

BSD Bulletin Indonesia Trade & Investment News 12/12

INDONESIA AND THE REGION

[THE 9th ASEAN BUSINESS & INVESTMENT SUMMIT \(ASEAN-BIS\) IN PHNOM PENH CONCLUDES SUCCESSFULLY](#)

With over 1000 attendees joining a range of highly informative panels and intense discussions on a range of topics on ASEAN development of the coming years and on the way to achieving the AEC 2015 (ASEAN Economic Community), the 9th ASEAN-BIS in Phnom Penh concluded with a key panel moderated by Cambodia's Senior Minister, Minister of Commerce and ASEAN Economic Ministers Chair 2012, Cham Prasidh. The discussion, featuring leading economists presenting their institutions' research visions on the future of ASEAN from 2013 to 2030, gave a lively insight into what will, and what should, be coming for the world's most attractive investment and business community.

"This Cambodian-hosted ASEAN-BIS Summit raised great interest in ASEAN and its business environment, and the record number of delegates coming to Phnom Penh for these three days is proof that this region remains top of the list for the world's investment community", says Neak Oknha Kith Meng, Chairman of ASEAN BAC in 2012. "The global and regional business community places very high hopes on this marketplace and is very curious about its most attractive investment destinations with the greatest growth potentials, such as Cambodia, Laos and Myanmar but of course also its more developed partner markets. Delegates and speakers place a lot of confidence in the opportunities that arise in ASEAN."

Organized by the ASEAN Business Advisory Council (ASEAN-BAC) and co-hosted by the Cambodia Chamber of Commerce, the ASEAN-BIS is established



ASEAN-BAC



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Events & Imprint

as an official side-event to the ASEAN Leaders Summit and the East Asia Summit (EAS), where no less than 16 Heads of States and Governments convene in the Cambodian capital.

This year's ASEAN-BIS included prominent speakers such as H.E. Samdech Decho Hun Sen, Prime Minister of the Kingdom of Cambodia; H.E. Cham Prasidh, Senior Minister and Minister of Commerce; H.E. Surin Pitsuwan, Secretary General of ASEAN; Donald P. Kanak, Chairman of Prudential Corporation Asia; Gilles Plante, CEO Asia of ANZ Banking Group; Dr. Jonathan Choi, Chairman of Sunwah Group, and many more.

Ruben Hattari, Executive Director of the ASEAN-BAC and the organizer of the annual ASEAN-BIS, is pleased with the strong support of ASEAN Governments and the private sector both from the region and from Cambodia. "This was a very good result with a broad participation, and the ASEAN-BAC and its members from the 10 ASEAN countries are pleased with the Phnom Penh event."

The 2012 ASEAN-BIS continues to serve as a prime platform for knowledge exchange and networking between the regional business community and ASEAN's political leaders. The summit provides insight into ASEAN developments by leading corporate, governmental and academic experts who are a major driving force for further ASEAN integration.

Source: ASEAN-BAC

chaired by KADIN Indonesia and BritCham, has identified some key problems related to infrastructure development and submitted the following recommendations (excerpt):

Issues:

1. legal uncertainty for foreign investors.
2. Endemic corruption in the government, with continuing need for "fees" to get projects started or the necessary permits issued.
3. Until implementation under the new law is exercised, land acquisition will remain an issue.
4. Over-lapping regulations between central and regional governments.
5. Limited opportunities given in several sectors (Power Plants) to foreign investors.
6. The lack of advertisement, through the media for attractive SOE's that would generally create private sector interest.

Proposed Solutions:

1. Take stronger steps to address the distortions in the economy, such as those arising through corruption by:
 - Ensuring proposed projects/tenders given by the government are clear from the very beginning (timetable, cost, feasibility study, regulations, etc.), and that they are guaranteed by the Government.
 - The issuance of effective laws to support and accelerate the building/development of infrastructure.
2. Allocate at least 5% of GDP per annum as soon as possible and for the ensuing 10 years. In addition, ensure that the funds are spent optimally and in a timely manner on physical infrastructure.
3. Proceed with the implementation of the land acquisition bill.
4. Push all government departments to complete and implement all outstanding regulations across all sectors:
 - Develop and integrate a blueprint that connects central and provincial projects within the same territory. This will ensure there will be no overlaps within projects, hence removing a big hurdle.
 - The government of Indonesia should be clear in its directions and commit to better coordination between the central and regional Governments. This must be reiterated by strong political will.

INDUSTRY NEWS

[EIBD Recommendations on Infrastructure](#)

Early November 2012, the EU-Indonesia Business Dialogue Conference (EIBD) handed over the interim report with recommendations to the Government of Indonesia and the European Commission. After one year of intensive discussions among business representatives from both sides, the recommendations aim at releasing bottlenecks and enhancing trade and investment relations between the two regions.

