

EIBD 2010 Summary Report

Overview

- Focus on themes and priorities
- These recommendations drawn from this conference and the recommendations of the working groups of Kadin and European Chambers
- Highlights include
 - Business opportunities
 - Recommendations for government and chambers
 - Capacity building measures

Overall State of Play 2010

- Still risks in global markets but now a much stronger basis for growth in bilateral trade and investment
- Indonesian economic growth set to continue upward trend and even higher rates are possible
- Many new opportunities emerging from increasing complementarity between EU and Indonesia
- Trade is growing but relative market shares declining in Europe and Indonesia

Right now...

- Prospects good but entry challenging
 - EU a “sweet” market for Indonesian exports
 - but high and sometimes complex regulatory standards mean it is not easy to enter
 - Indonesia a very lucrative market for European trade and investment
 - but lack of regulatory clarity raises costs of entry, cost of doing business and operational certainty

Opening new opportunities.....

- Some big themes
 - Hard and soft infrastructure and systems top priority in Indonesia
 - Significant reforms underway but implementation critical
 - More regulatory transparency and cooperation needed in trade and investment issues
 - Perceptions often outdated and dialogue needed to address knowledge gaps on both sides
 - Importance of bringing in new players, especially SMEs

Physical infrastructure and systems

- Transport and energy infrastructure key priority in Indonesia
 - for value adding industries and new industrial clusters, especially outside Java
 - As backbone for trade facilitation, for better domestic and regional logistics systems and new supply chains
- Big opportunities for private investment
- PPP projects need streamlining under one agency
- New law on land acquisition must work
- Capacity building targets
 - To help Indonesian Government cut regulatory bottlenecks for infrastructure investment

Soft Infrastructure: Training and Education

- Need to invest more in training and education for “smarter” industry and investment
 - Indonesia has big numbers of graduates but relative performance still low
- Government funds have increased but major openings for foreign investment
 - Shift education to Indonesia
- Education is a major target of CSR activities in Indonesia
 - Big possibilities to increase CSR expenditure on education

Industry and Regulatory Reform Agenda

- List of reforms to revitalize industry and improve administration is significant:
 - Examples: One stop shop for investors, new logistics blueprint, transport reform, energy reform, addressing IPR, bureaucratic reform, land acquisition, clustering, regional specialization and competency, negative list
- Timeliness and quality of implementation critical
 - Need to socialize opportunities and consult with investors on implementation
 - Capacity building target
 - effective implementation and making reforms bankable

Regulatory Reform, Transparency and Cooperation

- *Indonesia*: trade and investment regulation lacking in transparency
 - Major Government agencies are addressing challenges
 - Two key issues raised: IPR and trade related regulation
 - More systematic dialogue with private sector needed on
 - regulatory goals
 - real and unintended impact on business and
 - practical implementation problems
 - Capacity building targets
 - Import regulations
 - Competition law and regulations
 - IPR socialization and protection

Regulatory Reform, Transparency and Cooperation

- *Europe*, trade and environment regulation difficult to understand and meet
 - Already EU tools and websites available for exporters
 - But EU assistance and cooperation important to
 - Socialize the regulations, esp. standards and changes in regulations
 - Help businesses meet high European standards
 - Chambers, trade officials can assist with information flow
 - Capacity building targets
 - SPS and food sector
 - Consumer protection in health and pharmaceuticals
 - Environmental protection and furniture/timber

Perceptions and Knowledge Gaps

- Perceptions of Indonesia are outdated
 - Business and public perceptions not balanced
 - Indonesia needs to work on promotion and “branding” in a concerted way
- Knowledge gaps in Europe and Indonesia still significant
 - Especially among smaller players
 - Opportunities in regions
- Cooperation and capacity building targets
 - Kadin and Chambers take a bigger role
 - Business organizations and trade officials to work together
 - Step up information flows and socialization

Bringing in new players and SMEs

- Growth will come from new players, especially SMEs from both Europe and Indonesia
 - High costs for SMEs from lack of transparency, lack of information, problems doing business, red tape, market knowledge, promotion, finding partners
- Cooperation and capacity building targets
 - Support from domestic and foreign chambers in business matching, information, websites, market research, trouble shooting
 - Governments to assist in funding this because cost recovery from small players difficult

EIBD 2010 Policy Recommendations

1. EU and Indonesia to focus more on opportunities:
 - Develop a vision to make our trade and investment relations reach the next level of growth
2. EU and Indonesia should pave the way towards a comprehensive partnership agreement
3. EU and Indonesia to put in place a mechanism to improve transparency and consultation on regulation

Policy Recommendations....

4. EU and Indonesia to improve regulatory cooperation through improved communication and technical dialogues
 - Business should be integrated in this dialogue

Policy Recommendations...

5. EU to support Indonesia through cooperation and technical assistance:
 - To make regular impact assessments on draft regulations
 - Capacity building for implementing regulations
 - To implement international standards in key sectors such as UNECE standards for automotive
 - To develop better understanding on EU laws and regulations including Sanitary and Phytosanitary, REACH, FLEGT and renewable energy directive
 - Capacity building to help meet EU requirements
 - to develop capacity building programs for new market opportunities in cosmetics and herbal products

Policy Recommendations...

6. Indonesia: to cut red tape in areas such as mandatory certification and registration systems for industrial and food products
 - Give specific attention to easing requirements on SNI
 - Facilitate registration and labeling in Bahasa Indonesia of agro food products

Policy Recommendations...

7. Indonesia to improve the investment climate in key areas including infrastructure, medical and pharmaceuticals and ensure better protection of IPR
 - Review the negative list on pharmaceutical sector
 - Enforcing stronger PPP agenda and its regulatory framework
 - Implementation of land acquisition and government guarantee funds policies should be done dealt soon and effectively.