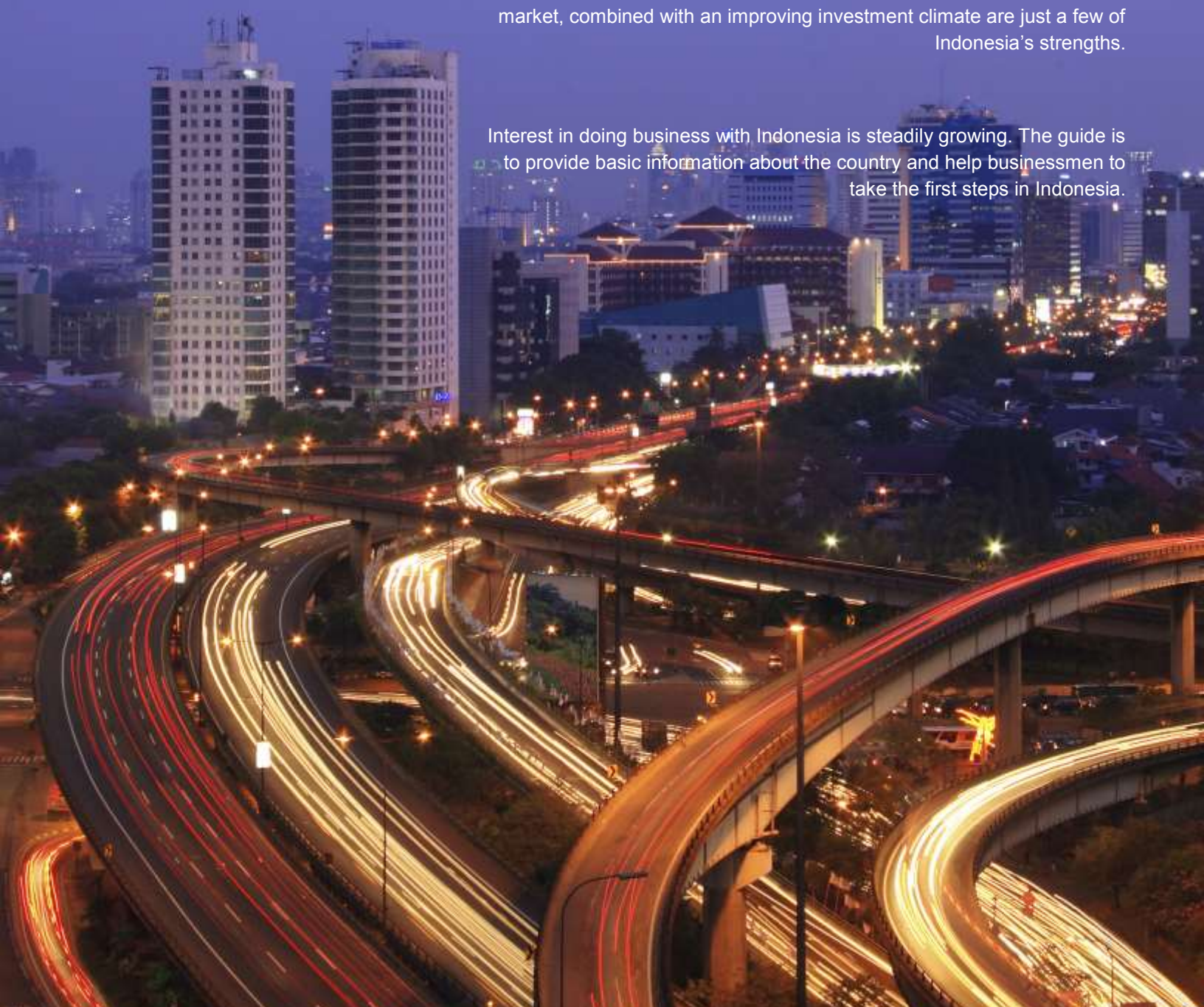


BUSINESS GUIDE INDONESIA

2017

Indonesia is a land of opportunities. Abundant natural resources, a young and technically trained work force and a large and growing domestic market, combined with an improving investment climate are just a few of Indonesia's strengths.

Interest in doing business with Indonesia is steadily growing. The guide is to provide basic information about the country and help businessmen to take the first steps in Indonesia.



remarkable indonesia



FOREWORD

Ambassador Extraordinary and Plenipotentiary
of the Republic of Indonesia to Poland
H.E. Mr. Peter Frans Gontha



Why is it worth considering Indonesia as a potential trade and investment market for Poland?