In its extensive analysis, the EIBD Working Group on Infrastructure highlights the high costs of doing business related to infrastructure. Indonesian companies spend an average of 14.08% of their production costs on logistics – accounting for 27.02 % of the national GDP, most is spent on transportation, accounting for 66.8%. The rest is for administration (5.64%) and for procurement (27.56%).

The EIBD Working Group on Infrastructure, jointly

5. Commence towards full implementation of the MP3EI, including the strengthening of regional bureaucracies that are involved in the development and delivery of projects.

(*LH from EIBD Recommendation Paper and KADIN Policy Paper on Infrastructure*)

FOREIGN INVESTOR COLUMN

[In The Year 2025 – Indonesia is New Member of G10](#)

By Christian Hainsch – Indoconsult Munich

www.indoconsult.de

"Washington D.C. – The IMF – Director announced today the new member countries of G10 for the coming year. In addition, the founding countries Indonesia as well as South Korea have been nominated to take part in the G10 round as of January 1, 2026. The nomination of both countries was already expected by analysts as far as both have been part of the so-called SMIT-Group. Indonesia's President Joko Widodo expressed his gratitude to the IMF and to his fellow citizens, which so he said: "did their best efforts to reach the goals defined in the MP3EI" to become a member of the G10. Indonesia has currently a GDP Growth of 8,5% and has passed China and India in the year 2019 by its growth rates."

This is currently fiction; however if you look at Indonesia at present and if you know about the potential of this country you may consider that the paragraph above may become reality. Indonesia is definitely one of the most promising markets in the Asia – Pacific Region and a country of superlatives. Fourth biggest country in the world by its population, more than 17,000 islands, biggest producer of palm oil, 60,000 medium sized enterprises, 41 million small economic units, 240 million people, 5.700 km archipelago, three different time zones and so on. Most of these impressive facts have been written already a thousand times.

But what has not been written is why it is really a good idea to do business in Indonesia. Of course you may say that the country is having constant GDP growth over the past years, a stable democratic system, endless seeming natural and human resources. On the other hand, you may say that the country is having problems such as corruption, bad infrastructure, natural disasters, uncertainty in legislation and a few more. But every market has its shiny sides and dark abyss. Looking for opportunities and taking risk is daily bread for businessmen and if we do not take any risk we will never experience

the chances to enter a new market.

The reasons to do business in Indonesia are infinite and it is every one's own choice to do it or not. I have met many businessman who asked why I am doing business in and with Indonesia. They have asked me about how I deal with all those bad things they have heard. They want to know if we make good and stable profits with that business and they want to hear how long I will continue. And, that is already the question I was waiting for. I will continue business with Indonesia for the rest of my life. If it is running well or not, if I fail with one idea or succeed with another, if I have to deal with corruption issues or interfering laws. It all does not matter because the reason to make business in Indonesia is that once you catch fire and understand the country you will never give up to develop something there.

Every time I drive through an Indonesian city or village I discover some hundred ideas of doing business, and this not only in Indonesia but, anywhere else in the world. I have seen so many Indonesians having good ideas earning their money and making their living that I am impressed by the creativity which only has to be recovered, shaped and transferred into realistic and practical ideas.

If Indonesia understands that the creativity of 240 million people are the most valuable resource of a country and is able to give people the chance to live out this creativity the future will be prosperous and the 2025 – target is realistic. Together with the support of foreign investors these resources can be channeled into the right direction to the benefit of all participants.

REFORM AND POLICY UPDATES

[Court's Ruling on Exporting Raw Minerals](#)

On Monday, November 5, 2012, the Indonesian Nickel Association (ANI) started socializing the Supreme Court decision on allowing exports of raw minerals which revokes the initial regulation, in May 2012. According to the Energy and Mineral Resources Ministerial (MEMR) Decree No. 7/2012 mining companies would only be granted mineral ore export permits after receiving clean status' for their business licenses as well as showing commitment to establish smelters or cooperate with other companies to process their mineral ores for export.

The decree applies to export of 65 mineral commodities, excluding coal, which then has been revised

into the new MEMR No. 11/2012. ANI, the institution that filed the suit, has confirmed that their objection has been endorsed by the Supreme Court on Sept. 12. Under the verdict, the court ordered the government to withdraw four chapters in the regulation, including one chapter limiting the exports of raw minerals since May 6. Thus, the mining companies are able to export mineral ores again, including bauxite, iron ore, copper and aluminum.

The chapters being annulled are Chapter 21, Chapter 8 sub-chapter 3, Chapter 9 sub-chapter 3, and Chapter 10 sub-chapter 1.

