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Economic Report: INDONESIA

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1. Recent economic developments and challenges

In light of the worldwide economic slowdown and lower prices for raw materials, **Indonesia's GDP growth** is reported by the World Bank at 5.0% in 2014. Despite a drop in the GDP growth of 0.6%¹ in comparison to the previous year, Indonesia is the fastest growing economy in G-20 after China. For 2015, the World Bank projects the GDP to accelerate to 5.2%. The new government under President Joko Widodo targets the economic growth to reach 7% by 2019. Indonesia recorded its **nominal GDP** at USD 889 billion in 2014. It ranked as the **16th largest economy** in the world in 2013 and stays by far the largest economy in ASEAN by generating approximately 40% of ASEAN GDP.

Indonesian Central Bureau of Statistics recorded **inflation rate** at 8.36% in the reporting year, which was especially accelerated by the end of the year when the government cut the fuel subsidies. Since July 2014, the **Indonesian Rupiah has depreciated** against the US Dollar by 10.2% (through 13 March 2015). This must be seen in the perspective of pronounced dollar strength against most global currencies, including the Rupiah.

The Indonesian Central Bank's rate remained stable at 7.5% for most of 2014, but hiked to 7.75% in November 2014 to counter potential spike in inflation following the adjustment of no more subsidized fuel prices to the current market prices. The rate was restored to 7.5% in February 2015, as the Central Bank expects inflation to continue easing.

Indonesia elected Joko Widodo as its 7th president, whose office began on 20 October 2014. During his first months in office, he immediately took affirmative steps towards restructuring Indonesia's economy.

Under the new administration, the following developments are important in 2015:

1.1. Government's focus on development of infrastructure and on industrial, agricultural and maritime sectors

The lack of infrastructure has been slowing down Indonesia's economic growth for decades. Realizing its importance, the new administration commits to boost infrastructure development, which includes basic infrastructure (power plants, water supply, waste management, gas network, affordable housing, etc) and infrastructure to improve connectivity (toll roads, airports, sea ports, railways, MRT). Indonesia plans to build 24 new sea ports, 15 new airports, over 3,000 km new railway network, and mass rapid transportation system in 21 cities in the next 5 years. In the maritime domain, President Jokowi plans to make Indonesia a global "maritime axis", improving maritime infrastructure and establishing what he calls a "marine highway". This highway will be a huge and rapid marine transportation system to connect Indonesia's islands. The highway promises to increase economic integration across the archipelago in the future.

Indonesia also seeks to better develop its domestic industry by harmonizing the legal framework and improve legal certainty. The government continues to enact new legislation which is aimed at developing the domestic industry: for instance, the government regulated that 40% of mobile-phones components need to be manufactured domestically by 2017. The government also announced the ambitious goal to reach self-sufficiency in rice, corn, and soybean production in four-years' time. The agrarian reform was one of the nine priorities during the presidential campaign, which included the promise to redistribute 9 million hectares of land to farmers.

1.2. Indonesia aims to triple export figures in 5 years

The new President instructed the Ministry of Trade to triple export value within 5 years-time from USD 176 billion in 2014 to USD 458 billion in 2019. To meet this ambitious objective, the ministry applies the following strategies: (1) diversification of exports; (2) restructure export proportion that is still highly reliant on primary goods; and (3) export market expansion. Indonesia's Ministry of Foreign Affairs has also established an "economic diplomacy delivery unit," to accelerate Indonesia's trade promotion activities overseas. Currently, trade promotion is conducted through 35 commercial attaché in 19 countries.

¹ Indonesia's Central Bureau of Statistics revised its base year from 2000 to 2010 in February 2015, to reflect changes over the intervening decade in the country's economic structure. While the improved measurement of output results a higher level of nominal GDP, it also results in the measured rate of growth since 2011 being lower. See APPENDIX 2.

1.3. Long expected fuel subsidy cut to be redirected to productive sectors

Indonesia entirely eliminated the fuel subsidy for regular petrol as of 1 January 2015, which price will fluctuate accordingly to global market price; while fuel subsidy for diesel is capped at IDR 1,000 (USD 0.08) per liter. The cut will allow the government to save roughly USD 18 billion in fiscal savings, to be re-directed to more productive sectors including infrastructure and agriculture. This policy particularly sets the current administration apart from the previous administrations that have maintained the subsidy despite the high costs and the significant burden for the state budget. The fuel subsidies' cut – although necessary – has accelerated inflation and contributed to the President's decreasing popularity in the first six months of his administration.

1.4. Increase of FDI attractiveness by introducing a one-stop-services-counter for investors

Indonesia recorded IDR 463.1 trillion of investment in 2014, of which IDR 307 trillion (USD 28.5 billion) is accounted from FDI (excluding investment in oil, gas, and financial sectors). In terms of the Indonesian Rupiah, Indonesia recorded an increase of FDI inflow by 13.5% in 2014; but a 0.3% decrease in terms of US Dollars due to the depreciation suffered by the currency against USD.

In terms of ease of doing business, Indonesia ranked 114th out of 189 countries as measured by the World Bank in 2014. To attract more investments, the new government has made the streamlining of business and investment licenses as one of its priorities. It therefore created a single point of contact for investors' license applications. The One-Stop Services (OSS)², implemented by Indonesia's Investment Coordinating Board (BKPM), streamlines licenses for about 300 business types out of a total of 1,200. The OSS is still work-in-progress, with several implementation challenges to be tackled.

1.5. Domestic consumption remains the main driving force of the economic growth

In 2014, private household consumption made up 56.12% of Indonesia's GDP. Indonesia's middle class population is predicted to reach 50% of total population by 2025, rising from 74 million in 2012 to 141 million in 2025 – making it the world's 4th largest. Consumer spending is expected to expand from USD 262 billion in 2011 to almost USD 1.1 trillion in 2030. Based on the study commissioned by Switzerland Global Enterprise, the transportation, ICT, health care services and education sectors would reap most benefit from this development.

1.6. Challenges

Despite the overall positive developments, Indonesia still faces a number of fundamental challenges to its economy, including:

- **Funding of necessary infrastructure development**
Currently, logistic costs account for around 24% of GDP in Indonesia, with the government targeting to reduce it to 19% of GDP by 2019. To meet this objective, the government has announced an ambitious infrastructure development plan and promised to tackle the major obstacles to the realization of infrastructure projects such as the extremely complicated land acquisition. Indonesia will need roughly USD 444 billion over the next five years to finance its infrastructure projects. While the state and regional budget can cover only about 44.38% of the amount, the gap is expected to be covered by State-Owned Enterprises (21.92%) and Public-Private Partnerships (PPP, 33.69%).
- **Ambitious investment plans call for tax collection increase**
Indonesia sets ambitious fiscal revenue targets in order to be able to finance its infrastructure projects and to keep the state budget balanced. The expected fiscal revenues under the revised 2015 budget are 14.6% higher than the 2014 outturn.³ The government plans to add 4,000 taxmen as part of the efforts to crack down corporate tax avoidance. Tax compliance in Indonesia is still very low, with tax to GDP ratio only between 11 to 12%.⁴

² SECO, through the World Bank, is supporting BKPM in the implementation of OSS and its regulatory simplification, primarily through establishing the system for OSS performance monitoring and upgrading of IT systems; technical assistance for the mapping, re-engineering, and development of cross-agency and within-agency Standard Operating Procedures for OSS implementation; and analysis on the effectiveness of incentives for investments.

³ Indonesia Economic Quarterly (World Bank, March 2015).

⁴ IMF Country Report No.15/74, released March 2015.

- **Shortage of skilled human resources**

Recent report by the Institute of Indonesia Chartered Accountants (IAI) revealed that industry leaders' expressed several concerns on the preparedness of Indonesian graduates entering the labor market. Indonesia currently has about 55 million skilled workers, and will need 112 million skilled workers by 2030 – which is an enormous challenge for the education and training sector in the country. Vocational education in Indonesia tends to be fragmented and is still poorly coordinated. Yet another challenge is the lack of teachers with specific areas of specialization. Meanwhile, despite Indonesia is home to more than 3,000 public and private universities, less than 10% of its population enjoyed university education. There are striking differences among Indonesian universities, in terms of quality of education, staff qualification, infrastructure, facilities, and available resources.

- **A nationalistic undertone in several new economic policies**

In light of a wider regional competition with the inception of ASEAN Economic Community, Indonesian government's policies are still focusing on strengthening the domestic industry not only through incentive-driven measures but mainly by legally binding regulatory policies. New problematic legislations such as the Halal Law or the expanded use of the Indonesian National Standards or further limitation of foreign ownership in several economic sectors are to a certain extent of protective nature. Indonesia also shows more inclination to restrict the use of foreign workers in selected sectors of the economy ahead of the ASEAN Economic Community.

Another important development is that the Indonesian government has announced to terminate all Bilateral Investment Treaties with 67 partner countries – BITs with three countries have terminated in 2014, and more countries will receive notification as their treaty is coming close to expiration date. At the same time, Indonesia has affirmed its intention to negotiate new BITs on the basis of its own template, which is in the process of being elaborated. Upon the official notification from the Indonesian government, the BIT with Switzerland will expire in April 2016.

- **Improvement of regulatory framework and good governance necessary**

The lack of conformity between national and sub-national laws and regulations continues to be an issue. Furthermore, Indonesian authorities are still susceptible to red tapes practices and corruption. Recent political developments have weakened the Corruption Eradication Commission (KPK) which has performed effectively in bringing down graft convicts ranging from government ministers, top management and officials of private companies, to judges and prosecutors in the past 11 years.

