interpretation and enforcement of laws, irregularities in government procurement tenders, and improving but still weak enforcement of intellectual property rights. These business problems cause great uncertainty, which combined with non-existent credit reporting, and underdeveloped capital markets, hinders commercial dealings in Indonesia.

A 2005 World Bank study found that it takes an average of 151 days to start a business in Indonesia. While that period improved to 80 days in 2006, President Yudhoyono has promised further reforms to reduce it to just 30 days. The GOI made some notable recent progress in reducing bureaucratic delays in obtaining investment approvals, registrations and licenses; and simplifying and clarifying some regulations. However, a June to September 2006 University of Indonesia survey of manufactures and newly registered companies found that significant delays remain. The survey also highlighted the need to curb official corruption and to improve supporting infrastructure, particularly electricity and transportation.

On March 2, 2006 the GOI announced an ambitious “Investment Climate Improvement Package” containing 85 planned GOI regulatory and institutional reforms to be undertaken in 2006, including significant revisions to the country’s investment, tax, labor and customs laws. The package focuses on five areas: general investment policies; customs, excise and duties policies; taxation; labor; and small and medium enterprises (SMEs). By year’s end, the GOI had achieve mixed results in implementing the reforms:

-- Parliament is considering a GOI draft new investment law that aims to streamline Indonesia's investment procedures and move from an approval to registration system. The draft law would also equalize treatment for foreign and domestic investors, simplify procedures for licensing and registration, and create a clear and transparent negatives list.

-- A set of tax law amendments have been under discussion in Parliament since September 2005, and their fate remains uncertain. Since taking office in December 2005, Finance Minister Sri Mulyani Indrawati has made tax reform a high priority. The Directorate General for Taxation (DGT) has set up new, more customer-service friendly Large Tax Offices (LTOs) for large companies and is rolling out Medium and Small Taxpayer Offices for smaller firms. A DGT tax reform team is introducing a code of conduct for tax officials, modernizing information technology, and restructuring the Directorate along functional lines.

-- 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 April and May that prompted the GOI to suspend efforts to amend the law.

-- The GOI enacted amendments to the Customs Law on November 15, 2006 aimed at cutting red tape for importers and exporters and imposing stiffer sanctions on smugglers. It establishes a code of ethics for customs officers and a set of penalties and incentives to punish corrupt behavior and reward good performance. Enforcement will be key to its ultimate effectiveness.

In an effort to accelerate implementation of bureaucratic reforms, the GOI announced in 2006 plans to develop seven special economic zones (SEZ) or regulatory “islands of excellence.” The GOI plans to locate the SEZs in strategic areas with existing supporting infrastructure, a cluster of supporting industries, and access to inputs of production such as skilled labor. Indonesia and Singapore in July formed a Joint Steering Committee to create a first model SEZ on the islands of Batam, Bintan and Karimun.

High capacity utilization is straining existing infrastructure, particularly in power generation and transportation. Without significant new infrastructure investment, many experts believe the SBY Administration's five-year goal of an average of 6.6 percent GDP growth and reducing poverty by half may be unattainable. The GOI announced in February an ambitious infrastructure policy reform package, listing 156 specific actions the GOI would undertake mostly in 2006. The GOI subsequently held a second Infrastructure Summit in November 2006 where it presented a focused list of 10 high-priority commercially viable “model projects” worth USD 4.4 billion. These model projects are subject to evaluation by the National Committee for the Acceleration of Infrastructure Provision (KKPPI), which aims to provide a fair and transparent evaluation and investment process for infrastructure development partnerships. The GOI has acknowledged the need to successfully tender the model projects to attract needed foreign investment and boost investor confidence. At the end of 2006, the GOI had not yet tendered any of the 10 model projects, and key KKPPI institutions mandated to review the tendering process had not been fully staffed or funded.

President Yudhoyono also announced in 2006 an ambitious GOI initiative to develop a domestic biofuel industry to produce 200,000 barrels of fuel per day by 2010. The plan calls for US$ 12.4 billion in public and private sector investment, construction of processing and refining facilities, and the conversion of 6.5 million hectares of arable land into plantations for bio-fuel feedstock. In December, the GOI signed a memorandum of understanding (MOU) with state-owned and private banks to provide up to US$ 2.8 billion to finance the development of agriculture crops for bio-energy and the revitalization of existing plantations.

Return to table of contents

Return to table of contents

Chapter 3: Selling U.S. Products and Services

Using an Agent or Distributor

Return to top

Foreign companies wishing to sell their products in Indonesia are required to appoint an Indonesian agent or distributor pursuant to Government Regulation No. 36/1977. While registration of an Indonesian agent or distributor with the Directorate of Business Development and Company Registration at the Department of Industry and Trade is still voluntary, an agent or distributor wishing to participate in Government procurements must register and obtain a license from the Department of Industry and Trade. In January 2001, in an effort to support regional autonomy, the Department of Industry and Trade issued a decree stating that the registration of agents and distributors for foreign products will be handed over to the regions in stages.

Since 1980, in order to spur the development of indigenous enterprises, particularly new, small, economically weak enterprises, the Government began requiring the state-owned oil-company, Pertamina, and other Government agencies to deal through Indonesian agents when purchasing imported goods or services. The Government also began to pressure foreign firms into dealing through an Indonesian agent, rather than third-country middlemen. The predilection of some foreigners for regional representatives, often based in Singapore, rather than Indonesian-based representatives, is particularly unwelcome by the government although not prohibited by law. For these reasons, a foreign firm selling to Government agencies must appoint an Indonesian firm as its agent.

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

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

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

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

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

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

Establishing an Office

Return to top

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

To open a foreign representative office in Indonesia, the firm must appoint a representative, who may be either an Indonesian national or an expatriate. A foreign representative office in Indonesia is actually more of a liaison office. Under Indonesian law, a representative office is restricted in the types of activities that it can pursue. For example, these offices are restricted from signing sales contracts, collecting payments, 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 and a letter of appointment [indicating the appointed representative], both from company headquarters and on official letterhead, must be sent to the Indonesian Embassy or an Indonesian Consulate for notarization. A letter of reference from the embassy or consulate is also required (See Chapter 9 for contact information).

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

Mr. Zainal Arifin S.H.
Director
Directorate of Business Development and Company Registration
Directorate General of Domestic Trade
Ministry of Trade and Industry
Jl. M.I. Ridwan Rais 5
Jakarta 10110
Tel: (62-21) 385-8188
Fax: (62-21) 358-5188

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 Capital Investment Coordinating Board (BKPM) for registration information:

Mr. Muhammad Lutfi
Chairman
Capital Investment Coordinating Board (BKPM)
Jl. Jendral Gatot Subroto 44
Jakarta 12190
Tel: (62-21) 525-0023
Fax: (62-21) 522-7607

Franchising

Return to top

The entry of U.S. firms into Indonesia's franchise industry largely ground to a halt due to the 1997 economic crisis in Indonesia. The depreciated and fluctuating Rupiah made it difficult to pay franchise royalties in foreign exchange. The Indonesian franchise industry, however, began to recover in late 1999 with the entry of a number of new foreign franchisers. At present, there are approximately 250 foreign and 50 local franchisers operating in Indonesia covering a wide range of franchise sectors. American franchisers dominate the Indonesian market.

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 No.16 of 1997, dated June 18, 1997, the Indonesian franchise industry had--for the first time--a foundation in Indonesian law. This regulation, which was complemented by the issuance of a Decree of the Ministry of Industry and Trade No.259/MPP/Kep/7/1997, was designed to promote an orderly climate for franchise businesses as well as to provide guidance and protection for both franchisers and franchisees.

Indonesian law requires that a franchise agreement between a franchiser and a franchisee must be written in Indonesian and be 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 Ministry of Trade. The registration should be made at least 30 working days from the date the franchising agreement, which shall be valid for at least five years, takes effect. The regulation further stipulates that priority should be given to the use of domestic goods and / or products as long as they meet the required quality standards.

For more information on franchising regulations in Indonesia, please contact:
Mr. Gunaryo
Director for Distribution and Market Development
Directorate General for Domestic Trade
Ministry of Industry and Trade
Jl. M.I. Ridwan Rais No. 5
Jakarta 10110
Tel: (62-21) 385-8210
Fax: (62-21) 385-8214

Direct Marketing Return to top

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

Joint Ventures/Licensing Return to top

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

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

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

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

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

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

Selling to the Government

Return to top

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

New-to-market U.S. firms need the careful advice of local representatives to avoid wasting time and money participating in a competition whose outcome is not transparent. The value of a local representative in this case is to make sure the outcome is favorable to his/her client, not the reverse. U.S. firms also need to be sensitive to the difficulty some Indonesians have in delivering bad news. For example, if your agent knows a tender is structured against your company's interest, he may be reluctant to disappoint you with the bad news in advance. A close relationship with the agent is the best way to ensure frankness.

The Government of Indonesia has made efforts to root out corruption, collusion and nepotism (KKN, in Indonesian initials) in the government procurement process. The current regulation covering Government procurement is Presidential Decree (Keppres) No. 80/2003, issued in November 2003, that updated the Presidential Decree on Government Procurement No. 18/2000. In March 2006, the government issued the Presidential Regulation (PP) No. 8/2006 regarding the forthcoming changes to the Keppres No. 80/2003. In addition, Construction Law 14/1999 governs the procurement of civil engineering services and related consulting services. U.S. companies should be aware that under Indonesia's new regional decentralization policy, local and provincial governments may begin to adopt their own procurement rules.

For other sales to the Government of Indonesia, American firms should become familiar with the "Blue Book", a listing of major projects identified by the Government of Indonesia 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 this book require "soft loan" (low interest rate) financing. The U.S. Government does not initiate soft loan financing, and although the U.S. Eximbank can offer "matching" soft loans from its "war chest," Indonesia almost never has accepted offers that would displace other donor commitments made through the annual World Bank-sponsored Consultative Group on Indonesia (CGI). Some U.S. firms have convinced Indonesian authorities to accept Eximbank matching soft-loans as "add-on's" rather than displacements to another donor's offer. Ad-hoc soft loans offered outside the CGI may offer opportunities to use Eximbank matching loans.

Projects listed in the Blue Book are classified into three categories, A, B, and C, according to their stage of preparation (i.e., feasibility). A Category C project, for example, is one for which feasibility has yet to be established. With such projects, there may be opportunities for foreign firms (especially engineering firms, consultants, etc.) to assist in determining feasibility. Category A and B projects, on the other hand, are ones for which feasibility has been or will soon be established. U.S. firms should also familiarize themselves with opportunities available through ADB or World Bank-funded projects. For more information, visit www.bappenas.go.id

Distribution and Sales Channels Return to top

Indonesia's businesses are organized along classic lines, with the full spectrum of agents, distributors and other intermediaries represented in the economy. Finding a stocking distributor can be a problem due to a general unwillingness to assume the carrying charges involved with warehousing. In addition, pervasive corruption, especially among customs officials makes the use of offshore warehouses, especially in Singapore, attractive. Petty (and not so petty) corruption among police and local officials 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:

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

Electronic Commerce Return to top

Despite the proliferation of internet service providers in recent years, several factors hinder the growth of electronics commerce in Indonesia. These include the lack of a clear policy in support of an open telecommunications infrastructure, monopoly provision of fixed landline service by PT Telkom, a low level of computer ownership by both businesses and individual, lack of funding and weak IPR protection. U.S. industry has identified the lack of a legal framework for ensuring security of online transactions as a particularly significant impediment.

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 June 2006, the prices quoted for a full color 175 mm x 270 mm ad ranged from about $2,880 to about $6,300 in five prestigious daily newspapers. In those same newspapers, the same black and white ad ranged from about $2,040 to about $3,900.

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):

Kompas (www.kompas.com)
Bisnis Indonesia (www.bisnis.com)
Media Indonesia (www.mediaindo.co.id & www.media-indonesia.com)
Tempo (www.tempointeraktif.com & www.tempointeractive.com)
Suara Pembaruan (www.suarapembaruan.com)
Republika (www.republika.co.id)
Jakarta Post (English) (www.thejakartapost.com)
The Asian Wall Street Journal (English) (www.awsj.com)
International Herald Tribune (English) (www.iht.com)

News magazines:

Gatra (Weekly) (www.gatra.com)
Tempo (Weekly, Indonesian and English) (www.tempointeraktif.com)
Warta Ekonomi (Twice a week)

Business Journals:

Business News (Twice a week, English or Indonesian)
Eksekutif (Monthly) (eksekutif.com)
Indocommercial (Monthly, English and Indonesian) (www.cic.co.id)
Indochemical (Monthly, English and Indonesian) (www.cic.co.id)
Indonesian Commercial Newsletter (Monthly, English and Indonesian) (www.datacon.co.id/icn.htm)
Info Bank (Monthly) (www.infobanknews.com)
Info Bisnis (Monthly)
Kontan (Weekly) (www.kontan-online.com)
Prospektif (Weekly)
Indonesian Business (Monthly)
Swasembada (Monthly) (www.swa.co.id)
Capital (Monthly - Indonesian/English)

Far Eastern Economic Review (Bi-Monthly/English)

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

Television has so far been the best medium for national coverage and the one that reaches the most consumers. Television advertising has grown rapidly and surpassed newspaper advertising in dollars spent since 1992. Indonesia has ten commercial television stations (RCTI, SCTV, TPI, Indosiar, Anteve, Metro TV, Trans TV, TV-7, Lativi and Global TV) and one state-owned station (TVRI). In addition to television stations with national broadcast, in the last two years, 15 regional television stations also have expressed readiness to start their trial broadcasting. In 2004, the advertising spending on television was estimated at $1,718.7 million. Indosiar, RCTI, and SCTV are the most popular stations and are available in most Indonesia's major cities. The potential viewership is approximately 160 million people.

Pricing Return to top

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

Sales Service/Customer Support Return to top

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

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

Protecting Your Intellectual Property   Return to top

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

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

Ultimately, the course taken by companies to protect their intellectual property rights will depend on their product. As an example, a U.S. company might first identify the counterfeiters of its products. They then proceed to develop them as legal licensees of its products. Some computer software companies provide free training and/or sell their software at competitive prices, while warning that copies of their product may contain damaging viruses. Also, companies with well-known trademarks seek to defend them by registering them early or seeking the cancellation of an unauthorized registration through the Ministry of Justice. In general, a strong local partner or agent can help in defending trademarks and intellectual property, as long as the arrangement remains amicable. (See also Chapter 6 - "Investment Climate" - for background on Indonesian laws and regulations regarding the protection of intellectual property rights)

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. The 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 Commercial Service Office in Jakarta for details on price and availability, or visit our website, below.

Local Professional Services   Return to top

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

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

Web Resources Return to top

Indonesian Ministry of Justice: http://www.dgip.go.id
Indonesian Ministry of Trade: http://depdag.go.id
Indonesian Ministry of Communication and Information Technology: http://www.depkominfo.go.id
Indonesian Internet Service Provider Association: http://www.apjii.or.id

Return to table of contents

Return to table of contents

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

Commercial Sectors

Telecommunications

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	2,852	3,565	3,920
Total Local Production	363	417	458
Total Exports	40	45	50
Total Imports	2,570	3,084	3,512
Import from the U.S.	1156	1,387	1,525

Note: The above statistics are unofficial estimates.

The country's telecommunications sector underwent major regulatory restructuring leading to the previously exclusive domain of PT Telkom began to open up with the entry of Indosat, and Telkom starting to have a major impact on the international call business. At present Indonesia has around 9 million fixed-lines telephones, representing a teledensity of only 4.0 lines per 100 people. To stimulate the development of country's teledensity rate, PT Telkom, PT Indosat and PT Bakerie Telecom deployed CDMA fixed-wireless service.

The Indonesian cellular market is heating up and potentially lucrative as demand for mobile phones continues to increase. With around 64 million subscribers in early 2007, a penetration of 28% indicates there is still plenty of room for growth. The number of subscribers is forecasted to reach 76 to 80 million by the end of 2007. 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, enter the market. Three cellular operators – Telkomsel, Indosat and Excelcomindo - introduced Third Generation (3G) services in 2006.

Best Products/Services

Return to top

Base transceiver stations, switching, ancillary and transmission equipment, and cellular handsets, content providers.

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.

Resources

Return to top

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

Oil and Gas Equipment

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	495.5	525.5	598.3
Total Local Production	145.0	150.0	150.0
Total Exports	100.0	110.0	110.0
Total Imports	450.5	485.5	558.3
Imports from the U.S.	121.2	132.5	145.7

Note: The above statistics are unofficial estimates.

The market for oil and gas equipment in Indonesia remains attractive and has a promising long-term outlook. In 2004, the GOI signed 19 production-sharing contracts (PSCs) with a total investment of $5.6 billion. In 2005, the GOI signed 16 PSCs and the investment reached $6.8 billion. In 2006, the investment in this sector was estimated to increase to $7.7 billion. In 2006, the GOI awarded 23 new contracts worth $235.8 million. The GOI is expected to award new contracts for exploration in more than 40 blocks in 2007.

The country's production was 1.01 million barrels per day (bpd) in output of crude and condensate this year, slightly lower than the target of 1.05 million bpd. In 2007, it is estimated that production would reach 1.02 million bpd. Most of this production (88%) came from mature fields, which are continuing to decline. In order to find new oil and gas areas and replace aging fields, Indonesia plans to drill 200 exploration wells by 2009. It is estimated that these activities would discover 3.8 billion barrels in oil reserves and 17 trillion cubic feet in gas reserves.

Indonesia imported $450.5 million worth of oil and gas equipment in 2004. In 2005, the total import value of oil and gas equipment increased to $485.5 million. Imported US products represented 27 percent of the total import value. The actual import value of US products could be higher than reported, because many U.S. products are imported to Indonesia through Singapore. Industry sources estimate that the market will increase by 15 percent, with U.S. market share increasing by 10 percent in 2006 with expanding exploration and enhancement of existing oil fields.