Early this year, the government imposed a 20% export tax on 65 types of mineral commodities which was supposed to be applied next year, followed by a total ban by 2014. This ruling was deemed necessary to curb overexploitation and intended to encourage investment and development in local refineries and smelters.

This ruling is required by the 2009 Mining and Coal Law which stipulates that within five years of the law taking effect, Indonesia will no longer permit the export of raw minerals and will curb the exploitation of non-renewable natural resources. The provision also applies to coal. **(LH)**

G20 Finance Communiqué

One day before the US Presidential elections, the finance chief of the 20 largest world economies met in Mexico to discuss the global budget deficit challenges. They worry about the possible fiscal cliff that might be happened to US because it's spending cuts and tax hikes policy could hurt global output next year.

Unless a fractious Congress can move quickly to reach a deal after Tuesday's U.S. elections, about USD 600 billion in government spending cuts and higher taxes are set to kick in from January 1, threatening to push the American economy back into recession. This in return might hurt the struggling global economy.

After some tight discussions, the G20 Ministers published the following communiqué:

"We will do everything necessary to strengthen the overall health and growth of the global economy. Our main focus in the period ahead will be to rebuild confidence and to reduce risks and volatility in international financial markets; contribute to a faster pace of economic recovery and job creation, and promote the foundations for strong, sustainable, and balanced growth. We are firmly committed to open trade and investment, expanding markets and resisting protec-

tionism in all its forms."

"Global growth remains modest and downside risks are still elevated, including due to possible delays in the complex implementation of recent policy announcements in Europe, a potential sharp fiscal tightening in the United States, securing funding for this year's budget in Japan, weaker growth in some emerging markets and additional supply shocks in some commodity markets. The reduction of global imbalances has not been sufficient, and in many countries the process of necessary deleveraging by the private and public sectors is ongoing and unemployment remains high. Complete and timely implementation of all of our policy commitments is critical in order to continue to reduce risks and secure a durable and strong recovery."

"Current reform momentum in the EU on structural, fiscal and financial fields needs to be continued with the view to improving competitiveness and promoting financial stability. In this respect, we welcome the recent decision by European leaders to agree on a legislative framework by January 1, 2013 on a single supervisory mechanism. "We will ensure our public finances are on sustainable paths, in line with the medium-term Toronto commitments in the case of advanced economies. In light of the weak pace of global growth, they will ensure that the pace of fiscal consolidation is appropriate to support the recovery. Countries which have fiscal space will let the automatic fiscal stabilizers operate as appropriate. Those with sufficient space stand ready to support demand as needed in the short-run should economic conditions deteriorate. The United States will carefully calibrate the pace of fiscal tightening to ensure that public finances are placed on a sustainable long-run path while avoiding a sharp fiscal contraction in 2013. In Japan further progress in medium-term fiscal consolidation is needed. By the next Summit, advanced economies agree to identify credible and ambitious country-specific targets for the debt-to-GDP ratio beyond 2016, where these do not currently exist, accompanied by clear strategies and timetables to achieve them."

"The weak pace of global growth also reflects limited progress towards sustaining and rebalancing global demand. We commit to achieving external and internal adjustment in a way that supports and sustains growth and leads to global rebalancing.

"We welcome and endorse the improved OECD standard with respect to information requests on a group of taxpayers and encourage all countries to adopt it when appropriate. We will continue to imple-

ment practices of automatic exchange of information and call on the OECD to analyze the safeguards, mechanisms and milestones necessary to increase its use and efficient implementation in a multilateral context. We also welcome the work that the OECD is undertaking into the problem of base erosion and profit shifting and look forward to a report about progress of the work at our next meeting."

"In Los Cabos, Leaders recognized that excessive commodity price volatility has significant implications for countries, increasing uncertainty in the economy, and endorsed the conclusions of a report on the macroeconomic impacts of excessive commodity price volatility on growth. Ahead of the 2013 Summit, we will report progress on the G20's contribution to facilitate better functioning of commodity markets, considering possible areas for further work outlined in the report."

"We reaffirm our commitment to improve transparency and functioning of commodity markets. We welcome the progress made in the implementation of the Agricultural Market Information System (AMIS) which will provide more transparency on physical markets for agricultural commodities."

Full text of the communiqué could be downloaded from: <http://www.g20.org/index.php/en/press-releases/537-final-communiqué>
(LH from www.reuters.com)

ference, jointly organized by the Harvard Business School and Harvard's Kennedy School, for instance, awarded its first prize to Aldi Haryopratomo, co-founder of Ruma, an acronym for Rekan Usaha Mikro Anda (Your Micro Business Partner).