- **Social inequality remains a serious challenge**

Despite the growing middle class, Indonesia's Gini coefficient's ratio tends to increase every year, according to the Central Bureau of Statistics. Indonesia's Gini coefficient stood at 0.41 in 2011-2013, from 0.37 in 2009 and 0.38 in 2010. As part of his presidential campaign, President Widodo launched his signature programs to support Indonesia's poor, by distributing three cards – guaranteeing free health insurance, free basic education as well as tertiary education to students accepted to university, and provide cash transfer for poor families to help with the phasing out of oil subsidies.⁵

As living expense in Indonesia differ significantly per province, each province sets regional minimum wage while taking into account the assumed needs for decent living. In 2015, the minimum wage ranges from IDR 1.3 million in West Nusa Tenggara (USD 100) to IDR 2.7 million (USD 2 million) in Jakarta. The minimum wage increased by an average of 19% in 2013 and 2014, and saw another 13% increase in 2015. The minimum wage rarely – if ever – apply to workers in informal sector of the economy, despite the International Labor Organization (ILO) estimates that 60% of all non-agricultural jobs in Indonesia are informal.

1.7. Impact for Swiss economy

Switzerland is a major player when it comes to investments in Indonesia: According to Indonesia's Investment Coordinating Board (BKPM), the number of Swiss investment in Indonesia increased by 21% in 2014, with total investment realization at USD 150.8 million. Switzerland ranked 16th in 2014 in

⁵ According to UNICEF, 84 million of Indonesia's 252 million populations are children. World Bank data shows that under-5 mortality rate in Indonesia stood at 29 children per 1,000 babies in 2013, down from 31 in 2012. Maternal mortality ratio is down to 190 per 100,000 live births in 2013, down from 210 in 2010.

terms of investment realization – up one position from the previous year. Regarding bilateral trade, there is a huge potential to be tapped in the future.

The new Indonesian government has set a solid foundation for economic reform that could offer more opportunities for Swiss businesses to enter Indonesia’s market. Infrastructure development and the streamlining of business licenses send positive signals that Indonesia will become more conducive for doing business. While Indonesia is heading to the right direction, the results of the new government’s efforts might only be gradually felt in the next 2-3 years.

The overall economic growth in Indonesia also translates into increased middle class consumption. The Indonesian market is not only limited to the sales of end-consumer products, but also provides more and more the opportunity to sell high quality machinery and semi-finished products to producers as the country is trying to gradually improve production quality and efficiency as well as to encourage domestic businesses to produce more import-substitute products. Overall, attractive business opportunities are certainly present in all kinds of industrial manufacture and in specific sectors such as transportation, construction, energy, health and life sciences, food processing and packaging.

2. International and regional economic agreements

2.1. Indonesia’s trade policy and priorities

The natural resources and agricultural sectors remain central to the Indonesian economy, contributing 25.6% to the GDP and generating 35% of jobs. Oil & gas, coal, tin, nickel, copper, gold, iron ore, crude palm oil (CPO), rubber, cocoa, tea, and coffee are among the major natural & agricultural resources that significantly contribute to Indonesia’s exports and remain an important factor when shaping Indonesia’s foreign trade policies.

In light of a wider regional competition with the inception of ASEAN Economic Community and with the end of the commodity boom, the government’s policies are focusing more at strengthening the domestic industry and to attract foreign direct investment.

Indonesia established a special unit for “economic diplomacy” that is responsible to find new markets for its exports and to attract more investment into the country. Nevertheless, the ASEAN market in particular and Asia-Pacific in general remain the main focus of Indonesia’s trade policy.

2.1.1. Multilateral trade relations

Indonesia is an active member of a number of international economic organizations and forums, such as the UN, WTO, G-20, Non Aligned Movement, G77 and the Cairns Group.

As of March 2015, Indonesia was involved in 35 dispute settlement cases in the WTO: as complainant in 10 cases, as respondent in 12 cases, and as third party in 13 cases. The currently active cases in the Dispute Settlement Body include the following:

Complainant	Respondent	Issue	Status
Indonesia	Australia	Certain Measures Concerning Trademarks, Geographical Indications and Other Plain Packaging Requirements Applicable to Tobacco Products and Packaging	Panel composed (2014)
Indonesia	European Union	Anti-Dumping Measures on Imports of Certain Fatty Alcohols from Indonesia	
Indonesia		Anti-Dumping Measures on Biodiesel from Indonesia	In consultations (2014)
Indonesia	Pakistan	Anti-Dumping and Countervailing Duty Investigations on Certain Paper Products from Indonesia	
Indonesia	United States	Anti-dumping duties on paper products	Consultation requested (Mar 2015)
Brazil	Indonesia	Measures Concerning the Importation of Chicken Meat and Chicken Products	In consultations (2014)
European Union	Indonesia	Recourse to article 22.2 of the DSU in the US — Clove cigarettes dispute	

New Zealand	Indonesia	Importation of Horticultural Products, Animals and Animal Products	
United States			
Chinese Taipei	Indonesia	Safeguard on Certain Iron or Steel Products	In consultations (Feb 2015)

Indonesia is also a signatory of the Framework Agreement on Trade Preferential System between members of the Organization of Islamic Conference, and the Preferential Trade Agreement between the Developing-8⁶ member states.

2.1.2. Regional trade relations

On the regional level, Indonesia is among others a member of ASEAN, APEC, Colombo-Plan, and the Indian Ocean Rim Association (IORA). Indonesia will assume IORA's presidency in 2015.

2.1.2.1. ASEAN

Traditionally, ASEAN stands in the core layer of Indonesia's foreign policy concentric circle. The ASEAN Economic Community (AEC) is set to launch by 31 December 2015, which will officially integrates the economies of its 10 member countries. The AEC is built on four pillars of integration: (1) a single market and production base; (2) a competitive economic region; (3) equitable economic development; and (4) integration with the global economy.

To date, ASEAN has achieved 82.1% of the stipulated targets mentioned in the AEC blueprint signed in 2007. Under trade in goods, 99% of tariff lines for the ASEAN-6 have been lowered to zero since 2010, the National Single Window (NSW) is being implemented in ASEAN-6 and initiatives to connect the NSW to ASEAN regional portal is underway, and key agreements such as the ASEAN Trade in Goods Agreement (ATIGA) is in place.⁷ ASEAN countries have also signed Mutual Recognition Agreements for seven professions including engineering, architecture, nursing, accountancy, surveying services, medical, and dental professions to allow freer movements of skilled labors within the region.

ASEAN's progress to liberalize investment and capital flows has been rather slow but steady. The signing of the ASEAN Comprehensive Investment Agreement (ACIA) in 2012 and the ASEAN Banking Integration Framework (ABIF) in March 2015 have set the foundation for regional financial integration.

Despite the achievements, ASEAN is still far from its goal of attaining a single market and production base. The hurdles include: (1) Non-tariff barriers (NTBs) are still heavily in place in the form of non-automatic licensing, technical regulations and quality standards; (2) Infrastructure deficiency that could negate the full benefit of tariff liberalization; (3) despite the Mutual Recognition Agreements, there is still only marginal liberalization in the services sector; and (4) significant development gaps among its members' economies, spanning from the disparities in human resources, institutions, poverty level, finance, and ICT infrastructure.

In building the second and third pillars of the AEC, ASEAN had adopted an Intellectual Property Rights Action Plan (2011-2015), Master Plan on ASEAN Connectivity, and implemented the ASEAN Strategic Action Plan for Small and Medium-Sized Enterprise (SME) Development.

ASEAN has also made significant progress in implementing the fourth pillar to become more integrated with the global economy. As part of ASEAN, Indonesia is part of the following FTAs:

- ASEAN FTA
- ASEAN-Australia and New Zealand FTA
- ASEAN-India Comprehensive Economic Cooperation Agreement
- ASEAN-Japan Comprehensive Economic Partnership (AJ-CEP)
- ASEAN-Korea Comprehensive Economic Cooperation Agreement
- ASEAN-PRC Comprehensive Economic Cooperation Agreement (ACFTA)

Several FTAs are on preparatory stage:

⁶ The Developing-8 (D-8) is an organization for development cooperation among the following countries: Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan and Turkey established in 1997. The objectives of D-8 Organization for Economic Cooperation are to improve member states' position in the global economy, diversify and create new opportunities in trade relations, enhance participation in decision-making at international level, and improve standards of living.

⁷ Sanchita Basu Das, "The ASEAN Economic Community: An Economic and Strategic Project," in ISEAS Perspective No.4/2015.

- ASEAN-EU CEPA (feasibility study concluded, put on hold)
- ASEAN-Hong Kong, China FTA (first round of negotiations completed in July 2014)
- ASEAN-Pakistan FTA (feasibility study concluded, put on hold)
- East Asia FTA (ASEAN+3) (under consultation and study)

2.1.2.2. Regional Comprehensive Economic Partnership (RCEP)

The RCEP consists of 10 ASEAN member countries, China, Japan, South Korea, India, Australia, and New Zealand. Despite each single country already has their separate FTAs with ASEAN; the RCEP aims at harmonizing the inter-regional trade under one single umbrella economic partnership regulation. If concluded, the RCEP would become the largest FTA in the world, covering 30% of the world's GDP and 29% of world trade.

Indonesia is currently engaged in RCEP negotiations, and assumes the role to chair RCEP Trade Negotiating Committee (TNC). The 7th round of RCEP talks was concluded in February 2015, with the participating 16 countries still struggling to agree on tariff cuts. Substantive negotiations are targeted to be completed by the end of 2015.