Best Prospects/Services

Return to top

U.S. companies are strong suppliers of parts for boring/sinking machinery, drill pipes used in drilling 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 & 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 & accessories and geological & geophysical operating equipment.

Opportunities

Return to top

Proposed Natural Gas Infrastructure Projects

- Duri – Dumai – Medan Pipeline : $547 million
- East Kalimantan – East Java Pipeline: $1,900 million
- South Sumatra – West Java Phase I Pipeline: $448.4 million
- South Sumatra – West Java Phase II Pipeline: $776.1 million

Proposed Oil Infrastructure Projects:

- Transit Terminal Bau-Bau, Sulawesi: $15.1 million
- Main Transit Terminal Tuban and Pipeline Tuban – Surabaya: $81.5 million
- West Java LPG Terminal: $37 million
- Balongan – Cikampek – Jakarta Pipeline: $40 million
- Balongan – Tegal – Semarang Pipeline including Tegal and Semarang Depo: $65 million
- Upgrading of Tanjung Uban and Sambu Island Installation:$66.6 million
- Upgrading of Lube Oil Bleeding Plant (LOBP) Jakarta:$18.4 million

Construction of additional gas transmission pipelines in Indonesia should bring significant commercial opportunities for US companies that supply engineering services and equipment such as compressors, metering systems, and pumps.

Resources

Return to top

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

Computers and Peripherals

Overview

Return to top

USD Millions	2004	2005 (estimated)	2006 (estimated)
Total Market Size	700	910	1,091
Total Local Production	280	364	436
Total Exports	0*	0*	0*
Total Imports	420	546	655
Import from the U.S.	170	221	265

Note: The above statistics are unofficial estimates.
* Negligible amounts, if any

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

Indonesia's computer market has a positive outlook for 2007. Total PC sales in 2007 are expected to reach 2.0 million units or about $1.4 billion in value, a 20 percent increase from 2006. Private companies are the main PC consumers, accounting for 71 percent of sales. Governments took a 17 percent share, followed by individual consumers at 9 percent and 3 percent for the educational sector.

Imports dominate the Indonesian PC market, with HP, Compaq, Acer, IBM, Dell and Toshiba the leaders. While locally assembled PCs from imported components, such as Zyrex, Mugen, Wearnes, Access, Indopc, dominated the non-business market, with about 65 percent market share in 2006, this figure has remained stable in recent years, reflecting improving quality. The top six brands account for 32 percent of the market, led by Compaq, Acer, Hewlett-Packard, IBM, Zyrex and Mugen. Most of the local PC brands use imported components such as: Intel based processors (assembled in Malaysia); Memories/DRAM from Korea, Taiwan, Japan and the U.S.; motherboards, mice keyboards and peripheral cards mainly from Taiwan and China.

Best Prospects/Services

Return to top

An increasing number of ultra lightweight notebooks have recently emerged in the Indonesian market as the most coveted travel companions. This type of notebook is mostly use by corporate executives as they tend to travel more frequently and want lighter computers. Several local notebook vendors indicated that prospects for the notebooks market look good in the next three years.

Storage products are predicted to have a 40 percent gain in Asia Pacific, including Indonesia. American brands such as HP, EMC and IBM are leading players in the storage market, followed by HDS (Hitachi) of Japanese. Other US players also strong in this market include Sun Microsystems and Dell.

Opportunities

Return to top

Indonesia's Computer market offers great potential for US companies. PC's and Internet Servers and associated equipment offer the best prospects.

Resources

Return to top

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

Industrial Chemicals

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	7,339	8,926	9,769
Total Local Production	3,855	4,100	4,460
Total Exports	2,372	2,523	2,775
Total Imports	5,856	7,349	8,084
Imports from the U.S.	314.8	367.8	441.4

Note: The above statistics are unofficial estimates.

After being stagnant for several years, the Indonesian chemical industry is starting to grow. With a huge domestic market, low plastic consumption per capita, and high industry growth, the chemical industry offers a lot of opportunity. However, the industry also faces several problems such as low utilization of production capacity, high prices for basic materials as a result of soaring global crude prices and high imported prices. In addition, a lack of integration between the petroleum and petrochemical industries has become an obstacle to the industry's development.

Despite security issues and slower economic growth, foreign direct investment (FDI) in the country increased sharply in the last two years. The investment in chemical and pharmaceutical industries reached $632.1 million and $1.14 billion in 2004 and 2005 respectively. During the period January-July 2006, this sector also attracted $101.6 million in foreign direct investment.

Indonesia imported $5.8 billion worth of industrial chemicals in 2004. In 2005, the total import value of chemical products reached $7.3 billion. Imports of U.S products represented 5 percent of the total import value. The actual import value of U.S. products could be higher than reported, because many U.S. products are imported to Indonesia through Singapore. Other suppliers are Singapore, South Korea, Thailand, India, China, Germany and Japan.

Best Prospects/Services

Return to top

In 2005, U.S imports amounted to $367.8 million, broken down as: $48.2 million inorganic chemicals (HS 28), $91.2 million organic chemicals (HS 29), $14.8 million chemical pharmaceuticals (HS 30), $4.3 million other chemical fertilizers (HS 31), $8.7 million chemical dyes (HS 32), $19.8 million essential oils & perfumes (HS 33), $90.4 million other chemicals (HA 38) and $90.5 million plastic products and raw materials (HS 39). U.S. share in each sub sector was 7% of all imported HS 28, 3% of HS 29, 9% of HS 30, 1% of HS 31, 2% of HS 32, 6% of HS 33, 14% of HS 38 and 5% of HS 39.

U.S. companies are strong suppliers of carbonates (HS 2836), epoxides (HS 2910), acyclic alcohol (HS 2905), polycarboxylic acids (HS 2917), medicaments nesoi (HS 3004), fertilizer (HS 3100), ink, printing, writing, drawing etc (HS 3215), odoriferous mixture (HS 3302), beauty, make up (HS 3304), binders for found molds (HS 3824), reaction initiators (HS 3815), insecticides (HS 3808), antiknock preparations (HS 3811), polyamides (HS 3908), polymers of ethylene (HS 3901), and polyethers, expoxides (HS 3907).

Opportunities Return to top

The Petrochemical industry needs $16 billion in investment to develop the local industry and to reduce the import of ethylene in the 2006-2015 period. According to Budi Susanto, Secretary General of the Indonesian Association of Olefin and Plastic Industry, investment is needed for developing the upstream and downstream industries. At a minimum, the industry will need 4 new plants with a capacity of 500,000 tons each and 200 companies on the downstream side. Demand for ethylene in 2006 is projected at 1.56 million tons and will reach 2.61 million tons in 2015. Demand for polyethylene will reach 1.023 million tons and 1.79 million tons in 2006 and 2015 respectively.

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

Resources Return to top

Ministry of Industry, website: www.dprin.go.id
PT Pertamina, website: www.pertamina.com

Electrical Power Systems

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	506.0	577.8	718.2
Total Local Production	274.5	274.5	302.0
Total Exports	247.5	247.5	272.3
Total Imports	479	550.8	688.5
Imports from the U.S.	61	73.2	87.8

Note: The above statistics are unofficial estimates.

Indonesia has been experiencing a power crisis since 2004 as a result from a lack of new investment in power plants between 2000-2005. With an average growth rate of 8.3% per year, electricity demand will increase from 97.91 gigawatt hours (GWh) in 2004 to 145.72 GWh in 2009. The electrification ratio is expected increase to reach 67.9% and new customers will increase by 10 million in the next five years. The government has projected that the financial requirement for power development during 2006-2014 is $41 billion, with power plant development $26.36 billion, transmission $7 billion and distribution $8 billion.

The total market value for electrical power equipment in Indonesia was $577.8 million in 2005. Indonesia imported $550.8 million electrical power equipment in 2005. The market share of US products was 13% of the total value of imported product (or $73.2 million in 2005). The other major suppliers for this industry in Indonesia are Singapore, Japan, France and Germany.

Best Prospects/Services

Return to top

Imported U.S. products comprised $61 million or around 13% of the total import value of electrical power equipment in 2004. As the market size increased in 2005, the imported value of US products also increased to $73.2 million in 2005. Indonesian companies usually import U.S. products directly or through the agent/distributors in Singapore. It is estimated that the value of imported products from the US will increase by 20% in 2006.

U.S. companies are strong competitors in parts for boilers, parts of auxiliary plants for use with boilers, parts for turbines, electrical generating sets, other transformers, lightning arresters, junction boxes, panel boards, and electrical conduits.

Opportunities

Return to top

The GOI recently launched a crash program to provide an additional supply of 10,000 MW until 2009. Around 8,000 MW would be developed by private companies and the rest would be produced by PLN, the state-owned electricity company. In 2007, the GOI predicts that the investment for this industry will reach $3.3 billion.

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

Resources Return to top

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

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

Aircraft and Parts

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	221.0	243.0	291.0
Total Local Production	15.0	15.0	15.0
Total Exports	14.0	14.0	14.0
Total Imports	220.0	242.0	290.0
Imports from the U.S.	35.1	48.4	58.1

Note: The above statistics are unofficial estimates.

With its population of 220 million spreads over 13,000 islands, Indonesia is an attractive market for the airline industry. The increase in the number of airline passengers in the last two years has been impressive. The number of domestic passengers reached 23.7 million in 2004 and 28.9 million in 2005. Based on data until October 2006, the number of passengers was projected to reach 34 million in 2006. In 2007, the Indonesia National Air Carriers Association (INACA) predicted that the industry would grow at a 15% growth rate. A factor contributing to this positive outlook is the fact that many recently launched airlines are operating with the low-cost carrier concept.

Currently, there are 18 scheduled and 35-chartered airlines operating in Indonesia with the total fleet of 375 aircraft. The airline industry is predicted to remain attractive in 2006. Many airline companies have announced plans to expand their routes and aircraft fleets. The Directorate General of Air Communications predicted that Indonesia would need additional 254 aircraft until 2009. Lion Air, Garuda, Adam Air, Merpati and Batavia Airlines announced that they will add more than 80 aircraft to their fleet. 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 also be a greater need for more aircraft spare-parts and services in the near future.

Indonesia's imports of aircraft spare-parts totaled $220 million in 2004. In 2005, the total import value increased slightly to $242 million. The import value for American aircraft spare-parts totaled $35.1 million in 2004, and increased to $48.4 million in 2005. The actual import value of US products could be higher than it was recorded, since many Indonesian companies import U.S. products through Singapore intermediaries. The other major suppliers to Indonesia's market were Singapore, Britain, Japan, France and Germany. With more new aircraft in operation this year, it is predicted that the total market will increase by 20% and the share of U.S. products will be around 20% in 2006.

Best Products/Services

Return to top

Imports from U.S. suppliers are particularly strong in the following areas: airplanes and other aircraft, parts, aircraft launch gear and parts, engines, engines parts, instruments and appliances for aeronautical use, and aircraft electrical wiring sets.

Opportunities

Return to top

The Indonesian aviation industry offers excellent prospects for U.S. products since the aircraft fleet consists largely of American aircraft. Almost no aircraft spare-parts are manufactured locally. All parts are imported into Indonesia; with the majority coming from the U.S., Britain, France, Japan and Germany. End-users (primarily the 18 scheduled airlines, approximately 35 non-scheduled airlines, the police and the military) prefer to purchase directly from original equipment manufacturers. The U.S. holds 18 – 20 percent of the aircraft and parts market in Indonesia

Resources

Return to top

PT Garuda Indonesia: www.garuda-indonesia.com
PT Merpati Nusantara: www.merpati.co.id
PT Lion Mentari Airlines: www.lionair.co.id
PT Pelita Air Services: www.pelita-air.com
PT Adam Air: www.adamair.co.id

Retail

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Retail Sales	3,500	4,565	5,435
Generated by Local Retailers	2,100	2,739	3,261
Generated by Foreign Retailers	1,400	1,826	2,174
Generated by U.S. Retailers	18	23	28

Note: The above statistics are unofficial estimates, based on annual revenues of 72 APRINDO members

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

While many business sectors are slowly recovering from the economic crisis, the retail sector is on a rebound. The rapid recovery of the retail industry has been driven mostly by strong domestic consumption, serving as a primary factor to improve Indonesia's economy. In 2006, total sales of Indonesia's retail industry were expected to reach $5.44 billion, mainly generated by approximately 5,000 large retail outlets throughout the country.

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

Best Products/Services

Return to top

Hypermarkets

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

Mini-Market/Convenience Stores

In terms of total sales turnover, mini-markets do not contribute significantly to the Indonesian retail industry. However, franchised mini-markets have enjoyed substantial growth in recent years. With a comfortable shopping ambience, a complete range of products, competitive prices, and easy accessibility, the mini-markets have been gaining popularity and establishing a solid presence in residential and business areas.

Specialty Shops

Specialty shops have also been gaining popularity in Indonesia as they provide opportunities for customers to compare products from many different suppliers prior to making a purchase. They usually attract serious customers, display their products in an attractive fashion and maintain reasonable prices. Most specialty shops also employ an ample, knowledgeable sales promotion staff that is ready to assist customers. With the proliferation of malls into Indonesia's secondary markets, specialty shops are expected to expand rapidly and gain market share from other retail competitors. In Indonesia, specialty shops are available in many product lines. Examples are Electronic City (electronic products), Toys R Us (toys), Guardian (pharmaceutical products), and many others.

Opportunities

Return to top

The presence of U.S. retailers in Indonesia has been significant in the areas of specialty shops and mini markets. Specialty shops like Ace Hardware, Toys R Us, and Athlete's Foot now have strong presence in Indonesia. In the mini market business, Circle K and AM/PM are the leading foreign companies in Indonesia and have been competing against local companies.

Resources

Return to top

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

Health Food Supplements

Overview

Return to top

U.S.$ Millions	2004	2005	2006 (estimated)
Total Market Size	177	200	230
Total Local Production	36	36	50
Total Exports	0	0	0
Total Imports	141	164	190
Imports from the U.S.	80	92	110

Note: The above statistics are unofficial estimates.

The health food supplements market in Indonesia has grown considerably and will continue to grow through 2007. Sales prospects remain good with steady growth projected in the range of 15-20 percent over the next two years. An increasing awareness of preventative health measures has created a larger demand for a variety of health food supplements, leading to excellent opportunities for U.S. health food supplement manufacturers.

In 2005, Indonesia imported food supplements worth $164 million. This represents over 80 percent of the total food supplements market for 2006. Major competitors include Australia and China. U.S. health food supplements have over 50 percent of the total import market share and enjoy a sterling reputation in Indonesia.

Best Products/Services

Return to top

Diet and aesthetics products: items that affect physical appearance, including weight loss.Degenerative prevention products: items that prevent degenerative diseases such as cardiovascular diseases, hypertension, and osteoporosis.
Products that improve sex life and stamina.

Opportunities

Return to top

U.S. products are highly regarded in Indonesia, and are considered pioneers in food supplements. This notion combined with an increasing awareness within Indonesian consumers has created a great opportunity for U.S. companies.

Resources

Return to top

Association of Indonesian Health Supplement Companies, arisha@cbn.net.id
National Agency of Drug and Food Control (BPOM), tel. (62-21) 424-4688, fax. (62-21) 425-0764

Medical Equipment & Supplies

Overview

Return to top

U.S.$ Millions	2004	2005	2006 (estimated)
Total Market Size	141	165	187
Total Local Production	42	52	52
Total Exports	24	35	35
Total Imports	123	148	170
Imports from the U.S.	15	17	21

Note: The above statistics are unofficial estimates.

Indonesia's market for medical equipment and supplies shows increased growth and offers a great opportunity for U.S. manufacturers. Currently, over 85 percent of medical equipment and supplies are imported. Total imports of this sector grew from $123 million in 2004 to $148 million in 2005, with U.S. products accounting for 11 percent of this market. The market is predicted to grow by 15-20 percent over the next two years. Major competitors by rank of imports are Germany and Japan. Smaller players like Korea, China, and India offers low-priced equipment, further intensifying the competition. The use of local/distributors to market medical products in Indonesia is required. Pricing is a key success factor in this business, followed by quality and after-sales service.

Best Products/Services

Return to top

Electro medical and diagnostic equipment
Respiratory appliances
Disposable products
X-ray units and X-ray films

Opportunities

Return to top

As 85 percent of medical equipment and supplies are imported, an excellent opportunity exists for U.S. manufacturers. In Indonesia, U.S. products are widely known to be of high quality and standards. To gain market share, U.S. companies need to aggressively pursue the Indonesian market. In general, the Indonesian market for medical equipment and supplies is highly sensitive to prices. Financing option will also assist in penetrating the market.

Resources

Return to top

Ministry of Health:
Directorate General of Medical Care, Tel. (62-21) 5203880, Fax: (62-21) 5211571.
Directorate General of Pharmacy and Medical Devices Services:
Tel./Fax: (62-21) 9229224.

Security & Safety Equipment

Overview

Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	143.5	158.2	189.2
Total Local Production	20.0	22.0	22.0
Total Exports	18.5	20.0	20.0
Total Imports	142.0	156.2	187.4
Imports from the U.S.	8.2	9.8	11.8

Note: The above statistics are unofficial estimates.

The Indonesian security and safety equipment market offers excellent prospects for U.S. products. These opportunities can be attributed to the increasing number of bomb incidents and bomb threats, the rising crime rate, increased levels of perceived insecurity by the population, as well as the priority of improving commercial and public safety. Demand for security and safety equipment in industrial plants, commercial buildings, public facilities, oil/gas fields, mining operations, airports and seaports has increased substantially. Industry sources predict imports of safety and security equipment will increase by about 20% per year over the next two years.

The total value of imported products in security and safety equipment rose remarkably in recent years. In 2004, the value reached $142 million, an increase of 118% from 2003. Imports of U.S. products amounted to $8.2 million in 2004 and increased to $9.8 million in 2005. Other major suppliers are Japan, China, Germany, France, South Korea and Taiwan.