Ruma partners with Grameen Foundation, Qualcomm and esia, a publicly listed company run by one of KADIN Indonesia's vice-chairmen, to deploy its "business in a box" solutions using mobile phones to help poor Indonesians pull themselves out of poverty through entrepreneurship.



Another example is the Nurbaya Initiative, the brainchild of Andy Sjarif, founder of online advertising platform Sitti, which was runner-up at a business plan competition during the 2011 US State Department-sponsored Regional Entrepreneurship Summit in Bali. This initiative aims to create an inclusive Indonesian entrepreneurial ecosystem by bringing SMEs into the digital era. By weaving SMEs into a web of logistics carriers, banks, payment gateways, e-markets and advertising platforms, it strives to increase the outlets through which the overwhelming majority of Indonesian business establishments can reach new buyers and thereby boost the national economy.

It is this type of bottom-up wealth-creation that Secretary of State Hillary Clinton alluded to when, during an address at the summit in Bali, she urged Indonesians, particularly women, to chase their dreams and consider becoming entrepreneurs. She said traditional firms - only a sliver of the economic participants in a sea of SMEs - are unlikely to create jobs needed for the young population. Nor should the government act as an employer of last resort.

That leaves entrepreneurship. The Obama administration, she reassured the jubilant crowd, would happily lend a helping hand to would-be Indonesian entrepreneurs.

Recognition of entrepreneurship as a socially transformative, unifying force is on the rise. Its appeal to opportunity is universally felt.

[...]

Indonesian entrepreneurship

To that end KADIN Indonesia is actively supporting Indonesian entrepreneurship. Much is left to be desired

CHAIRMAN'S COLUMN

Entrepreneurial Power

By: Suryo Bambang Sulisto, KADIN Indonesia Chairman

Seeing businesses succeed at "the bottom of the pyramid," a phrase popularized by late management-thought leader C.K. Prahalad, is no longer starry-eyed vision. A host of firms have generated profits from a global market of around 4 billion people ensnared in poverty but worth USD 5 trillion in purchasing power, in sectors spanning telecommunications to fast-moving consumer goods to pharmaceuticals.

However, this opportunity is not confined to the vast market to which products and services can be sold. There is also an untapped pool of producers and entrepreneurs in this segment that can link up to the supply chain.

The once-elusive win-win strategy of creating wealth and doing good simultaneously is making inroads into Indonesia. The 2010 Social Enterprise Con-

by the current entrepreneurial mainstream. Today it is mainly a means of economic survival.

However, as I tell young and passionate Indonesians whenever I tour the university circuit, our country has freedom of opportunity and most people have a chance at becoming a successful entrepreneur. Considering the closed and discriminative systems in other countries, that is already half the battle.

The other half comprises personal characteristics. Chief among these are the desire for independence, obsession, unwavering optimism, a never-ending love of learning, minimal ego, a strong work ethic, accountability and undoubtedly the most prized assets in business – trustworthiness and honesty. If these qualities are channeled to create something of social value, then that truly transformative feature of entrepreneurship would likely be born: innovation.

I define powerful entrepreneurship as innovative activities that unleash value where it did not exist before. It involves seeing opportunities few else do and shouldering the risks of execution. The ability to sense changing winds, take on calculated risks and turn vision into reality markedly sets entrepreneurs apart from businessmen, who are more administrators or “organization men.”

An entrepreneur is the lifeblood of an economy. But even as the world's premiere business schools would tell you, entrepreneurship is not limited to a profit motive; its power can be released to the public or social sectors – frankly wherever positive change may occur. That makes it an indispensable, evolutionary force shaping dynamic societies.

KADIN Indonesia calls on Indonesian entrepreneurs to be more innovation-driven. This is not to take anything away from any other entrepreneurs.

Admittedly, I launched my 40-plus years in business selling Wrigley's chewing gum store to store. I was a college student in the US and felt Indonesia's population of 150 million at that time was a big, untapped market. I estimated if I could sell this gum to at least 1% of the market, I would earn a hefty profit. After writing to Wrigley's chairman about my interest and intentions, I became the company's first sales and marketing agent for Indonesia.

This experience was the first step towards a long business career spanning interests in coal mining, steel, transport, tourism and retail, creating hundreds of jobs and contributing to public coffers.

Seeing today's energized entrepreneurial scene — from campuses to religious mass organizations to

online communities — I am driven because of my background to help our current crop of entrepreneurs, no matter where they started, become innovators, the kind of entrepreneur Indonesia needs.

I am fortunate today to be in a position where I can help through and with KADIN Indonesia. My colleagues and fellow members are deeply committed to helping these new entrepreneurs transition to the next link in the value chain and, in the process, produce four million high-impact jobs, particularly supporting those in sectors and through the partnerships outlined below.

