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COUNTRY REPORT Indonesia

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1. General information: Indonesia

Geography

- Indonesia lies between latitudes 11°S and 6°N and longitudes 95°E and 141°E. A transcontinental country spanning Southeast Asia and Oceania, it is the world's largest archipelagic state, extending 5,120 kilometres (3,181 mi) from east to west and 1,760 kilometres (1,094 mi) from north to south.[citation needed] The country's Coordinating Ministry for Maritime and Investments Affairs says Indonesia has 17,504 islands (with 16,056 registered at the UN) scattered over both sides of the equator, around 6,000 of which are inhabited. Indonesia shares land borders with Malaysia on Borneo and Sebatik, Papua New Guinea on the island of New Guinea, East Timor on the island of Timor, and maritime borders with Singapore, Malaysia, Vietnam, the Philippines, Palau, and Australia.
- Capital city: Jakarta

Population

- Total Population: 282,045,727 (2023)
- Indonesia population is equivalent to 3.51% of the total world population.
- Indonesia ranks number 4 in the list of countries (and dependencies) by population.
- The population density in Indonesia is 151 per Km2 (391 people per mi2).
- The total land area is 1,811,570 Km2 (699,451 sq. miles).
- 56.4 % of the population is urban (154,188,546 people in 2020).
- The median age in Indonesia is 29.7 years.

Ethnic Groups: Over 1,300 ethnic groups
Religion: 86.7% Islam, 10.7% Christianity, 1.7% Hinduism, 0.8% Buddhism, 0.1% Folk, Confucianism, and other
Official Language: Indonesian
Government: Unitary presidential republic
• President: Joko Widodo
• Vice President: Ma'ruf Amin
National Currency: Indonesian rupiah (Rp) (IDR)

<u>Overview</u>

The largest economy in Southeast Asia, Indonesia – a diverse archipelago nation of more than 300 ethnic groups – has charted impressive economic growth since overcoming the Asian financial crisis of the late 1990s.

Today, Indonesia is the world's fourth most populous nation and 10th largest economy in terms of purchasing power parity. Furthermore, Indonesia has made enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to under 10 percent in 2019 before the COVID-19 pandemic hit. Indonesia assumed the G20 Presidency this year, encouraging all countries to work together to achieve a stronger and more sustainable recovery from the pandemic's impacts.

Indonesia's economic planning follows a 20-year development plan, spanning from 2005 to 2025. It is segmented into 5-year medium-term development plans called the RPJMN (Rencana Pembangunan Jangka Menengah Nasional), each with different development priorities. The current medium-term development plan is the last phase of the 20-year plan. It aims to further strengthen Indonesia's economy by improving the country's human capital and competitiveness in the global market.

With its economy impacted by the pandemic, Indonesia went from upper-middle income to lower-middle income status as of July 2021. The pandemic also partially reversed recent progress in poverty reduction, from the record-low of 9.2 percent in September 2019 to 9.7 percent as of September 2021.

2. Economy

2.1. Economic and Political Overview

Indonesia is seen as a future economic giant. It is the largest economy in Southeast Asia and the world's seventh by purchasing power parity (World Economics, 2022). Due to the COVID-19 pandemic, the country registered negative GDP growth for the first time since 1998, going from +5% in 2019 to -2.1% in 2020. The GDP growth rate for 2021 was back in the positive territory with an estimated +3.7% and +5.3% in 2022 (IMF, October 2022). The usual key drivers of the economy are private domestic consumption - stimulated by its huge market with a growing middle class of over 70 million people (55% of GDP), while the major issues are the ongoing trade tensions between China and the US, the country's two biggest trading partners, and the prolonged depreciation of the Rupiah. According to the IMF's October 2022 forecast, GDP growth is expected to stay high at 5% in 2023 and 5.1% in 2024, subject to the post-pandemic global economy recovery.

According to the IMF, the budget deficit rose from 2.2% of GDP in 2019 to 5% in 2020 and 3.7% in 2021.The deficit stabilized at 3.3% in 2022 and is expected to remain at 2.7% in 2023 and 2024. Inflation reached 1.6% in 2021 and increased to 4.6% in 2022. It is expected to stay high in 2023 at 5,5% before coming down at 3.4% in 2024 (IMF, October 2022). Public debt has shown a significant improvement since the Asian Financial Crisis in 1998 (it reached up to 150% of GDP), but it rose slightly to 30.6% of GDP in 2019 before climbing again due to the COVID pandemic to 39.8% in 2020 and 41.2% in 2021. The debt remained at 40.9% in 2022 and is expected to stabilise at 40.4% in 2023 and 2024 (IMF, October 2022). Three social programmes (RPJMN, PNPM Urban and PAMSIMAS) have been launched to ensure that the poorest strata of the population have access to healthcare and education. Other structural issues that remain to be tackled include a large public infrastructure gap, high labour informality and youth unemployment, and low educational attainment. Environmental protection also remains a major challenge. The government hopes to take advantage of the country's strategic location between Asia and the Pacific in the current unfavourable international context (weakening demand from China and falling commodity prices) and aims to be in the top six largest economies by 2030.

Although it has been decreasing over the last decade the unemployment rate has sharply increased from 5.2% in 2019 to 7.1% in 2020 before reaching 6.5% in 2021 and 5.5% in 2022. It should remain relatively high for the region in 2023 and 2024 with 5.3% and 5.2% respectively (IMF, October 2022). The number of people working in vulnerable conditions has also increased in 2022. Indonesia has achieved enormous gains in poverty reduction, cutting the poverty rate by more than half since 1999, to approximately 9.8% of the population in 2020. The effect of the pandemic pushed it to 10.4% in 2021 and 9.5% in 2022 (World Bank, 2022). Indeed, the country has still one of the fastest rising inequality rates in the East Asia region according to World Bank. In a few months, the pandemic reversed some hard-won advances in well-being, with poverty, malnutrition, and even hunger rising fast (OECD, 2022).

In 2023, the country's most immediate challenge will be to navigate the volatile international context, facing steep challenges against a backdrop of the persistent health and economic overhang of a global pandemic and a war in Europe, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China.