Best Products/Services

Return to top

The demand for safety and security equipment is predicted to increase by 20% per year over the next two years. Metal detectors, security alarms, CCTVs, VTRs, bulletproof vests, walkthrough metal detectors, and access control systems are in a great demand. In addition, there is also an increased demand for security services. Instead of having their own security guards, many building management companies prefer to outsource to private security companies.

Opportunities

Return to top

The U.S. holds 10 -15% of the security and safety equipment market in Indonesia and is a strong supplier of high-quality burglar alarm systems, video surveillance systems, detection systems and x-ray equipment. U.S. suppliers are facing strong competition from Japanese firms that have established good relationships with end-users in the government sector. In general U.S. products are well accepted, but they are perceived as “high-priced.” Various infrastructure projects such as the development of seaports, airports, public transportation facilities, oil and gas exploration fields, trade centers, apartments and office buildings will need high technology security equipment such as access control systems, alarm systems, video surveillance systems, metal detectors, and x-ray or screening equipment. In addition, GOI Police will need explosive ordnance disposal, intelligence equipment, forensic laboratory equipment and forensic computing equipment.

Resources Return to top

The Indonesian National Police: www.polri.go.id

Water Resources Equipment and Services

Overview
Return to top

USD Millions	2004	2005	2006 (estimated)
Total Market Size	150	170	180
Total Local Production	73	70	70
Total Exports	65	60	60
Total Imports	142	160	170
Imports from the U.S.	18.5	20	21

(Source: Indonesian Central Bureau of Statistics
Figures given in U.S. dollars in millions.
Note: The above statistics are unofficial estimates

Indonesia's water resources sector faces increasingly complex long-term investment challenges and management problems, which, unless effectively addressed, will increasingly constrain the country's economic development and lead to a deterioration of food security, public health and irreversible damage to the environment.

Indonesian imports of water resources equipment and service in 2006 were estimated at $180 million, a increase of over 5% compared to 2005. The U.S. had the fifth largest market share of 12%. Its primary foreign competitor is Japan with an estimated market share of 40%.

The water resources equipment market in Indonesia is competitive, with an increasing number of international suppliers trying to win projects. Japan, China and Korea dominate the machinery and equipment market.

Best Products/Services
Return to top

U.S. products and engineering services have a good reputation for their quality and advanced technology in the field of water and wastewater treatment. U.S. products such as water filtration, water purification equipment and control systems, and water treatment chemicals enjoy a good reputation among local buyers. In general, products from the U.S. are highly regarded for their quality. The major hurdle to overcome in this market, however, is the initial cost of the product and service.

Opportunities
Return to top

Opportunities abound in water resources technology for the commercial and industrial sector. The primary end-users of water resources equipment in Indonesia market are: government agencies, environmental engineering companies, industrial parks, companies involved in food processing, pharmaceuticals, industrial chemicals and electronic components industries.

Resources

Return to top

Directorate General for Urban and Rural Development
Ministry of Public Works.
Tel: (62-21) 727-96158, Fax: 727-96155
Website: www.kimpraswil.go.id
Contact person:
Ir. Agoes Widjanarko, MIP
Directorate General for Urban and Rural Development

The National Committee for the Acceleration of Infrastructure Provision (KKPPI)
Tel: (62-21) 351-1466, Fax: (62-21) 351 1644
Web Site: www.kkppi.go.id

Agricultural Sectors

Return to top

Best Prospects for Agricultural Sectors

1. Cotton
2. Soybeans
3. Consumer Ready Food Products
4. Wheat

Cotton

Cotton and soybeans are the two leading U.S. agriculture exports to Indonesia, and Indonesia is the fourth largest importer of cotton from the United States. However, with little or no expansion in cotton finished products output expected, Indonesian cotton imports in 2005/06 are expected to remain stable at 2.2 million bales. For 2005/06, U.S. sales are lagging compared to the record pace of the previous year. Nonetheless, U.S. cotton remains a favorite among local users. Market share of the major cotton suppliers to Indonesia by quantity are United States – 48%, Australia – 28% and Brazil – 8.7%

Imports of U.S. Cotton ($US Million)

2001	2002	2003	2004	2005	2006*
194.0	194.0	245.2	285.6	277.6	235.4

* Jan-Oct 2006

Soybeans

Indonesia is the world's largest consumer of soybeans for food. Per capita consumption of soybeans, primarily in the form of tofu and tempe, is ten kilograms annually and it will continue growing in line with the population growth. Therefore, soybean imports are forecast to grow to about 1.2 million tons in 2005/06. Tempe and tofu manufacturers continue to prefer U.S. soybeans over other suppliers, with U.S. market share at about 81 percent based on quantity. However, this share in quantity is down from above 95 percent in recent years, as imports from South America continue to slowly erode U.S. dominance in the market.

Imports of U.S. Soybeans ($US Million)

2001	2002	2003	2004	2005	2006*
244.7	254.8	324.4	263.8	302.2	239.4

* Jan-Oct 2006

Consumer Ready Food Products

The expansion of modern retail outlets in major urban areas throughout Indonesia, such as hypermarkets, supdfermarkets, 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 increase demand for imported food products. The introduction of new food products, aggressive promotional activities, growth of modern retail outlets, customer sophistication, and growing health consciousness drive the growth of the food-processing sector. This progress provides a potential market for U.S. food and agricultural ingredients, especially diary products.

More consumers are expected to make purchasing decisions based on health and wellness concerns. Dairy and fresh fruit products are considered to fulfill those concerns. 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.

Imports of U.S. Consumer Ready Food ($US Million)

	2000	**2001**	**2002**	**2003**	**2004**	**2005**	**2006***
Dairy products	**13.1**	**14.5**	**16.2**	**20.9**	**44.9**	**61.4**	**67.0**
Fresh fruit	**24.4**	**29.5**	**33.3**	**31.5**	**41.6**	**37.6**	**26.1**
Red meat	**8.6**	**9.4**	**9.0**	**15.4**	**16.9**	**17.7**	**6.0**
Processed fruit & vegetables	**11.8**	**11.6**	**13.5**	**13.2**	**13.6**	**16.4**	**16.5**
Snack food (excl nuts)	**1.9**	**1.7**	**2.5**	**3.6**	**7.3**	**9.3**	**6.3**
Total	**59.8**	**66.7**	**74.5**	**84.6**	**124.3**	**142.4**	**121.9**

- Jan-Oct 2006

Wheat

Despite the Australian dominance in the Indonesian wheat market, Indonesian wheat imports from the United States shows an increasing trend. Development and diversification in the bakery sector will continue to fuel demand for wheat-based products. The noodle industry represents the largest use of wheat flour at 50 percent, the bakery and snack food industry consume another 45 percent, and household use is estimated at 5 percent.

Imports of U.S. Wheat ($US Million)

2001	**2002**	**2003**	**2004**	**2005**	**2006***
72.4	**47.1**	**26.6**	**18.5**	**26.8**	**30.6**

* Jan-Oct 2006

Return to table of contents

Return to table of contents

Chapter 5: Trade Regulations and Standards

Import Tariffs

Return to top

In the late 1980's the Indonesian government began long-term trade reform to wean the economy away from its dependence on oil and gas and to increase Indonesia's industrial competitiveness. In the early 1990's, it began a series of annual deregulation packages designed to gradually lower applied tariff rates, convert non-tariff barriers into tariffs, and remove restrictions on foreign investment. In December 2004, Team Tariff announced the results of the first phase of its Tariff Harmonization Program with new rates taking effect on January 1, 2005. This first phase covered 1,964 tariff lines with actual changes to 239 lines: 96 tariff increases and 143 tariff reductions. Of particular note are tariff increases for agricultural (rice, fish, chicken quarters, mangos, carrots, mandarin oranges and flowers) and ceramic products and tariff decreases for some mining related products.

Trade Barriers

Return to top

- Tariffs

Indonesia has reduced tariffs for all products included in its original commitment (7,206 tariff lines) to five percent or less for products of at least 65 percent ASEAN origin. The government released a new tariff reduction package in January 2004. The new tariff book categorizes tariffs into International Non-ASEAN Tariffs and ASEAN Tariffs. Most Non-ASEAN Tariffs fall into 0 percent, 5 percent, and 10 percent tiers, except for sensitive items such as automotive goods and alcohol. ASEAN Tariffs fall into three tiers, 0 percent, 2.5 percent, and 5 percent, for all goods covered by the ASEAN Free Trade Agreement (AFTA).

In the Uruguay Round market access negotiations, Indonesia committed to binding 94.6 percent of its tariff schedule; most tariffs are bound at 40 percent. Products for which tariff bindings exceed 40 percent, or which remain unbound include automobiles, iron, steel, and some chemical products. Indonesia committed to remove import surcharges on items bound in the Uruguay Round by the year 2005, and had done so by the end of 1996. In accordance with the WTO Agreement on Agriculture, Indonesia agreed to eliminate non-tariff barriers on agricultural products, and replace them with tariffs. In the agricultural sector, 1,341 tariff lines have bindings at or above 40 percent, including the most sensitive and heavily protected sectors. Local content regulations on dairy products were eliminated on February 1, 1998. In the current Doha round of negotiations, Indonesia has been advocating special product exemptions from tariff reductions for rice, sugar, soybeans, and corn.

Beginning in 2002 and intensifying in 2003, domestic agricultural interests put pressure on the Indonesian Government for protection from international competition. However, with some notable exceptions, the Indonesian Government has resisted such pressure. Since late 1999, rice imports have been subject to a specific tariff of 430 rupiah per kilogram (5.1 cents per kilogram or approximately 30 percent on an advalorem basis). The Ministry of Agriculture continues to propose increasing the tariff further in order to protect local farmers, but the Indonesian Government has not implemented this measure. Local agricultural interests also have lobbied the government to increase bound tariff rates on sensitive agricultural products, such as sugar and soybeans.

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

The GOI has loosened restrictions significantly in the financial sector. Foreign law firms, accounting firms, and consulting engineers must operate through technical assistance or joint venture arrangements with local firms. Indonesia has also liberalized its distribution system, including ending some restrictions on trade in the domestic market. For example, restrictive marketing arrangements for cement, paper, cloves, other spices, and plywood were eliminated in February 1998. Indonesia opened its wholesale and large-scale retail trade to foreign investment lifting most restrictions in March 1998. Some retail sectors are still reserved for small-scale enterprises under another 1998 decree. Large and medium-scale enterprises that wish to invest in these sectors must enter into a partnership agreement with a small-scale enterprise, although this does not explicitly require a joint venture or partial share ownership arrangement.

- Non-Tariff Barriers

Since 1997, Indonesia dismantled many formal non-tariff barriers. In September 1998, the Indonesian Government sharply curtailed the role of the National Logistics Agency (Bulog), which had a monopoly on importing and distributing major bulk food commodities, such as wheat, rice, sugar, and soybeans. Bulog now maintains the status of a state-owned enterprise with responsibility for maintaining stocks for distribution to military and low-income families, and for managing the country's rice stabilization program. The agency has floated the idea of again becoming a state trading enterprise with monopoly import rights for some products, but the Indonesian Government has not taken action on this proposal. Bulog is no longer entitled to draw on Bank Indonesia credit lines, a privilege it long enjoyed under the Soeharto regime, and must use commercial credit and pay import duties. In conjunction with the minimization of Bulog's authority and role, some designated private companies are now permitted to import rice, wheat, wheat flour, soybeans, garlic, and sugar.

The Indonesian government continues to maintain a ban on imports of chicken parts originally imposed in September 2000 by the Directorate General of Livestock Services in the Ministry of Agriculture. The U.S. government has raised concerns about this issue, but the Ministry of Agriculture continues to insist on the necessity to assure consumers that imports are halal (produced in accordance with Islamic practices). U.S. imports must comply with Indonesia's established requirements for halal certification, and several ministries have sought to repeal the ban, so far without success. U.S. industry estimates the value of lost trade from this ban at roughly $10 million.

The Indonesian government also imposes de facto quantitative restrictions on imports of meat and poultry products by requiring an Importer Letter of Recommendation ("Surat Rekomendasi Importir"). In approving requests for such letters the Indonesian Government can arbitrarily alter the quantity allowed to enter, raising concerns that these Letters of Recommendation are being used to limit imports. U.S. industry estimates the trade impact of this restriction to be between $10 million and $25 million.

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

The Indonesian Customs Service uses a schedule of arbitrary “check prices” rather than actual transaction prices on importation documents for assessing duties on food product imports. While Indonesian government officials defend this practice on the basis of combating under invoicing, they do not publicize the list or the methods used to arrive at those prices. As a result, although most food product import tariffs remain at five percent, the effective level of duties can be much higher. Other quantitative limits apply to wines and distilled spirits. In addition to the regular import duty of 170 percent, a 10 percent VAT and 35 percent luxury tax, the Indonesian Government restricts imports of alcoholic beverages to three registered importers, including one state-owned enterprise.

Import Requirements and Documentation Return to top

The Government requires the following for most imports: pro-forma invoice; commercial invoice; certificate of origin; bill of lading; insurance certificate; and special certificates.

According to the Indonesian Customs Law of April 1997, importers are now required to notify the Customs Office early in the process by submitting the import documents on a standard form computer diskette. Customs inspections of imported goods may be made in the importer’s warehouse after they are imported. Typically, the Indonesian importer takes care of this process.

U.S. Export Controls

Return to top

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

www.pmdtc.org

Temporary Entry

Return to top

The Government encourages foreign investors who export to locate their operations in bonded or export processing zones (EPZ). There are a number of EPZs in Indonesia, the most well known being Batam Island, located 20 kilometers south of Singapore. Indonesia also has several bonded zones or areas that are designated as entry ports for export destined production (EPTE). Companies are encouraged to locate in bonded zones or industrial estates whenever possible. Other free trade zones include a facility near Tanjung Priok, Jakarta's main port, and a bonded warehouse in Cakung, also near Jakarta.
There is a duty drawback facility (BAPEKSTA) for exports located outside the zones. Foreign and domestic investors wishing to establish projects in a bonded area must apply to the Capital Investment Coordinating Board (see Chapter 6, Investment Climate.)

Labeling and Marking Requirements

Return to top

In July 2000, the Indonesian government began to implement the Consumer Protection Law of 1998 by requiring registration of imported food products. Importers must apply for a registration number from the Agency for Drug and Food Control (BPOM).

All imported food products must be tested by BPOM. Some U.S. producers have expressed concerns that the extremely detailed information on product ingredients and processing they must provide may infringe upon proprietary business information. However, the government has not fully implemented these regulations, and enforcement is weak and inconsistent.

The Indonesian government also has been gradually implementing a strict food labeling law that requires labels written only in the Indonesian language on all consumer products. Labels may not include any other languages. U.S. companies, who generally design labels to accommodate several export markets (often in several languages), have concerns about this requirement, which makes it cost ineffective to export smaller volume products.

Beginning January 2001, Indonesian regulations required labels identifying food containing "genetically engineered" ingredients and "irradiated" ingredients. However, the Indonesian government has not implemented these new requirements, because it has yet to establish minimum threshold-presence levels.

The market for foreign pharmaceuticals has been open since the October 1993 Deregulation Package. Previously, Indonesia limited pharmaceutical imports to those that incorporated high technology and were the product of their own company's research. The 1993 package also relaxed the registration requirements for pharmaceuticals approved in other countries. Nonetheless, foreign pharmaceutical companies report ongoing problems obtaining timely registration of new products from the Ministry of Health. New regulations issued in July 2000 have helped reduce some of the backlog in new registrations.

Prohibited and Restricted Imports

Return to top

The Indonesian Government has continued to reduce the number of products subject to import restrictions and special licensing requirements. Currently, 141 tariff lines are subject to import licensing restrictions, down from 1,112 tariff lines in 1990. Alcoholic beverages, lubricants, explosives, and certain dangerous chemical compounds, among other items, are subject to these requirements. In addition, Indonesia prohibits the importation of materials contrary to the “public morals.” In practice, this means pornographic materials, whether in printed or electronic forms.

In March 2002, the Minister of Industry and Trade issued a decree on Special Importer Identification Code Numbers (NPIK). This decree requires importers of certain product categories to apply for a special importer identity card, without which products can be detained at port. These goods include: corn, rice, soybeans, sugar, textiles & related products, shoes, electronics and toys. There have been no complaints concerning NPIK requirements.

On October 23, 2002, the Minister of Industry and Trade issued a decree concerning Textile Import Arrangements. Only companies that have production facilities to use imported fabrics as inputs for finished products, such as garments or furniture, may obtain textile import licenses. The United States has raised serious concerns that the import licensing requirements severely restrict and distort trade, violating Indonesia's WTO commitments. The Indonesian government insists the regulations are designed to help curb smuggling. The U.S. Government has recommended that the decree be rescinded.

Customs Regulations and Contact Information

Return to top

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

To curb corruption and expedite customs clearance, the Government of Indonesia issued a regulation requiring that Indonesian importers pay import duties and taxes at one of the 45 appointed state-owned and private-owned banks. The new system, which came into effect on April 1, 2003, enables an importer to make an online payment, and the corresponding bank would automatically confirm the payment with the customs office. This new payment system is a part of Indonesia's reform program for the customs office to increase its performance as a trade facilitator and revenue collector.

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

Director General for Customs & Excise
Ministry of Finance
Jl. Jend. A. Yani 108, 2nd Floor
Jakarta 13230
Indonesia
Tel: (62-21) 489-0308, 483-2520
Fax: (62-21) 489-7512
Web site: www.beacukai.go.id

Standards Return to top

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

Overview Return to top

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

The GOI started to recognize the importance of standards and conformity assessment in the early 1990s. Although the National Standardization Council of Indonesia (DSN) was established in 1984, the integrated standardization activities, of which all stakeholders started to get involved, commenced only in the late 1991 following the issuance of

Government Regulation on Formulation, Implementation and Control on Indonesian National Standard (SNI).

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

Standards Organizations Return to top

The Indonesian Standardization Agency is

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

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

Conformity Assessment Return to top

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

In order to ensure that certain standards have been complied with, a conformity assessment mechanism, which is expected to be credible, independent and transparent, is obviously 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 they are needed by trade transactions crossing inter-country territories. In addition, as technical regulation is, in fact, the rule of the game on how products or services shall be in compliance before they are put into the market, they should ideally be applicable and be non-discriminatory.