Entrepreneurship opportunities

Information and Communications Technology (ICT): ICT offers tremendous opportunity for entrepreneurs. The cellular market is currently saturated in Indonesia but the industry is only starting to shift to data. Internet penetration remains low, mainly due to a lack of broadband infrastructure, but growth has been stellar. Furthermore, Indonesia has leapt over the desktop platform and most Indonesians access the internet through smart phones. With the influx of affordable devices and the shift to data, the digital revolution now looms over Indonesia, as reported by consulting firm BCG. Indonesians are a highly creative people. For the technopreneur, the internet offers an exciting marketplace revolving around shops, gaming, forums, to name a few. Returns can be had with relatively minimum paid-in investment and with shorter invested periods, depending on perception and popularity.

Local language preference on the internet provides Indonesians with an advantage. The largest Indonesian-language forum, Kaskus, was formed in 1999 with an initial investment of IDR70,000. It now has about 2.7 million members and generates over 20 million views per day, a metric that is making hopeful investors salivate.

[...]

Entrepreneurship partnerships

In addition to broad sector support described above, KADIN Indonesia also will support Indonesian entrepreneurs through its participation in specific partnerships and networks like the following:

First is The Palapa Partner, which is an initiative under PT Palapa Nusantara Mitra that focuses on growing SMEs. It selects promising SMEs and provides them with business coaching, growth financing (not in excess of IDR 5 billion) and market access. It launched in February. Second is Mekar Entrepreneur Network, which is an initiative under the Putera Sampoerna Foundation

that focuses on matching entrepreneurs with angel investors. Since January 2011, Mekar has counted more than 1,600 entrepreneurs and more than 200 angel investors in its network. It lends physical and online space to facilitate connections and collaborations between the two parties. And Google: Of the 52 million Indonesian SMEs, only 75,000 maintain a website. Google plans to bring 100,000 additional SMEs online in 2012 and provide them with free services, including website, domain, marketing advice, online advertising and Google Maps listing. The aim is to connect Indonesian SMEs to international buyers.

KADIN Indonesia's commitment

KADIN Indonesia is committed to active, engaged support of these sectors and programs because of their comparative strengths in the context of Indonesia's development goals and their alignment with government emphasis on innovation, as evidenced by the elevation of creative industries to a ministerial portfolio. The overarching objective is to provide Indonesia with more value-added drivers to the economy. The kind of entrepreneurship discussed here holds the inspirational, economic, and human power to add much value. It should be a central tenet of our development policy because its promotion could raise the station of many scores of Indonesians, in no small measure on their own volition.

To read the complete version please go to:

<http://www.thejakartaglobe.com/columnists/entrepreneurial-power/503708>
Source: Globe Asia

poverty and unemployment have also increased pressure on environmental resources.

Many of the responsible companies, therefore, have demonstrated their accountability through embedding sustainability and corporate social responsibility (CSR) management as a core corporate value. Stakeholder engagement for them is crucial for maintaining a sustainable business, and all of the CSR performance needs to be communicated to the stakeholders.

Since last decade, we in the business world were introduced to an effective means to measure and to communicate CSR performance, which is called sustainability reporting.

The Global Reporting Initiative (GRI) defines sustainability reporting as the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance toward the goal of sustainable development.

According to the World Commission on Environment and Development, the goal of sustainable development is to "meet the needs of the present without compromising the ability of future generations to meet their own needs".

The GRI fully subscribes to these goals, and, as key forces in society, the world of business has an important role to play in achieving this goal.

"Sustainability reporting" is a broad term. Other terms that can be used to describe reporting on economic, environmental and social impacts are: corporate responsibility reports, CSR reports, sustainable development reports, corporate citizenship reports, etc. These reports can be prepared based on the guidelines released by GRI. More information on this important initiative can be found at www.globalreporting.org.

In addition to the GRI Reporting Framework, companies can add other industry standards.

Sustainability reports can be used by different elements of society, particularly NGOs, providers of capital such as Sustainable & Responsible Investment and Socially Responsible Bankers as a tool in the decision-making process.

Sustainability reports are also used by government institutions such as the Ministry for the Environment, particularly to make an assessment regarding the environmental performance of the reporting organization. The management and employees use the sustainability report to make improvements with regard to the sustainability performance in order to leverage their competitiveness.

IBCSD'S COLUMN

[Tailoring CSR Communication](#)

By: Ali Darwin, NCSR Executive Director



We are all aware that the most challenging issues on our earth today are global warming, ozone depletion and environmental damage. Each year there are more people in the world who do not get enough food. Rising



Many organizations do sustainability reporting voluntarily, pushed by the company's ethos, recognition of good business sense or because of peer pressure. Other big players, such as the mining, tobacco, or plantation industries, understand that their operations have a significant impact on society and the environment, and they thus produce sustainability reports to describe what has been done and what will be done with regards to environment and social issues.