2.1.3. Bilateral trade relations

Most of Indonesia's FTA agreements are within the context of ASEAN. On the bilateral basis, Indonesia had only signed an Economic Partnership Agreement with Japan and a Preferential Trade Agreement (PTA) with Pakistan. While scoping missions and negotiations on bilateral trade agreements were halted during the government change, some of them might be continued or started soon. The situation is as follows:

- Indonesia-EFTA CEPA (9th round of negotiation concluded in 2014)
- Indonesia-Korea CEPA (7th round of negotiation concluded in 2014)
- Indonesia-Chile CEPA (1st negotiation concluded in 2014)
- Indonesia-Australia CEPA (2nd round of negotiation concluded in 2012, currently on hold)
- Indonesia-Iran PTA (1st TNC meeting concluded in 2010, on hold)
- Indonesia-EU CEPA (feasibility study concluded, negotiations not yet launched)
- Indonesia-India Comprehensive Economic Cooperation Agreement (feasibility study concluded, negotiations not yet launched)
- Indonesia-Peru PTA (feasibility study concluded)
- Indonesia-Turkey Comprehensive Trade and Economic Partnership (joint study group)
- Indonesia-Egypt FTA (joint study group)
- Indonesia-Tunisia FTA (joint study group)
- Indonesia-Nigeria PTA (joint study group)

As a priority, Indonesia intends to review the Indonesia-Japan Economic Partnership Agreement (JEPA) that is deemed to be less beneficial to the country in the current form.

Indonesia signed several bilateral agreements during the year 2014, including:

- MoU with the US on several outstanding issues in bilateral trade
- MoU with Italy on cooperation in industrial sectors development
- MoU with Timor Leste on the establishment of a task force for the development of a Regional Integrated Economic Approach
- MoU with Belarus on cooperation in the field of Oil and Gas
- MoU with Palestine on economic cooperation
- Arrangement regarding food safety cooperation with New Zealand

2.2. Outlook for Switzerland

The establishment of AEC by the end of 2015 will open an array of new opportunities for Swiss companies present in an ASEAN country in a mid-term perspective. These companies will be able to reap the benefits that come with ASEAN Single Market.

To benefit from the ASEAN Single Market, Swiss companies must have established a production hub in the region or partly process their products in one of ASEAN countries. With physical presence in ASEAN, Swiss companies enjoy the full advantages of the near-zero tariff for intra-regional trade. Following the establishment of AEC and the conclusion of the Regional Comprehensive Economic Partnership (RCEP) agreements in the future, companies based in Switzerland as well as in the EU

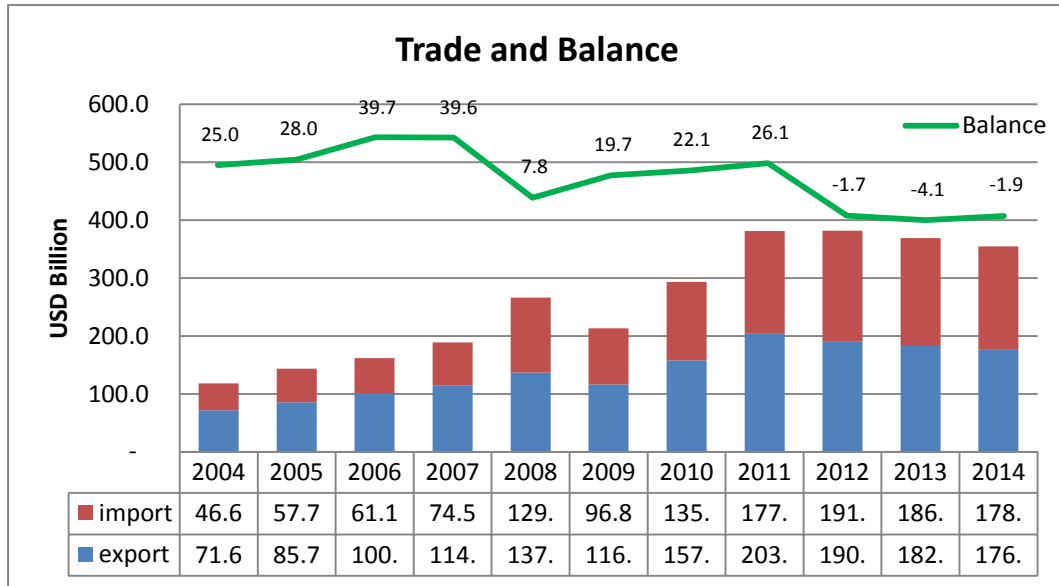
could potentially suffer a degree of preferential discrimination compared to enterprises established in the aforementioned blocs.

3. Foreign Trade⁸

3.1. Development and general outlook

3.1.1. Trade in goods

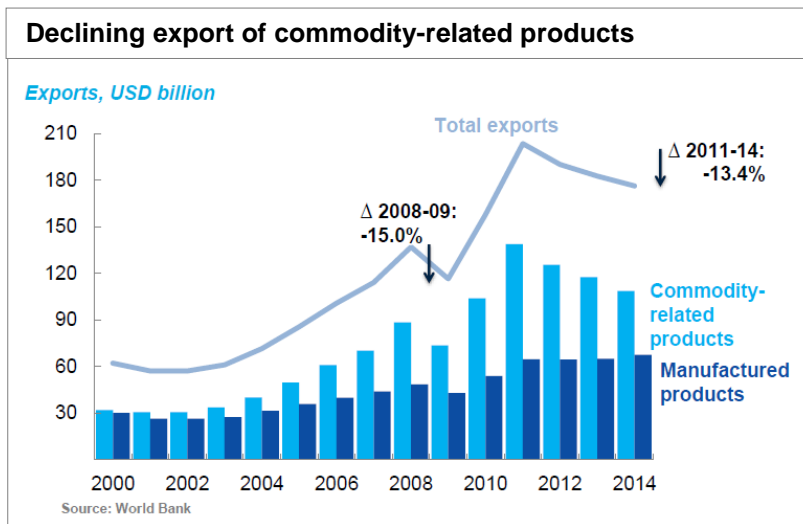
The declining export of commodity-related products since 2011 contributed to the negative trend of export and balance of payment in the last three years as shown in the figure below:



Source: Indonesian Central Bureau of Statistics (upd.March 2015)

⁸ Due to availability of data, Trade Statistics in this chapter is using two sets of data which shows quite substantial differences in the import value from Indonesia to Switzerland:

- For the purpose of overview of Indonesian trade with trading partners, we are using data from the Ministry of Trade and the Central Bank (Bank Indonesia), please refer to APPENDIX 3
- For the purpose of the bilateral trade with Switzerland, we are using data from the Swiss Federal Customs Administration, please refer to APPENDIX 4



Source: World Bank

The government has comprehended the situation and is implementing the following measures to improve the fiscal balance:

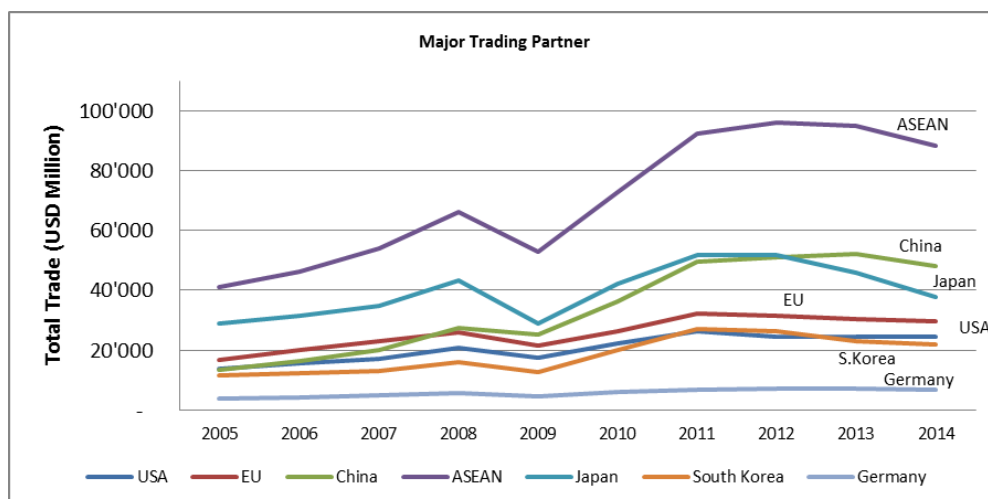
- boosting added-value manufacturing in the country;
- implementing various trade measures on import (see also section 6.2);
- providing numerous incentives for investment;
- improving tax collection; and
- dealing with main bottlenecks in economic growth, in particular the insufficient infrastructure

With all these measures in place, the government aims to triple its export in five years, from USD 176 billion in 2014 to USD 458 billion in 2019. Three main strategies are expected to boost the export: (1) Diversifying export products; (2) Reversing the current proportion of 65% primary goods and 35% manufacturing products within 5 years; and (3) Diversifying export markets.

Indonesia's key sectors to be looked out to for the next 5 years are: food and food processing technology, health sector, sustainable energy sectors, infrastructures and maritime related resources and technology. This is in line with the medium-term planning of the government of Indonesia to achieve food sovereignty, energy sufficiency, improved connectivity and management of maritime resources.

In 2014, we saw declining trends of Indonesian trade with almost all main trading partners, with the largest decline posted by Japan (-17.81%), followed by China (-8.16%), ASEAN (-7.04%), South Korea (-5.29%), Germany (-4.52%), and the EU (-2.10%). Trade with the US increased slightly by 0.24%.

ASEAN countries are still the main trading partner of Indonesia and this trend is expected to continue in the next few years with the ASEAN Economic Community coming into force.



Source: Bank Indonesia

3.1.2. Trade in services

The overall trade in services has been in deficit for the past 10 years. The deficit reached USD 10.53 billion in 2014, slightly reduced from USD 12.07 in 2013. Out of the 12 categories⁹ under the trade in services, only 4 categories booked a surplus in 2014: (1) travel services; (2) manufacturing services; (3) constructions; and (4) Government goods and services.