Product Certification

Return to top

At present, Product Certification is highly 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 standards formulation and normally made to be aligned with similar regional or international standards whenever possible.

Accreditation

Return to top

The National Accreditation Committee (KAN) was officially formed in 1992 as an accreditation body, which fulfills the criteria of being credible, independent and transparent. 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.

Although an accreditation system in Indonesia has been operating since 1992, the first accreditation was only granted in 1994 to an ISO 9000 quality system certification body. Currently, KAN has been operating accreditation systems for testing and calibration laboratories, certification bodies that consist of ISO 9000 quality system certification bodies, ISO 14000 series environmental quality system certification bodies, personnel certification bodies, product certification bodies, HACCP certification bodies, and inspection bodies.

Publication of Technical Regulations

Return to top

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

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

Labeling and Marking

Return to top

All imported consumer goods must identify the importing agents, typically accomplished by affixing a label after goods have cleared customs. The GOI requires that information on product labels be distinctly and clearly written or printed or shown so that it can easily be seen 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: 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.

Trade Agreements

Return to top

Indonesia is a member of the World Trade Organization (WTO) and the Association of Southeast Asian Nations Free Trade Agreement (AFTA). Talks are underway that could lead to bilateral free trade agreements with the U.S., China and Japan.

Web Resources

Return to top

Agency for Drug and Food Control (BPOM): http://www.pom.go.id
The Indonesian Standarization Agency (BSN): http://www.bsn.or.id

Return to table of contents

Return to table of contents

Chapter 6: Investment Climate

Openness to Foreign Investment Return to top

Indonesia's existing investment negative list lacks transparency and clarity and is comprised of large numbers of overlapping and sometimes contradictory lists generated by Directorate Generals, or Bureaus, within Ministries that claim regulatory authority over specific types of investments. Indonesia continues to prohibit foreign investment in the following areas: germ plasm cultivation; purchase of or investment in natural forests; logging; taxi/bus services; small-scale sailing; film production; and trading and trade-support services, except large-scale retailers, wholesale trading and exhibition/convention service providers.

Coal: Under Indonesia's Coal Contracts of Work (CCOW) foreign shareholders are required to divest up to 51 percent under a fixed timetable. The regulations, however, lack specific guidance on share transfer. Academic experts and industry representatives have cited the government's tax policy on coal as a major disincentive for investment in the sector. Corporate tax rates, royalty payments and value added taxes (VAT) are among the highest in the world. According to an industry survey, first generation contract coal companies pay a combined royalty and income tax rate (excluding other taxes) of 58%, which is 65% higher than in China, 69% higher than in Australia, and 80% higher than in South Africa. As of January 2007, the legislature had yet to pass a new mining law, though one is reportedly under consideration. Although Indonesia's thermal coal exports have grown rapidly since 2002, the net effect of these policies, as well as continued delays in producing a new mining law, has been a steady drop in investment in new mines.

In December 2005 the Coordinating Ministry for the Economy agreed to implement Ministry of Finance Decree No.95/2005 to impose a coal export tax of 5 percent to secure supply for domestic needs. The export tax was implemented in combination with an accelerated VAT reimbursement program. Nonetheless, the Finance Ministry removed the export tax following an August 22, 2006 Supreme Court ruling that declared it illegal. The Ministry repealed the tax on Oct. 20, 2006, effective retroactively to Sept. 13, 2006. Finance Ministry officials said during October that they intended to impose a new tax that complied with the high court's ruling, but have yet to announce any detailed plans.

Petroleum: Indonesia became a net oil importer in 2004, a trend which continued in 2005-2006. State revenue from the oil and gas sectors was Rp 220.8 trillion in 2006, an increase of 42 percent from Rp 155.36 trillion in 2005, according to ministerial testimony before parliament. The sharp rise was entirely due to significantly higher global prices since Indonesia continued to suffer declining production in 2006. Crude oil production has steadily declined over the last 11 years as new production failed to offset declining output from aging fields. According to the GOI, Indonesia produced 976,500 barrels per day (bpd) in 2006, short of the GOI's goal of 1.05 million bdp and below 2005's production level of 1.06 million barrels bpd. Investment for exploration and development rose slightly to USD 1.7 billion/year in 2004, down from a high of USD 2.1 billion in 1998.

Natural gas production remained steady in 2006 with daily production of 8.10 billion standard cubic feet per day. Although the government took some positive steps to reform the industry, the general oil and gas investment climate remained below potential in 2005 and 2006, due to problems with contract sanctity, regulatory issues, tax policies, and uncompetitive terms and conditions. Nonetheless, high global prices have spurred several international energy firms to announce multi-billion investment programs for 2007 and beyond.

After a three-year wait, the government issued new implementing regulations to the 2001 Oil and Gas Law at the end of 2004. The private sector called the new implementing regulations a "good first step," but expressed a desire for additional clarity on some important issues, such as government procedures for applying the domestic market obligation (DMO) for gas, as well as assurances that the requirement to offer participating interest to regional and national companies will follow standard business practices.

Tax policy, particularly Value Added Tax (VAT) reimbursement, continues to be an important concern within the industry. The Indonesian Petroleum Association (IPA) reported that as of the end of 2006, implementation of VAT and import duties reimbursements for old production sharing contracts (PSCs) were largely resolved except for those cases still in court. VAT reimbursements for PSCs signed after 2001 remain largely unresolved. In December 2003, the Ministry of Finance (MOF) issued a decree terminating the ability of PSC contractors to collect VAT on purchases they made from vendors. Instead, the MOF was required to verify that vendors were paying VAT to the State Treasury before reimbursing the contractors. Although normal VAT reimbursement should not take longer than 120 days, the revised system caused severe delays. The MoF replaced the 2003 decree in January 2005 with a new decree that reinstates PSC contractors as VAT collectors. In August 2006 the MoF issued a regulation on tax refunds that states that VAT should be refunded within two months from the receipt of each claim. However this regulation still contains severe penalty provisions, and claims are reimbursed only once a year. Though the process is still slow, taxpayers hope the new regulation will help clarify procedures.

As required under Oil and Gas Law 22/2001, the Indonesian government created two new bodies to take over state oil and gas company Pertamina's upstream and downstream regulatory functions. In July 2002, the government formed the Implementing Body for Oil and Gas Upstream Activities (BPMIGAS). This nominally independent body reports directly to the President and is principally responsible for managing the PSCs. The government established the downstream regulatory authority, BPHMIGAS, in December 2002. Like its upstream counterpart, BPHMIGAS is an independent body responsible for regulating the supply and distribution of oil fuel and natural gas, as well as setting tariffs for natural gas pipelines. According to the law, both authorities are termed "state legal entities" and therefore not government bodies.

Holders of PSCs laud BPMIGAS's success in streamlining the natural gas marketing mechanism, which has helped increase the number of gas sales agreements over the last three years. However, other companies are concerned over the lack of a coordinated LNG marketing mechanism, following the transfer of that responsibility from Pertamina to BPMIGAS in 2002. New downstream regulator BPHMIGAS has only begun its activities. In October 2004, the government issued implementing regulations for the downstream sector clarifying the procedures for engaging in downstream business activities. Since then, BPHMIGAS has begun issuing licenses to local and foreign companies in the gas retail and sales markets as well as for gas pipeline construction.

The Oil and Gas Law 22/2001 ordered the liberalization of the downstream sector by November 2005, ending Pertamina's monopoly and creating new refining, distribution and retail opportunities for private investors. As also required by the Oil and Gas Law, the GOI changed Pertamina into a limited liability company through a presidential decree issued in June 2003. Shell became the first private company to open retail fuel stations in November 2005. The government extended Pertamina's monopoly over downstream fuel distribution and its public service obligation (PSO) to deliver fuel throughout the archipelago through 2006 and then again through 2007, until BPH MIGAS finds a suitable entity to carry out the PSO through a direct appointment or regular tender process. A number of other private companies also (including ChevronTexaco, BP, Total, and Petronas) have expressed a desire to participate in segments of the downstream sector.

Conversion and Transfer Policies

Return to top

A June 14, 2005 Bank Indonesia regulation establishes certain prohibitions and restrictions in conducting foreign exchange transactions with foreign counterparts. The regulation lowered the limit on transaction amounts for commercial banks engaging in derivative transactions with foreign counterparts from $3 million to $1 million. This limit covers all types of transactions involving foreign exchange selling and purchasing against the rupiah. However, the restrictions will not apply if the derivative transactions are conducted for hedging purposes within the framework of an investment in Indonesia that will last for at least three months. The regulation also requires foreign or domestic currency lending to foreign counterparts to be conducted in the form of a syndicated loan that engages a prime bank (commercial banks with a certain investment rating from a well know rating agency) as lead bank for the purpose of project financing in the real estate sector in Indonesia. BI thus seeks to reduce short-term portfolio transactions and encourage long-term and infrastructure investment.

The regulation fines a flat rate of 10% of the amount of the violating transaction. This is more stringent than under the previous regulation, which provided a fluctuating rate. These financial penalties, however, should not be more than Rp 27 billion ($2.7 million). Bank Indonesia hopes that the regulation will reduce foreign exchange movement that is not related to a genuine underlying purpose.

In October 2002, Indonesia tightened its restrictions on the amount of cash that may be carried across its borders in line with anti-money laundering laws. Carrying more than RP. 100 million (approx. US $10,253) in or out of Indonesia now requires prior approval from Bank Indonesia.

Expropriation and Compensation Return to top

Article 21 of the 1967 Foreign Capital Investment Law stipulates that the Government shall not initiate nationalization of foreign investments except by law and when such action is necessary in the interest of the state. According to BKPM, Indonesia respects a company's right to compensation if expropriated; however, the government has not expropriated any foreign investment since the passage of the 1967 law. In 1999, however, the Overseas Private Investment Corporation (OPIC) paid a claim by a US investor after the Government failed to honor an arbitration award. Indonesia subsequently agreed to repay OPIC. The Government also paid USD 15 million compensation to the Multilateral Investment Guarantee Agency (MIGA) for its insurance payment to a power project.

Dispute Settlement Return to top

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

In August the Constitutional Court restricted the authority of the Judicial Commission, questioning its authority to oversee the Supreme Court and Constitutional Court and sent the matter to Parliament and the President to clarify. The Judicial Commission as of early 2007 was working to amend the 2004 Judicial Commission Law to restore the Commission's oversight of all judges. In November 2006, Fitch Ratings noted that an Indonesian Supreme Court ruling to uphold a lower court's decision to nullify $500 million of secured bonds sold in 1994 by Inda Kiat Pulp and Paper (a subsidiary of Asia

Pulp and Paper) was harmful to investor confidence. Since some foreign investors held these bonds, the ruling created additional uncertainty about Indonesia's legal and judicial environment for foreign investors. While Indonesia is a Civil Law jurisdiction and the decision does not set a binding precedent, "The ruling serves to remind creditors of the ambiguities within the Indonesian legal regime," said a Fitch Director. The domestic and international press has widely publicized recent cases where those awards have not been enforced. The Supreme Court in October 2006 upheld a lower court decisions that over US$ 1 billion in bonds issued by Asia Pulp and Paper were illegal and did not have to be repaid. The bonds in question follow a common format for international debt and has ben used in several other Indonesian investments. A civil review of the Supreme Court ruling is now underway, and its result could profoundly affect investor confidence in Indonesia.

Indonesia is a signatory to the Convention On The Settlement Of Investment Disputes Between States And Nationals Of Other States (ICSID). So far, only one US investment company has brought a case to the ICSID, which ruled in its favor. Indonesia's Arbitration Law recognizes the right of parties to apply any rules of arbitration procedure they may mutually agree upon, and provides default procedural rules that apply if no other rules have been designated. An Indonesian commercial arbitration board, BANI, is available if both parties agree. Companies have resorted to ad hoc arbitrations in Indonesia using the United Nations Commission on International Trade Laws (UNCITRAL) arbitration rules, as well as others. Other companies in Indonesia have used ICC arbitrations.

On August 12, 1999, Indonesia's Parliament passed Arbitration Law Number 30, endowing the District Court of Central Jakarta with the power to enforce international arbitration awards. Prior to the passage of the new Arbitration law in 1999, enforcement lay with the Supreme Court, which was slow to act on decisions. Since 1999, Indonesian courts have generally acted swiftly to enforce international arbitration awards with some executed within a month of the request for enforcement. However, in some cases, district and higher courts have failed to apply the law. Legal practitioners predict the process should improve as more judges educate themselves about arbitration. Since 1981, when Indonesia joined the 1958 New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, fewer than two-dozen foreign awards have been registered with Indonesian courts (most of which have been enforced).

Performance Requirements and Incentives Return to top

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

Various fiscal incentives are available to both foreign and domestic investors. A company producing for the domestic market may apply for import duty exemptions on all required machinery and equipment as well as on raw and supporting materials needed during the first two years of commercial production. A company producing for export markets may apply for restitution of import duties paid on inputs subsequently re-exported in finished form.

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

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

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

Right to Private Ownership and Establishment

Return to top

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

In recent years, Indonesia has promoted competition in some sectors and has decreased the privileges enjoyed by SOEs. The Parliament formed the State Ministry for SOEs in 1998; privatization is an important part of its mandate, but political opposition has effectively hindered attempts to privatize. Some provincial governments have improved management and transparency of provincially owned firms (BMD's) to stem losses and prepare them for possible privatization.

Protection of Property Rights

Return to top

The U.S. Government improved Indonesia’s standing on the Special 301 Watch List after completion of an “Out-of-Cycle” review (OCR) in November 2006. The OCR concluded that throughout 2006, Indonesia bolstered implementation of its regulations designed to stop illegal production of pirated optical discs (ODs) such as CDs and DVDs by controlling the licensing of factories and conducting raids against pirate optical disc production facilities. Indonesia’s authorities conducted numerous raids on retail outlets selling pirated goods. During this period, the Indonesian Government activated its minister-level National Intellectual Property Task Force and its working groups to coordinate IPR enforcement strategy among agencies as well as to conduct public awareness campaigns. Indonesia also passed a new Customs Law that clarifies the authority for Customs officers to seize goods that infringe on IPR.
The Indonesian government (GOI) has steadily improved the regulatory and legal framework for the protection of IPR. While the GOI has recently improved its enforcement, more effort in this area is needed to create an effective deterrent. U.S industry maintains that 90 percent of all CDs (audio, video, and software) sold in Indonesia are pirated. An increasing number of local factories produce most pirated CDs and DVDs, raising concerns that regional piracy syndicates are moving export-oriented production operations to Indonesia, and that Indonesia could soon become a major supplier of pirated ODs globally. The International Intellectual Property Alliance (IIPA) claims that piracy in Indonesia caused US$ 191.6 million in losses in the film, music, software and publishing industries in 2004. Pharmaceutical companies claim imports of counterfeit and grey market drugs control up to 30 percent of the local market.

Indonesia's copyright law (Law 19/2002) took effect on July 29, 2003. The law increases fines up to RP. 500 million (USD 51,266) and provides for prison terms of up to five years for dealers of pirated materials. The law requires the commercial courts to try cases of alleged copyright violations and render judgments within 90 days. As part of the law's implementation, the Ministry of Industry and Trade issued optical disc regulations (ODR) in October 2004 which came into effective in April 2005. Under the ODRs the Ministry of Industry has created and trained an optical disc factory monitoring team. At the end of 2006, this team had registered and begun random unannounced inspections of all 28 known OD factories.

Lack of clear land titles and the inability to own land in "fee simple" also causes problems that range from poor farming techniques and resulting environmental harm to over-logging on "public" lands that have no apparent owner.

Transparency of Regulatory System

Return to top

Indonesia has a tangled regulatory and legal environment that causes many firms, both foreign and domestic, to avoid the justice system. Laws and regulations are often vague and require substantial interpretation by implementing offices, leading to business uncertainty and rent seeking opportunities. Deregulation has been somewhat successful in reducing barriers, creating more transparent trade and investment regimes, and has alleviated, but not eliminated, red tape. Still, U.S. businesses routinely cite transparency problems and red tape as factors hindering operations.

Efficient Capital Markets and Portfolio Investment Return to top

Stock Market: Indonesia has two stock exchanges, the Jakarta Stock Exchange (JSX) and the Surabaya Stock Exchange (SSX). (The SSX mainly handles corporate bonds, see below.) The JSX was the third best performing stock exchange in the world in 2006 after bourses in China and Russia. Securities trading on the JSX, the dominant exchange, is measured by the Jakarta Composite Index (JCI). (See www.jsx.co.id for more information.) The JCI closed at 1,805 on December 28, the last trading day in 2006. The index increased by 55.3% in 2006, compared to a 16.4% increase in 2005 and 44.6% in 2004. JSX market capitalization surged by 55.6% in 2006, reaching Rp 1,246 trillion ($138 billion) compared to Rp 801 trillion ($89 billion) in 2005. There were 12 new listings in 2006, bringing the total number of listed companies in the JSX to 344. The GOI recommended the JSX and SSX merge by the end of 2006 to improve the efficiency of Indonesia's capital markets under its July 2006 financial sector policy package. Both companies' shareholders have approved the merger, now planned for completion by the end of 2007.

GOI has made significant progress in building a strong foundation for its government bonds market. As of end 2006, the government of Indonesia had Rp 418.7 trillion (US$ 45.7 billion of tradable, domestic, rupiah-denominated and US$5.5 billion of international, dollar-denominated sovereign bonds outstanding. In July 2006 Indonesia launched its first 3-year retail bonds, where individual investors can place minimum orders of Rp 5 million (US$ 545). Indonesia does not yet have a primary dealers market for government bonds, although the GOI's July 2006 Financial Sector reform package recommended a primary dealers market be set up by the end of 2006. A Ministry of Finance decree outlining requirements for primary dealers was issued on December 29 which should help establish it in 2007.