Table 1: (Indonesia Economic Forecasts - 2021-2024 Outlook)

Main Indicators	2020	2021	2022	2023	2024
GDP (billions USD)	1,062.53	1,187.73	1,318.81	1,391.78	1,508.55
GDP (Constant Prices, Annual % Change)	-2.1	3.7	5.3	5.0	5.1
GDP per Capita (USD)	3,932	4,363	4,798	5,017	5,388
General Government Balance (in % of GDP)	-5.3	-3.9	-2.1	-2.6	-2.5
General Government Gross Debt (in % of GDP)	39.7	41.1	39.9	39.1	38.8
Inflation Rate (%)	2.0	1.6	4.2	4.4	3.0
Unemployment Rate (% of the Labour Force)	7.1	6.5	5.9	5.3	5.2
Current Account (billions USD)	-4.43	3.51	13.22	-3.81	-11.14
Current Account (in % of GDP)	-0.4	0.3	1.0	-0.3	-0.7

Source: IMF – World Economic Outlook Database, October 2021

2.2. SWOT Analysis

Strengths

- Foreign direct investment (FDI) is welcomed in certain industries, such as infrastructure and manufacturing. Some incentives and tax breaks are offered for investment in targeted sectors and bonded zones. The New Investment List enacted in March 2021 reduces foreign investment restrictions in sectors such as telecoms, media and technology.
- The domestic financial market is well developed, providing opportunities for investment, access to funds and links to international finance centers.
- The corporate and individual income tax rates are not burdensome.

Weaknesses

- There are a variety of restrictions on foreign ownership of businesses in Indonesia, limiting opportunities for FDI.

- Lack of access to banking services limits the growth of private consumption and demand for luxury imported items.
- High levels of bureaucracy continue to prove a major barrier to opening a business in Indonesia.

Opportunities

- The provision of online services is gradually improving the efficiency of bureaucratic procedures.
- Indonesia's membership of the Association of Southeast Asian Nations' free trade agreement will lower tariff and non-tariff trade barriers with the country's neighbours.
- Islamic banking will add another dimension to the financial sector and will encourage investment from other Muslim markets.

Threats

- Corruption will continue to hinder the business environment, with progress on tackling graft remaining slow.
- Porous borders, lack of police funding, and costly and slow legal processes mean that intellectual property protection is likely to remain lax despite the broad coverage of IP legislation.
- Non-tariff trade barriers, such as import quotas, continue to pose risks to businesses trading in the country.

2.3. Structure of the Economy

Indonesia is a market economy with abundant natural resources, a young, large and burgeoning population (277.7 million), a labor force of 135 million people in 2022, and political stability. The country changed from being an economy that was highly dependent on agriculture into a more balanced economy which is lessening its traditional dependency on primary exports. The agricultural sector contributes to 13.3% of the country’s GDP and employed 29% of the active population in 2022 (World Bank, 2023). Indonesia is the second-largest natural rubber producer in the world. Other major crops include rice, sugarcane, coffee, tea, tobacco, palm oil, coconuts and spices. Besides, the country is the world's biggest nickel ore producer and has become a major exporter of stainless steel. Indonesian land area used for agriculture has been growing and is currently around 30%. This is mainly due to the establishment of large-scale plantations - in particular for palm oil production (second-largest export). Indonesia is the only Asian country to have been a member of the OPEC, although its membership is frozen since December 2017 because it would not agree to production cuts mandated by OPEC.

Industry contributed approximately 39.9% of GDP and employed over 23% of the labour force in 2022 (World Bank, 2023). The industrial sector includes manufacturing of textiles, cement, chemical fertilisers, electronic products, rubber tyres, clothing and shoes (most of these are for the American market). Wood processing is also a major activity as the country is one of the world's largest timber producers. The implementation of the Indonesian-EU Forest Law Enforcement, Governance and Trade (FLEGT) to combat illegal logging is making progress and Indonesia has become the first country in the world to receive an exemption from screening to ensure its timber is sourced in accordance with EU regulations. Over 3 million hectares of Indonesian forests are certified, and over 2.2 million hectares among then are natural production forest concession.

The service sector (financial institutions, transportation and communications) contributes to 42.8% of the GDP and employed around 48% of the active population in 2022 (World Bank, 2023). The banking sector is well developed and the Islamic bank Syaria has expanded rapidly in recent years. Tourism is a major source of revenue, although the sector has suffered from terrorist threats and natural catastrophes in the past few years. The government was expecting the country to become a leading Asian and World tourism destination by 2045 with 73 million tourists. The country is still waiting for the positive effects of world's borders opening.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia’s invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023, the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. Global inflation is forecast to rise from 4.7 percent in 2021 to 8.8 percent in 2022 but to decline to 6.5 percent in 2023 and to 4.1 percent by 2024 (International Monetary Fund - IMF, 2023). The impact of the 2022 world events appears to have affected both sides of most sectors and markets in this country for the third year in a row - demand disruptions having run up against supply problems - making the short-term outlook uncertain for agriculture, industry and service sectors.

Table 2: Breakdown of Economic Activity By Sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	28.5	22.4	49.1
Value Added (in % of GDP)	13.3	39.9	42.8
Value Added (Annual % Change)	1.8	3.4	3.6

Source: World Bank, Latest Available Data. Because of rounding, the sum of the percentages may be smaller/greater than 100%.

2.4. Investment

Global foreign direct investment (FDI) flows in 2021 were USD 1.58 trillion, up 64 per cent from the exceptionally low level in 2020. The recovery showed significant rebound momentum, with booming merger and acquisition (M&A) markets and rapid growth in international project finance because of loose financing conditions and major infrastructure stimulus packages. However, the global environment for international business and cross-border investment changed dramatically in 2022. The war in Ukraine – on top of the lingering effects of the pandemic – is causing a triple food, fuel and finance crisis in many countries around the world. Investor uncertainty could put significant downward pressure on global FDI in 2022. The 2021 growth momentum is unlikely to be sustained. Indeed, world flows in the second quarter of 2022, the latest data available, were down 31% from the first quarter and 7% less than the quarterly average of 2021 (UNCTAD Global Investment Trends Monitor, October 2022). The negative trend reflects a shift in investor sentiment due to the food, fuel and finance crises around the world, the Ukraine war, rising inflation and interest rates, and fears of a coming recession. Expectations for the full year are for a marked slowdown. In developing Asia, despite successive waves of COVID-19, FDI rose to an all-time high for the third consecutive year, reaching $619 billion. Asia is the largest recipient region, accounting for 40 per cent of global FDI. However, inflows remain highly concentrated; six economies account for more than 80 per cent of FDI to the region (UNCTAD, October 2022).