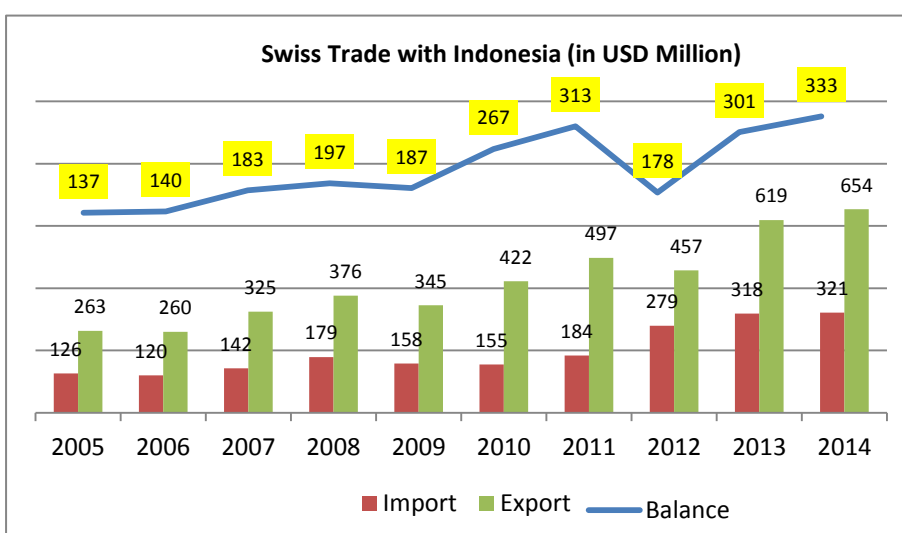


Source: Bank Indonesia

3.2. Bilateral trade

3.2.1. Trade in goods

Trade balance between Switzerland and Indonesia has always been in favor of Switzerland for the last 10 years. In 2014, a **trade surplus of around USD 333 million** was recorded, which is a 12.2% increase compared to 2013. Switzerland's export to Indonesia increased by 5.6% from USD 619 million in 2013 to USD 654 million in 2014.

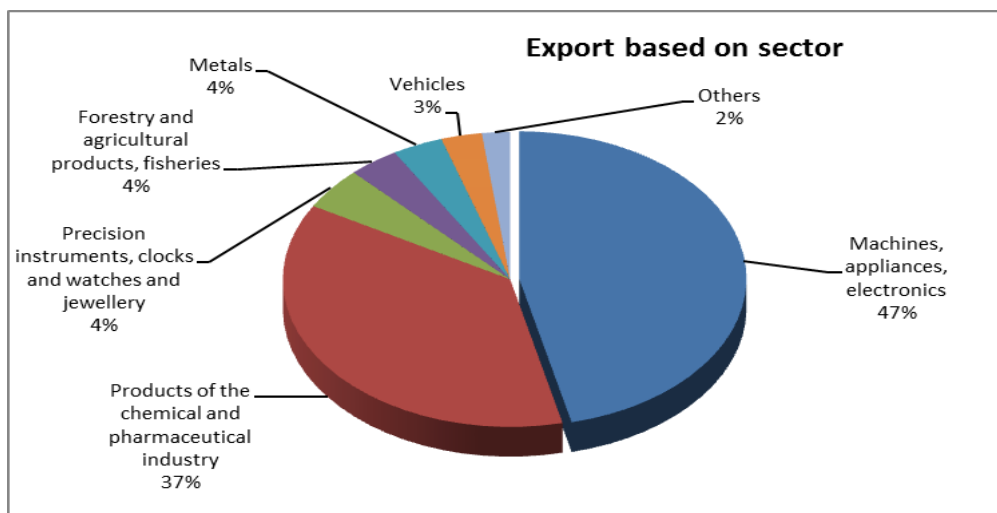


Source: Swiss Federal Customs Administration

⁹Categories of Services: (1) Manufacturing services; (2) Maintenance and repair services; (3) Transport; (4) Travel; (5) Construction; (6) Insurance and pension services; (7) Financial services; (8) Charges for the use of intellectual property; (9) Telecommunications, computer, and information services; (10) Other business services; (11) Personal, cultural, and recreational services; (12) Government goods and services. (Source: Bank Indonesia)

The detailed export and import data taken from the Swiss Federal Customs Administration (FCA) are summarized in APPENDIX 4.

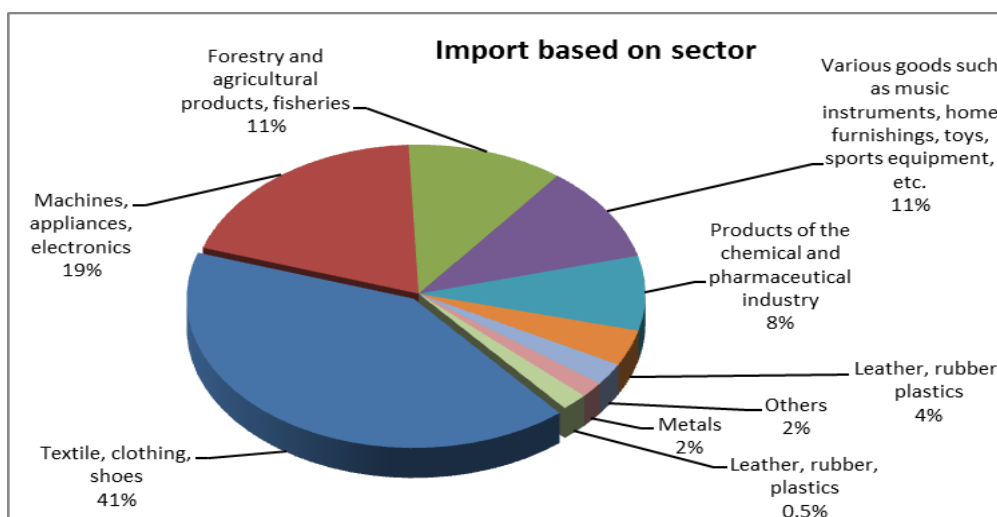
Machines, appliances and electronics remain the main export commodity from Switzerland to Indonesia (47% of total export), followed by products of the chemical and pharmaceutical industry (37% of total export). These two categories made up more than four-fifth of the total export of Switzerland to Indonesia which clearly shows the competitive edge of the Swiss industry in these sectors. The significance of Swiss exports to Indonesia is still very small, accounted for only 0.3% of total Swiss exports to the world. However, the growth is quite noteworthy, at 7.6% compared to 2013.



Source: Swiss Federal Customs Administration

Textile, clothing and shoes made the majority of import from Indonesia to Switzerland (41% of total import from Indonesia), followed by machines, appliances and electronics (19%) and forestry, fisheries and agricultural products (11%).

Indonesia's export to Switzerland (USD 295.5 million) is comparatively small in comparison with other ASEAN-States such as Vietnam. Vietnam's export to Switzerland amounted to USD 695 million, which also means that a great potential has not been realized by Indonesia.



Source: Swiss Federal Customs Administration

Domestic consumptions remain a key factor of Indonesia's economic growth with private household consumption contributing around 56.12% of the GDP.

The main driving factor of the growing consumption is the rising middle class in Indonesia¹⁰. The key characteristics of the rising middle class consumer are as follows¹¹:

- More connected, e.g. mobile penetration / social media
- Aspiring for higher classes and consumption trends, but still with price that matches their income level
- Spending more in higher education
- More family oriented purchasing (for housing, health care, etc)

The above characteristics will affect the consumption pattern of this group and consequently influence some of the key industry sectors that are briefly discussed below.

Pharmaceutical

The pharmaceutical market in Indonesia has been rising steadily with double digit growth since 2007. The market is valued at USD 6.5 billion with an annual growth rate of 12.5%. Indonesia is a highly attractive market for the pharmaceutical industry for the size of its population. The spending on healthcare for Indonesians almost quintupled from around USD 35 per capita in 2005 to around USD 150 per capita in 2014.

The sector is highly competitive and fragmented among 200 companies, of which 35 are foreign-owned. The local producers are dominant in the market and accounted for 79% of the total market share. These local producers provide mostly generic drugs which are widely accepted by Indonesians.

The outlook of the pharmaceutical sector is positive in terms of sales growth. The implementation of General Manufacturing Practice (GMP) and the ASEAN Common Technical Dossier and Requirements will squeeze out local producers that are not meeting quality standards as well as it will reduce the availability of counterfeit drugs which have an estimated share of 15 to 20% of the market.

The young demographics of the country, increasing life expectancy with improved living standards and rising incomes are all positive conditions for growth. Added by the introduction of a national social security system in 2014 that will grant health care service coverage to an estimated 50% of the population, a real boost will come to this industry in the upcoming years.

Food technology

The food industry in Indonesia serves a domestic market of approximately 260 million people of which 150 million people live in the Java island and approximately 40 million people in the Greater Jakarta Area. With an increasing per capita income and a growing middle class, the demand for higher quality fast moving consumer goods and processed foods will increase significantly. Consequently, the demand for machineries and equipment to produce these goods will also increase.

Further to this, Indonesia as the world's leading producer of Crude Palm Oil (CPO) with a production of approximately 28 million ton in 2014; it is aiming to reach an output of 40 million ton in 2020. The government in cooperation with the leading palm oil producers is consistent in developing the downstream industries of the CPO. Variety of palm oil-based products has increased from 54 items in 2011 to 169 items in 2014. The investment in the downstream industry went up by 71% in 2014.

Chemical industry

The chemical industry has to meet the needs of the growing million middle class consumers and the demand of the manufacturing industry with a growth of 10% a year. At present, approximately USD 16 billion basic chemicals are imported and USD 5.5 billion basic chemicals are exported. Indonesia is a net importer of chemicals.