Corporate Bonds: SSX is the primary listing agency for corporate bonds in Indonesia, with 234 corporate bond issuers at the end of 2006. The total value of corporate bonds is about US$6.5 billion, or 2% of GDP. Financial institutions, infrastructure and energy companies are leading issuers of corporate bonds. Domestic mutual funds and pension funds hold two thirds of corporate bonds. The secondary market is thin and plagued by shortages of investors and issuers. There is not yet any widely available pricing system for Indonesia's corporate bonds. A few corporate bonds from Indonesia's largest companies are dollar denominated (Medco Energy, Indosat, etc.)

Rating Agencies: The Capital Markets Supervisory Agency (BAPEPAM) and Bank Indonesia established Pefindo, Indonesia's largest rating agency, in 1994. Pefindo is a private limited liability company owned by 100 domestic shareholders including pension funds, banks, insurers, securities companies and the Jakarta and Surabaya Exchanges. Pefindo is an affiliate of Standard and Poor's and adapts Standard and Poor's methodology in its rating process. About 60 percent of its business is rating domestic investment grade corporate bonds, and it also publishes credit opinions on corporate bond issuers. Pefindo has begun to incorporate good governance as a sub- element of its rating methodology. Kasnic Credit Rating Indonesia, incorporated in 1998, is affiliated with Fitch Ratings through its shareholder Duff and Phelps. Fitch Ratings opened an office in Jakarta in mid-2006 and is publishing assessments of credit quality on a variety of Indonesian institutions.

Foreign firms generally enjoy good access to the Indonesian securities market. A deregulation package in 1988 opened banking, securities and insurance to foreign investment. In line with its commitments under the WTO's Financial Services Agreement, the government equalized the capital requirements for domestic and foreign insurers. It amended the banking law in 1998 and removed restrictions on foreign bank branches outside Jakarta. In 1997, Ministry of Finance lifted the 49% restriction on foreign purchases of shares in non-bank listed firms. In 1998, Ministry of Finance removed discriminatory capital requirements on foreign securities. Bank Indonesia, the central bank, licenses banks and regulates banking activity. The Capital Market and Financial Institutions Supervisory Agency (Bapepam-LK) licenses new securities and insurance ventures, and regulates mutual funds and capital markets.

Bank Indonesia issued a ruling in 1999 allowing 99% foreign ownership of local banks. Such banks are allowed to designate foreigners as members of the board of directors and commissioners, but at least one member of the executive board must be Indonesian. In subsequent years, foreign investors bought large domestic banks such as Bank Central Asia and Bank Danamon. In addition, foreign banks may now open branches in Indonesia, but the government extends this privilege only to the world's 200 largest banks (in terms of assets) with minimum credit ratings of A from either US based credit rating agencies Standard & Poor's or Moody's. At the end of 2006, 48 of Indonesia's 130 banks were under the ownership of foreign investors, representing an overall 48% stake in the banking industry.

An October 2006 BI regulation requires "controlling" shareholders of more than one bank (defined as ownership of 25% or above, or if below 25% where there is direct or indirect control in the bank operations) to comply with a “single presence policy,” via merger, divestment or through the use of an Indonesian financial holding company. BI requires affected shareholders to submit an action plan by December 2007, to be implemented by December 2010. The policy is not applicable to locally incorporated foreign-owned banks, or to JV banks, or to shareholders having a stakes at two banks where one is Syariah-based. BI will give leniency for "complex" situations, apparently aimed at state-owned banks, if it is done in a way that is "objective, transparent, and acceptable for stakeholders".

Political Violence

Return to top

Public reaction to events in Iraq continues to be limited to sporadic protests, mostly nonviolent. Anti-U.S. demonstrations are more likely to take place in response to events in the Middle East. President Yudhoyono has demonstrated a strong commitment to combating terrorism. The October 2005 bombings in Bali, apparently targeted at the tourism industry with the intent to disrupt Indonesia's economic stability, renewed concerns about the continued presence of al-Qaeda-linked terrorists in Indonesia capable of carrying out further attacks. Subsequent police investigations that led to the November 2005 death of bomb-maker Azahari, and the discovery of evidence linking his activities to radical Islamic beliefs, have had a constructive effect in turning general public opinion against terrorism. Separatism and communal violence continue to challenge national unity in Papua, Sulawesi and Maluku.

The Department of State warns citizens to evaluate carefully the risks of travel to Indonesia. There is potential for violence and unrest; both can erupt without warning. There are threats, including the possibility of terrorist activity, throughout Indonesia. Sectarian, ethnic, communal and separatist strife, and violence are ongoing threats to personal safety and security in various areas, including Central and South Sulawesi, Papua and Maluku. The Department of State encourages American citizens considering travel to Indonesia to review carefully the information available in the State Department's Travel Warning and Consular information sheet (CIS for Indonesia), at http://travel.state.gov/indonesia.html, which are available at any US Embassy or Consulate abroad and on the Department of State, Bureau of Consular Affairs' web site http://travel.state.gov.

U.S. citizens involved in commercial or property matters should be aware that the business environment is complex, and dispute settlement mechanisms are not highly developed. Local and foreign businesses often cite corruption and ineffective courts as serious problems. Business and regulatory disputes, which would be generally considered administrative or civil matters in the U.S., may be treated as criminal cases in Indonesia. It is often difficult to resolve trade disputes. U.S. citizens frequently experience difficulties when purchasing goods by Internet from Indonesian suppliers with whom the buyer has not met personally.

Corruption

Return to top

President Yudhoyono's anti-corruption campaign, the most significant since Indonesia's independence, made clear progress against corruption in 2006 with a slew of high-profile investigations and prosecutions of current and former Government of Indonesia (GOI) officials. The Anti-Corruption Commission (KPK) and other GOI anti-corruption bodies are rapidly increasing their capacity and received significant budget increases in 2006. The KPK in particular is growing increasing staff, training new investigators, and receiving robust technical assistance from donors. Regional prosecutors are busy with new corruption cases. Corruption watchdogs at the national and local level are proliferating: there are now 20-30 national groups and 200-400 local groups monitoring the police, the government, and the judiciary. Indonesia's media also energetically report on corruption cases. While corruption remains a difficult problem in Indonesia, numerous sources report the atmosphere in the bureaucracy has changed with officials at all levels reluctant to take actions that could appear improper (and land them in jail). Indonesia signed the United Nations (UN) Convention Against Corruption in December 2003 and ratified it in March 2006 via Law 7/2006. This will give Indonesia access to UN resources to assist it in improving its efforts against corruption including establishing codes of conduct for public officials.

Bilateral Investment Agreements

Return to top

Indonesia has signed investment protection agreements with 57 countries, including: Government bilateral investment agreements exist for Algeria, Argentina, Australia, Bangladesh, Belgium, Cambodia, Chile, Croatia, Cuba, Czech Republic, Denmark, Egypt, Finland, France, Germany, Hungary, India, Italy, Jamaica, Jordan, Kyrgyzstan, Laos, Malaysia, Mauritius, Mongolia, Morocco, Mozambique, North Korea, Norway, Pakistan, People's Republic of China, Philippines, Poland, Qatar, Romania, Saudi Arabia, Singapore, Slovak Republic, South Korea, Spain, Sri Lanka, Sudan, Suriname, Syria, Sweden, Switzerland, Thailand, The Netherlands, Tunisia, Turkey, Turkmenistan, Ukraine, United Kingdom, Uzbekistan, Vietnam, Yemen, and Zimbabwe.

OPIC and Other Investment Insurance Programs

Return to top

The Overseas Private Investment Corporation (OPIC) has been the key U.S. Government agency encouraging American private business investment in developing countries, newly emerging democracies, and fledgling free market economies. OPIC has had some difficulty operating effectively in Indonesia for several years due to the lack of an updated bilateral agreement. Progress on a new agreement has been slow. Investors are urged to contact OPIC directly for up-to-date information concerning availability of OPIC services in Indonesia. See www.opic.gov.

Labor

Return to top

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

Industrial relations at the factory level have improved in recent years and frequency of strikes declined. Following the October 2005 fuel price increases, unions demanded annual minimum wage increases (regional, district, or industrial sector) as high as 50 percent, but most settled for increases closer to 10 percent. Although demonstrations surrounding these negotiations were vocal, they were not perceived as a significant threat to civil order. Draft revisions to the labor law -- particularly reductions in severance payments and removal of restrictions on outsourcing and contract employment -- led to labor protests in April and May that prompted the GOI to suspend efforts to amend the law. Since that time, industrial relations at the national level have remained chilled.

Foreign-Trade Zones/Free Ports

Return to top

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

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

In an effort to accelerate the pace of investment climate reform, the GOI announced in 2006 plans to develop seven special economic zones (SEZ) or regulatory “islands of excellence.” The GOI plans to establish these SEZs in strategic areas with existing supporting infrastructure, a cluster of supporting industries, and access to inputs of production such as skilled labor. Indonesia and Singapore in July formed a Joint Steering Committee to create the first SEZ on the islands of Batam, Bintan and Karimun.

Foreign Direct Investment Statistics

Return to top

In an effort to provide more accurate and transparent investment figures for Indonesia, starting in 2006 the Indonesian Investment Coordinating Board (BKPM) switched from reporting data on investment approvals to data on realized investments. BPKM data does not include investments in the following sectors: oil and gas, finance, banking, non-bank finance, insurance, and leasing. BKPM reports should be treated with caution, the agency has only just begun monitoring of investment project implementation, and some investors may inflate the value of their investments to maximize government incentives.

Table 1. Foreign Realized Investment

Year	Total Projects	FDI Realizations (US$ Billions)
2006 (Jan-Nov)	801	4.7
2005	909	8.9
2004	544	4.6
2003	570	5.5
2002	442	3.1
2001	454	3.5

Table 2. Foreign Realized Investment By Top Ten Sectors, 2006 (Jan-Nov)

Sector	Projects	Total Value (US$ millions)
1. Metal, Electronic Ind.	78	890.6
2. Paper and Printing Ind.	13	440.3
3. Motor Vehicles	24	424.8
4. Textile Industry	57	418.1
5. Trade and Repair	247	398.9
6. Food Crops and Plantation	11	336.3
7. Food Industry	39	314.6
8. Chemical and Pharmaceutical	29	196.6
9. Real Estate	15	194.7
10. Construction	17	133.5
Sub-totals (as a percent of all sectors)	530(11)	3,748.4(80)

Table 3. Foreign Realized Investment by Region

Year	Region	Total Investment (US$ millions)	% of Total
2006 (Jan-Nov)	Java	3,489.6	74.2
	Sumatra	584.2	12.4
	Kalimantan	501.5	10.7
	Sulawesi	15.5	0.3
	Maluku/Papua	0.6	0.0
	Bali	101.2	2.2
	Nusa Tenggara	7.3	0.2
TOTAL		4,699.9	

Table 4. Foreign Investment Approvals By
Top Five Leading Countries, 2006 (Jan-Nov)

Rank	Country	Total Number of Projects	Total Investment Amount (US$ millions)
1.	Malaysia	187	2,218.1
2.	Singapore	212	1,789.7
3.	Seychelles	8	1,383.6
4.	United Kingdom	113	885.3
5.	South Korea	283	685.6

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

Year	% of GDP
2006 (Jan – Sep)	22.4
2005	22.0
2004	21.7
2003	19.3
2002	19.0
2001	19.2

Web Resources Return to top

(Insert text here)

Return to table of contents

Return to table of contents

Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

Return to top

A. Financing Options

Exporters should contact the U.S. Commercial Center in Jakarta for up-to-date information on correspondent banking relationships. Citibank and American Express Bank maintain branch offices in Indonesia.

The Consultative Group on Indonesia (GGI) Forum of 21 bilateral and 11 multilateral donors pledged $3.4 billion in 2005 for budget assistance and an additional $1.2 in tsunami-related assistance. In 2006 the CGI pledged $5.4 billion in loans and grants for budget support and development programs. The CGI Forum was ended by President Yudhoyono in January 2007, but the GOI has assured donors of a continued robust dialog with the international community on development projects and financing needs.

American firms can participate in projects funded by the ADB and the World Bank. 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.

B. 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.)

-- 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 (per capita incomes below $1,025 in 2005) that are not sufficiently creditworthy for IBRD financing. A country must be a member of IBRD before it can join IDA; 165 countries are IDA members. As with the IBRD, procurement procedures are well established and offer opportunities for U.S. suppliers, engineers and consultants. Since its inception, IDA credits and grants have totaled $161 billion, averaging $7–$9 billion a year in recent years and directing the largest share, about 50%, to Africa. In 1998, the World Bank declared Indonesia eligible for IDA support again and this program started up again in Indonesia in the 1998-99 fiscal year.

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 committed financing of $2.6 billion to 81 projects in Indonesia since 1968. IFC recently helped Indonesia's conglomerate business Wings Group expand into the food and beverages sector, creating supply chain links with smaller businesses that benefit the local community. IFC have also expanded its support for Bank NISP, one of the most dynamic private sector banks in Indonesia. The funding will help diversify the bank's liability structure, support its core lending to smaller businesses, and help it scale up other activities, such as mortgage lending, that require longer-term funding. 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) was established in April 1988 to promote 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 and has benefited from guarantees totaling US$2.4 million in 2003. In 2006, under its new Small Investment Program, MIGA issued another $0.89 million in guarantees in addition to capital investment of $1 million in East Kalimantan, Indonesia. U.S. companies seeking investment guarantees should contact MIGA. (See www.miga.org for further information).

The World Bank is the second largest aid donor to Indonesia, Of the total $31.2 billion portfolio, $4.5 billion was cancelled and $25.1 billion has been disbursed; $15.8 billion has been repaid. There are currently 28 investment projects, with $1.7 billion undisbursed out of $2.6 billion in commitments and one adjustment loan for $400 million as of Jan 31, 2006. In FY05 (July 2004-June 2005), the Bank disbursed $636.4 million, including $300 million in adjustment loans. In FY04 (July 2003-June 2004), the World Bank disbursed $422.6 million. The World Bank has a large resident office in Jakarta with an additional branch office in Aceh for tsunami reconstruction.

Examples of World Bank projects in Indonesia include:

Energy:	Domestic Gas Market Development Project, Java-Bali Power Sector Restructuring and Strengthening Project

Environment:	Third Water Supply and Sanitation for Low Income Communities Project, Conservation of Kakenauwe and Lambusango (Buton)
Health/Nutrition/Population:	Indonesia-Avian and Human Influenza Contro and Preparedness
Rural Development:	Kecamatan Development Program (KDP)
Transport:	Strategic Roads Infrastructure Project
Urban:	Urban Sector Development and Reform Project

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.

C. The U.S. Export-Import Bank

The mission of the Export-Import Bank of the United States (Ex-Im) is to assist in financing the export of U.S. goods and services to international markets. Ex-Im provides export credit insurance, loan guarantees and project and structured finance for U.S. exporters and foreign buyers of U.S. goods and services. Ex-Im's worldwide exposure is $56.4 billion including all guarantees, disbursed and undisbursed loans and insurance.

Ex-Im is open for business in most countries. Please refer to Ex-Im's "country limitation schedule (CLS)." Ex-Im announced a change in its coverage policy for Indonesia effective May 31, 2006. For the first time since 1998, Ex-Im financing is available for short-term (up to one year) and medium-term (up to five years and, in exceptional cases, seven years) transactions for private companies in Indonesia.

Even in countries where the CLS indicates support is not available, Ex-Im can still consider financing arrangements that eliminate or externalize country risks. Potentially acceptable transactions include:

a) Structured transactions that earn revenues offshore in a country with no CLS restrictions and are held in a bank or trust account acceptable to Ex-Im Bank;
b) Third-party guarantees from creditworthy entities in countries with no CLS restriction and;
c) Asset-backed assets lease and financing structures involving equipment (i.e. aircraft).

Ex-Im provides financing using two main product lines: insurance and loan guarantees.

Insurance Program: The insurance program is most commonly used for short-term trade finance export sales (less than 360 days), but may also be used up to five-year terms. The U.S. exporter can sell on open account either to a single buyer or multiple buyers, or could use a bank letter of credit. Ex-Im Bank will insure the exporter's foreign receivables in each case. Benefits include:

a) Enables U.S. exporters to offer short-and medium-term credit directly to their foreign buyers;

b) Increases exporter cash flow by transforming export-related accounts receivable into receivables insured by the U.S. government, giving lenders an incentive to advance credit-against-receivables financing to U.S. exporters;
c) Offers an attractive substitute to cash-in-advance letters of credit and costly local bank financing; and
d) Makes transactions more cost-effective by insuring letters of credit and avoiding bank confirmation charges.

Loan Guarantees: Under the loan guarantee program, Ex-Im Bank guarantees a commercial loan made by a private lender or lenders to a foreign buyer to purchase U.S. goods and services. This program is mostly used to support export sales of capital goods and services and offers repayment terms of up to five to sevel years in the medium term, or eight to ten years in the long term.

Certain structured transactions (project finance, aircraft) may be eligible for up to 12 years and certain environmental exports (e.g. renewable energy) exports may be eligible for up to 15-year terms. Benefits include:

a) Coverage on loans for U.S. capital equipment, services and projects;
b) Financing available for refurbished equipment, software, some banking and legal fees, and certain local costs and expenses;
c) Commitment of the full faith and credit of the U.S. government;
d) Coverage of up to 85% of the U.S. commercial contract (foreign buyers are required to make a 15% cash payment; banks often finance the 15% portion);
e) Lower interest rates and longer credit terms; interest rates (fixed or floating) on guaranteed loans are negotiated between lender banks and foreign buyers; often a floating rate is based on the spread over six-month U.S. dollar LIBOR rate; and
f) Guaranteed loans are fully transferable and can be securitized.

Environmental Exports Program (EEP): In 2005, Ex-Im announced a re-invigorated environmental program designed to provide the maximum allowable benefits under OECD guidelines for projects contributing to a clean-up of land, air or water. These benefits include:

a) Up to 15 year repayment terms (for certain eligible projects);
b) Local cost financing in an amount equal to 15% of the U.S. contract price; and
c) Interest capitalized during the construction or disbursement period.