According to UNCTAD's World Investment Report 2022, FDI investment in Indonesia declined by 22% between 2019 and 2029, recording USD 18.59 billion, because of a 58% drop in investment in the manufacturing industry as a result of the economic crisis triggered by the Covid-19 pandemic. Moreover, two key sources of FDI fell: inward investment from Japan dropped by 75% to USD 2.1 billion and investment from Singapore by almost 30% to USD 4.6 billion. It reached USD 20.08 billion in 2021. The FDI stock reached USD 240.56 billion in 2020 and 259.26 billion in 2021. Prior to the outbreak of the Covid-19 pandemic, FDI flows to Indonesia had grown and their base had expanded due to resilient economic growth, low public debt and prudent fiscal management. FDI growth was attributed to a series of economic policy packages that had been implemented by the Indonesian government over the last years, mainly focusing on deregulation, law enforcement and business certainty, interest rate tax cuts for exporters, energy tariffs cuts for labour-intensive industries, tax incentives for investment in special economic zones and lowered tax rates on property acquired by local real estate investment trusts. Moreover, Indonesia lowered the minimum equity requirement for foreign investors and abolished the approval requirement for several business transactions involving foreign investors. The policy of liberalisation has enabled Indonesia to rank 17th among the top 20 host economies. Japan remained the largest source of investment, followed by Singapore, the UK, Thailand and the USA. The stock of FDI is concentrated in the manufacturing, financial intermediation, trade and mining sectors.

Indonesia has been a big-ticket recipient of Chinese investment for some time. As a trillion-dollar economy in its own right, the country offers opportunities in various sectors and not just infrastructure builds. These include the digital economy, healthcare, and finance, among others.

The Indonesian government has managed to improve the overall economic climate by consolidating political and economic stability and through structural reforms that have removed some investment risks. However, several obstacles remain, such as the rising cost of credit, excessive and unpredictable regulation, the poor quality of infrastructure, the terrorism risk and a high level of corruption. A recent Constitutional Court decision granting more regulatory authority to regional governments could pose a challenge to ongoing investment climate improvements. In the long term, however, Indonesia's current economic situation may may provide the right time to invest in the country, especially in its financial instruments.

Table 3: Foreign Direct Investment - UNCTAD, 2022

Foreign Direct Investment	2019	2020	2021
FDI Inward Flow (million USD)	23,883	18,591	20,081
FDI Stock (million USD)	235,348	240,564	259,268
Number of Greenfield Investments*	119	63	73
Value of Greenfield Investments (million USD)	533	103	8,217

Source: UNCTAD, Latest available data

Strong points for FDI in Indonesia:

- Large population of over 277 million inhabitants, which is a huge internal market for any company wishing to do business there.
- Abundant natural resources (timber, fishery resources, oil, natural gas, metals).
- High biodiversity.
- Domestic demand is growing, thanks to the development of the middle class.
- The soundness of the banking and financial sectors creates an economic environment favourable to sustainable growth.

Weaknesses for FDI in Indonesia include:

- High cost of illegal removals, which can rise to as high as 60%.
- World Bank studies show that the legal and economic framework is less effective in Indonesia than in other Asian countries.
- Justice and tax and customs administrations are still perceived by the business community as generally corrupt and arbitrary.
- Limited infrastructure; access to the different islands of the archipelago is generally complicated, which increases economic inequalities.
- The great diversity of the population, a high level of unemployment and extreme poverty in some regions exacerbate inter-ethnic tensions and thus weaken the stability of the country.
- The country is spread out on over 6000 inhabited islands, making transport and business management difficult if a company wants to expand beyond the largest island of Java, Sumatra and Borneo.
- China's high dependence on commodity exports increases the risk of the country's economic slowdown.

Government Measures to Motivate or Restrict FDI:
Incentives for investment are accessible to all investors, national and foreign. More specifically, these are reductions of duties on imports and equipment goods and additional incentives for export investors and investments made in certain regions. A reduction in corporate income tax in the form of a tax holiday is available to pioneer industries with a capital investment plan of more than IDR100 billion. Companies that are not entitled to tax holiday may claim a tax allowance, in order to obtain a tax reduction.

Indonesia restricts foreign investment in some sectors through a Negative Investment List. The 2016 Negative Investment List allows greater foreign investments in some sectors, including e-commerce, film, tourism, and logistics. In health care, the 2016 list loosens restrictions on foreign investment in categories such as hospital management services and manufacturing of raw materials for medicines.

In June 2019, the Indonesian government issued GR 45/2019, which sets out a series of tax incentives for businesses that invest in labor intensive industries, training programs, as well as research and development (R&D). Taxpayers investing or expanding in labour-intensive or pioneer industries can benefit from a reduction in net income of 60% of their total investment in the form of tangible assets, comprising any land used for major commercial activities over a certain period. Investors wishing to start apprenticeship programmes or training activities to develop workers on the basis of "certain skills" may obtain a reduction in gross income of up to 200% of the total costs incurred. Taxpayers who engage in R&D initiatives are eligible for a 300 per cent tax reduction in gross income of the total costs incurred.

2.5. Taxation

Company Tax: 22%

Tax Rate for Foreign Companies: Resident corporations are taxed based on worldwide income. A non-resident company carrying out business activities through a permanent establishment in Indonesia will generally be subject to taxation as a resident taxpayer.

Capital Gains Taxation: Capital gains are taxable as ordinary income, and capital losses are deductible. However, the sale of shares listed on the Indonesian stock exchange is subject to a tax of 0.1% of the transaction value. Founder shares also are subject to an additional final tax of 0.5% on the share value at the time of an initial public offering, regardless of whether the shares are held or sold following the offering.
The sale or transfer of land and/or buildings is subject to a 2.5% income tax on the higher of the transaction value or the government-determined value.
Capital gains arising from the sale of Indonesian assets held by foreigners are taxable at a rate of 5% of the gross proceeds unless the rate is reduced under a tax treaty.

Main Allowable Deductions and Tax Credits: In general, all legitimate and documented business expenses directly or indirectly related to earning, collecting, or maintaining income are deductible from the assessable income.
The costs of incorporation and expansion of the capital of an enterprise can be claimed in full in the year in which the expenditure is incurred or can be amortised using either the declining balance or straight-line method.
Interest incurred in the ordinary course of business is deductible as long as the related loan is used for business purposes. Bad debts are deductible for tax purposes, under certain conditions.

Donations for national disasters, education facilities, sport development, and social infrastructures, may be deductible in the fiscal year when the donations are provided. Most benefits received in kind by employees, such as free housing, are not tax-deductible to the entity providing the benefit. Expenses for meals and transportation are tax-deductible when they are made available to all staff. Salary expenses and insurance premiums can be deducted. Land and buildings tax and regional taxes may be deducted from taxable income.

Losses may be carried forward for up to five years. Loss carryback and offsetting losses within a corporate group are not permitted.