¹⁰ The **Rising Middle Class** in Indonesia is defined by the World Bank's definition of the low consumption segment in order to keep global comparability. This consumption segment indicates a household consumption of **2.97-8.44 PPP US\$/capita** per day. (Source: S-GE study on Rising Middle Class)

¹¹ Ibid.

	Imports*	Exports
Basic Chemical	3 rd largest (USD 16 billion)	3 rd largest (USD 5.5 billion)
Fertilizer	8 th largest (USD 2.9 billion)	
Other Chemicals	9 th largest (USD 2.8 billion)	
Share of total*	15% (USD 20.7 billion)	4.7% (USD 5.5 billion)

*excluding oil and gas imports

Source: Indonesian Coordinating Board of Investment (BKPM)

The market size of the Indonesian plastic industry stands at approximately USD 5.3 billion where the per capita consumption is still small, at only 10 kg compared to Malaysia's 45 kg and Thailand's 56 kg. Indonesia's plastic industry is growing by 7.5% per year and produces 3.6 million tons per year. The demand stands at 4.3 million ton per year.

The annual growth rate of the chemical industry related to construction is forecasted to be 13.6% until 2019. The construction industry sees large investments in residential and infrastructure projects. Construction chemicals such as concrete admixtures, paints and coatings are expected to grow extensively.

The annual growth rate of the pulp and paper chemicals is estimated at around 12% until 2020. Rising demand for tissue and packaging paper coupled with new investments planned in the Indonesian pulp and paper industry are expected to drive the demand for chemicals over the next five years. Increasing use of pulp and paper chemicals across a wide range of end-use industries for various applications is expected to continue driving the sales of these specialty chemicals in the country.

The challenge for Indonesia is to have all of the fundamentals in place, both in terms of the chemical industry supply chain, as well as legal structures and business practices, such that the higher-value chemicals can be manufactured in-country rather than imported from abroad. For this, the sector is widely open for Swiss companies to tap the market opportunities or invest in the country.

3.2.2. Trade in services

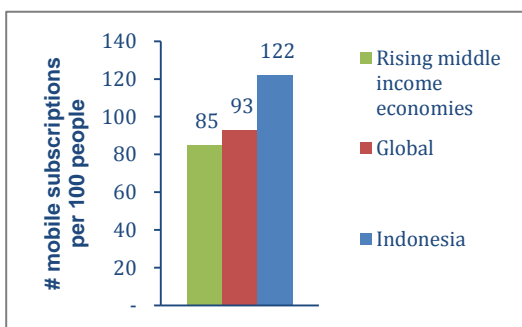
Services sector in Indonesia is still dominated by foreign players, such as in transportation, insurance and logistics. A great deal of trade potential has not yet been utilized in the services sector.

Some of the key service sectors that might be of interest for Swiss companies are briefly described below:

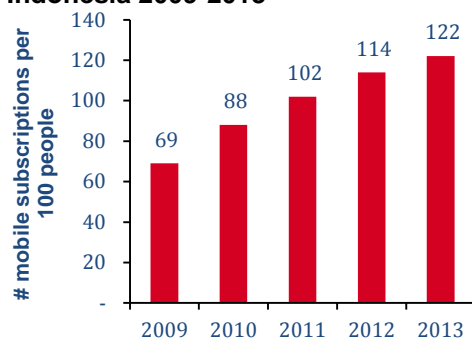
Information technology

Indonesia is considered to be one of the most "connected" developing countries in the world.¹² In 2015, the country is expected to have over 330 million mobile subscribers and over 125 million active internet users. Its connectivity rate can also be presented through the number of mobile subscriptions, where it clearly outperforms both the average subscriptions globally and in the rising middle income economies (see below figures).

Mobile subscriptions per 100 people (2013)



Mobile subscription development Indonesia 2009-2013



Source: Switzerland Global Enterprise' study on Rising Middle Class in Indonesia

¹² Ibid.

Indonesia, currently the fourth largest Facebook market, will continue to expand its social media community as increased smartphone penetration will enable access to mobile internet. By 2015, smartphones will account for 40% of all Indonesian mobile phones.

These trends will directly impact the demand and consumption for IT and mobile related technology, equipment and infrastructures, as well as how the business is conducted in the future to reach as many people as possible.

Infrastructures and logistics

Even though Indonesia's infrastructure quality rank in the Global Competitiveness Index (GCI) climbed from 82nd place in 2013-2014 to 72nd place in 2014-2015, Indonesia's infrastructure competitiveness remains fairly weak in comparison to the average of other ASEAN countries. Indonesia's infrastructure quality score stands at 4.2, below Singapore (6.3), Malaysia (5.6) and the average for ASEAN countries (4.4).

Such relatively poor infrastructure competitiveness leads to a high cost for logistics. The proportion of Indonesia's logistical costs to its GDP is 24%, higher than that of Malaysia (15%), Japan (10.6%) and the United States (9.9%). In terms of time, the berthing time at the main port of Indonesia, Tanjung Priok port, has reached more than six days, longer than that in both Malaysia and Thailand. In Logistics Performance Index (LPI) 2014, Indonesia ranked 53rd out of 160 countries.

As mentioned in the previous section, the government is committed to resolve the bottlenecks in the infrastructure development in order to improve the country's competitiveness and productivity. Below are the infrastructure targets to be achieved in the period of 2014-2019:

Target	2014	2019	Projects
Connectivity			
➤ Logistic Cost	23.5% of GDP	19.2% of GDP	<ul style="list-style-type: none"> • New road: 2.650 km • New toll road: 1.000km • Road maintenance: 46.770 km • 15 new airports • 20 new pioneer routes (for air transport) • New air cargo port in 6 locations • 24 new sea ports • 26 pioneer ships for goods • New railway: 3.258 km (intercity railway 2.159 km, intra-city railway 1.099km) • Crossing port in 60 locations • 50 unit of pioneer ships for crossing • Mass rapid transportation system in 6 metropolitan cities and 17 big cities

Source: National Development Planning Agency (BAPPENAS)

4. Direct Investments

4.1. Development and general outlook

Indonesian Investment Coordinating Board (BKPM) recorded 16.2% increase of total investment in 2014, compared to that of 2013. Indonesia recorded IDR 463.1 trillion of investment in 2014; of which IDR 307 trillion is accounted from FDI (excluding investment in oil, gas, and financial sectors). Singapore, Japan, and Malaysia (in order) are the biggest foreign bilateral investors to Indonesia. (APPENDIX 5)

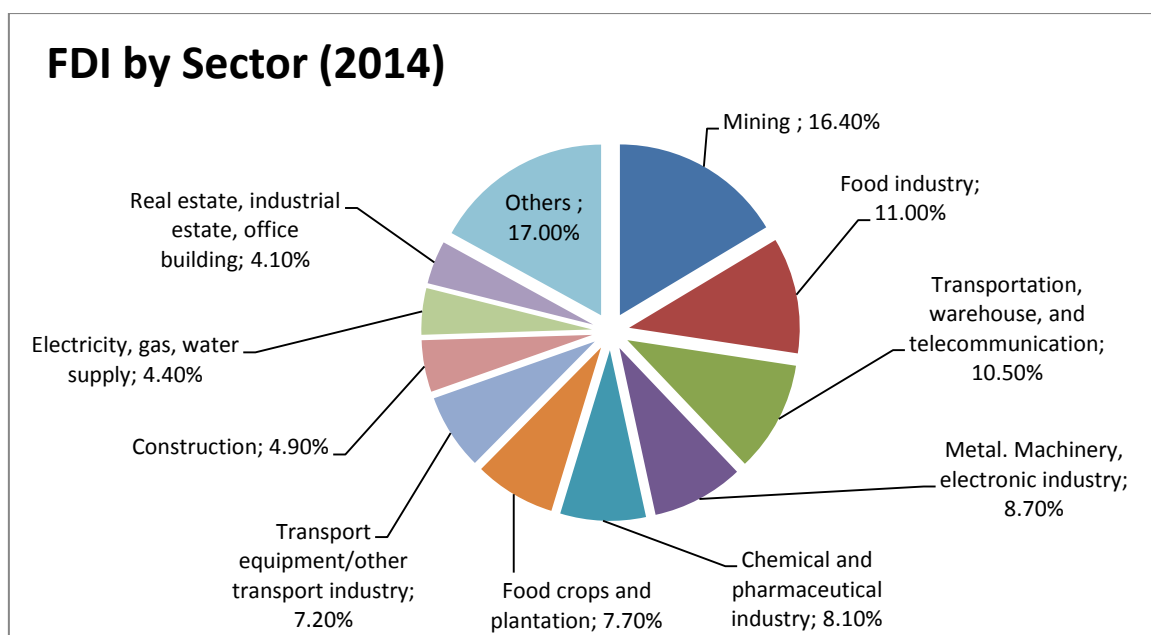
Due to the depreciation suffered by the Indonesian currency in 2014, the inflow of FDI actually shows a downward trend when converted to US Dollars. In terms of Indonesian Rupiah, FDI inflow to Indonesia increased by 13.5% in 2014; but decreased by 0.3% in terms of US Dollars.¹³

¹³ The BKPM applies the exchange rate 1 USD = 10,500 IDR during the first three quarters of 2014; and the exchange rate 1 USD = 11,600 IDR for the fourth quarter of 2014.

The number of FDI projects in Indonesia increased from 6,863 projects in 2013 to 8,885 projects in 2014. Singapore replaced Japan as the major investor in 2014, with a total share of 20.44% from total FDI inflow to Indonesia. Singapore and Japan have remained the top two investors in the country since 2011. In 2014, Japan nearly halved their investment in Indonesia, which came down to USD 2.7 billion from USD 4.7 billion in 2013. It should be noted that many international companies make their investment in Indonesia through their regional office in Singapore, which came in the record under Singapore. In addition, many Indonesians also reinvest their fund for tax purposes via Singapore, Mauritius, and British Virgin Islands, which may have contributed to the ranking enjoyed by these small states in the statistics.