For more information on this program please see www.exim.gov/products/policies/environment/index.cfm

Transportation Security Initiative (T-SEP): Ex-Im Bank's program to support transportation security provides enhances support for U.S. exports related to international transportation security:

a) Local cost cover up to 15% of the net contract value and
b) Maximum allowable repayment terms permissible under OECD guidelines.

For more information on this program please see www.exim.gov/products/special/tsep.com

Medical Exports Initiative (MEI): Ex-Im Bank's program to support medical exports allows for

a) Automatic financing for local costs related to the exporter's scope of work for up to 15% of the U.S. contract value, including import and similar duties;
b) Repayment terms up to seven years offered for medium-term transactions when consistent with the expected life of a product, subject to a minimum contract value of $350,000; and;
c) Capitalization of interest when there is an extended installation and/or construction period.

For more information, please refer to www.exim.gov/products/special/medicalequip.com

Small and Medium-Sized Enterprises (SME): 80% of the transactions authorized by Ex-Im Bank involve small- and medium-sized companies. Congress has mandated Ex-Im Bank achieve a target of 20% of the total dollar amount of authorizations per year be in support of SME companies.

Ex-Im also has "war chest" monies available to match soft loan offers from competitor countries that exceed OECD guidelines. Ex-Im does not initiate soft loan offers without evidence of a competitor offer already having been made. Ex-Im programs are explained on their homepage, located at http://www.exim.gov. For more information, please contact Talaat Rachman at Talaat.Rahman@exim.gov or Charles Barnett at Charles.Barnett@exim.gov.

D. Overseas Private Investment Corporation (OPIC)

The Overseas Private Investment Corporation plays an important role in helping U.S. firms reach expanding markets. Since beginning operation in 1971, OPIC has been the key U.S. Government agency encouraging American private business investment in developing countries, newly emerging democracies, and fledgling free market economies. 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 XI for contact information.)

E. Islamic Development Bank

Established in 1973, 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 and has participated in CGI meetings. It is headquartered in Jeddah, Saudi Arabia (See http://www.isdb.org or Chapter 9 for additional information and contact information).

How Does the Banking System Operate Return to top

The framework for trade and project financing in Indonesia changed significantly in the wake of the 1997-8 financial crisis. Indonesia's top private commercial banks have largely recovered from the financial crisis. Some of the large state-owned banks, in contrast, continue to have problems with asset quality and non-performing loans (NPLs). To address weaknesses in the financial system, the government released in July 2006 a package of financial sector reforms that will help resolve state banks NPLs, foster improvements in banking supervision, and facilitate the development of the non-bank financial sector. New regulations will also allow state-owned banks the same flexibility as private banks in resolving NPLs: state-owned banks may seek debt restructuring options without having to first seek the approval of the MOF.

Indonesia's macro-economy is relatively stable. Indonesia's growth is now at the highest levels since the financial crisis. In 2006, the economy grew 5.5%, and the Central Bank expects the $351 billion economy to expand between 5.7%-6.3% in 2007. The year-on-year inflation rate declined sharply in October 2006 as the statistical base effect of the previous year's fuel price hike was absorbed. The Central Bank expects inflation in 2007 will remain within the government's target rate of 6% plus or minus 1%. Credit growth is expected to reach 15-18%. Non-oil exports have been reasonably strong in 2006, while non-oil imports have been weak and volatile. This has allowed Indonesia to run a sizeable merchandise trade surplus this year's resulting in a current account surplus despite growing services imports. As of December 2006, the central bank's foreign exchange reserves were $42.6 billion, rising to $43.3 billion as of January 31, 2007. Indonesia paid off its standby reserves loan to the IMF in 2006, clearing all its debt to the Fund.

Trade Financing

Established in 1999, state-owned Bank Ekspor Indonesia (BEI) 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. BEI services include:

- Export Working Capital Guarantees: a guarantee for commercial banks providing export working capital financing to exporters;
- Letters of Credit (L/C): BEI provides L/C facilities to Indonesians who import raw materials, spare-parts, and machinery for export production;
- Standby Letters of Credit: BEI provides these facilities to exporters in breach of L/C agreements;
- Discount Export Bills: A financing facility allowing exports to receive immediate payment for their exports;

- Investment Loans: Financing for new investment in machinery, procurement, building and infrastructure (including interest during construction) for export purposes;

- Working Capital Loans: Financing facilities to provide working capital to exporters;

- Warehouse Receipt Financing: A facility that lends working capital to pay actual warehouse services;

- Trust Receipts: A financing facility for exporters to pay their L/C sight payment for imported/local goods procurement for export purposes;

- Advisory Services: In addition to providing export/import financing, BEI 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.

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

Foreign-Exchange Controls Return to top

Indonesia maintains an open capital account, but with some transaction limitations. Only authorized banks may carry out foreign trade related exchange operations. In response to exchange rate fluctuations, Bank Indonesia took some additional measures to reduce volatility. Bank Indonesia 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. BI thus seeks to reduce short-term portfolio transactions and encourage long-term and infrastructure investment.

The regulation fines a flat rate of 10% of the amount of the violating transaction. This is more stringent than under the previous regulation, which provided a fluctuating rate. These financial penalties, however, should not be more than Rp 27 billion ($2.7 million). Bank Indonesia hopes that the regulation will reduce foreign exchange movement that is not related to a genuine underlying purpose.

In October 2002, Indonesia tightened its restrictions on the amount of cash that may be carried across its borders in line with anti-money laundering laws. Carrying more than Rp 100 million (approx. US $10,253) in or out of Indonesia now requires prior approval from the central bank, Bank Indonesia.

U.S. Banks and Local Correspondent Banks Return to top

AMERICAN EXPRESS BANK LTD
Graha Aktiva, 11th Floor
Jl. H.R. Rasuna Said Kav.03, Blok X-1
Jakarta 12950
Tel (62-21) 521-6000
Fax (62-21) 521-6999
Web www.americanexpress.com
Contact Person:
Ms. Ratna Marini Maramis, Country Manager

BANK OF AMERICA
Jakarta Stock Exchange Building, 22nd Floor
Jl. Jendral Sudirman Kav.52-53
Jakarta 12190
Tel (62-21) 515-8000
Fax (62-21) 515-1407, 515-8053
Web www.bankofamerica.com
Contact Person:
Ms. Rubiati Bambang, Country Manager

J.P. MORGAN CHASE
Chase Plaza
Jl. Jendral Sudirman Kav.21
Jakarta 12920
Tel (62-21) 5291-8181
Fax (62-21) 5291-8111
Web www.chase.com
Contact Person:
Mr. Soemenggrie Jongkamto, Managing Director

CITIBANK N.A.
Citibank Tower
Bapindo Plaza
Jl. Jendral Sudirman Kav.54-55
Jakarta 12910
Tel (62-21) 5290-8888
Fax (62-21) 5290-8899
Web www.citigroup.com
Contact Person:
Mr. Peter Eliot, Country Corporate Officer

WACHOVIA BANK N.A.
Midplaza 2, 8th Floor
Jl. Jendral Sudirman Kav.10-11
Jakarta 10220
Tel (62-21) 573-9688
Fax (62-21) 573-9687
Web www.wachovia.com
Contact Person:
Mr. Jahja Anwar, VP Representative

UNION BANK OF CALIFORNIA N.A.
Permata Plaza, 11th Fl.
Jl. M.H. Thamrin Kav.57
Jakarta 10350
Tel (62-21) 390-3222
Fax (62-21) 390-3228
Web www.uboc.com
Contact Person:
Mr. John R. Hills, VP & Regional Manager for Asia Pacific

Project Financing Return to top

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 offset government financing offered by the Governments of Japan, the European Union members and others. This problem is especially acute when competing against Chinese companies that have access to soft loans from captive banks.

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

Return to table of contents

Return to table of contents

Chapter 8: Business Travel

Business Customs Return to top

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

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

A publication that may be of use to business executives is "*The Guide for Business Representatives*," available for sale by contacting: Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, Tel: (202) 512-1800, fax: (202)

512-2250. Business travelers to Indonesia seeking appointments with U.S. Embassy-Jakarta officials should contact the U.S. Commercial Center in advance. The U.S. Commercial Center can be reached by telephone at (62-21) 526-2850 or by fax at (62-21) 526-2855

Travel Advisory

Return to top

This Travel Warning updates information concerning the security situation in Indonesia and reminds Americans of the risks associated with travel to that country. This Travel Warning supersedes the November 18, 2005, Travel Warning for Indonesia.

Due to the possibility of terrorist attacks directed against American or other Western citizens and interests, the Department of State urges American citizens to evaluate carefully the risks of travel to Indonesia. The October 1, 2005, terrorist attacks in Bali in which suicide bombers killed 20 people and injured more three than 100 are a reminder that terrorists remain active in Indonesia. The possibility of future attacks in Bali, Jakarta, or other areas of Indonesia cannot be ruled out.

Terrorist attacks in Indonesia could occur at any time and could be directed against any location, including those frequented by foreigners, as well as identifiably American or other Western facilities or businesses in Indonesia. Such targets could include but are not limited to places where Americans and other Westerners live, congregate, work, study, shop, or visit, including hotels, clubs, restaurants, shopping centers, identifiably Western businesses, housing compounds, transportation systems, places of worship, schools, or public recreation events. While past terrorist attacks have involved the use of vehicle-borne explosives or suicide bombers carrying explosives in backpacks, terrorists may use other forms of attack in the future. Terrorists may target individual American citizen residents, visitors, students, or tourists, and tactics could include but are not limited to kidnapping, shooting, or poisoning.

The Department of State urges Americans in Indonesia to avoid crowds, maintain a low profile, and be vigilant about security at all times. Americans are advised to monitor local news broadcasts, vary their routes and times in carrying out daily activities, and consider the level of preventive security when visiting public places in Indonesia. Americans who choose to vacation in Indonesia despite the security risks are advised to consider the level of preventive security when choosing hotels, restaurants, beaches, entertainment venues, and recreation sites.

In addition to the October 1, 2005, bombings in Bali, several other serious terrorist incidents occurred in Indonesia in recent years. A terrorist bombing outside the Australian Embassy in Jakarta on September 9, 2004, killed eleven and injured more than 180 people. An August 2003 terrorist bombing at a major international hotel in Jakarta killed 12 persons and injured scores, including several American citizens. A terrorist attack in Bali in October 2002 killed 202 people, including seven Americans. Suicide bombers wearing explosives in vests or backpacks carried out the October 1, 2005, bombings in Bali. Prior terrorist attacks involved the use of vehicle-borne explosives.

The U.S. Mission in Indonesia restricts U.S. government employees' travel to certain areas of the country and, at times, denies them permission to travel to specific locations. As of early 2007, employee travel to the provinces of Aceh, Papua, Central and South Sulawesi, and Maluku requires the concurrence of the Embassy's Regional Security Officer. Americans seeking the latest travel restriction information may contact a consular office. The U.S. Mission can occasionally suspend service to the public, or close, because of security concerns; in these situations, it will continue to provide emergency services to American citizens.

Americans who choose to travel to Indonesia despite this Travel Warning should obtain up-to-date health information before departing the United States. 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 current information on outbreaks of contagious and tropical diseases. Americans considering travel to Indonesia should read the Department of State's Fact Sheet on Avian Influenza dated July 2006, and should consult with their personal physicians concerning avian flu.

Americans living and traveling in Indonesia are urged to register and update their contact information with U.S. Embassy Jakarta, U.S. Consulate General Surabaya, or the U.S. Consular Agent in Bali. Registration facilitates the U.S. Mission's contact with Americans in emergency situations and may be done on line and in advance of travel. Information on registering can be found at the Department of State's Consular Affairs website: https://travelregistration.state.gov. Registration information and recent warden messages are also available on the U.S. Embassy Jakarta website at http://jakarta.usembassy.gov.

Americans can obtain information on travel and security in Indonesia from the Department of State by calling 1-888-407-4747 within the United States; or 1-202-501-4444 from outside the United States and Canada. Americans also can call the Embassy in Jakarta at (62)(21) 3435-9000, the Consulate General in Surabaya at (62)(31) 295-6400, and the Consular Agent in Bali at (62)(361) 233-605. American citizens should read the Department of State's Consular Information Sheet for Indonesia, the latest Worldwide Caution Public Announcement, and Fact Sheet on Avian Influenza, all available at http://travel.state.gov.

Visa Requirements

Return to top

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

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

State Department Visa Website: http://travel.state.gov/visa/visa_1750.html

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

Consular Section, U.S. Embassy Jakarta:
http://www.usembassyjakarta.org/consular/consular.html

Consular Section, Indonesian Embassy at Washington DC:
http://www.embassyofindonesia.org/consular/consular.php

Telecommunications

Return to top

Telephone services vary between areas in Jakarta. They depend largely on the local telephone exchange's capacity to handle traffic. Phone service is good along the main business thoroughfares and the newer residential areas, which are served by fiber optic trunk lines. In the older residential areas, service is less reliable. Extra phone lines can be costly, and obtaining them can be time consuming. International direct dial (IDD) lines are available and will allow connection to an AT&T operator, but rates are considerably higher than calling from the United States. The cellular market is in the middle of a boom with around 62 million subscribers in 2006. Cellular services could easily be obtained as various operators offering GMS or CDMA technologies.

Coming into 2007, Indonesia has an estimated 20 million internet users. Broadband internet services are very much in their infancy. Problems with inferior telecommunications infrastructure will continue to impede internet growth. A number of Internet Service Providers (ISPs) operate in Indonesia. The following are some of the largest and most established ISPs in Indonesia:

AT&T Global
PT. Sistelindo Mitralintas
Landmark Center I, 19th Floor
Jl. Jend. Sudirman Kav.1
Jakarta 12910
Tel: (62-21) 528-99456
Fax: (62-21) 522-3432
Contact: Endy Prijanto, President Director
E-mail: sistelindo@ittglobal.net
Internet: http://www.attglobal.net

CBNnet
PT. Cyberindo Aditama
Gd. Manggala Wanabakti IV, 6th Floor, Suite 618 B
Jl. Jendral Gatot Subroto, Senayan
Jakarta Selatan 10270
Tel: (62-21) 574-2488

Fax: 62-21) 574-2481
Contact: Dani Sumarsono, President Director
E-mail: sales@cbn.net.id
Web site: www.cbn.net.id

Radnet
PT. Rahajasa Media Internet
Plaza 89, 6th Floor, Suite 601
Jl. H.R. Rasuna Said Kav. X-7/6
Jakarta 12950
Tel: (62-21) 252-6363
Fax: (62-21) 252-4777
Contact: Eko Priyono, Marketing Director
E-mail: info@rad.net.id
Web site: www.rad.net.id

Idola
PT. Aplikanusa Lintasarta
Menara Thamrin, 12th Floor
Jl. M.H. Thamrin Kav.3
Jakarta 10340
Tel: (62-21) 230-2345
Fax: (62-21) 230-3883
Contact: Mr. Yoyo Waluyo Basuki, President Director
E-mail: sales@idola.net.id
Web site: www.idola.net.id

CentrinOnline
PT Centrin Online
PT. Braga No. 76
Bandung 40111
Tel: (62-22) 422-0818
Fax: (62-22) 422-0821
Contact: Ismail Hirawan, President
Email: hirawan@centrin.net.id
Web site: www.centrin.net.id

Pacific Link
PT. Jasa Jejaring Wasantara
Plaza Great River, 14th Fl.
Jl. HR. Rasuna Said Blok X-2 No.1
Jakarta 12950
Tel: (62-21) 526-2627
Fax: (62-21) 526-2625
Contact: Mr. Rully Oktavianto, Sales and Marketing Director
Email: rully@pacific.net.id
Web site: www.pacific.net.id

Transportation

Return to top

Airlines flying into Jakarta include Garuda (the national airline), Qantas/British Airways, 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, although Continental Micronesia Airlines flies into Denpasar, Bali from Guam. Internal flights are readily available, but connections not involving Jakarta are often problematic. There is an extensive rail network, but it is generally not appropriate for business travel. Extreme caution must be taken when traveling by car, as conditions are crowded and dangerous. Taxis in Jakarta are plentiful, but you should only use call taxi services available at your hotel: Silver Bird and Blue Bird are the most reliable and safest taxi services. Golden Bird cars and drivers can be hired by the day, but cost around $100 per day.

Language

Return to top

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

Health

Return to top

Short-term visitors to Indonesia are advised to be up-to-date on their Hepatitis A, Hepatitis B, and Typhoid vaccinations, in addition to all routine childhood immunizations before arrival. The hepatitis vaccination series takes six months to complete. Those considering travel outside the major cities (Jakarta, Surabaya, Medan, southern Bali, etc.) should take anti-malaria medication; mefloquine or doxycycline are considered adequate prevention measures against malaria. Malarone is also a good choice. 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 powder to make up 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. At least 62 human deaths from AI have occurred in Indonesia, but all were among people having close contact with AI infected foul. 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. Americans considering travel to Indonesia should read the Department of State's Fact Sheet on Avian Influenza dated June 3, 2006, and should consult with their personal physicians concerning avian flu.

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:

<u>Clinics</u>

SOS Medika Klinik, CIPETE
(International SOS)
Jl. PURI Sakti No. 10
Cipete, Jakarta 12410
Tel: 750-5980 thru 85 - Medical Center and Appointments
750-5973 - Client Services and Information
750-6001 - Emergencies and Alarm Center
Fax: 750-6002, 750-6003

SOS Medika Klinik, KUNINGAN
(International SOS)
Setia Budi Building-II, Ground Floor
Jl. H.R. Rasuna Said
Kuningan, Jakarta
Tel: 525-5367
Fax: 520-7524

Medikaloka Health Care
Graha Irama Building
Mezzanine 1st and 2nd Floor
Jl H.R. Rasuna Said, Block X-1, Kav. 1-2
Jakarta 12950
Tel: 526-1118
Fax: 526-1119, 526-1438

Global Doctor International Medical Centre
Jl. Patimura No. 15
Kebayoran Baru

Jakarta Selatan
Tel: 723-1121
Fax: 725-0955

Hospitals

R.S. Pondok Indah
Jl. Metro Duta Kav. UE
Pondok Indah, Jakarta Selatan
Tel: 765-7525, 769-2252
Fax: 750-2324
Emergency : 750-2322
Note: This hospital has 24-hour emergency room, own ambulance service and a large clinic.