Tax incentives are granted to companies operating in certain strategic industries (especially in the oil industry and manufacturing) or in geographical zones in the form of tax reduction of up to 30% of the investment (5% of reduction each year for six years). Other incentives include an extension of loss carryforward to 10 years (instead of five) and a reduction of withholding taxes on dividends paid to non-residents to 10% (as opposed to the ordinary rate of 20%). For companies in pioneer industries which have a wide range of connections, provide additional value and high externalities, introduce new technologies, and have strategic value for the national economy, a tax holiday of 100% of the corporate income tax due is granted for 5 to 20 years (according to the investment amount) from the start of commercial production, plus two years of 50% reduction after the full-reduction period. A reduced corporate income tax rate of 19% applies to publicly listed corporate taxpayers with a minimum of 40% of their shares held by public investors that meet certain criteria.

Other Corporate Taxes:
Land and building tax is payable annually on land, buildings and permanent structures, at a rate of maximum 0.5% of the estimated sales value of the property determined by the relevant authority.
A transfer of land and buildings will cause income tax on the deemed gain on the transfer/sale to be charged to the transferor/seller. The tax is set at 2.5% of the higher of the gross transfer value or the government-determined value. Similarly, the acquirer is subject to a 5% duty of the greater of the transaction value or the government-determined value.
A 0.1% withholding tax applies to the transaction value of shares sold on the Indonesian stock exchange; a 0.5% tax applies to the share value of founders' shares at IPO; a 5% withholding tax applies to the transfer value of shares of an unlisted resident company by a foreign shareholder when they are transferred.

Employers are responsible for the coverage of their employees by the workers' social security program managed by Badan Penyelenggara Jaminan Sosial (BPJS). The employees' contributions are collected through payroll deductions. The employer contributions are 0.24%-1.74% for work accident protection; 0.3% for death insurance; 3.7% for old age savings; and 2% (subject to a salary cap) for the pension plan. The employer contribution to the healthcare scheme is 4% (subject to a salary cap). The contribution to the pension plan is not mandatory for expatriates.
Stamp duty of IDR 10,000 is levied on certain documents.
A carbon tax applies to coal-fired power plants as of 1 April 2022.
Certain documents are subject to stamp duty at a nominal amount of IDR 10,000

A corporate taxpayer may be subject to various regional taxes and retributions. The rates range from 0.2% to 75% of a wide number of reference values determined by the relevant regional governments. The following are regional taxes that may apply:

- Motor vehicle tax
- Motor vehicle ownership transfer fee
- Motor vehicle fuel tax
- Surface water tax
- Entertainment tax
- Advertisement tax
- Cigarette tax
- Hotel tax
- Restaurant tax
- Road illumination tax
- Non-metal and rock minerals tax
- Parking tax
- Groundwater tax
- Swallow-nest tax

3. Buying and Selling

3.1. Marketing opportunities

Consumer Profile: The median age in Indonesia is 30.3 years (Data Reportal, 2022): 25% of the population is between 0 and 14 years old, 68% is between 15 and 64, and 7% is 65 and over (UN, 2022). Indonesia has a population of more than 277 million people, 50.3% of which are men and 49.7% women. 57.9% of the population is urban and the main cities in terms of population are Jakarta, Surabaya, Medan and Bandung (Data Reportal, 2022).
Households in Indonesia tend to be large (3.9 average household size), as 7% of households consist of only one person, 37% of two or three people, 41% of four or five people, 15% of six people or more (UN, latest data available). The literacy rate in the country is 96%, with 93.5% of children enrolled in primary education, and 78.7% enrolled in secondary education (UNESCO, latest data available). In Indonesia, women are less likely to attain upper secondary education than men are, but they are more likely to attain tertiary education. According to the World Bank (2020), only 38.1% of the population over the age of 25 have at least completed the upper secondary education. While 34.6% of women are at the upper secondary education level, the rate for men is 41.6%.

Consumer Behavior: Indonesia has been experiencing a consistent growth rate for a few years, which has been reflected by a rise in incomes (including disposable income) thus increasing overall household spending. As many of Indonesia’s low-income consumers continue to move into the middle-income segment, they are becoming increasingly sophisticated in their spending habits and product choices. While this means an expected increase in expenditures in many sectors, companies also require more differentiated and segmented product offerings to attract these new consumers. While traditional retail channels still dominate the market, modern retail continues to gain ground, led by the growth of convenience stores. Indonesia's retail market is characterised by its immense size. While it brings countless opportunities to consumer business companies in the form of a huge and ever expanding middle class, digital consumers, as well as rapidly urbanising cities outside of Jakarta, a multitude of challenges - such as the high cost of serving across the expansive archipelago - still exist. The main drivers for online shopping are lower prices and ease of searching for products. Online shopping is not very popular in the country yet, as most consumers prefer to make purchases in person. Additionally, infrastructure is still underdeveloped, which makes deliveries challenging outside the main cities. However, e-commerce has been growing steadily, and was boosted by the social distancing and lockdown measures put in place during the Covid-19 pandemic. E-commerce is expected to register a 23.8% growth in 2022 and reach around USD 30 billion (GlobalData). During the pandemic, consumers shifted their priorities towards necessities, and away from discretionary spending (Deloitte). However, before this disruption consumers had been focusing less on price and more on other factors like overall product quality and trustworthiness of brands. Consumers tend to be loyal to brands, even if that particular brand is not the cheapest option - especially when it comes to home and personal care products, as well as food and beverages. Therefore, even though price is still a relevant factor, the Indonesian consumer is willing to pay extra for a higher quality product. However, for low-income consumers, price is a decisive factor when making a purchase. While there is room for foreign brands in Indonesia, consumers prefer local ones, as they have more trust in their quality and believe that local companies understand Indonesian consumers better than foreign ones. Additionally, while not decisive when making a purchase, Indonesians tend to prefer brands and shops that provide quality after-sales services. Despite continued growth in digital and online media adoption, traditional media continue to dominate, with TV, In-Store Promotions and Friends & Colleagues remaining the preferred channels of communication. One reason for this may be the strong dependence of Indonesian consumers on sponsorship of their indoor environments, which in turn still tend to be strongly influenced by traditional media campaigns (Deloitte).

