

In Step with Indonesia

Taiwan seeks to intensify exchanges with the world's fourth most populous nation.

BY KELLY HER

PHOTOS BY CHIN HUNG-HAO AND
COURTESY OF TAIWAN EXTERNAL TRADE
DEVELOPMENT COUNCIL

As August drew to a close, staff members at the Taiwan Trade Center (TTC), Jakarta were busy putting the final touches on a large-scale promotional event set for Sept. 3-4 at Jaya Ancol Dreamland Park, a recreational area along the shorefront of the Indonesian capital. The Taiwan Excellence Carnival, which is expected to attract some 10,000 people, will feature bike rides, food fairs, games, live performances, prize draws and running races while showcasing a host of Taiwan products.

"In line with the New Southbound Policy, we've sought to expand the scope and frequency of our publicity campaigns this year," said Danny Liao (廖俊生), director of TTC, Jakarta, a branch office of the Taiwan External Trade Development Council (TAITRA). "Our efforts are focused on enhancing consumer awareness of Taiwan brands and highlighting the innovative design and superb quality of Taiwan-made goods."

The carnival is being implemented by TAITRA on behalf of the Bureau of Foreign Trade (BOFT) under the Ministry of Economic Affairs (MOEA). Since 2010, the bureau has arranged an annual exhibition in the

country to promote goods that have received the Taiwan Excellence Award, a designation created by the MOEA to recognize quality and value-added merchandise.

In 2014, TTC, Jakarta organized a running race alongside the product fair in an effort to attract greater numbers of middle class consumers. It proved to be an inspired idea, with 2,000 runners joining the inaugural edition and 6,000 the follow-up in 2015. Given the rising interest in the event, this year's exhibition has been further expanded to include a variety of activities for people of all ages.

Liao said the growth in purchasing power of Indonesian consumers presents a major opportunity for Taiwan companies, noting several such as electronics producers Acer Inc. and AsusTek Computer Inc. as well as bicycle maker Merida Industry Co. have already become well-established in the country.

"The expansion in Indonesia's middle class is evidenced by the proliferation of shopping centers, with the number of such outlets in Jakarta now standing at about 170," he stated. "Products with a high cost-performance ratio, a common attribute of Taiwan-made goods, are very appealing to these consumers."





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TTC, Jakarta complements its public promotional events by fostering commercial and investment links between the two nations. The center regularly invites Indonesian companies to attend TAITRA-organized trade shows and meetings in Taiwan, while offering support to Taiwan businesses operating in the country. Liao noted his office plans to invite 700 Indonesian buyers to visit Taiwan this year, a 20 percent increase from 2015.

Trade Relationship

Taiwan and Indonesia enjoy a solid economic relationship. The archipelago nation was Taiwan's 13th largest trading partner in 2015, with bilateral

trade volume totaling about US\$9 billion, according to BOFT statistics. Meanwhile, tallies compiled by the Indonesia Investment Coordinating Board (BKPM) show that overall investment by Taiwan enterprises had reached approximately US\$17 billion by the end of last year.

Under its New Southbound Policy, Taiwan is seeking to significantly deepen exchanges with the country, in addition to the nine other member states of the Association of Southeast Asian Nations (ASEAN), six South Asian countries, Australia and New Zealand, across the areas of trade, investment, culture, talent development and tourism.

1. The Taiwan Trade Center, Jakarta organized a running race in Jepara on the north coast of Java in October last year as part of an event to promote Taiwan brands.
2. As some 80 percent of Indonesia's population is Muslim, there is huge demand for various Islamic products.

1. Taiwan-based CTBC Bank operates 10 sub-branches in Jakarta, Bandung and Surabaya through its subsidiary PT Bank CTBC Indonesia.
2. Joseph Shih, head of PT Bank CTBC Indonesia
3. Kevin Chang, marketing manager of Yin Jhan Shin Enterprise Co.
- 4 & 9. Taiwan entrepreneur Ko Chao-chih runs three textile mills in Bandung.
5. Chang Liang-jen, Taiwan's representative to Indonesia and head of the Taipei Economic and Trade Office in the country
6. Y. C. Tsai, deputy representative for economic affairs at TETO
7. M. M. Azhar Lubis, deputy chairman for investment supervision and control at the Indonesia Investment Coordinating Board
8. Danny Liao, director of TTC, Jakarta



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Chang Liang-jen (張良任), Taiwan's representative to Indonesia and head of the Taipei Economic and Trade Office (TETO) in the country, said bilateral cooperation has already yielded fruitful results. He highlighted as an example Taiwan's technical assistance mission in the developing nation. Operated by its foremost foreign aid organization, the International Cooperation and Development Fund (TaiwanICDF),

the mission provides agricultural resources and training to farmers in Bandung, West Java province.

"Our trade and economic ties are complementary and mutually beneficial," Chang said. "As Indonesia is undergoing rapid development, Taiwan enterprises should actively seek out new opportunities in this market."

Y. C. Tsai (蔡允中), deputy representative for economic affairs at TETO, said that at present the approximately

2,000 Taiwan companies operating in the country primarily manufacture labor-intensive goods for export to Western economies. However, he believes these firms should consider altering their business practices in view of rising demand in the domestic market.

Indonesia, a nation of some 260 million people, has registered an average growth rate of about 5.6 percent over the past decade. Its stable political environment and burgeoning middle class, now comprising roughly 60 million people, further add to its appeal as an investment destination.

"ASEAN is being touted as the world's new growth engine, and Indonesia stands out among member states since it has the largest economy in the association and the fourth biggest population in the world," Tsai stated. "Taiwan-invested enterprises should explore opportunities in the local market and work to stay ahead of their competition by creating added value for customers."