Pusat Jantung Nasional Harapan Kita (National Cardiac Center)
Jl. Letjen S. Parman Kav. 87
Jakarta Barat
Tel: 568-4085
Fax: 568-4130
Note: Hospital dedicated to heart problems. The Center has an intensive care area, and a 24- hour emergency room for cardiac care. This is the place to go for suspected heart attack.

R.S. Cipto Mangunkusumo (Central Hospital)
Jl. Diponegoro 71
Jakarta Pusat
Fax : 314-8991
Emergency : 314-4029, 390-5839
Note: A government hospital with a good intensive care unit. Cardiologist on duty 24 hours/day. For emergency cardiac care, go to the cardiac emergency unit, not to the regular emergency room.

R.S. MMC Kuningan
Jl H.R. Rasuna Said Kav. C-21
Kuningan, Jakarta Selatan
Tel: 520-3435 thru 3450
Fax: 520-3417
Emergency : 527-3473
Note: 24-hour emergency room and own ambulance service, in addition to a large clinic.

R.S. Medistra
Jl. Jend. Gatot Subroto Kav. 59
Jakarta Selatan
Tel: 521-0200
Fax: 521-0184
Note: This hospital, 24-hour emergency room and its own ambulance service, in addition to a large clinic.

R.S. Pantai Indah Kapuk
Jl. Pantai Indah Utara 3
Pantai Indah Kapuk
Jakarta 14460
Tel: 588 0911
Fax: 588 0910
Note: New, very clean and well-operated private hospital in North Jakarta (near Pluit) with 24-hour emergency services.

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 Hero grocery store chain (locations through out Jakarta), at Sogo in the Plaza Indonesia/Grand Hyatt complex, and at Kem Chicks in the Kemang district. The newly opened Ranch Markets also maintain high standards of care.

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

Short-term visitors to Indonesia are well advised to eat only in hotels and restaurants that cater to up-scale visitors. Caution, however, should also be exercised in such "5-star" establishments, with particular attention to fresh vegetables and salads. 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. At home, wash and soak all local fruit and vegetables in Clorox-treated, soapy water.

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
0730 -1600 Monday - Friday (note Friday prayers at 1200-1300)

Government
0900 – 1600 Monday – Friday

Banks
0900 – 1500 Monday – Friday

Shops
0900 – 2200 Monday – Saturday

2007 Holiday Schedule – Local and U.S. Embassy:

Monday, January 1, 2007	New Year's Day (U.S.)
Monday, January 15, 2007	Martin Luther King's Birthday (U.S.)
Sunday, January 20, 2007	Muslim New Year (Indonesian)
Monday, February 19, 2007	Presidents Day (U.S.)
Monday, March 19, 2007	Nyepi Day (Indonesian)
Saturday, March 31, 2007	Mohammed's Birthday (Indonesian)
Friday, April 6, 2007	Good Friday (Indonesian)
Thursday, May 17	Ascension of Christ (Indonesian)
Monday, May 28, 2007	Memorial Day (U.S.)
Friday, June 1, 2007	Waisak (Indonesian)
Wednesday, July 4, 2007	Independence Day (U.S.)
Saturday, August 11, 2007	Ascension of Mohammed (Indonesian)
Friday, August 17, 2007	Independence Day (Indonesian)
Monday, September 3, 2007	Labor Day (U.S.)
Monday, October 8, 2007	Columbus Day (U.S.)
Saturday, October 13 and Sunday, October 14, 2007	Idul Fitri (Indonesian)
Monday, November 12, 2007	Veterans Day (U.S.)
Thursday, November 22, 2007	Thanksgiving (U.S.)
Thursday, December 20, 2007	Idul Adha (Indonesian)
Tuesday, December 25, 2007	Christmas (U.S.)

Temporary Entry of Materials and Personal Belongings Return to top

The Government 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 advise of a qualified international relocation firm. Indonesia is a “Right Hand Drive” country and only vehicles with right hand steering wheels can be imported, even for personal use.

Web Resources Return to top

(http://www.state.gov/indonesia, www.fas.usda.gov.ai)

Return to table of contents

Return to table of contents

Chapter 9: Contacts, Market Research, and Trade Events

Contacts

Return to top

1. Chambers of Commerce

American-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 520
New York, NY 10017
Tel: (212) 687-4505
Fax: (212) 687-5844
Email: aiccny@bigplanet.com
Website: http://www.aiccusa.org
Contact: Mr. Wayne Forrest, Executive Director

American Chamber of Commerce in Indonesia

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

American Chamber of Commerce (AMCHAM)
World Trade Center, 11th Floor,

Jl. Jendral Sudirman Kav. 29 - 31
Jakarta 12920, Indonesia
Tel: (62-21) 526-2860
Fax: (62-21) 526-2861
Email: info@amcham.or.id
Website: http//www.amcham.or.id
Contact: Mr. Joe C. Bartlett, President (effective January 2007);
Ms. Pat Warman, Executive Director

U.S. Chamber of Commerce

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

U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062-2000
Tel: (202) 659-6000, 465-5461
Fax: (202) 822-2491
Email: mbrillia@uschamber.com, asia@uschamber.com
Website: http://www.uschamber.com
Contact: Mr. Myron A. Brilliant, Vice President for East Asia

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

US-ASEAN Business Council
1101 17th Street, N.W., Ste. 411
Washington D.C. 20036
Tel: (202) 416-6719
Fax: (202) 289-0519
Email: cfedderson@usasean.org
Website: www.us-asean.org
Contact: Mr. Chris Fedderson, Director, Indonesian Affairs

California-Asia Business Council
1919 Clement Ave., Building 11
Alameda CA 94501
Tel: (510) 523-8188
Fax: (510) 865-0812
E-mail: info@calasia.org, jeremy@calasia.org
Website: www.calasia.org
Contact: Mr. Jeremy Potash, Executive Director

Pacific Basin Economic Council
PBEC International Secretariat
Room 1304, Wing On Centre
111 Connaught Road Central
Hong Kong
Tel: (852) 2815-6550

Fax: (852) 2545-0499
E-mail: info@pbec.org
Website: www.pbec.org
Contact: Mr. Tan Sri Dato' Azman Hashim, Chairman
Mr. Robert G. Lees, President & CEO

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
Website: http://www.kadin-indonesia.or.id
Contact: Mr. Mohamad S. Hidayat, 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. M.H. Thamrin No.53
Jakarta 10350
Tel: (62-21) 3983-2510, 3983-2511,3983-2534
Fax: (62-21) 3983-2499, 3983-2504
Contact: Mr. H. Amirudin Saud, Chairman

Indonesian Exporters Association (GPEI)
Jl. Pangeran Jayakarta No. 131A / 38
Jakarta 10730
Tel: (62-21) 625-3745, 625-3751
Fax: (62-21) 600-8852
Contact: 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
Email: info@tda.gov
Website: www.tda.gov
Contact: Mr. Henry Steingass, Regional Director for Asia
Mr. Steven Winkates, Country Manager for Asia

U.S. Trade and Development Agency (TDA)
Asia Regional Office
Bangkok, Thailand
Tel: (662) 205-5090/5600 (direct)
Fax: (662) 255-4366
E-mail: gwalters@ustda.gov
Website: www.tda.gov
Contact: Mr. Gregory Walters

U.S. Commercial Liaison Office to the Asian Development Bank (CS/ADB)
American Business Center, 25th Floor
Ayala Life - FGU Center
6811 Ayala Avenue, Makati City
Metro Manila 1226, Philippines
PSC 500 Box 33
FPO AP 96515-1000
Tel: (63 2) 887-1345, 887-1346, 887-1347
Fax: (63 2) 887-1164
E-mail: manila.adb.office.box@mail.doc.gov
Contact: Mr. Kenneth Reidbord, Senior Commercial Officer

Overseas Private Investment Corporation (OPIC)
1100 New York Avenue, N.W.
Washington, D.C. 20527
Tel: (202) 336-8400
Fax: (202) 336-7949
Email: info@opic.gov
Website: http://www.opic.gov
Contact: Mr. Robert Mosbacher, Jr., President and Chief Executive Officer

Export-Import Bank of the United States (EX-IM Bank)
811 Vermont Ave., NW
Washington, D.C. 20571
Tel: (800) 565-EXIM(3946), (202) 565-3946
Fax: (202) 565-3380
Asia hotline: (800) 565-3911/3402
Website http://www.exim.gov
Contact: Mr. James H. Lambright, Chairman and President

Islamic Development Bank
P.O. Box 5925
Jeddah, 21432
Kingdom of Saudi Arabia
Tel: (966-2) 636-1400 (10 lines)
Fax: (966-2) 636-6871
E-mail: idbarchives@isdb.org.sa
Website: http://www.isdb.org
Contact: Dr. Ahmad Mohamed Ali AL-Madani, President

U.S. Commercial Liaison Office to the World Bank
Office of the U.S. Executive Director
World Bank
1818 H Street, NW
Washington, DC 20433
Tel: (202) 458-0120
Fax: (202) 477-2967
Website: http://www.worldbank.org/
E-mail: wcenter@worldbank.org
Contact: Mr. William Center, Senior Commercial Officer

The World Bank (Indonesia Office)
Jakarta Stock Exchange Building
Tower 2, 12th Floor
Jl. Jendral Sudirman, Kav. 52-53
Jakarta 12190, Indonesia
Tel: (62-21) 5299-3000
Fax: (62-21) 5299-3111
Email: asteer@worldbank.org
Website: www.worldbank.or.id
Contact: Mr. Andrew Steer, Country Director

5. Indonesian Government Contacts

The Indonesian Government established the National Agency for Export Development within the Ministry of Trade to promote the export of less renowned 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:

National Agency for Export Development
Jalan Kramat Raya No. 172,
Central Jakarta, Indonesia.
Tel: (62-21) 3190 4554, 3190 0569, 3190 7664
Fax: (62-21) 3190 1524, 3190 1548, 3190 7664
E-mail: nafed@nafed.go.id
Website: http//www.nafed.go.id
Contact: Mr. Hatanto Reksodipoetro, Acting Chairman

Mr. Bambang Mulyatno, Acting Director of Center for America & Europe Regions

Other Indonesia Government contacts of interest are:

Directorate General of Cooperation for International Trade Cooperation
Ministry of Trade
Jl. M.I. Ridwan Rais No. 5
Building I, 5th Floor
Jakarta, Indonesia
Tel: (62-21) 344-0408, 385-8185, 385-8171 ext: 1108
Fax: (62-21) 385-8185
Email: djklipi@dprin.go.id
Website: www.dprin.go.id
Contact: Mr. Herry Soetanto, Director General

Directorate General for Customs and Excise
Director of Customs and Excise Information
Jl. Jend. A. Yani 108, Building A, 1st Floor
Jakarta, Indonesia
Tel: (62-21) 489-1581
Fax: (62-21) 489-2859
Email: perpen@beacukai.go.id
Website: www.beacukai.go.id
Contact: Drs. Jody Koesmendro, Director

6. Coordinating Ministers/Cabinet

The following is a listing of the GOI's cabinet as of 5 December 2005. Because of the uncertainties surrounding the Indonesian government at this 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: Adm. (Ret.) Widodo AS
Economy: Dr. Boediono
People's Welfare: Ir. Aburizal Bakrie

Ministers:

Agriculture: Dr. Ir. Anton Apriantono
Defense: Prof. Dr. Yuwono Sudarsono
National Education: Prof. Dr. Bambang Sudibyo
Energy and Mineral Resources: Dr. Ir. Purnomo Yusgiantoro
Finance: Dr. Sri Mulyani Indrawati
Foreign Affairs: Dr. Hassan Wirajuda

Forestry: MS Kaban, SE, Msi
Health: Siti Fadilah Supari
Home Affairs: Lt. Gen. (Ret) M. Ma'ruf AR
Industry: Drs. Fahmi Idris
Trade: Dr. Mari Elka Pangestu
Justice and Human Rights: Hamid Awaluddin, Ph.D
Manpower and Transmigration: Erman Suparno
Maritime Affairs and Fisheries: Freddy Numberi
Religious Affairs: Muhammad Maftuh Basyuni, SH
Public Works: Ir. Djoko Kirmanto
Transportation: Ir. M. Hatta Rajasa
Social Affairs: Bachtiar Chamsyah, SE

State Ministers:

Culture and Tourism: Jero Wacik
Administrative Reform: Drs. Taufik Effendy MBA
Cooperatives, Small, and Medium Enterprises: Drs. Suryadharma Ali
Environment: Rachmat Witoelar
Research and Technology: Prof. Kusmayanto Kadiman, Msc. Ph.D
Women and Empowerment: Dr. Meuthia Hatta Swasono
State Enterprises: Sugiharto
Information and Communication: Dr. Sofyan Djalil, SH, MA
Acceleration of Development in Backwards Regions: Syaifullah Yusuf
Public Housing: Drs. M. Yusuf Anshari
Youth and Sports Affairs: Adhyaksa Dault, SH, Msi
National Development Planning and Chairperson of the National Development Planning Agency (Bapennas): Paskah Suzetta

Officials of Ministerial Rank:

State Secretary: Prof. Dr. Yusril Ihza Mahendra
Cabinet Secretary: Lt. Gen. (Ret) Sudi Silalahi
Attorney General: Abdul Rahman Saleh, SH, MH

* 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.:	International Mail:
American Embassy - Jakarta	American Embassy - Jakarta
Box 1 Unit 8129	Jl. Medan Merdeka Selatan #5
FPO, AP 96520-8129	Jakarta 10110, Indonesia

U.S. Ambassador B. Lynn Pascoe (departing February 2007)

Aide to Ambassador Ms. Karen Davis

Deputy Chief of Mission John A. Heffern
Aide to DCM Ms. Teresa Coddington

Website: http://www.usembassyjakarta.org

U.S. Commercial Service
Mr. Richard Rothman, 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 FPO mailing address – see above)
Tel: (62-21) 526-2850
Fax: (62-21) 526-2855
Email: jakarta.office.box@mail.doc.gov

Foreign Agricultural Service (FAS)
Mr. Fred Kessel, Counselor for Agricultural Affairs
Ms. Elisa Wagner, Agricultural Attaché
Tel: (62-21) 3435-9000 (ext. 9161)
Fax: (62-21) 3435-9920

Economic Section
Mr. William Heidt, Economic Counselor
Tel: (62-21) 3435-9000 (ext. 9072)
Fax: (62-21) 3435-9977

Administrative Section
Mr. Lawrence Mandel, Administration Counselor
Tel: (62-21) 3435-9000 (ext. 9018)
Fax: (62-21) 3435-9940

Political Section
Mr. Marc Desjardins, Political Counselor
Tel: (62-21) 3435-9000 (ext. 9280)
Fax: (62-21) 3435-9916

Consular Section
Ms. Mary E. Grandfield
Tel: (62-21) 3435-9000 (ext. 9050)
Fax: (62-21) 385-7189

Regional Security Office (RSO)
Mr. Earl Miller
Tel: (62-21) 3435-9000 (ext. 9188)
Fax: (62-21) 3435-9911

Library Of Congress (LOC)
Mr. William P. Tuchrello
Jl. HOS Cokroaminoto 65

Jakarta 10350
Tel: (62-21) 314-4944 / 3193-4296 / 310-2127
Fax: (62-21) 314-4945
Email: jakarta@loc.gov

Naval Medical Research Unit – 2 (NAMRU-2)
Capt. Mark Wooster, Commanding Officer
Jl. Percetakan Negara no. 29, Jakarta 10560
Tel: (62-21) 421-4457 / 3435-9000 (ext. 9481/9555)
Fax: (62-21) 424-4507, 425-6011

Public Affairs Section (PAS)
Mr. Michael H. Anderson, Public Affairs Counselor
Tel: (62-21) 3435-9000 (ext. 9500)
Fax: (62-21) 381-0243
Informational Resource Center (IRC)
Melling Simanjuntak, Library Director
Tel: (62-21) 350-8467
Fax: (62-21) 350-8466
E-mail: irc@usembassyjakarta.org

Agency for International Development (USAID)
Mr. William Frej, Director
Mr. Sean Callahan, Deputy Mission Director
Tel: (62-21) 3435-9000 (ext. 9303)
Fax: (62-21) 380-6694

Defense Attaché Office (DAO)
Col. Kevin Richards, Defense & Army Attaché
Tel: (62-21) 3435-9000 (ext. 9186)
Fax: (62-21) 3435-9921

Office Of Defense Cooperation (ODC)
LTC Ken Comer, Attaché for Defense Cooperation
Tel: (62-21) 3435-9000 (ext. 9631)
Fax: (62-21) 384-3339

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

Department Of Justice (DOJ) OPDAT
Mr. Robert Strang
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 McCoy
Balai Pustaka Building, 6th Floor
Jl. Gunung Sahari Raya No. 4
Jakarta 10720, Indonesia
Tel: (62-21) 345-2016, 345-2018, 345-0709
Fax: (62-21) 345-2050

Voice Of America (VOA) – Jakarta News Center
Ms. Nancy A. Collins
Deutsche Bank Building, 10th Floor, Suite 10-01
Jl. Imam Bonjol 80
Jakarta 10310, Indonesia
Tel: (62-21) 3000-2272
Fax: (62-21) 3000-2276

U.S. Consulate General – Surabaya
Ms. Claire Pierangelo, 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: amconsby@rad.net.id

U.S. Consulate Medan
Mr. Sean B. Stein
Jl. Walikota No. 13
Medan 20152, North Sumatera
Indonesia
Tel: (62-61) 415-2200, 414-5015, 414-2574, 414-3001
Fax: (62-61) 451-8711
E-mail: usmedan@mdn.prima.net.id

U.S. Consular Agent Bali
Mr. Joshua Nathan Finch, Executive Officer
Jl. Hayam Wuruk 188, Denpasar, Bali 80235, Indonesia
Tel: (62-361) 233-605
Fax: (62-361) 222-426
E-mail: ambali@indo.net.id

8. U.S. Government – Washington D.C.

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

Ms. Juliet Bender

Office of the Pacific Basin
Market Access and Compliance
U.S. Department of Commerce
Room 2319
1401 Constitution Ave., NW
Washington, DC 20230
Phone: (202) 482-3894
Fax: (202) 482-3316
E-mail: Juliet_Bender@ITA.DOC.GOV

U.S. Department of State
Commercial and Business Affairs (EB/CBA) Office
Commercial Coordinator
2201 C Street, NW, Room2318
Washington, DC 20520
Phone: (202) 647-1625
Fax: (202) 647-3953
E-mail: BusinessOutreachWeb@state.gov
Website: www.state.gov/e/eb/cba/190/htm

U.S. Department of Agriculture
Foreign Agricultural Service
Agricultural Export Service Division
1400 Independence Ave., S.W., Room 4939-S
Washington D.C. 20250
Tel: (202) 720-6343
Contact: Mr. Dan Berman, Director of Agricultural Export Service Division
E-mail: shull@fas.usda.gov
Website: http:// www.fas.usda.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 10021
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 77057
Tel: (713) 785-1691
Fax: (713) 780-9644

Consulate General of the Republic of Indonesia - Chicago
Two Illinois Center
233 North Michigan Avenue, Suite 1422
Chicago, Illinois 60601
Phone: (312) 938-0101, 938-0311
Fax: (312) 938-3148

Consulate General Office-San Francisco
1111 Columbus Ave.
San Francisco, CA 94133
Tel: (415) 474-9571
Fax: (415) 441-4320

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):

Badan Pusat Statistik
Jl. Dr. Sutomo No.6-8
P.O. Box 3
Jakarta Pusat 10710
Tel: (62-21) 350-7057
Fax: (62-21) 385-7046
E-mail: saman@mailhost.bps.go.id
Website: http://www.bps.go.id

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 is 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.