3.2. Internet and Ecommerce

Internet access: As of January 2018, there are 132.7 million Internet users in Indonesia. This figure is projected to grow to 133.39 million by 2021. As of March 2017, online penetration in the country stood at only slightly over 50 percent. By the end of 2016 there were 75 million smartphone users (29.2% of the population). Indonesia was listed as "partly free" in the Freedom on the Net index, which places the country ahead of less free Asian online markets such as China, Thailand or Malaysia but behind Japan, South Korea and the Philippines. This rating is due to blocked political and social content as well as various restrictions and violations of user rights, most notably through the governmental passing of the Law on Information and Electronic Transactions (ITE Law). The ITE law holds strong penalties such as prison sentences and high fines for anybody convicted of online defamation charges. This law has also been applied to blog posts and Facebook comments and has led to self-censorship among online writers and internet users as well as an increasingly tense online atmosphere.

E-commerce market: The most populous country in Southeast Asia by far, Indonesia is still in an early stage of development when it comes to internet, mobile and digital technologies. It is therefore one of the most sought-after market globally for e-commerce, with large local players and global heavyweights fighting for this enormous growing market. In 2017, the total e-commerce revenue amounted to US$ 8.59 billion, a figure that is expected to grow and reach US$ 16.48 billion by 2021. Still accounting for less than 1% of all sales in Indonesia, e-commerce is expected to expand in high double digits in the coming years. There are still issues with inadequate infrastructure, poor payment systems, and logistics that have to be addressed. For instance, although the number of credit card users jumped 60% in the past five years to around 15 million, 70% of e-commerce payments are completed with bank transfers and only 15% with credit cards. Also, delivery is too slow and expensive due to challenging geography paired with poor infrastructure, and absence of high-tech logistics companies. This represents valuable opportunities for e-commerce technology, applications and other supporting products and services.

3.3. Distribution: The retail sector in Indonesia remains one of the most attractive markets among Asian countries, thanks to its large population and growing middle class, with higher household purchasing power and increasingly modern spending habits.
Following a 11.7% contraction in 2020 in the context of the Covid-19 pandemic, retail sales grew by 0.8% in 2021 (Fitch Ratings). The Indonesian retail sector is projected to witness a CAGR of 4.6% by 2026 (Technavio). The market is segmented by product category, distribution channel, and market dynamics. While traditional markets still account for the majority of retail food sales in Indonesia, modern retail holds a significant share and is growing. The organized retail market in Indonesia is growing significantly across the country with companies expanding stores and considering the business potential in new areas. Most of the unorganized retail outlets are increasingly being replaced with big retail hypermarkets, supermarkets, and other retail chains.

Convenience stores are expanding rapidly in Indonesia and differ from Indonesian minimarkets in that they offer fewer SKUs than minimarkets while offering ready-to-eat foods and a dining area. Minimarkets are in direct competition with traditional independent small grocers (warungs) on the basis of price, cleanliness, food safety, and comfort.

Hypermarkets and supermarkets offer a wide range of food and beverage products and are generally located as anchor stores in shopping centres. Indonesian middle and upper income level consumers are increasingly shopping at these stores. Hypermarket and supermarket retailers usually contain in-store bakeries, cafés and restaurants, and prepared meals, with grocery products typically contributing about 65% of total sales (USDA).

Minimarkets, convenience stores, and other shops carry a wide range of convenience food items such as readymade meals, bakery products, processed foods, ice cream, and beverages. They sometimes carry a limited offering of fresh fruits and are open 24 hours. These stores are found throughout

Indonesia's major urban centres and are also co-located with gasoline stations. The number of minimarkets and other small stores will continue to grow.

Market share: The Food and Beverage (F&B) sector plays a vital role in the Indonesian economy. In the primary sector, production of raw material for the F&B industry by plantation, agriculture, and fisheries accounted for around 13.7% of Indonesian GDP, as of 2020 (World Bank, latest data available). In the secondary sector, manufacturing of F&B accounted for 6.7% of GDP and 38.4% of all manufacturing output in Q2 2021 (Ministry of Industry).
According to USDA Foreign Agricultural Service, Indonesian grocery retail sales reached $97 billion in 2020 (traditional grocery retailers held 79% share). In 2020, the major players of the Indonesian retail market are:

- Convenience stores with 36,146 outlets. Major Convenience stores include Indomaret and Alfamart.
- Hypermarkets with 337 outlets. There are four players in the hypermarket group: Carrefour/ PT Trans Retail Indonesia, Giant/ Hero Supermarket Group, Hypermart/ PT Matahari Putra Prima Tbk, and Lotte Mart/ Lotte Mart Indonesia PT.
- Supermarkets with 1,457 outlets. There are six in the supermarket segment Alfa Midi/ Midi Utama Indonesia Tbk PT, Hero, Superindo, Ranch Market & Farmers Market/ Supra Boga Lestari Tbk PT, Food Mart, The Food Hall
- Traditional grocery stores with 4,474,316 outlets (a decrease if compared to 2019).

3.4. Customs

International Conventions: Member of the World Trade Organization (WTO)
Party to the Kyoto Protocol
Party to the Washington Convention on International Trade in Endangered Species of Wild Fauna and Flora
Party to the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
Party to the Montreal Protocol on Substances That Deplete the Ozone Layer
Party to the International Coffee Agreement
International Economic Cooperation: Indonesia is a member of the following international economic organisations: IMF, Asia-Pacific Economic Cooperation (APEC), ICC, Colombo Plan, WTO, Association of Southeast Asian Nations (ASEAN), G-15, G-20, G-77, among others. For the full list of economic and other international organisations in which participates Indonesia click here.
Non-Tariff: It is strictly prohibited to import certain products: books, magazines, brochures and newspapers written in Chinese, in Indonesian or in a local language (except for scientific reasons) as well as cassettes, video cassettes and films for personal use.
Import licenses are required for medicines, psychotropic substances, explosives, arms, fireworks, films and videos, telecommunications equipment, color photocopiers, unregistered foods and drinks, some pesticides (DDT, EDB, Pentachlorophenols). These licenses are issued after consultation with the competent Ministry (Agriculture, Health, Commerce and Industry).

Permits are required for animals and animal products. These documents are issued by the Directorate General of Livestock and Animal Health Services. At present, the importation of all chicken products is banned. There is a specific quota system for spirits and wines.
Foreign companies are allowed to import or to manufacture products but not both.
Customs Duties and Taxes on Imports: 8% (latest data available by WTO)
Customs Classification: Indonesia uses the Nomenclature of the Harmonized System.
Import Procedures: In order to legally import into Indonesia, importers must register with the Indonesia Trade Department and obtain a customs identification number (Nomor Identitas Kepabeanan, NIK), a personal identification number given by the Directorate General of Customs and Excise. In addition to NIK, importers must obtain an importer identification number (Angka Pengenal Import, API), which serves as a record in the database of importers and their import activities.
Public authorities require extensive documentation prior to allowing the importation of goods. Local customs brokers are acquainted with the procedures and required format of the documentation. At a minimum, the exporter or their agent must provide a pro-forma invoice, commercial invoice, certificate of origin, bill of lading, packing list, and insurance certificate. In addition to those documents additional certificates are often required by technical agencies with an interest in the content and conformance of the imported product such as food, pharmaceutical, seeds, or chemicals.