There is a good lesson from Sweden to be learned. As of 2009, the Swedish government requires that Swedish state-owned companies present sustainability reports. The Swedish government wants state-owned companies "to set an example and to be at the leading edge" of sustainability and good governance practices.

In Indonesia, regulations on CSR reporting can be found in the Capital Market Supervisory Agency (Bapepam) and the latest limited company law (Law No. 40/2007). They do not, however, require companies to produce stand alone sustainability reports although both of the regulations require companies to disclose the implementation of CSR programs in their annual reports.

And what do we mean by CSR? The legislation reveals nothing. It seems that the definition, scope and programs of CSR including the report format are just left to the public understanding and the CSR policy adopted by each company. Although mandatory CSR has been legislated in Indonesia, the production of stand-alone sustainability reports remains voluntary. Up to 2008, only 13 companies released stand-alone sustainability reports.

The awareness of the importance of this kind of report is still low and some companies argue that it only adds to costs. While others understand this report provides benefits, they still do nothing since they are not required to do so by law or regulation.

In order to promote sustainability reporting and to recognize and appreciate the reporting organizations, since November this year, Indonesia Business Council for Sustainable Development, partnering with the National Center for Sustainability Reporting (NCSR), has signed an agreement to be together promoting sustainability development and its reporting to business sector.

To build capacity in sustainability reporting and CSR management, NCSR and IBCSD will conduct regular training programs for IBCSD's members in two levels of certification. One is called Certified Sustainability

Reporting Specialist (CSRS) and the other is called Certified Sustainability Report Assuror (CSRA).

All of us recognize that CSR has become a hot topic. Many companies have implemented CSR in various ways based on their perception and their adopted strategy, but the stakeholders know nothing about the companies' performance with regards to environment and social issues.

Sustainability Reporting, therefore, is crucial as a tool to communicate a company's CSR performance. And by producing a sustainability report, it is expected that some key questions can be answered, for instance the issues of corporate transparency, stakeholder engagement, environmental and social impact, and corporate accountability.

A sustainability report is one way to maximize corporate communication in the context of corporate sustainability performance.

KADIN INDONESIA

IBCSd Sustainability Forum

The Indonesia Business Council for Sustainable Development (IBCSd) hosted a forum on November 7 on "Business Solutions for a Sustainable Indonesia" with over 100 business people gathering to share experiences of Indonesian companies implementing sustainable development projects. Peter Bakker, the president of the World Council for Sustainable Development in Switzerland, spoke about the Vision 2050 and opportunities for businesses to engage. KADIN Indonesia's Chairman, Suryo Sulisto spoke about the need to prioritize managing natural resources while providing a decent living for all Indonesians. IBCSd and KADIN Indonesia, under the leadership of Ms. Shinta Kamdani, work together to engage the private sector to achieve this goal. Please contact Ms Tiur Rumondang, the Executive Director of IBCSd, at tiur@ibcsd.or.id to learn about Indonesia's Vision 2050 and other related projects. (LR)



Successful EU-Indonesia Business Dialogue Conference 2012

After one year of dedicated preparations in seven Working Groups, the EIBD Conference 2012 concluded a busy year for the two business communities.

EIBD is a business-to-business forum for exchange, having started in 2009 with the goal of increasing trade and investment between Indonesia and the EU. The same year, the two governments of Indonesia and the European Union invited the private sectors to jointly work on opportunities for growth in trade and investment. EIBD is organized and hosted by the Indonesian Chamber of Commerce and Industry (KADIN Indonesia) and its member business associations as well as the five Jakarta-based European Business Chambers (EuroCham, Germany, France, United Kingdom, and the Benelux Countries).

The ongoing sector and cross-sector work of EIBD lead to an annual high-level conference. The third conference of its kind took place in Bali on November 8 and



9. More than 200 business and government representatives from Indonesia and Europe gathered to further shape the already excellent bilateral trade and investment relations: in 2011 bilateral trade rose to over USD 33 billion – a growth of 22% compared to the previous year. This made the EU the fourth largest trade partner of Indonesia last year. With a huge trade surplus of USD 8 billion the bilateral relations are especially sweet for Indonesia. This helps to secure jobs in Indonesia and nurtures the Indonesian balance of payments. Despite the economic challenges in many of the European markets, 2012 will witness a robust bilateral trade volume. With a positive outlook in several European markets for 2013 – such as Germany, the Netherlands, the Nordic countries and Eastern Europe – Indonesian exports will be back on growth track in due course and potentials are still to be tapped.