A growing number of foreign law firms, including some from the United States, 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:

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@pu.go.id
Website: www.inkindo.org
Contact: Mr. Bachder Johan, 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.

AC Nielsen Indonesia
Mayapada Tower, 15th Floor
Jl. Jend. Sudirman Kav. 28
Jakarta 12920, Indonesia
Tel: +62 21 5212200
Fax: +62 21 5212203/4
E-mail: acn.indonesia@acnielsen.com
Website: www.acnielsen.co.id/home.asp
Expertise: Public relations consulting, media relations, crisis management, public relations planning, government consulting.
Contact: Mr. Farquhar Stirling, Managing Director for South East Asia

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

Wisma Standard Chartered Bank, 15A Floor
Jl. Jend. Sudirman Kav.33 A
Jakarta 10220, Indonesia
Tel: (62-21) 572-7321
Fax: (62-21) 572-7329
E-mail: castle@castleasia.com
Website: http://www.castleasia.com
Expertise: Market entry strategy consulting, customized market and industry analysis, customized profiles of local business groups and potential, local regulations and business practices, syndicated sector reports, and business briefing program for senior managers.
Contact: Mr. James Castle, Principal

CIC Consulting Group
Jl. Raden Saleh No. 46
Jakarta 10330
Tel: (62-21) 310-1081, 314-7433
Fax: (62-21) 310-1505
Cable: CISIRAYA-JAKARTA
E-mail: cisi-cic@cic.co.id
Website: 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
Website: http://www.cda.co.id
Expertise: Office renovation, project management, architectural design, and interior design.
Contact: Mr. Richard McBride, President Director

Taylor Nelson Sofres (TNS)
Jl. Sisingamangaraja No. 11A/15
Kebayoran Baru
Jakarta 12120, Indoensia
Tel: (62-21) 725-6684/85
Fax: (62-21) 725-6346
E-mail: office.id@tns-global.com
Website: www.tns-global.com
Expertise: Market research and strategic planning and consultancy.
Contact: Mr. Sjafril Djalal, President Director

PT. Data Consult, Inc.
Maya Indah Building
Jl. Kramat Raya No.5-L
Jakarta 13210, Indonesia
Tel: (62-21) 390-4711, 390-4712, 390-1879
Fax: (62-21) 390-1877
E-mail: datacon@idola.net.id
Website: http://www.datacon.co.id
Expertise: Market Research. PT. Data Consult (see below) publishes a biweekly newsletter entitled "Indonesian Commercial Newsletter." The newsletter contains a sectorial survey in each issue and other market information.
Contact: Mr. Ganjar Sidik, Director

Ganesha Aggies Jaya
Jl. Cipete Raya II
Jakarta 12430, Indonesia
Tel: (62-21) 766-8922
Fax: (62-21) 766-8825
E-mail: ganesha1@cbn.net.id
Website: www.ganesha-aggies.com
Expertise: Indonesian labor laws and practices, expatriate staffing, residence and work permits, company establishment, corporate and individual document processing.
Contact: Mr. Sigit Mursidi, Director

Moores Rowland Indonesia
Jl. Sisingamangaraja No. 26
Jakarta 12120, Indonesia
Tel: (62-21) 720-2605
Fax: (62-21) 720-2606
E-mail: jkallman@moores-rowland.com
Website: http://www.moores-rowland.com
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.
Contact: Mr. James S. Kallman, President Director

Penelitian Hukum Indonesia (PHI)
(PT. Terataimas Indocitra)
Mayapada Tower, 11th Floor, Suite 11-03
Jl. Jend. Sudirman Kav. 28
Jakarta 12920, Indonesia
Tel: (62-21) 522-7561
Fax: (62-21) 522-8935
E-mail: marketing@penelitianhukum.com
Website: 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, 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: Plansearch Associates is capable of conducting market research in the areas of: corporate and investigative reports, environmental studies, consumer, institutional, agriculture, market tests and advertising and analysis in the areas of intellectual property, asset research, partner search, financial and locate
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(11 lines), 250-5136
Fax: (62-21) 250-5392, 250-5001
E-mail: info@abnrlaw.com
Website: www.abnrlaw.com
Contact: Mr. Mardjono Reksodiputro, Senior Partner

Singapore Office:
Ocean Building #11-04
10 Collyer Quay
Singapore 049315
Phone: (65) 6236-0282
Fax: (65) 6532-2972
E-mail:infosg@abnrlaw.com
Expertise: Commercial, corporate, and financing matters, including joint venture arrangements, licensing, banking, energy, mining, forestry, project finance, stock & bond issues, construction & engineering projects, maritime law, labor issues, patents, trademark, and other intellectual property matters.
Contact: Mr. Harun A. Reksodiputro, Senior 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, Partner

Frans Winarta & Partners
Kompleks Bukit Gading Mediterania
Jl. Boulevard Bukit Gading Raya A 16-17
Kelapa Gading Permai, Jakarta Utara 14240
Tel: (62-21) 453-2143
Fax: (62-21) 452-0083, 451-6605, 452-0933
Email: fwp@cbn.net.id
Website: www.franswinarta.com
Expertise: Corporate law (cross-border acquisitions and mergers, investments, business, and matters regarding intellectual property), commercial laws and banking regulations, general international trade laws, employment and land laws, civil and administrative law, litigation and international commercial arbitration.
Contact: Mr. Frans H. Winarta, Senior Partner

George Widjojo & Partners
Patents, Trademarks & Copyrights
Advocates & Solicitors
Jl. Kali Besar Barat No. 5
Jakarta 11230
Indonesia
P.O. Box 2102 / JKT
Jakarta 10021, Indonesia
Tel: (62-21) 691-2226, 690-1707
Fax: (62-21) 692-3648, 693-0712
E-mail: gwidjojo@indosat.net.id
Website: www.widjojolaw.com
Expertise: Patents, Trademarks, Copyrights and Designs.
Contact: Mr. George Widjojo, Senior Partner

Hadiputranto, Hadinoto & Partners
Bursa Efek Jakarta Tower II, 21st Floor
Jl. Jendral Sudirman Kav. 52-53
Jakarta Selatan
Tel: (62-21) 515-5090, 515-5091, 515-5092
Fax: (62-21) 515-4840, 515-4845
Email: tuti.hadiputranto@bakernet.com
Website: www.hhp.co.id
Expertise: International and general practice, corporate, commercial, foreign investment, tax: labor and employment law, banking and finance (including project finance), capital markets, intellectual property, construction, natural resources telecommunications, insurance, mergers and acquisitions, and environmental law.

Contact: Ms. Sri Indrastuti Hadiputranto, Senior Partner

Jusuf Indradewa & Partners-Legal Consultants
Bank Artha Graha Tower, 15th Floor
Lot 15, Sudirman Central Business District
Jl. Jendral Sudirman Kav. 52-53
Jakarta 12190
Tel: (62-21) 515-2122
Fax: (62-21) 515-2382
E-mail: jip@jusufind.com
Expertise: Legal matters relating to establishment of businesses, opening representative and branch offices, joint ventures, direct foreign investment companies, intellectual property rights, mergers and acquisitions, initial public offerings.
Contact: Mr. Jusuf Indradewa, Senior Partner
Ms. Cecilia Teguh Ayu Sianawati, Senior Partner

KarimSyah Law Firm
Plaza Mutiara, 7th Floor
Jl. Lingkar Kuningan Kav. 1 & 2
Jakarta 12950
Tel: (62-21) 577-1177
Fax: (62-21) 577-1947
E-mail: info@karimsyah.com
Website: www.karimsyah.com
Expertise: Banking and Finance (including Islamic Financing), Insolvency and Debt Restructuring, Capital Market, Foreign Investment, Merger and Acquisitions, Mining and Energy, Intellectual and Property Rights, Maritime, Telecommunications, Construction and Environment, Arbitration and Mediation, General Corporate and Commercial Litigation.
Contact: Ms. Karen Mills (International Legal Advisor, International Arbitration, Dispute Resolution, Finance Restructuring, Oil, Gas, and Energy)
Mr. Iswahjudi A. Karim (Banking, Finance, and Restructuring)
Mr. Firmansyah (Commercial Litigation)

Kusnandar & Co.
Plaza ABDA, 16th Floor
Jl. Jendral Sudirman Kav. 59
Jakarta 12190, Indonesia
Tel: (62-21) 51402020 (Hunting)
Fax: (62-21) 51402021
E-mail: kusnalaw@kusnandar.com
Website: http://www.kusnandar.com
Expertise: Foreign and domestic investment, corporations, banking, mulit finance, the capital market, securities, tax, property, and real estate, intelectual property, international trade matters, immigration, admiralty, arbitration, and litigation.
Contact: Ms. Winita E. Kusnandar

Rudhy A. Lontoh, Denny Kailimang & Associates
Jl. H.O.S. Cokroaminoto No. 47

Jakarta 10350, Indonesia
Tel: (62-21) 392-3355
Fax: (62-21) 392-3366
E-mail: lonka@indo.net.id
Expertise: Civil law, including adoption and child custody, wills, collections, contracts, corporations, government relations, foreign claims, insurance, labor, direct foreign investment, trademarks/copyrights, auto accidents, immigration, capital market, narcotics, customs, and criminal defense.
Contact: Mr. Rudhy Lontoh, Senior Partner
Mr. Denny Kailimang, Senior Partner

Lubis, Ganie, Surowidjojo
Menara Imperium, 30th Fl.
Jl. H.R. Rasuna Said Kav. 1
Jakarta 12980
Tel: (62-21) 831-5005, 831-5025
Fax: (62-21) 831-5015, 831-5018
E-mail: lgs@lgslaw.co.id
Website: www.lgslaw.co.id
Expertise: Representation of foreign and Indonesian clients on commercial and corporate law matters. Including acquisition, corporate reorganization, mergers, agency and distributorship, arbitration, banking, capital market, commercial litigation, construction, corporate finance and secured transactions, energy, foreign and domestic investment, commercial litigation and arbitration, international trade, lease financing, maritime and shipping, mining, real estate transactions, tax, telecommunications, intellectual proprietary rights including trademark, copyrights and patents, venture capital, insurance and labor.
Contact: Mr. Timbul Thomas Lubis, Partner
Mr. Mohamed Idwan Ganie, Partner
Mr. Arief Tarunakarya Surowidjojo, Partner

Makarim & Taira S
Summitmas I, 17th Fl.
Jl. Jendral Sudirman Kav. 61-62
Jakarta 12069
Tel: (62-21) 252-1272, 520-0001
Fax: (62-21) 252-2750, 252-2751
E-mail: makarim&tairas@makarim.com
Website: www.makarim.com
Expertise: International and general practice law, foreign investment, commercial, capital markets, banking & finance, constructions, energy and natural resources, intellectual property, commercial litigation, tax, mergers and acquisitions, property development.
Contact: Mr. Nono Anwar Makarim, Of Counsel
Ms. Ratna Iskandar, Banking and Finance Partner
Ms. Galinar Kartakusuma, Corporate, Commercial and Intellectual Property
* Mr. Hilton King, Foreign Consultant
* Mr. Richard Cornwallis, Foreign Consultant

Makes & Partner (in association with SKADDEN, ARPS, SLATE, MEAGHER & FLOM)
Menara Batavia, 7th Floor
Jl. K.H. Mas Mansyur Kav. 126

Jakarta 10220
Tel: (62-21) 574-7181
Fax: (62-21) 574-7180
E-mail: makes@makeslaw.com
Website: www.makeslaw.com
Expertise: Corporate and commercial law, restructuring and reorganizations, mergers and acquisitions (including tender offers), foreign and domestic capital investment (including joint ventures), banking and corporate finance (including bank financing, issuance of debt instruments and establishment of venture capital companies and local branches of international investment and commercial banks), capital markets (including debts and equity offerings by Indonesian companies in the Indonesian and International capital markets as well as listing on the Jakarta, Surabaya, Singapore, New York, London, and Luxemburg Stock Exchanges and Nasdaq), telecommunications, energy and infrastructure (including oil and gas contracts and project finance) and real property law.
Contact: Mr. Yozua Makes, Managing Partner
Mr. Iwan Setiawan, Partner

Mochtar, Karuwin & Komar
Wisma Metropolitan II, 14th Floor
Jl. Jendral Sudirman, Kav 31
Jakarta 12920
Tel: (62-21) 571-1130
Fax: (62-21) 571-1162, 570-1686
E-mail: mail@mkklaw.net
Website: www.mkklaw.net
Expertise: General corporate and commercial law, specializing in the legal aspects of international finance, foreign investment, infrastructure, and privatization.
Contact: Mr. Mochtar Kusuma-Atmadja, Partner
Mr. Sidik Suraputra, Partner
Ms. Ariani Nugraha, Partner
Mr. Emir Kusuma-Atmadja, Partner

Prof. Dr. Sudargo Gautama
Jl. Merdeka Timur 9
Jakarta 10110
Tel: (62-21) 345-6529, 384-1358, 384-7165, 380-9488
Fax: (62-21) 384-6180, 385-0264
E-mail: sgautama@rad.net.id
Website: www.sgautama.co.id
Expertise: General, civil and criminal law, patents and trademarks, private international law, consulting, and litigation.
Contact: Prof. Dr. Sudargo Gautama, Partner
Ms. Abigail Gautama, Partner
Mr. Rizawanto Winata, Partner

Melanita & Partner
Wisma GKBI, 35th Floor
Jl. Jendral Sudirman No. 28
Jakarta 10210
Tel: (62-21) 574-1225

Fax: (62-21) 574-1226
E-mail: emelanita@mplaw.co.id
Expertise: Corporate law, finance and foreign investments.
Contact: Ms. Enny Melanita, Partner

Soewito, Suhardiman, Eddymurthy & Kardono (SSEK)
Mayapada Tower, 14th Floor, Suite 1403
Jl. Jendral Sudirman Kav.28
Jakarta 12920
Tel: (62-21) 521-2038, 521-2130
Fax: (62-21) 521-2039
E-mail: info@ssek.com
Website: http://www.ssek.com
Expertise: Corporate, commercial and financial law practice, energy and natural resources, maritime, banking, capital markets and securities law, insurance, intellectual property, investment, labor, franchising, real estate, construction and engineering, mergers and acquisitions, tax law, arbitration, hotel and tourist development, environmental law, international trade, government contracts, immigration, oil and gas law.
Contact: Ms. Dyah Soewito, Partner
Ms. Retty Anwar Suhardiman, Partner
Ms. Ira Andamara Eddymurthy, Partner
Ms. Agustina Supriyani Kardono, Partner
Mr. Darrell R. Johnson, Advisor

12. Related Internet Sites

The following is a list of Internet sites that contain information, in English, that is of interest to U.S. exporters and the business community in Indonesia:

U.S. Commercial Service:
http://www.buyusa.gov/indonesia/en
http://www.export.gov
http://www.usatrade.gov
http://www.buyusa.com

National Trade Data Bank:
http://www.stat-usa.gov

Antara (Official News Agency of Indonesia):
http://www.antara.co.id

Tempo Interactive (Indonesian business journal):
http://www.tempo.co.id

The Jakarta Post (The Journal of Indonesia Today):
http://www.thejakartapost.com

Compilation of Related Indonesia Sites (Multiple Sources):
http://www.iit.edu/~indonesia/jendela

Market Research Return to top

To view market research reports produced by the U.S. Commercial Service please go to the following website: http://export.gov/mkrtresearch/index.asp and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Trade Events Return to top

Trade Event Schedule 2007-2008

The U.S. Commercial Service Indonesia recruits Indonesian firms to attend the following U.S. trade events as part of U.S. Department of Commerce, International Buyer Program (IBP) and other regional initiatives. Please click on the link below for information on upcoming trade events.

http://export.gov/tradeevents/index.asp

Return to table of contents

Return to table of contents

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. 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

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

(www.BuyUSA.gov/indonesia)

Return to table of contents

U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.