

Indonesia at a Glance

A PRACTICAL BUSINESS GUIDE



OFFICIAL PROGRAM

A Snapshot of 70 Years Diplomatic Relations



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|---|---|
|  SWITZERLAND & INDONESIA | |
|  <h2>DIPLOMATIC RELATIONS</h2> <p>Since 2 November 1951</p> | <h2>KEY ASPECTS</h2> <ul style="list-style-type: none">  Regular bilateral consultations on political relations, trade and human rights since 2011  Indonesia-EFTA Comprehensive Economic Partnership Agreement (CEPA) signed on 16.12.2018  Investment values: USD 500 million (ranked 5th in Q1/2021)  Mutual Legal Assistance (MLA) Treaty signed on 4.2.2019  150 Swiss companies and brands operate locally, employing >50,000 people. |
|  Indonesian tourists love Swiss nature, hospitality and family-friendly facilities.  >100,000 overnights by Indonesian tourists (2019) | <h2>DEVELOPMENT COOPERATION</h2> <p>Focus:</p> <ul style="list-style-type: none">  Skills  Tourism  Urban development  Public finance |
| <p>© FDFA, Presence Switzerland 2021 / Source: Federal Department of Foreign Affairs</p> | |

Switzerland's Footprint & Impressive EcoSystem

Growing Commercial Ties

Indonesia is a lucrative market and an ideal production base for Swiss manufacturers to serve domestic and export markets. Bilateral trade between the two partners currently stands at CHF 885 mio.

In December 2018, Indonesia and the European Free Trade Association (EFTA) countries signed the Indonesia-EFTA Comprehensive Economic Partnership Agreement (IE-CEPA), which goes into force November 1, 2021.



CHF 885 mio.

Bilateral Trade (2020)

excl. gold

Swiss Foreign Direct Investment (FDI) in Indonesia

In 2020, Swiss companies accounted for over 550 FDI projects in Indonesia, with a cumulative estimated value of USD 130 mio. Switzerland is the 17th-largest source of FDI for Indonesia globally, and the 5th largest among European countries. FDI reached CHF 466 mio. in Q1/2021!



USD 130 mio.

Swiss FDI to Indonesia

(2020)

Facts & Figures of the local SwissEcosystem

Indonesia and Switzerland have established strong trade and investment bonds and are celebrating 70 years of diplomatic relations in 2021. Today around 100 Swiss companies operate in the country, employing a workforce of more than 50,000 people. Around 50 Swiss brands are represented via local partners.



100+ companies

Operating in Indonesia

(2020)



50+ brands

Represented in the

country (2020)

A selection of companies with own local operations



Attractive Growth Opportunities for Swiss Companies



Mechanical & Electrical Engineering Industries (MEM): Indonesia is one of largest manufacturing countries in the world, with established segments such as textile and F&B, and new growth areas such as electric vehicle batteries. Today a wave of international manufacturers are establishing their presence in Indonesia. The government supports the production of higher value-added electronics, while the 'Making Indonesia 4.0' initiative enhances connectivity and digitisation of the sector. Manufacturing in Indonesia will also give Swiss businesses access to almost 700 million consumers within the ASEAN region. Please find more information about why Indonesia can be viewed at this link: [The Global Supply Chain Diversification Opportunities in Indonesia](#). And to find more about sectoral opportunities at this link: [Growth opportunities for Swiss MEM companies](#).



MedTech: In 2020, the Indonesian MedTech market had a size of around 1,8 billion US\$. While local production is focused on the manufacture of basic items, the country relies heavily on foreign suppliers for advanced devices. Healthcare is a priority and the government is building new hospitals while upgrading existing facilities. In this context, two themes stick out that will have an impact especially on the national MedTech market: the recent opening of the healthcare and MedTech market for 100% foreign investment, and the government's efforts to increase the local manufacturing content of MedTech products. High-quality MedTech products are on demand and more information available at this link: [Business opportunities for Swiss MedTech companies in Indonesia](#).