The EIBD Conference presented the joint recommendations from the Indonesian and European business communities to the government of Indonesia and the European Commission. For more than a year seven bilateral Working Groups have evaluated the existing



trade and investment relations and identified areas for growth. They have prepared detailed recommendations to the governments where priority should be given to release untapped potentials. The Working Groups cover five sectors (Automotive, Food & Beverage, Infrastructure, Pharmaceuticals, Textile & Footwear) as well as the two cross-sector topics of Sustainability and Intel-



lectual Property Rights (IPR). The recommendations were handed over to the two Indonesian Ministers H. E. M. S. Hidayat (Industry) and H. E. Gita Wirjawan (Trade) and to the Head of the South and Southeast Asia Unit of the DG Trade of the European Commission, Honorable Helena König.



EIBD 2012 spoke out strongly supportive towards to the discussed Comprehensive Economic Partnership Agreement. The private sectors will pinpoint win-win situations and also where and how businesses need the support of the two governments, especially in terms of developing capacities of Indonesian entrepreneurs. The recommendations and many background papers are available on the EIBD website: www.eibd-conference.com. (00)

[KADIN Indonesia's Chairman Speaks to Swedish Prime Minister](#)

On November 14, KADIN Chairman Suryo B. Sulisto delivered a strong message on innovation and entrepreneurship to Swedish Prime Minister Reinfeldt. Leading a delegation that included the Swedish Minister of Trade, the Prime Minister participated in an exclusive roundtable on the theme of "Indonesia and Sweden: Unlocking the Innovation and Entrepreneurship Potential."

With entrepreneurship and innovation two key priorities for KADIN Indonesia during Suryo's term, the Chairman expressed a very high degree of interest in partnering with Sweden which is home to many great 20th and 21st century innovators and entrepreneurs. Suryo stated:

"Sweden is renowned for its innovation and entrepreneurialism, so it is with high optimism that we welcome your interest in partnering with us on this front. Just over a month ago I led a delegation of business people to Sweden where we visited Lund University and had the pleasure of meeting Vice Chancellor PerEricksen. That meeting resulted in continuing discussions about establishing an entrepreneurship school in Indonesia building upon the longstanding experiences of Lund and the IDEON Science Park."

The Chairman and KADIN Indonesia are pursuing the establishment of a school with Lund University as well as conducting many other innovation and entrepreneurship programs across the archipelago with the support of local KADIN branches. **(LR)**

[KADIN Indonesia Delegation to the United Kingdom](#)

Cooperation with businesses in the United Kingdom was greatly enhanced in early November when about 30 KADIN Indonesia members travelled to London with Suryo Sulisto who was accompanying President Yudhoyono on a state visit upon the occasion of the Queen's Diamond Jubilee. The four day program included business meetings organized by UK Trade and Investment and the UK-ASEAN Business Council. At the Business Connections Event on the first day, delegates from both countries were welcomed by Lord Mervyn Davies, the Chairman of the UK-ASEAN Business Council and Suryo Sulisto. A wide range of sectors were represented including engineering, auto, education, energy, environment, ICT, retail and infrastructure. Both sides agreed that there is a great deal of complementarity between the UK and Indonesian economies as Indonesia moves towards a more value-added approach to

development. In addition to having a highly skilled labor force, the UK is known for its high level of innovation. Partnerships based upon exchange of technology and capacity development are of great interest.

Indonesian delegates also visited the London Stock Exchange where they learned about the opportunities to list their companies. The Business Event at St. James Palace on November 2 was attended by President Yudhoyono who gave a keynote speech. He was welcomed by the Right Honorable Dr. Vince Cable, Secretary of State for Business Innovation and Skills. Dinner the first night was hosted by Jardines at the Mandarin Oriental with Sir Henry Kenswick. Dinner on the second night was hosted by Mr. Sri Prakash Lohia at his private residence. **(LR)**

[ASEAN Committee Launched](#)

With the goal of getting Indonesian businesses ready to take advantage of the opportunities presented by the ASEAN Economic Community, KADIN Indonesia launched the ASEAN Committee on November 27. The mission of the ASEAN Committee is to provide the avenues and support to help Indonesian businesses engage with these issues and give us a voice before the government. When it comes to trade and investment, we are the ones who know what works and what doesn't work – it is imperative that this knowledge is transferred to government negotiators in these final phases leading up to the economic community. We expect to work closely with the ASEAN Business Advisory Council and other business-driven ASEAN networks who already play important roles in liaising between government



and the private sector.

Under the leadership of Andru Subowo, the committee is tasked with building the capacity of Indonesian businesses, especially SME's, while also advising government on how to negotiate terms that are conducive to a better business climate. As the prior chairman

ASEAN Growth Area (BIMP EAGA), as well as being an accomplished business man and entrepreneur, Subowo brings a wealth of experience to this role.