Domestic Demand

Headquartered in central Taiwan's Taichung City, Yin Jhan Shin Enterprise Co. has been operating in Indonesia for around two decades, selling goods manufactured by about 60 Taiwan machine tool suppliers. In more recent years, the firm has modified its business practices, markedly expanding its products and services to meet the evolving needs of its clients.



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“We’ve been able to consistently increase our market share by offering a wide range of high-precision and competitively priced equipment and, more importantly, exceptional after-sales service,” said Kevin Chang (張執中), Yin Jhan Shin’s marketing manager. “Our two major competitive advantages are one year of free maintenance as well as ongoing technical support.”

In 2008, the company established its first production facility. Located in Tangerang, a satellite city of Jakarta, the factory produces metal forging parts. “Due to rising incomes, more and more local consumers aspire to own motorcycles, cars and property, so we’re focusing on making components for these sectors,” Chang said.

Republic of China (Taiwan) national Ko Chao-chih (柯昭治), who moved to Indonesia in 1981 and now runs three textile mills in Bandung, has similarly overseen a shift in his company’s operations in response to soaring domestic demand. “Eighty percent of our production is now consumed locally,” he said. “That’s a complete reversal from our business practices



- 1, 4 & 5. A number of Taiwan companies and foodstuffs are well-established in the Indonesian market, including AsusTek Computer Inc., the Din Tai Fung dumpling restaurant chain and various brands of mochi glutinous rice cakes.
2. Jakarta's Istiqlal Mosque is the largest in Southeast Asia.
3. Crowds gather in front of the Jakarta History Museum, the old city hall.

in the 1990s, when 80 percent of our output was shipped overseas.”

According to Ko, the textile market has grown into a lucrative sector as young Muslim men and women are willing to pay a premium for high-quality garments and prayer rugs. “Some 80 percent of the population is Muslim, so there is huge demand for various Islamic products,” he said.

As the number and scale of Taiwan-invested enterprises have increased, the nation’s banking industry has expanded its presence to offer financing. Since setting up a subsidiary in Jakarta in 1997, Taipei City-based CTBC Bank has established 10 sub-branches around the capital as well as in the cities of Bandung and Surabaya. The company plans to open one to two new locations annually over the next several years.

“The demand for loans is continuously growing,” said Joseph Shih (石家林), head of PT Bank CTBC Indonesia. Another advantage of operating in the country is that banks enjoy excellent margins, he added, as the lending rate averages about 10 percent.

Nevertheless, competition in the financial services sector is fierce. Local banks, especially the four state-run ones with their nationwide service networks, account for about 70 percent of the market. “Foreign banks face an uphill battle competing against them,” he said.

Shih noted that about 90 percent of his bank’s business is in corporate finance, with the majority of its clients hailing from Taiwan and other ethnic Chinese societies. In view of this, the bank is working to widen





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1. The number of shopping malls in the Indonesian capital of Jakarta has risen to about 170, highlighting the growing purchasing power of local consumers.
2. The capital has experienced a construction boom in recent years, with soaring investment and domestic consumption fueling economic growth.
3. Indonesia's young population and burgeoning middle class present abundant opportunities for foreign enterprises.

its customer base and aims to step up its consumer loan business as related lending rates can reach 20 to 30 percent.

Facilitating Investment

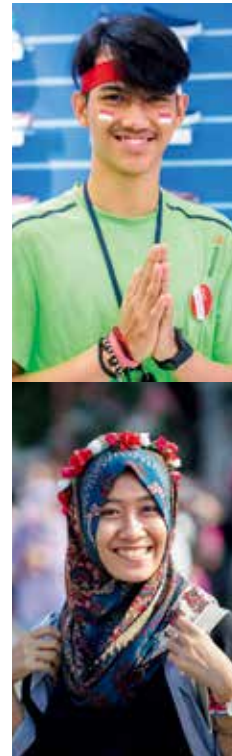
M. M. Azhar Lubis, deputy chairman for investment supervision and control at Jakarta-based BKPM, explained Indonesia's recent economic expansion has been fueled in part by an influx of foreign enterprises, with investment serving as the second largest driver of growth behind domestic consumption. As a result, he said, the Indonesian government is working to open more sectors to overseas investors and provide them with wide-ranging support.

Such efforts are exemplified by the establishment earlier this year of a one-stop service center at BKPM staffed by officials from 22 ministries. By applying to the office, companies or entrepreneurs who intend to invest at least US\$8 million or employ upwards of 1,000 local workers can receive eight crucial business documents, including a certificate of incorporation, import identification, investment license and work permit, within three hours.

Lubis said that Taiwan companies have played a significant role in strengthening local industries and providing job opportunities. He noted that in light of this, his agency established a Taiwan Desk three years ago to offer consulting and facilitation services in Mandarin.

The deputy chairman stated that in the next stage of Indonesia's development, he hopes to see Taiwan-funded projects expand beyond labor-intensive manufacturing. "Taiwan's tourism industry is advanced and we hope it can share its expertise in the development of resort areas," he said.

Having visited the island on more than 10 occasions since the 1990s, Lubis said he has witnessed the rapid growth of Taiwan's industrial sector and believes there is much his country can learn from its economic development. "We know that the government is promoting the New Southbound Policy and we're eager to see how it's implemented and how we can contribute to it," he said. "We expect the policy to enhance dialogue between the two sides as well as two-way trade, investment and tourism exchanges." 🇮🇩 🇦🇩



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