The most popular sector for foreign investment is mining, which received an influx of USD 4.7 billion in 2014, followed by food industry (USD 3.1 billion), transportation, warehouse and telecommunication (USD 3 billion), metal, machinery, and electronic industry (USD 2.5 billion), and chemical and pharmaceutical industry (USD 2.3 billion).

Distribution wise, 56.9% of FDI realization are still concentrated in the Java island of Indonesia.



Source: Indonesian Investment Coordinating Board (BKPM)

Under the new government, Indonesia aims to improve the process of numerous permits required to invest in the country. On January 2015, the BKPM has launched a One-Stop Service Center (OSS) that streamline over 130 permits used to be issued by 22 ministries/institutions under one roof. The BKPM also sets to cut permits processing time by two-thirds on average as their next target.

4.2. Bilateral investment flows

BKPM recorded Swiss investment in Indonesia to reach USD 670 million over the course of 2010-2014, making Switzerland the 14th largest investor in the country in the five-year period. Swiss' investments have created 17,802 jobs (0.5% of workforce created by FDI in Indonesia) in the same period. 94% of Swiss FDI in Indonesia were directed to secondary sectors; and nearly 95% of FDI were concentrated in the Java Island, and roughly 4% in Sumatera island.

According to BKPM data, the number of Swiss investment in Indonesia increased by 21% in 2014, with a total of 56 projects. Switzerland ranked 16th in 2014 in terms of investment realization – up one spot from the previous year – with a total investment of USD 150.8 million.

As shown in the following table, the biggest portion of Swiss investment in Indonesia goes to the food industry, that increased by 50% from the previous year. On the contrary, Swiss investment in chemicals & pharmaceutical and metal, machinery & electronics industries show a decrease of 63% and 52% respectively, compared to the previous year.

Sector of Investment	2013		2014	
	Projects	Investment Value (in thousand USD)	Projects	Investment Value (in thousand USD)
Farming	0	0	1	0
Mining	0	0	3	540.0
Sub-Total (Primary Industry)	0	0	4	540.0
Food industry	5	89,033.1	8	134,060.0
Metal, machinery and electronics industry	1	2,071.4	4	980.6
Chemicals and pharmaceutical industry	4	15,066.5	6	5,514.7
Leather, leather items, and footwear industry	0	0	0	0
Rubber and plastic industry	1	1,088.1	1	373.1
Other industries	2	439.9	4	2,290.6
Sub-Total (Secondary Sector)	13	107,699.0	23	143,219.0
Sales and repair	12	4,214	13	2,871.0
Hotels and restaurants	3	500	3	79.8
Transportation, warehouse, and telecommunications	1	0	1	867.4
Construction	0	0	1	0
Housing, industrial and office building	0	0	1	564.8
Other services	13	12,192.7	10	2,689.3
Sub-Total (Tertiary Sector)	29	16,906.7	29	7,072.3
Total (Swiss Investment)	42	124,605.7	56	150,831.3

Source: Indonesian Investment Coordinating Board (BKPM)

There are three factors that should be kept into account in regards to the Indonesian data: (1) it only records the location of the company where the investment is coming from, thus investment registered under Singapore, for instance, also include investment of global companies with regional office in Singapore; (2) for the same reason, subsidiaries of Swiss companies that are registered as Indonesian might not be recorded in the data, (e.g. PT. Holcim Indonesia); (3) investment made by a consortium of companies with more than 2 nationalities are recorded under "consortium of countries" category which does not allow to identify the portion belonging to each individual member.

There is yet an organization that compiles the data of Indonesian investment in Switzerland. Major destinations for Indonesian investment abroad have been in the Asian, Americas, and African countries.

5. Trade, Economic, and Touristic Promotion

5.1. Foreign economic promotion instrument

5.1.1. SECO – Economic Development Cooperation Office in Indonesia

SECO's partnership with Indonesia is very closely aligned with the Indonesian Government's National Medium-Term Development Plan 2015-2019, and focuses on three main areas: (i) strengthening commodity value chains and export-import promotion; (ii) enhancing economic and financial policies; and (iii) environmentally-friendly infrastructure and urban development. In 2014, SECO provided CHF 47.1 million for the implementation of 15 bilateral projects in Indonesia and 23 regional/global projects which Indonesia is a part of. A comprehensive approach in the design of interventions, commitment from government counterparts, and strong implementing partners have been instrumental for the achievement of the following key successes in 2014:

- SECO's support for the cocoa sector in Indonesia through the Sustainable Cocoa Production Programme (SCPP) has played a significant role in the development of the cocoa industry through excellent partnership with multinational companies (including Nestlé and Barry Callebaut), high-level policy dialogues at strategic national cocoa coordination platforms, and strong cooperation with local government extension workers. The SCPP, implemented by Swisscontact,

is recognised to be the most successful value-chain development program in Indonesia and provides examples of best practices internationally.

- Through the World Bank, SECO is supporting Indonesia's effort to reduce dwelling time in the country's largest seaport, Tanjung Priok, which averaged at 6.3 days in 2013. The World Bank conducted a key study which revealed that contrary to widespread perceptions of poor performance of Customs, the main cause of delay in dwelling time is the inefficient pre-clearance process of containers. The study helped to convince the Government to draft a Presidential Regulation for reducing dwell time in major ports across Indonesia, to which the World Bank is providing policy input. SECO's funds also supported the development of a National Dwelling Time Information System which enables the Indonesia Port Corporation to conduct better monitoring of dwelling time at Tanjung Priok Port. Currently, the government is requesting similar support from the World Bank for other large ports in Indonesia, including Surabaya and Medan.
- Through SECO's support implemented by the International Finance Corporation, the Indonesia Corporate Governance Roadmap was launched in February 2014 by the Indonesia Financial Services Authority. The roadmap is a major milestone and priority for Indonesia in the wake of the global financial crisis in 1998 and 2008. It contains 33 recommendations for future laws/regulations for the capital market and is expected in the coming years to spur further reform to strengthen corporate governance in Indonesia.

5.1.2. Switzerland Global Enterprise (S-GE)

S-GE continues to facilitate Swiss SMEs to expand their market to Indonesia. In 2014, Swiss Business Hub ASEAN in Jakarta as the network partner of S-GE has managed to double the number of mandates received from Swiss SMEs and at least 43 consultations were made throughout the year. In February 2015, CEO of S-GE visited Indonesia in order to get first-hand information on the latest development in business, trade and investment environment, policies and program under the new administrations of Indonesia, to gauge the readiness of the market for Swiss SMEs and to formulate action plan.

5.1.3. Swiss Import Promotion Program (SIPPO)

SIPPO in Indonesia is actively engaging companies in 7 sectors: (1) natural ingredient; (2) fish and seafood; (3) fruit and vegetables; (4) furniture; (5) home accessories; (6) metal subcontracting; and (7) technical wood.

Some important highlights of the year for SIPPO Programs include the following:

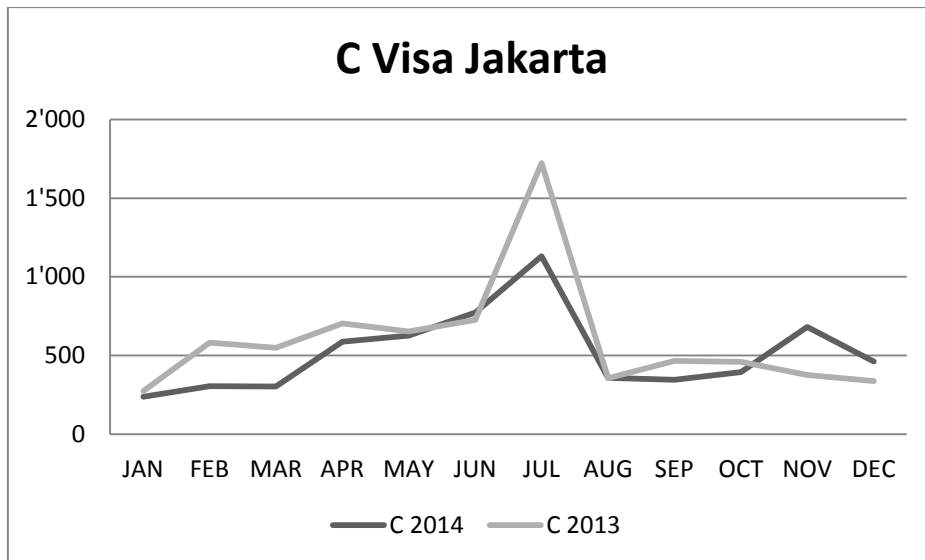
- A buyer mission for seaweed processor under fish and seafood sector with 12 importers from Europe, in cooperation with Ministry of Marine Affairs and Fisheries (MOMAF).
- A country pavilion at Health Ingredients Europe fair 2014 for Indonesian seaweed processor, in cooperation with MOMAF, attended by 6 Indonesian exporters.
- A country pavilion at Ambiente fair 2014 for Indonesian home accessories sector, in cooperation with Ministry of Industry; 9 Indonesian exporters participated.
- A country pavilion at SPOGA for Indonesian furniture sector in 2014, in cooperation with the Directorate General National Export Development (DGNED) under the Ministry of Trade; 10 Indonesian exporters participated.
- A buyer mission for industrial subcontracting sector with 12 importers from Europe; 23 Indonesian exporters visited.
- A successful presence of Indonesian wood processing companies at Domotex and ZOW trade fairs, supported by the Ministry of Forestry and the DGNED.
- An efficient promotion of the new legal wood label SVLK well noted by the European media (8 articles in the leading technical publications in Germany).

