

# EIBD 2010 Summary Report

## Addendum - Sectors

# 5 sectors covered by EIBD 2010

1. Automotive
2. Food & Beverage
3. Infrastructure
4. Textiles, Apparel & Footwear
5. Medical & Pharmaceutical

## 3 core questions leading to recommendations

1. Where are – in the respective sector – the major opportunities for enhanced trade and investment between Europe and Indonesia?
2. What has to be done from a) the private sector and b) the governments to tap the full potential of these sectoral opportunities?
3. Which are the most important (cross-sectoral) policy improvements offering the greatest potential to increase trade and investment in the respective sector?

# Automotive

## 1. Where are opportunities...

- European car makers and suppliers underrepresented, not in line with the real market potential
- High import/luxury taxes hamper investment in local production and establishment of a local supply industry by the European car and automotive companies
- Leading to insignificant exports of automotive parts from Indonesia to Europe, esp. when compared with other ASEAN countries.

# Automotive

## 2. What has to be done...

- Reduction of import/luxury taxes for cars, correlating with local content; locally manufactured cars should not be treated less favourable than imported cars
- Equal treatment of European automotive manufacturers, esp. when compared with Japanese manufacturers
- Harmonization of Indonesian and international standards to increase the efficiency and the competitiveness of the local automotive industry.

# Automotive

## 3. Which policy improvements...

- EPA needed, including a new tax and import duty regime for the automotive sector
- Specific education and training facilities needed (potential for support from the European Union)
- Automotive industry is depending on in-time production. Therefore smart supporting infrastructure is needed, not only in Greater Jakarta area.

# Food & Beverage

## 1. Where are opportunities...

- Changing consumer habits in Indonesia will lead to potentials for European products
- Growing European demand for prepared and frozen food as well as confectionary industry products
- High European dependency on imported fishery products
- Establishment of export clusters and sales networks (from farmer to retail), including SMEs, could help accessing European markets.

# Food & Beverage

## 2. What has to be done...

- Improvement of research and testing facilities (skills, technology)
- Information flow: regional workshops on trade access to the EU
- Reassessment of existing regulations (BPOM) so that the private sector can act more thoroughly
- More exchange between Indonesian and European authorities, leading to improvements in policy making, without lowering standards.

# Food & Beverage

## 3. Which policy improvements...

- Indonesian export quality infrastructure (EQI) needs further upgrading. Extended support from the European partners more than welcome
- Implementation and execution of Indonesian legislation should be stringent and smooth, more communication needed between all stakeholders (government, industry and civil society)
- Education and training for skills enhancement needed, potential support from the European side.

# Infrastructure

## 1. Where are opportunities...

- Limiting effects of infrastructure is recognised by the Indonesian government
- Reforms are ongoing, making investment in infrastructure more attractive
- Broad range of technologies and services needed, from electricity generation to upgrading of railways and seaports.

# Infrastructure

## 2. What has to be done...

- Better coordination between central and local governments, sectors, regulatory authorities, and even private investors
- Decisive action to facilitate land acquisition
- Government needs to absorb risk, including through government guarantees

# Infrastructure

## 3. Which policy improvements...

- Indonesia still seen as a high-risk investment destination. Investment climate can be improved by
- tax incentives for investors and
- a faster progress in addressing regulatory barriers.

# Medical & Pharmaceutical

## 1. Where are opportunities...

- So far unbalanced trade, with a great surplus on the European side, esp. through locally manufactured products
- for European companies: growing middle class demands world-class products, untapped potentials in local R&D
- for Indonesian companies: exports of herbal medicine, meeting growing demand in Europe
- Indonesia as potential hub serving the ASEAN markets.

# Medical & Pharmaceutical

## 2. What has to be done...

- Private sector: tap synergies of joint distribution and marketing, investing in local production of ingredients
- Jointly: increase research on herbal/traditional medicines to develop new exportable products
- Joint initiative of private sector, governments and (Indonesian) missions abroad needed to help Indonesian exporters penetrating new markets, such as in ASEAN
- Establishment of clinical research laboratories to deepen the value-chain of Indonesian pharma products .

# Medical & Pharmaceutical

## 3. Which policy improvements...

- Government: ease regulatory environment, clarification of the investment regulation to facilitate engagement of existing and new manufacturers in Indonesia
- Indonesia's human resources especially in medical and pharmaceutical field need to be improved, therefore support from EU companies or government is needed (capability building).

# Textiles, Apparel & Footwear

## 1. Where are opportunities...

- Paramount importance of Europe as market for Indonesian products
- Low level of labour costs creates opportunities for downstream production
- European companies can supply high-tech equipment which is needed to raise productivity and output quality.

# Textiles, Apparel & Footwear

## 2. What has to be done...

- Production means are outdated. Entrepreneurial spirit is needed, supported by eased access to financial means.
- Lack of skilled staff for specific design and engineering as well as management. Technical schools with industry-oriented curricula needed.
- Indonesian products and European equipment as well need more professional promotion, positive branding
- Joint marketing activities of governments and the private sector.

# Textiles, Apparel & Footwear

## 3. Which policy improvements...

- Investors' and buyers' negative perception can be changed through stringent and positive branding
- Prolongation of the industry revitalization program needed beyond 2014
- EPA or FTA needed to significantly support Indonesian sales in Europe.

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