The process of providing the documentation includes a requirement that the importer notifies the customs office prior to the arrival of goods and submits import documents electronically through the electronic data interchange (EDI) in a standardised format placed on flash drives. In addition to providing the import documentation, the Custom Office will conduct physical inspection of imported goods.

There is an import fee applicable for incoming goods which is based on the goods classification from Indonesian Customs Tariff Book or Harmonised System Code.
Since 2013, food products are required to include labelling in Indonesian.
For more information, please visit the website of the Indonesian Customs.

3.5. Transport

Main Useful Means of Transport: Logistics cost varies between 25%-30% of the GDP in Indonesia, as compared to developed economies, where it is below 5% of the GDP.

Concerning goods transport, the sea route is used most. 69% of imports pass through the two main ports which are Tanjung Priok (Jakarta) and Tanjung Perak (Surabaya). In 2019, preliminary figures showed the GDP from sea transport in Indonesia was at about 50.5 trillion Indonesian rupiah.
Currently, rail transport infrastructure is present only on the islands of Sumatra and Java.

Rail transport by goods volume only makes around 1% of the total volume of goods transported in and out of Indonesia. Indonesia's railways are operated under the state-owned enterprise (SOE) PT Kereta Api Indonesia (PT KAI), which held the monopoly over the sector until 2007.

Ports:

Guide of Indonesian ports

Airports:

List of Indonesian airports

Jakarta International Airport, Soekarno-Hatta (CGK)

Sea Transport Organisations: Ministry of Communications, Department of maritime communication

Air Transport Organisations: Ministry of Communications, Department of air communication

Road Transport Organisations: Ministry of Communications, Department of land communication

Rail Transport Organisations: PT Kereta Api Indonesia (Persero) Indonesian Railways Company

3.6. Suppliers

Industrial and Manufacturing Profile: In 2019, industry represents 39% of Indonesia's GDP. The main industrial sectors are: the mining industry, energy production (oil, gas and electricity), the textile industry, automobile industry, forestry (plywood, rubber, palm oil).

Indonesian multisector Business directories

- Business Indonesia - Indonesian business directory
- DIS (Digital Information Services) - Directory of Indonesian companies, classified by activity
- Global Business Guide Indonesia - Indonesian business directory
- Indonesia YP - Indonesian business directory
- IndonesiaBizDir - Indonesian business directory
- IndonesiaBizList - Indonesian business directory
- Opendi - Indonesian business directory
- Yellow pages - Business directory in Indonesia.
- Zip Leaf - Indonesian business directory
- Zipleaf - Business directory for several countries in the world

4. International Trade (doing business)

4.4. Imports - Exports

Indonesia is open to foreign trade, which represented 40% of its GDP in 2022 (World Bank, 2023). The main exports are Mineral fuels, oils, distillation products (19% of all exports in 2021), animal, vegetable fats and oils, cleavage products (14%), iron and steel (9%), Electrical and electronic equipment (5.1%) and vehicles other than railway and tramway (3.7%). Indonesia mostly imports machinery, nuclear reactors, boilers (13%), Electrical and electronic equipment (11%), Mineral fuels, oils, distillation products (15%), plastics (5.2%), iron and steel (6.1%). Indonesia became the world's largest exporter of thermal coal used in power stations in 2019 and has two major customers, China and India, the planet's two largest coal importers. The International Monetary Fund (IMF) is forecasting a rebound of 1.6% in the volume of exports of goods and services of the country in 2023, after an increase of 0.8% in 2022, and an increase of more than 7.8% of its imports, after +8.5% in 2022.

China remained Indonesia's largest trading partner in 2022, buying up 24% of exports, followed by the United States (12%), Japan (8%) and India (5.9%). The main suppliers are China (29%), Singapore (8.1%); Japan (7.6%), and the United State (5.9%). China and Indonesia are forging closer economic ties as the two countries face threats to their trade relations with the United States since the protectionist actions taken by President Donald Trump and the cautious approach of his successor. On the 15th of November 2020 Indonesia has signed the Regional Comprehensive Economic Partnership (RCEP) with 14 other Indo-Pacific countries. This free trade agreement is the largest trade deal in history, covering 30 per cent of the global economy. It includes the Association of Southeast Asian Nations (ASEAN : Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) and ASEAN’s free trade agreement partners (Australia, China, India, Japan, New Zealand and Republic of Korea). The RCEP covers goods, services, investment, economic and technical cooperation. It also creates new rules for electronic commerce, intellectual property, government procurement, competition, and small and medium sized enterprises.

Indonesia's trade surplus widened to USD 3.51 billion in December 2021 from USD 2.61 billion the previous year. According to the latest data published by BPS-Statistics Indonesia, Indonesia amassed a USD3.89 billion trade surplus in December 2022, thereby maintaining a positive trade balance since May 2020, despite retreating from USD5.13 billion the month earlier. For the period from January-December 2022, therefore, the overall trade surplus stood at USD54.46 billion, up significantly from USD35.42 billion in the same period of 2021 (Bank Indonesia, 2023). Bank Indonesia is confident the ongoing trade surplus is contributing to solid external economic resilience in the country. Moving forward, this banking institution will continue to strengthen its policy synergy with the Government and other relevant authorities to bolster external resilience and strengthen national economic recovery momentum.

For the full year of 2022, exports climbed by 26.07 percent from the same period in 2021 to USD 291.98 billion. Imports to Indonesia dropped by 6.61 percent year-on-year, the largest fall in two years, to a six-month low of USD 19.94 billion in

December of 2022, quickening from a 1.89 percent fall in the prior month, and compared with market forecasts of a 7.58 percent decline (World Bank, 2023).The country is betting on bilateral and multilateral trade agreements to revive the non-oil exports within the next five years. President Widodo insists on the need to export less raw materials and more processed goods to create more added value and jobs at home.