The European market for fruit and vegetables is not really the focus of the exporting companies in Indonesia as it is much easier to successfully operate in the domestic and regional market. In addition, the requirement of GlobalGap certification by European buyers hinder Indonesian exporters as it is quite costly without any price incentive from European buyers.

5.2. Interest for Switzerland as location for tourism, education and other services

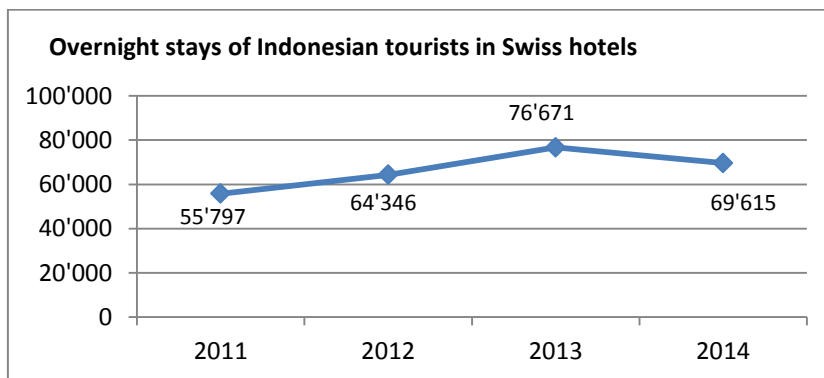
5.2.1. Visa issuance for tourism and education purposes

The total visas issued in 2014 were 6,592, showing 12.9% decrease compared to the previous year. Out of that total, 3,633 visas were granted for tourism, 896 for visitation¹⁴, 1,288 for business, and 122 for study purposes. There is 21.7% decrease of tourism visa issuance and 39.9% decrease of study visa issuance in the reporting year, compared to that of the previous year. The following graphic shows the monthly comparison of total visa issued in 2013 and 2014 to Switzerland. However, it should be noted that Switzerland is part of the Schengen area, thus the number of visa application to Switzerland does not necessarily translate to the number of tourists.



Source: Embassy of Switzerland in Jakarta, Indonesia

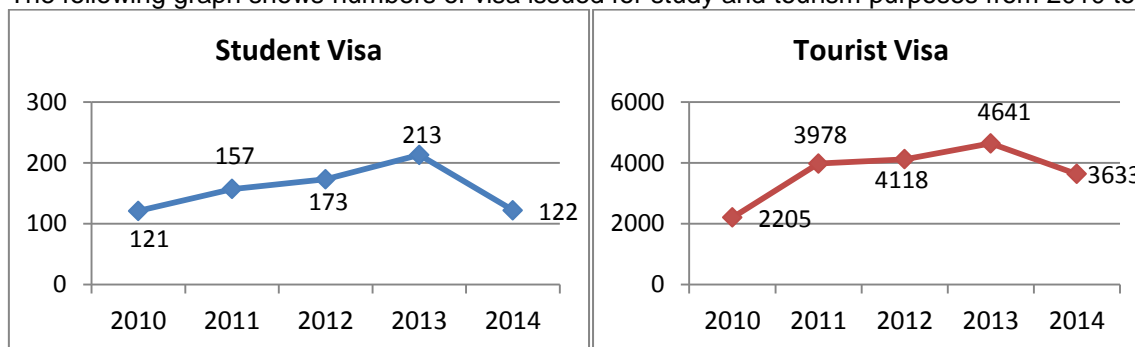
According to Switzerland Tourism, there is a 9.2% decrease in overnight stay of Indonesian tourists visiting Switzerland in 2014. The parliamentary and presidential elections in Indonesia in 2014 as well as the Rupiah depreciation in late 2013 seem to have reduced the number of travel in the reporting year. Nevertheless, the overnight stay recorded was still the second highest ever. The graphic below shows the number of overnight stays of Indonesian tourists in Swiss hotels from 2011 to 2014.



Source: Switzerland Tourism

¹⁴ Visitation incurs staying with a relative or friend in Switzerland, who guarantees financial support (of accommodation at minimum) for the visitor during their stay in Switzerland.

The following graph shows numbers of visa issued for study and tourism purposes from 2010 to 2014.



Source: Embassy of Switzerland in Jakarta, Indonesia

In 2012, three scholarships were awarded by the Swiss government to Indonesian students, each to pursue Master's degree, Doctoral degree, and to conduct research in Switzerland. There was no scholarship awarded in 2013 and 2014, among others because Indonesian applicants did not only compete with their fellow nationals but also with other applicants (mainly) from other ASEAN countries.

5.2.2. Swiss promotion events and activities

To promote Switzerland as an attractive tourism destination, Switzerland Tourism held several promotion events in 2014. The main two events were Switzerland Travel Experience and Cinema Event "Switzerland from the Sky". The Switzerland Travel Experience is held annually to promote offers from Swiss tourism industry, joined by 26 representatives coming from regional tourism offices to hotel and transportation service providers. Both events attracted nearly 400 contacts representing various travel agencies in Jakarta. Several smaller events to promote selected destinations and tourism services were also organized during the second half of 2014.

Switzerland Tourism also sponsored 28 journalists and media personalities in 8 separate media trips to Switzerland, to better promote Switzerland through mainstream media in Indonesia. The trips were covered in 28 culinary episodes on Indonesia's Global TV, 5 coverages in national newspapers, and more than 30 coverages in 15 travel & lifestyle magazines.

5.3. Interest for Switzerland as location for investment

With a huge potential for domestic market, Indonesian companies are generally not outward looking. Large Indonesian companies will usually start to venture in the ASEAN and East Asian region, once they have maximized the potential to fulfill domestic market demand.

In February 2015, in line with the visit of the CEO of Switzerland Global Enterprise (S-GE), the Embassy together with S-GE held an investment promotion event at the residence of the Swiss Ambassador in Indonesia. The event's objective was to raise awareness of "Switzerland as business location and gateway to Europe" to Indonesian businesses. Large Indonesian business groups and conglomerates such as Lippo Group, Sinar Mas Group, Sintesa Group, Sahid Group, Indorama Group and Bosowa Group attended the event.

On Indonesian investment in Switzerland, there is no significant presence except for a few private initiatives to launch small-scale businesses and restaurants.¹⁵

5.4. Interest for Switzerland as financial location

Majority of Indonesian financial institutions and banks are still focusing on the lucrative home market. Indonesia still has a lot of potential in the financial sector. Deloitte projected that in 2013; nearly 60% of the entire bankable population in Indonesia did not have a bank account. Only a few institutions in Indonesia are evaluating the opportunity to expand to neighboring ASEAN countries.

In 2014, Indonesia signed a Memorandum of Understanding (MoU) with Malaysia, which will ease Indonesian banks entry to Malaysia. The bilateral agreement could be seen as part of the ASEAN Banking Integration Framework (ABIF), and is likely to be used as the basis for other bilateral agreements in the banking sector.

¹⁵ Based on information from the Indonesian Embassy in Bern, Switzerland.

A newly established banking regulatory body, the Financial Services Authority (OJK) is reportedly looking to sign agreements with a number of countries in 2015, in a bid to allow overseas expansion for Indonesian banks. The targeted countries include South Korea, China, United Arab Emirates, as well as neighboring Cambodia, Myanmar, and Vietnam where domestic banks have either small presence and business potential remains untapped.

The opening of a representative office by an Indonesian bank in Switzerland is still rather unlikely in the near future.

6. Useful internet links

Ministry of Trade, Republic of Indonesia	http://www.kemendag.go.id/id/economic-profile/indonesia-export-import
Ministry of Industry, Republic of Indonesia	http://www.kemenperin.go.id/
Ministry of Transport, Republic of Indonesia	http://m.dephub.go.id/read/berita/berita-umum/pertemuan-perundingan-ke6-indonesia-efta-comprehensive-economic-partnership-agreement-iecepa-berlangsung-di-lugano-swiss-56835
Coordinating Ministry for Economic Affairs Republic Indonesia	http://www.ekon.go.id/
Ministry of Foreign Affairs, Republic of Indonesia	http://www.kemlu.go.id
Bank of Indonesia	http://www.bi.go.id/id/statistik/seki/terkini/eksternal/Contents/Default.aspx
National Statistic Agency, Statistics Indonesia 2013:	http://www.bps.go.id/hasil_publicasi/SI_2013/index3.php?pub=Statistik Indonesia 2013
Indonesia Investment Coordinating Board	www.bkpm.go.id
National Development Planning Agency, Development Performance Book 2004 – 2012	http://www.bappenas.go.id/files/6613/7890/Buku_Datin_Kinerja_Pembangunan_2004-2012.pdf?&kid=1395045482
World Bank	www.worldbank.org
World Trade Organization	www.wto.org
International Monetary Fund	http://www.imf.org
United Nations Conference on Trade and Development (UNCTAD)	<a ,1&categorybrowsing='False&year=""' href="http://www.unctadxi.org/templates/DocSearch____779.aspx?PageIndex=0&TextWord='Indonesia',">http://www.unctadxi.org/templates/DocSearch____779.aspx?PageIndex=0&TextWord='Indonesia',",1&CategoryBrowsing=False&year="
Asian Development Bank	http://www.adb.org/countries/indonesia/economy
ASEAN Secretariat	www.asean.org
American Chamber of Commerce in Indonesia	http://www.amcham.or.id/
European Chamber of Commerce in Indonesia	http://www.eurocham.or.id/
EU- Indonesia Business Network	http://eibn.org/en/home
Oxford Business Group	http://www.oxfordbusinessgroup.com/economic_updates/indonesia%E2%80%99s-housing-market-likely-cool?utm_source=eu&utm_medium=email&utm_campaign=indonesia_EU_13March2014
Asian Development Bank	http://www.adb.org/countries/indonesia/economy