Digital Health: With fewer than 4,000 hospital beds in the sparsely populated archipelago, digital health solutions are particularly adapted to the challenges faced by Indonesia. During the Covid-19 crisis, the government has directed the public to telehealth firms, whose usage has skyrocketed. Today, major local digital health players are improving healthcare access and services to millions of Indonesians, while other solutions such as AI and robotics are being explored. More information is available at this link: [Digital Health opportunities in Indonesia](#).



Fintech: Digital financial services revenue in Indonesia is projected to rise from USD 1.5 billion in 2019 to USD 8.6 billion by 2025. The Covid-19 pandemic accelerated the shift toward cashless transactions, with the largest private bank in Indonesia reporting growth of over 50% in its mobile and internet transactions in 2020. The country is home to 20% of all Fintech companies in South East Asia. Underserved individuals and SMEs are key growth segments. Find out hidden growth opportunities within Indonesia's Fintech Ecosystem at this link: [Indonesia – the next Fintech hotspot in ASEAN region](#).



E-commerce: Indonesia has the largest e-commerce sector in Southeast Asia, expected to account for 50% of all e-commerce transactions in the region by 2025. The country's fast growing B2B and B2C e-commerce platforms are increasingly important channels. Covid-19 pandemic has changed consumer purchasing behaviour. Indonesia consumers will buy daily grocery items, including fresh foods, through online as an alternative of offline channel, continuing the habit carried out during the pandemic. Please find more information at this link: [E-commerce Indonesia – a practical manual](#).



Dietary & Health Supplements: New lifestyles have led to a greater prevalence of chronic diseases, resulting in a growing consumption of dietary and health supplements, whose market is estimated to be worth over USD 1.8 billion in 2020. An expanding middle class is driving demand for premium products, sustained by a boom of modern retail channels. Young consumers are particularly likely to buy foreign products, thanks to higher disposable income and the influence of social media. More information is available at this link: [Dietary & Health Supplements trends and opportunities in Indonesia](#).



CleanTech: Indonesia is focusing on strengthening the sustainability of its energy mix, with the goal of securing 23% of its energy from green sources by 2025, and 31% by 2050. A further strategic objective relates to the enhancement of energy efficiency, with the target for the country to reduce energy intensity by 1% per year. Wastewater management is another key priority: the government aims to achieve 100% clean water supply and sanitation by 2030. Please find further information about these three sectors at these links: [Renewable Energy opportunities](#), [Energy Efficiency opportunities](#), and [Wastewater management opportunities](#) in Indonesia.

Latest Regulatory and Mega-Economic Trends

CEPA (FTA) between EFTA & Indonesia



The EFTA States (Switzerland, Iceland, Liechtenstein and Norway) and Indonesia signed a Comprehensive Economic Partnership Agreement, CEPA, in Jakarta on 16 December 2018. The agreement has now been ratified and is going into force on November 1, 2021. It will increase legal certainty, improve the predictability of the bilateral economic relations and promote cooperation between the authorities. Swiss companies benefit from the so-called “window of opportunity”, a real competitive advantage over other EU countries. Tariff concessions are designed in such a way that all major Swiss export sectors can benefit from the agreement, including both industry and producers of agricultural products. After HS code specific transition periods, around 98% of Swiss exports become duty free, i.e., the saving potential on import duties is estimated to reach around CHF 36 mio. annually. Swiss companies are encouraged to use the momentum and explore this most promising growth market.

Omnibus Law

Indonesia has been actively introducing measures to attract more investment and improve the ease of doing business in the country. To boost investment, the government promulgated an Omnibus Law in October 2020, reforming more than 70 laws, streamlining business regulations, simplifying the land acquisition process, easing restrictions on foreign investments, loosening labour laws, and providing more incentives to free-trade zones. The Omnibus law was ratified in November 2020, highlighting the government’s determination to push through reforms.