Table 4: Indonesia's Foreign Trade Indicators

Foreign Trade Indicators	2017	2018	2019	2020	2021
Foreign Trade (in % of GDP)	39.4	43.1	37.6	33.0	40.4
Trade Balance (million USD)	18,814	-228	3,508	28,301	43,806
Trade Balance (Including Service) (million USD)	11,435	-6,713	-4,133	18,546	29,155
Imports of Goods and Services (Annual % Change)	8.1	12.1	-7.1	-16.7	23.3
Exports of Goods and Services (Annual % Change)	8.9	6.5	-0.5	-8.1	24.0
Imports of Goods and Services (in % of GDP)	19.2	22.1	19.0	15.7	18.9
Exports of Goods and Services (in % of GDP)	20.2	21.0	18.6	17.3	21.6

Source: World Bank; Latest available data

Table 5: Indonesia's Foreign Trade Values

Foreign Trade Values	2017	2018	2019	2020	2021
Imports of Goods (million USD)	156,925	188,708	171,276	141,622	196,041
Exports of Goods (million USD)	168,811	180,124	167,683	163,306	229,850
Imports of Services (million USD)	32,592	37,643	39,203	24,453	28,711
Exports of Services (million USD)	24,665	30,490	30,911	14,258	14,033

Source: World Bank; Latest available data

Table 6: Indonesia's Foreign Trade Forecasts

Foreign Trade Forecasts	2022	2023 (e)	2024 (e)	2025 (e)	2026 (e)
Volume of exports of goods and services (Annual % change)	1.1	2.1	10.2	9.0	8.5
Volume of imports of goods and services (Annual % change)	9.7	-0.8	11.8	10.4	9.7

Source: IMF, World Economic Outlook; Latest available data

4.5. Greece – Indonesia Trade Relations

The total value of Greek exports to Indonesia in 2022 amounted to €67,3 million (versus €53,7 million in 2021), presenting an increase of 25.3%. At the same time, the total value of imports from Indonesia reached €354 million (versus €207 million in 2021), showing an increase of 70,9%.

Table 7: Value of Greek Imports from Indonesia (Eurostat, 2023)

IMPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	11.684.894	16.721.592	23.756.560
Beverages and Tobacco	1.602.047	208.859	495.856
Crude Materials, Inedible, Except fuels	6.823.017	5.109.522	6.275.360
Mineral Fuels, Lubricants and Related Materials			9.085.707
Animal and Vegetable, Oils, Fats and Waxes	55.049.519	86.786.855	160.110.373
Chemical and Related Products, N.E.S.	4.123.639	6.721.605	27.481.372
Manufactured Goods Classified Chiefly by Material	66.635.925	51.029.373	68.675.130
Machinery and Transport Equipment	15.809.353	13.290.973	15.617.150
Miscellaneous Manufactured Articles	27.132.560	27.265.467	42.522.206
Commodities and Transactions not Classified Elsewhere in the SITC			
Total	**188.860.954**	**207.134.246**	**354.019.714**

Table 8: Value of Greek Exports to Indonesia (Eurostat, 2023)

EXPORTS - Value in Euro (€)	2020	2021	2022
Food and Live Animals	1.694.524	1.834.085	1.992.870
Beverages and Tobacco	1.412.633	2.484.521	3.383.518
Crude Materials, Inedible, Except fuels	38.518.579	35.805.767	51.766.320
Mineral Fuels, Lubricants and Related Materials		2.265	16.589
Animal and Vegetable, Oils, Fats and Waxes	2.480	5.486	

Chemical and Related Products, N.E.S.	1.976.582	2.698.687	2.386.616
Manufactured Goods Classified Chiefly by Material	2.453.763	6.282.999	2.561.127
Machinery and Transport Equipment	2.259.199	3.252.138	3.721.632
Miscellaneous Manufactured Articles	393.326	1.030.048	818.550
Commodities and Transactions not Classified Elsewhere in the SITC		307.646	664.522
Total	**48.711.086**	**53.703.642**	**67.311.744**

4.6. Leading Sectors for Exporters

Information and Telecommunications Technology: Looking to the future, Indonesia's information and communication technology (ICT) sector has a bright outlook as the country is starting from a relatively low level of IT solutions adoption, allowing plenty of room for growth. Much of Indonesia's potential is yet to be unleashed, giving the country the potential to be one of the most promising ICT markets in the coming years. Growth in traditional tech spending is expected to be driven by four platforms: cloud, mobile, social media and big data/analytics.

Aviation: The Indonesian aviation sector offers significant opportunities due to it being the largest in Southeast Asia, as Indonesia's population comprises of 41% of Southeast Asia's total population. In terms of total travelers, the country is ranked as having the 7th fastest growing aviation industry in the world, but in terms of aircraft orders and business value, it is ranked 2nd, only behind China. Due to Indonesia being an archipelago comprising more than 17,000 islands, air travel is necessary for the mobility of both people and goods. Current challenges include a lack of infrastructure for the rapid development of the aviation industry as well as the government's management of its human resources to meet market demands.

Energy: In recent years, Indonesia has made a shift towards using more renewable energy. Although coal is still the biggest energy source for electric power plants at 56% of the total, the government has been putting greater emphasis on clean coal technology to reduce emissions from fossil-fuel powered plants. The power industry in Indonesia experienced a 5.5% annual growth in 2021, and according to the Ministry of Energy and Mineral Resources (MEMR) the electrification rate in Indonesia reached 99.45%. The East Nusa Tenggara and Maluku regions had the lowest electrification ratios, with 88% and 92.4% respectively according to MEMR data.

Financial Services (Financial Technology): Indonesia presents significant opportunities in the financial technology sector based on the country's standing as the largest economy in Southeast Asia and the fourth-most populous nation in the world. The amount of merchants who adopted QRIS as payment channel in 2021 stood at 14.78 million. In 2020, there were 4.625 billion e-commerce transactions, which reached a total value of USD 14.13 billion (IDR 204.9 trillion). According to Statista In 2021, there were 5.451 billion e-commerce transactions, combining for a value of IDR 305.4 trillion.

Healthcare (Medical Devices & Equipment): Healthcare is a priority on Indonesia's national agenda, and the central and regional governments continue to build and upgrade healthcare facilities. Indonesia currently has 2,925 hospitals, with around 63 percent being privately managed. According to Indonesia's Statistic Bureau, as of 2020, there are 10,205 public Health Community Centers (PUSKESMAS) that provide comprehensive primary healthcare and vaccinations. Although the Indonesian government has implemented local content requirements and import tariffs, Indonesia continues to rely on imported innovative medical devices. An increase in public awareness about the importance of healthcare, the expansion of public and private hospitals, and the implementation of Indonesia's public health insurance system known as "BPJS-Kesehatan" (Jaminan Kesehatan Nasional, or JKN) in 2014, have led to an increased demand for more sophisticated and modern medical devices. Per February 2022, the membership coverage has reached 236.8 million people, or around 86% of the total population in Indonesia. This program will increase the demand for advanced medical equipment and supplies. Foreign manufacturers of medical equipment should take advantage of this growing market.

