

Inspiring Indonesia

Indonesia's not yet on the radar for many Kiwi exporters but it should be says NZTE's Trade Commissioner for the country, Fiona Acheson.

"It's not easy, but nor is it harder than China or India. I wouldn't introduce a new exporter to Indonesia but established exporters have so much to gain from this market."



Acheson concedes that when you ask New Zealanders about Indonesia, most mention Bali, volcanic eruptions, tsunamis and rocky financial institutions, which is "not an up to date description" of the world's fourth most populous country.

But faulty perceptions go both ways. "New Zealand is also under the radar here. Indonesians tend to come up with traditional icons such as cows and sheep, a natural environment and maybe kiwifruit, but not much more."

Things are changing though, on both sides. Indonesia is our seventh biggest trading partner and businesses like Fonterra and Education New Zealand, which have both made Indonesia a priority market, recognise the potential.

After an exodus of New Zealand companies following the crash in 1997, Acheson says a rebuild is taking place and the ASEAN-Australia-New Zealand (AANZFTA) free trade agreement will accelerate the trend.

With a GDP growth rate of over 6 per cent, Indonesia's on track to rank among the world's top economies by 2050. Jakarta is the commercial heart, accounting for around 60 per cent of economic activity, but with 10 Indonesian cities having more than one million people, it's not the only place to focus.

And one of the best things about doing business, in or out of Jakarta, says Acheson, is the people. "They're charming, friendly and cultured," says Acheson. "Once you have built a relationship you can trust it. It becomes a friendship, not just a business engagement."

Hi tech hurdles

Colin Swainson from airport baggage handling systems firm BCS Group, has worked all over the world and also rates Indonesians highly as business partners.

He's on the ground, helping BCS win a slice of the massive aviation redevelopment taking place to meet spiralling demand (Jakarta's Soekarno-Hatta airport handled 44 million passengers last year, double the number it was built to accommodate) and relieve congestion on a choked road network.

Swainson says although the rewards are attractive, Indonesia is challenging for high tech companies. “You get a head start if you are selling food and beverages because that’s what New Zealand’s known for. In a business like ours, you have to be super fit to succeed and it’s not something a small company could do. Margins are tight and establishment costs are high.”

He says language can be a barrier, especially when you’re talking technology, and so can navigating administrative and regulatory systems.

“The best approach is to have good agents or local partners who manage interaction with government departments.”

Another Kiwi enterprise eyeing rapid growth in Indonesia’s aviation sector is the Air New Zealand Aviation Institute which has partnered with five Kiwi flight training organisations to develop career training for new pilots.

The Institute has already delivered specialist training in different types of aircraft to Indonesia’s Lion Air but is eyeing much bigger contracts for full pilot training.

New Zealand’s strength, says General Manager Jignasha Patel, is in providing top quality programmes in an environment with plenty of air space and diverse terrain to build up experience.

“The challenge is that Indonesia is a very price driven market. We have to work at getting organisations to understand that there is a price/quality trade off.

“We’re up front about that. We say we’re going to be a bit more expensive but here are the benefits – you get a first class pilot who won’t need so much additional training down the track.”

What New Zealand must do, she says, is take a NZ Inc, approach.

“There is a raft of aviation training operations in New Zealand (in addition to the five the Institute works with). It takes just one to cut corners or for one student to go back with a negative comment and the whole industry is compromised.”

She says banding together also helps New Zealand compete with much bigger players like Australia where a number of states offer incentives to win contracts with airlines.

“The opportunities are huge in Indonesia, but it’s the same for everyone. We have to collaborate to get significant value out of it.”

Development brings opportunities

Infrastructure development, demand for up skilling of professionals and decentralisation of decision making are other trends New Zealand businesses can capitalise on.

Indonesia has big goals for its geothermal resources aiming to become the world’s largest producer in the next few years.

Crown research institute GNS Science has helped Indonesia assess its geothermal energy resource in the past but the big push is recent says Rob Johnston, General Manager, Business Development.

He says many contracts are being managed at a local government level and it is smaller agricultural towns and fishing villages that stand to gain the most.

“Some of these places use diesel generators to supply electricity and they only run for a few hours each day. If they can get a small geothermal power station going they’ll be able to have refrigeration

and get into productive industries which would be very good for the Indonesia economy.”

New Zealand expertise is sought after but, Johnston says, if the business involves significant time in Indonesia, suppliers may need to consider establishing an Indonesian registered company. He says it can be risky for New Zealand organisations to sign contracts subject to Indonesian law, which is very different from ours, and some form of international arbitration is preferable.

Forming partnerships can be a safer way to go. GNS Science has a Memorandum of Understanding with Gadjah Mada University (UGM) in Yogyakarta through which New Zealand Aid is funding disaster risk management training. That may be extended to training government officials in approving consents for geothermal projects.

Michele Daly, Social Science Team Leader for GNS Science, manages up skilling of officials in technical aspects of preparing for disasters such as identifying hazards and creating hazard maps.

“Through that relationship with UGM we are also connected to a network of other universities and, together with UGM, we train local university staff to train the local officials and build capacity that way.”

While “things can get lost in translation” and communication links are poor in more remote areas, she says local government issues and challenges are not dissimilar to those faced by smaller councils in New Zealand.

Agents and distributors

While having a local partner is often a pre requisite for success, some Kiwi companies are doing very nicely by using agents or distributors.

Manuka Health has grown sales of its natural health products in Indonesia by 20 per cent a year since 2006 using Jakarta based distributor Citra Bening Berseri (PT Citra).

CEO Kerry Paul says the relationship began when he met one of PT Citra’s owners, who was completing an MBA at the University of Auckland, at a business function.

Paul says getting the company’s products registered for sale took time, as did shifting product from New Zealand to Indonesia (via Singapore) in the early days.

“But they’ve really improved their importing systems and it’s now quite straightforward.”

For Manuka Health, Indonesian perceptions of New Zealand’s pristine environment are a winner. “Our whole brand is built around New Zealand as a source of safe, clean and health products. The market hasn’t been an overnight sensation but if you take a long term view the potential for growth is significant.”

Source: NZTE