Legal and Tax

A company is subject to the tax obligations set by the Indonesian government if the company's domicile is in Indonesia. Similarly, a foreign company that has a permanent establishment in Indonesia - and carries out business activities through this local entity - falls under the Indonesian tax regime. If the foreign company does not have a permanent establishment in Indonesia but does generate income through business activities in Indonesia, then it needs to settle its tax liabilities through withholding of the tax by the Indonesian party paying the income.

| Corporate Income Tax Rate | Tax Rate |
|--|---------------------|
| Standard rate | 22% (20% from 2022) |
| Public company with >40% of its shares traded on the IDX | 19% (17% from 2022) |
| Companies with a gross turnover below IDR 50 billion (CHF 3.2 million) | 11% (10% from 2022) |

Sources: PwC

Indonesia has initiated a raft of legislative, regulatory, and administrative changes to reform the existing tax system and improve its efficiency while optimising revenue collection and tax compliance. The most recent series of reforms in October 2021 maintains the corporate tax rate at 22%, phases in the VAT hike more gradually (will go to 11% next year instead of 12%), and introduces a new carbon tax. These changes, combined with other tax incentives launched in previous months to help both local and foreign businesses cope with the pandemic, demonstrate that Indonesia is more ready than ever to welcome foreign investors.

Sharia – The Islamic Economic Ecosystem

Indonesia, which accounts for the largest Muslim population in the world, aims to be the engine of economic growth in compliance with Islamic law requirements (Sharia). The Indonesian government has developed the Indonesian Islamic Master Plan to strengthen and promote the growth of the Sharia economy.

The sector includes Halal food, pharmaceuticals and cosmetics, modest fashion, Halal media and recreation, Halal travel, and the Islamic banking.

The country is also positioning itself to become Asia’s Islamic finance hub and targets to capture 20% of the global Islamic banking market by 2024. In addition, Halal industrial zones are being developed to attract foreign investors and drive domestic halal production and exports of Halal-certified products. Please find more information at this link: [Sharia Overview of the Islamic Economic Ecosystem in Indonesia.](#)



Halal Regulations

A new Halal Product Law came into effect as of 17 October 2019. Under a multi-stage implementation period starting from 2024, food and beverage, cosmetics, drugs, and other consumer products will be required to be labelled as Halal or non-Halal.

Though it is not mandatory, products that are certified Halal will gain greater acceptance in the market. Locally certification is issued by the Indonesian Halal Certification Agency (BPJPH). Swiss manufacturers in Europe can also use any approved foreign halal certification bodies in Europe, including Halal Certification Services in Switzerland.

More information about Halal regulations can be found at this links: [Halal Updates Fact Sheet.](#)

Possible Market Entry Models



OPTION 1 **Direct Exports** **via Distributor**

- Most common way to export from Switzerland to the Indonesian market
- Appoint a distributor who takes care of registration, helps to navigate the market and follow relevant regulations
- Market Intel Report including regulatory environment



OPTION 2 **Direct Exports via** **Representative** **Office**

- Cost effective option to start penetrating and analysing the market however activities are restricted to marketing and managing appointed distributors
- Direct sales are not allowed
- Use [Swiss Centre Indonesia \(SCI\)](#) as an interim solution, and open a formal Rep Office within SCI (under Swiss Mgt).



OPTION 3 **Direct Exports via** **Own Legal Set-up**

- If feasible, establish a PT PMA (Limited Liability Company) for sales, marketing and after sales services. Visit this link for more information: [How to Establish a Company in Indonesia](#)
- Is capital intensive (around CHF 650,000 paid-up capital)
- Foreign ownership is restricted in some sectors like transportation and mailing activities



OPTION 4 **Joint Venture**

- A JV usually involves the setup of a PT PMA (AG)
- The right local JV partner can offer access to established markets and distribution networks
- Important to undertake background checks, a feasibility assessment of the JV, and obtain tax advice prior to entering into an agreement



OPTION 5 **Local Production,** **Regional Trade**

- Manufacturing to cater to the local market – maybe localisation (local content) is needed
- Many international players serve neighborhood markets across the ASEAN region
- Intra-ASEAN trade is tariff-free