5. Accessing the local market

As the largest economy in Southeast Asia and the fourth-most populous country in the world, Indonesia's market offers opportunities in nearly every sector. With rising disposable income levels, Indonesia's growing middle class has a growing interest in products and services imported from abroad. In order for foreign companies to successfully enter the Indonesian market, it is advisable to find and appoint local partners to represent their products. It is highly recommended that foreign companies visit and have face to face meetings with prospective partners, and conduct due diligence in person when possible. Appointments with representatives require care, since it may be difficult to terminate an unsatisfactory relationship and form a new relationship.

Developing an understanding of Indonesian culture and local consumer preferences is a key factor for success. Patience, persistence and presence are three key ingredients for success in Indonesia. Important factors affecting purchasing decisions in Indonesia are pricing, financing, technical skills, and after-sales service. Firms should be prepared to invest in training for their local staff, from entry-level personnel to experienced managers.

6. Business Culture and Communication

The Fundamental Principles of Business Culture: Indonesian society is strongly group-oriented. That is why Indonesians prefer to work towards a team goal rather than towards individual targets. Worth and status are derived from the family or

group to which a person belongs. The concept of “face” is fundamental: any praise or censure should be addressed to the whole group rather than individuals, in order to avoid embarrassment. Moreover, Indonesians seldom give a negative answer, so what is stated may not match what one really thinks.
Hierarchies and seniority are highly respected, with the decision-making power concentrated at the top. Managers are the ones who should make decisions, while employees are generally not proactive as taking initiative could be seen as a criticism of the manager and the structures of the organisation. The concept of “Bapakism” (where “Bapak” literally means father) is used to describe the approach to management in Indonesia, with absolute respect being shown to elders or superiors.
The Indonesian approach to business is heavily relationship-focused. Promotion and selection are often based along relationship and family lines rather than on performance criteria.
First Contact: When trying to establish the first contact, it is preferable to be introduced by a third party, who should be carefully chosen (a local associate or bank representative). It is advised to meet first the highest-ranking person of a company. Personal visits are fundamental as Indonesians may not answer emails, phone calls or messages. Initial meetings are generally not business focused, as they are used to get to know the counterpart.

Time Management: Time in Indonesia is referred to as “rubber time” due to the elastic approach Indonesians have towards it. Therefore meetings can often start or finish late. Meetings are often unstructured and do not follow a well-defined agenda.

Greetings and Titles: Greetings can be rather formal as they are meant to show respect. A handshake is the most common greeting accompanied with the word "Selamat". Many Indonesians (especially Muslims) greet each other by bowing and putting their hand on their heart. Always start with the eldest or most senior person first when being introduced to several people at a time.
As titles represent the status of a person. They are very important in Indonesia and should be used together with the name. Superiors are often called "bapak" or "ibu", which means the equivalent of father or mother.

Gift Policy: Giving small gifts can help develop and maintain business relationships. To avoid any hint of corruption, gifts should be small and should not be given during first meetings. Gifts should always be wrapped and will usually be opened in private. Muslim colleagues or clients should not be given alcohol products as a gift.

Dress Code: The dress code varies depending on cultures and companies, but it is recommended to adopt a formal style and to respect the Muslim rules of modesty. Standard Western business attire (suit and tie for men and suit or skirt and blouse for women) are recommended when attending a normal business meeting. Heat and humidity are really strong in Indonesia and have to be kept in mind when choosing clothing.

Business Cards: Cards are exchanged at the beginning of meetings. They should be taken with the left hand and, studied carefully and placed in a card wallet. Business cards should be of high quality and contain as much information as possible, including title, corporate position and educational qualifications.

Meetings Management: Meetings can often start with small talk which is not related to core business matters. This can be essential, as it helps the relationship-building process, so it should not be rushed or viewed as inconsequential.

Negotiations are very slow and at the first meeting little progress is usually made. In general, Indonesians like bargaining and giving concessions too quickly will be viewed as naivete. Verbal contracts are very important and insisting on a written contract is considered to be a breach of trust. In any case, a written legal document is highly recommended afterwards. Indonesians would hardly express disagreement, so understanding what one really means is pivotal (even saying “yes” could be a sign of understanding, not necessarily of acceptance).

As Indonesians are indirect communicators it is important to pay attention to gestures and body language and to read between the lines. People are expected to be moderate in all communication situations. It is important not to be perceived as a threat to the harmony of the group, so it is better to speak in a quiet, gentle voice, and to avoid disagreeing explicitly. Hierarchy plays an important role. Hence during a meeting it is important that the right amount of deference is paid to the senior people present. Before answering a question, it is normal to leave a pause. This pause can at times be seen as quite long by Western standards, nevertheless it should not be broken. At peer level, managers usually reach decisions through a consensus-forming process, which can prove very time-consuming.

Meals should be used as an opportunity to widen the topics of conversation and develop a personal relationship with your counterpart, rather than be focused on business-related matters. Most Indonesians are Muslims and may not drink alcohol or eat pork. Whenever eating, passing or receiving food, use the right hand as the left hand is considered to be unclean. In formal situations, men are served before women. Wait to be invited to eat before you start. Most restaurant include a 10% service charge in their bills; if this charge has not been added it is considered polite to leave an equivalent amount.

7. Useful contacts

Embassy in Jakarta

Address: Plaza 89,12th floor,Suite 1203, JL. Rasuna Said, kav. X-7 No 6, Jakarta
Tel.: (006221) 5207776, 5207761
Fax: (006221) 5207753
Emergency Tel: +62811102170
E-mail: gremb.jrt@mfa.gr
Web Site: www.mfa.gr/jakarta
Head of Mission: Stella Bezirtzoglou

Consular Office in Jakarta

Address: Plaza 89,12th floor,Suite 1203, JL. Rasuna Said, kav. X-7 No 6, Jakarta
Tel.: (006221) 5272471
Fax: (006221) 5222819
Emergency Telephone: +62811102170
E-mail: grcon.jrt@mfa.gr
Web Site: www.mfa.gr/jakarta
Deputy Head of Mission: Michael Karabalis

8. Sources

- European Commission
- Euromonitor International
- Fitch Solutions: BMI Research
- IMF
- OECD
- Societe Generale
- Statista
- The World Bank Group
- TradingEconomics
- UNCTAD
- StandardTrade
- Doingbusiness
- U.S. Department of Commerce, International Trade Administration
- World Economic Forum
- Wolters Kluwer

Financial Institutions

- Eurobank: Export Gate