APPENDIX 1

Structure of Indonesian Economy

Sector (% of GDP)¹	2011	2012	2013
Agriculture, livestock, fisheries and forestry	14.7	14.5	14.4
Mining and Quarrying	11.8	11.8	11.2
Manufacturing Industry (Oil & Gas)	3.4	3.1	3.0
Manufacturing Industry (Non-Oil & Gas)	21.0	20.9	20.8
Services	49.1	49.7	50.6
Total	100.0	100.0	100.0

Employment by Sector (%)²	2011	2012	2013	2014
Agriculture	36	35	35	35
Industry	21	22	20	21
Services	43	43	45	44
Total	100	100	100	100

Sources:

¹ Indonesian Central Bureau of Statistics

² World Bank

Note: National statistical data available for 2014 is based on the figure in 2013

APPENDIX 2

Indonesia Main Economic Data

Category	2011	2012	2013	2014
GDP at current price (in billion USD) ¹	893	918	910	889
GDP per capita at current price (in USD) ¹	3,663	3,718	3,644	3,524
Inflation rate ³	3.79	4.3	8.38	8.36
Real GDP growth (in %) ¹	6.2	6.0	5.6	5.0
Gross investment (% GDP) ²	32.9	34.7	33.6	33.5
Gross national saving (% GDP) ²	33.1	31.9	30.3	30.5
Population (in million) ³	241.9	245.4	248.8	252.1
Labor force participation rate (in %) ³	66.8	67.8	66.8	66.6
Unemployment rate (in %) ³	7.5	6.1	6.2	5.9
Balance of Payments (in billion USD) ²				
Current account balance	1.7	-24.4	-29.1	-25.7*
(in % GDP)	0.2	-2.8	-3.3	-3.0*
Trade balance	33.8	8.7	5.8	7.8*
<i>Of which: Oil & Gas (net)</i>	-0.7	-5.2	-9.7	-10.4*
Overall balance	11.9	0.2	-7.3	13.6*
Gross reserves (in billion USD, end period)	110.1	112.8	99.4	111.9*
Gross reserves (in months of imports)	6.2	6.4	6.0	7.2*
External Debt (in billion USD)	225.4	252.4	265.6	297.5*
External Debt (% GDP)	26.7	28.7	30.5	35.0*

* estimation

Sources:

¹ World Bank

² International Monetary Fund (based on data provided by Indonesian authorities)

³ Indonesian Central Bureau of Statistics

Indonesia rebased Gross Domestic Product

Indonesian Central Bureau of Statistics revised its base year from 2000 to 2010 in February 2015, to reflect changes over the intervening decade in the country's economic structure. Under the newly rebased series, nominal GDP in 2010 increased by around IDR 400 trillion or 6.5%. Meanwhile, real GDP growth rates were revised downward on average by around 0.1 percentage points during 2009-2014, owing to revised estimates derived from expanded sectoral classifications. The increase appears modest compared to other countries that have rebased GDP upward recently, such as Singapore (by 1.3%), Malaysia (by 3.2%), Kenya (by 25%), and Nigeria (by 59.5%).

Sources: International Monetary Fund, World Bank, Indonesian Central Bureau of Statistics

APPENDIX 3

Indonesia Main Export Partners in 2014

No.	Country/ Region	Value (USD Million)	% of total	% change
1	ASEAN	38'303	21.85	-3.21
2	Japan	20'829	11.88	-21.92
3	People Republic of China	17'303	9.87	-22.84
4	European Union	16'919	9.65	1.28
5	United States of America	16'502	9.41	5.64
6	Singapore	15'647	8.93	-0.50
7	India	12'238	6.98	-5.64
8	South Korea	10'068	5.74	-10.59
9	Malaysia	9'452	5.39	-9.77
10	Taiwan, Province of China	7'928	4.52	36.88
11	Thailand	5'762	3.29	-4.77
12	Australia	5'000	2.85	15.08
13	Netherlands	3'981	2.27	-2.89
14	Philippines	3'887	2.22	3.00
15	Germany	2'820	1.61	-1.47
	Switzerland	134	0.07	63.4
	Total	175'289	100.00	-3.73

Indonesia Main Import Partners in 2014

No.	Country/ Region	Value (USD Million)	% from total	% change
1	ASEAN	50'099	29.75	-9.77
2	People Republic of China	30'654	18.20	2.89
3	Singapore	24'709	14.67	-7.41
4	Japan	16'866	10.02	-12.10
5	European Union	12'791	7.60	-6.25
6	South Korea	11'736	6.97	-0.21
7	Malaysia	10'718	6.37	-22.76
8	Thailand	9'773	5.80	-8.84
9	United States of America	8'145	4.84	-9.17
10	Saudi Arabia	6'346	3.77	-8.41
11	Australia	5'637	3.35	10.79
12	Germany	4'104	2.44	-6.50
13	India	3'937	2.34	-0.57
14	Taiwan, Province of China	3'750	2.23	-16.45
15	Vietnam	3'399	2.02	26.55
	Switzerland	627	0.37	-11.55
	Total	177'893	105.65	-4.45

Sources:

- Ministry of Trade (data for Switzerland)
- Bank of Indonesia (others), last quarter of 2014 is estimated figures

APPENDIX 4

Indonesia-Switzerland Trade Development

Period	Import (in million USD)		Export (in million USD)		Balance (in million USD)	
	Value	Value USD +/- %	Value	Value USD +/- %	Value	Value USD +/- %
2005	126	-1	263	12.3	137	28
2006	120	-4.9	260	-1.2	140	2.1
2007	142	18.9	325	25.2	183	30.6
2008	179	25.9	376	15.6	197	7.5
2009	158	-12	345	-8.3	187	-4.9
2010	155	-1.6	422	22.4	267	42.6
2011	184	18.4	497	17.8	313	17.4
2012	279	51.8	457	-8.1	178	-43.3
2013	318	13.8	619	35.5	301	69.7
2014	321	2.5	654	7.4	333	12.2

Sector	Export (in million USD)	Change +/- %	% sectoral export to total export
Machines, appliances, electronics	303.2	13.8	46.3%
Products of the chemical and pharmaceutical industry	241.9	9.3	37.0%
Precision instruments, clocks and watches and jewelry	30.0	-13.4	4.6%
Forestry and agricultural products, fisheries	23.4	-12.2	3.6%
Metals	23.3	9.3	3.6%
Vehicles	19.0	-23	2.9%
Paper, articles of paper and and products of the printing industry	5.0	-1.9	0.8%
Textiles, clothing, shoes	4.4	6.5	0.7%
Leather, rubber, plastics	3.1	28	0.5%
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	0.5	49.9	0.1%
Energy source	0.4	46.8	0.1%
Stones and earth	0.2	-58.4	0.0%
TOTAL	654		

Sector	Import (in million USD)	Change +/- %	% sectoral import to total import
Textiles, clothing, shoes	132.0	10.1	41.1%
Machines, appliances, electronics	62.0	-15.1	19.3%
Forestry and agricultural products, fisheries	36.0	-4.9	11.2%
Various goods such as music instruments, home furnishings, toys, sports equipment, etc.	33.5	0.5	10.4%
Products of the chemical and pharmaceutical industry	26.1	49	8.1%
Leather, rubber, plastics	12.5	17.3	3.9%
Precision instruments, clocks and watches and jewelry	7.7	-15.8	2.4%
Metals	5.6	15.9	1.7%
Stones and earth	2.1	-26.3	0.7%
Vehicles	1.9	41.5	0.6%
Paper, articles of paper and and products of the printing industry	1.1	-26.6	0.3%
Energy source	0.9	-62.9	0.3%
TOTAL	321		

Source: Swiss Federal Customs Administration

APPENDIX 5

FDI Realization in Indonesia

Period: Jan 1, 2013 to Dec 31, 2014

Rank	Country	2013			2014		
		Investment Value (in million USD)	Share of Total	Projects	Investment Value (in million USD)	Share of Total	Projects
1	Singapore	4,670.8	16.32%	1'180	5,832.1	20.44%	1,302
2	Japan	4,712.9	16.47%	775	2,705.1	9.48%	1,010
3	Malaysia	711.3	2.49%	442	1,776.3	6.23%	448
4	Netherlands	927.8	3.24%	189	1,726.3	6.05%	181
5	United Kingdom	1,075.8	3.76%	170	1,588.0	5.57%	182
6	USA	2,435.8	8.51%	156	1,299.5	4.55%	179
7	South Korea	2,205.5	7.71%	671	1,126.6	3.95%	1,054
8	China	296.9	1.04%	329	800.0	2.80%	501
9	Hong Kong	376.2	1.31%	171	657.3	2.30%	197
10	Australia	226.4	0.79%	222	647.3	2.27%	226
11	British Virgin Islands	785.7	2.75%	238	624.0	2.19%	240
12	Mauritius	779.9	2.73%	39	540.7	1.89%	45
13	Thailand	106.8	0.37%	38	317.7	1.11%	55
14	France	101.9	0.36%	93	200.2	0.70%	115
15	Canada	123.8	0.43%	20	164.2	0.58%	34
16	Switzerland	124.6	0.44%	44	150.8	0.53%	56
	Consortium of countries*	7,467.4	26.09%	1,978	7,619.4	26.71%	2,205
	Other countries combined	1,486.8	5.19%	677	754.2	2.64%	855
Total countries		28,616.3	100%	7'432	28,529.7	100%	8,885

Source: Indonesian Investment Coordinating Board (BKPM)

*Remarks: Consortium of countries refers to investment made by a group of companies registered in more than one country; thus any investment of Swiss companies made in cooperation with companies based in other countries is not traceable due to this generalization.