And working with him is another true hero of the Indonesian business community, Dino Vega, whose experience includes working with Subowo on BIMP EAGA as well as encouraging sustainable development through KADIN Indonesia's Committee on Environment and Climate Change AND promoting Indonesian business interests through our Korea bilateral committee. Vega was also the Chairman of the National Secretariat for Sub Regional Cooperation at the Coordinating Ministry of Economic Affairs. (*LR*)

Press Release on Labour Issue

Recent developments surrounding the issues of the Provincial Minimum Wage (UMP) increase as well as the outsourcing system have shown how the issues have been blown out of proportion and politicized. If these issues remain unresolved, they can threaten the country's stability and economic growth as well as jeopardize our investment climate.



KADIN Indonesia held a press conference on November 29 to announce its stance in the matter. In the

press conference chaired by Chairman Suryo Bambang Sulisto, KADIN Indonesia expressed its regret regarding the Government's decision to increase the minimum wage without applying the legally mandated tripartite system. There are many labor-intensive businesses and small and medium-sized enterprises (SMEs) who will not be able to increase the salary of their laborers as decreed by the government. The chamber also voiced the concern of many companies who may be forced to take alternative steps in response to the wage increases, such as requesting postponement of the increase, pursuing alternate legal channels, reducing production cost by terminating employment contracts, halting production activities, and possibly relocating or closing down the company.

Regarding the outsourcing issue, Chairman Suryo said that there has been a fatal misunderstanding and misuse of the word 'outsourcing' that caused it to be constantly viewed in a negative light.



"There real issue and what the government needs to be focused on is the treatment of workers by the company that employs them, whether that be an outsourcing company or any other company. Improvements must be made, especially regarding rights, protection, and ease of work for outsourced employees; not the act of outsourcing," said Suryo.

KADIN Indonesia calls for the Manpower and Transmigration Ministry as well as all the stakeholders to rectify and stop the misunderstanding regarding the definition of outsourcing. Perpetuating the use of the wrong definition will only harm the efforts to create jobs, accelerate economic growth, and increase welfare.

For the full text of KADIN Indonesia's statement, please open the following link: <http://www.bsd-kadin.org/document/publications/Press-Release-on-Labour-Issue-23.pdf> (*TS*)

[KADIN Indonesia Allocates IDR 100 Billion for SMEs](#)

KADIN Indonesia set aside at least IDR 100 billion to help small and medium-sized businesses (SMEs) in the area. The grant is part of commitments to strengthen the regional economy.

Chairman Suryo Bambang Sulisto emphasized that economic development in the region is a priority of KADIN Indonesia in the year ahead. Therefore KADIN Indonesia develops a financing system that can be utilized by SMEs in the regions through the establishment of self-reliance Palapa Nusantara.

"This is the breakthrough that KADIN Indonesia made while waiting for the banking sector to change and be more flexible in lending to national employers, especially SMEs that difficult to get access to financing," said Suryo on the sidelines of the National Leadership Meeting (Rapimnas) in Yogyakarta on October 3.

With this Palapa Fund, the KADIN Indonesia developed a system of venture capital financing to help SMEs, especially in the livestock sector and agribusiness. "We'll get around IDR 100 billion collected from members KADIN Indonesia. To date, we have collected around IDR 60 billion," said Suryo.

Suryo is very optimistic that Palapa Fund will stimulate the economy in the regions. "Palapa Fund is not limited to a particular area or business sector. The focus is agribusiness and livestock," he said. (*CW from www.kadin-indonesia.or.id*)

EVENTS

Date	Event	More Information
December 10, 2012	French-Indonesian Business Meeting	www.ifcci.com
December 11, 2012	KADIN Indonesia Press Conference "Year-end Evaluation 2012 and Outlook 2013"	www.kadin-indonesia.or.id
December 12, 2012	Workshop Regulation Outsourcing	www.lexmundus.com
December 15 - 18, 2012	Ceraglass India 2012	www.ceraglass.in
December 20, 2012	Market Entry Indonesia	www.indoconsult.de
January 14 - 19, 2013	Bau 2013	www.bau-muenchen.com
January 14 - 20, 2013	IMM Cologne The International Furnishing Show	www.imm-cologne.com
January 28 - 29, 2013	NEW Myanmar Investment Summit 2013	www.cmtevents.com

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About KADIN BSD

KADIN Business Support Desk is the service unit of the national Indonesian Chamber of Commerce and Industry (KADIN) in the Kadin Secretariat. Its major goal is to help foreign parties to settle in Indonesia and to support Indonesian companies on their way to international markets. BSD also works as research partner on emerging issues in investment and trade. It draws on a network of Indonesian and international institutions.