OPTION 6 **Supply Chain** **Diversification**

- Diversify your global sourcing or supply chain to reduce risk
- Improving regulatory environment in Indonesia, coupled with considerable cost advantage
- Consider Indonesia an alternative to other Asian countries
- Export back to Switzerland using FTA (CEPA) CH-ID

Testimonials from Successful Swiss Companies and Why the Indonesian Market Matters

“The next 25 years will usher in tremendous growth and development to Southeast Asian economies. Thanks to its very strong demographics, stable macroeconomic environment and forward-thinking trade & investment policies, we expect Indonesia to emerge as one of the largest and most open markets within the region, and globally. Swiss companies succeed in Indonesia because of their innovative and collaborative approach, which is now sustainably supported by the enactment of CEPA. Now is the perfect time to explore opportunities for your business in Indonesia.”



ZURICH

Chris Bendl, CEO of PT. Zurich Topas Life and Country Manager of Zurich Indonesia

Indonesia has a conducive environment for investment, given the good diplomatic relationship between Swiss and Indonesia resulting in CEPA, and the government's initiatives to keep on improving and simplifying administrative processes to attract foreign investors via the “Omnibus Law”. For Givaudan, Indonesia is part of our 2025 Global Strategy for growth and investment, hence CEPA will play a crucial part. Indonesia is the world's 4th most populous country, with a young demographic and rapidly expanding middle class, resulting in a high-growth potential in the long term.”

Givaudan

Sari Lukito, Human Resource Director of Givaudan Indonesia



“As the fourth largest country in the world in terms of population and the largest economy in Southeast Asia, Indonesia is one of Clariant's most important locations in Asia. Endowed with natural resources, combined with a young and talented workforce of various expertise and skillsets, Indonesia has what it takes to emerge and thrive as a huge economic powerhouse. Having set its footprint in Indonesia back in 1955 through our previous parent company Hoechst, Clariant has now expanded its presence to seven locations in the country. With Clariant's full commitment to responsible use of natural resources, our sustainable and innovative specialty chemical solutions not only benefit Indonesians but also customers in various export markets around the world.”

CLARIANT

Hans Herrel, President Director of PT. Clariant Indonesia



“With its large and growing market, improved investment climate and political stability, Indonesia provides unlimited opportunity for our business. With initiatives like “Making Indonesia 4.0” and the “Omnibus Law”, we have seen the manufacturing sector grow to contribute significantly to the country's GDP. This is where our technology plays a critical role in advancing our customers' manufacturing plants with process automation. Invest in Indonesia now as it transforms into a global manufacturing hub!”



Endress+Hauser

Henry Chia, President Director of Endress+Hauser Indonesia

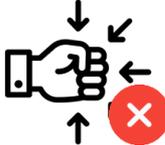
“Sika Indonesia has been investing in Indonesia since 1987. Our business is mainly focusing on construction chemicals where we benefit from the extraordinary growth of the infrastructure boom not only in Indonesia but also in other ASEAN markets. As the biggest ASEAN economy with a vast range of raw materials, Indonesia has a huge domestic market but is equally also attractive as a manufacturing hub to serve neighbouring markets”



Eddy Sutanto, General Manager of PT. Sika Indonesia

Business Practices and Cultural Aspects

Swiss companies planning to enter the Indonesian market should be aware of specific business practices and cultural aspects. Amongst others, here are a few examples:

| DO'S | DON'TS |
|---|---|
|  <p>Offer a handshake, followed by exchange of business cards (Some Indonesians may prefer to put together both hands in front of their chests and bow lightly.)</p> |  <p>Use the left hand to greet, receive or give business cards or gifts, use right index finger to point or place hands on hips while talking.</p> |
|  <p>Seek clarification if responses appear to be vague or ambiguous (Indonesians tend to communicate indirectly.)</p> |  <p>Expect decisions to be made swiftly. (Patience is key and insistence on quick decisions can be detrimental.)</p> |
|  <p>Wear business attire, suits for men and modest attire for women, to attend meetings. (Showing up in long-sleeved batik shirt is a sign of appreciation of Indonesian culture.)</p> |  <p>Reject a meal or drink if offered – it is considered courteous to taste food and drink items offered by the host. (Alcohol and pork are commonly not consumed for religious reasons.)</p> |
|  <p>Be aware of scheduled praying times and refrain from conducting meetings on religious holidays.</p> |  <p>Complain if meetings do not start on time, but demonstrate understanding. (Meeting confirmations can happen at last minute.)</p> |
|  <p>Be aware that instant messaging via WhatsApp is a common means of communication across the private, business and government sectors.</p> |  <p>Criticise people in public, as in the local culture this can cause the person to “lose face”.</p> |
|  <p>Greet people in order of seniority and address people with their title and first name, for instance “Pak” (Mr.) or “Ibu” (Ms or Mrs).</p> |  <p>Interrupt conversations or try to fill in silence gaps, as it may be considered disrespectful.</p> |

About Us and Our Team

As a non-profit organisation granted a mandate by the Swiss Confederation, [Switzerland Global Enterprise \(S-GE\)](#) helps Swiss companies to export and do business internationally. Our organisation acts as a first point of contact to deliver professional advice, and supports Swiss businesses in finding contacts and partners, and identifying new business opportunities into global markets. S-GE is represented abroad in 27 locations by Swiss Business Hubs (SBH) and Trade Points and located in the Swiss Embassies or Swiss Consulates-General.

As part of the Embassy of Switzerland in Jakarta, Swiss Business Hub Indonesia (SBH Indonesia) is uniquely positioned to support a variety of business requirements, especially SMEs.

Amongst the Swiss Ecosystem in the market, the Swiss Indonesian Chamber of Commerce called "[SwissCham](#)" and the Swiss Centre Indonesia "[SCI](#)" are strategic partners of the SBH Indonesia.

With an excellent network of contacts and industry experts in the market, SBH Indonesia will help Swiss companies understand on how to do business in Indonesia, decide on a suitable market strategy and connect with suitable local business partners. Typical service packages include market intelligence; legal and regulatory; clarifications; distribution partner search; tailor-made fact-finding trips; trade fair participation.

If you are interested and require further information, SBH Indonesia can be of assistance. Please do not hesitate to contact us.

Switzerland Global Enterprise | Headquarters

Stampfenbachstrasse 85 | CH-8006 Zurich | T +41 44 365 51 51 | s-ge.com



ANGELA DI ROSA
Senior Consultant South East Asia
adirosa@s-ge.com
T +41 44 365 54 73
M + 41 79 680 08 44



ALAIN GRAF
Senior Consultant Asia
S-GE Renens office
agraf@s-ge.com
T +41 21 545 94 97
M + 41 79 634 2057

Swiss Business Hub Indonesia

c/o Embassy of Switzerland | Jl. H.R. Rasuna Said | Blok X 3/2 | Kuningan | Jakarta 12950 | Indonesia



WOLFGANG SCHANZENBACH
Head Swiss Business Hub Indonesia
wolfgang.schanzenbach@eda.admin.ch
T +41 58 480 38 55
M +62 811 870 9013



FERANICA SUSANTO
Senior Trade Officer
feranica.susanto@eda.admin.ch
T +41 58485 0466
M +62 812 953 7355

ExportHelp

s-ge.com/exporthelp
exporthelp@s-ge.com
T 0844 811 812



Switzerland Global Enterprise
Stampfenbachstrasse 85
CH-8006 Zürich
T +41 44 365 51 51

Switzerland Global Enterprise
Corso Elvezia 16 – CP 5399
CH-6901 Lugano
T +41 91 601 86 86

Switzerland Global Enterprise
Ch. Du Closel 3
1020 Renens
T +41 21 545 94 94

s-ge.com