The country is unique in several ways: as the biggest archipelago in the world, the largest Muslim majority country, the world's third largest democracy and a leading exporter of many high value commodities. Indonesia's economy is on the rise. Investment opportunities are ripe in numerous sectors – from infrastructure to manufacturing and services. By entering the Indonesian market, investors will be present in the world's fastest growing region that constantly develops. Indonesia is rich in diverse natural resources and is strategically positioned among markets from which there is high demand for them. The country was the only South East Asian member of OPEC until 2008 and continues to be a major liquid natural gas (LNG) exporter. In energy and mining, Indonesia is the world's leading thermal coal exporter and the largest tin exporter; the country has also vast deposits of precious metals such as gold, silver and copper. Its climate and fertile soil due to volcanic activity make Indonesia a perfect place for cultivation of high value agricultural commodities such as palm oil, rubber, coffee and cocoa. As a country with population exceeding 240 million people, the size of the Indonesian domestic consumer market is an attractive attribute for any investor. The country's resilience during the period of the global financial crisis demonstrates the power of its immense population and economic self-reliance. Undoubtedly, Indonesia possesses the fundamentals to be a leading global economy over the coming decades.

Given a growing Polish expansion to foreign markets, Indonesia should be definitely considered as one of Poland's destinations. Polish know-how, skilled and qualified staff, new technologies, good quality and competitive prices are just some of "Polish Brand" advantages. With no doubt Indonesia might become a very prospective market for Polish traders and investors. Cooperation in such fields as infrastructure, shipbuilding, transportation, energy, healthcare or agriculture would be very beneficial to both sides.

This business guidebook comprises basic information on Indonesia and a way of doing business in and with Indonesia. It might be helpful for those who have not decided yet how and whether to enter the Indonesian market. It might also serve as a foundation of one's research on a given market sector in Indonesia. Through the guidebook, we would like to show that Indonesia is a highly potential partner for Polish businessmen.

I am convinced that those who start cooperation with Indonesia do not regret it, as Indonesia is a very rewarding market. Therefore, we would like to encourage Polish business community to have a closer look at the country and the huge potential of economic Polish-Indonesian cooperation.





INDONESIA IN A NUT

About Indonesia

GEOGRAPHY

Indonesia is the largest archipelago in the world. It consists of five major islands and about 30 smaller groups of islands. Of all 17,508 islands about 6,000 are inhabited. The archipelago is located on a crossroads between two oceans, the Pacific and the Indian Ocean, and bridges two continents, Asia and Australia. Indonesia has many high mountains; the highest are over 4000 meters. Many of them are active volcanoes. There are tropical rainforests and jungles, as well as swampy mangrove areas. Indonesia's most fertile land is on Java Island.

Indonesian archipelago extends 5,150 kilometers east to west, between the Indian and Pacific Oceans in Southeast Asia. The largest islands are Sumatra, Java, Kalimantan (Indonesian Borneo), Sulawesi, and the Indonesian part of New Guinea (known as Papua or Irian Jaya). Islands are mountainous with dense rain forests. Most of the smaller islands belong to larger groups, like the Moluccas (Spice Islands). Total area of Indonesia is 1,919,440 sq km (Land Area: 1,826,440 sq km; Water Area: 93,000 sq km).

HISTORY

Ancient Times

Historians believe that Indonesia was linked with the Asian mainland during the Pleistocene period. This period was also related to the first appearance of the Hominids; what is today called 'Java Man' inhabited Indonesia as early as two million to 500,000 years ago. 'Java Man' is a short name for *Pithecanthropus Erectus*, a human-like species whose fossilized remains were discovered by the scientist Eugene Dubois on the island of Java.

Buddhist and Hindu Kingdoms

Much later, Indonesia developed many well-organized kingdoms. Ruled by indigenous Rajas who embraced the Hindu and Buddhist religions, these kingdoms grew very civilized. Today, this time in history is called the period of Buddhist-Hindu Kingdoms. It lasted from ancient history to the 15th

century.

The first Buddhists arrived in Indonesia from around 100 to 200 AD from India. One of the most famous Buddhist kingdoms in Indonesian history is Sailendra (750-850 AD). During this period, there was built the famous Buddhist temple at Borobudur. The dynasty's replacement, the Hindu kingdom of Mataram began the era of Hindu kingdoms. The mightiest Hindu kingdom in Indonesia's ancient history was the Majapahit Empire. Under the reign of King Hayam Wuruk (1331-1364 AD), the empire enjoyed tributary relationships with territories as far away as Vietnam, Cambodia, and the Philippines.

Arrival of Islam

Gujarati and Persian merchants who embraced Islam started to visit Indonesia in the 13th century. Along with trade, they introduced Islam to the Indonesian Hindus, particularly in the coastal areas of Java. Islam then spread further east to the Bone and Goa Sultanates in Sulawesi, Ternate and Tidore in the northern part of Maluku, and the east part of Lombok. Besides those areas, Islam also expanded to into Banjarmasin, Palembang, Minangkabau, Pasai, and Perlak.

European Period

European influence in Indonesia began when the Portuguese, in search for spices, arrived to the archipelago in 1512. Both the Portuguese and the Spanish spread Christianity in Indonesia. Meanwhile, the Dutch established an organized merchant trade called Dutch East India Company in 1602 to tap the rich spices territories. After the seizure of Ambon in Maluku (1605) and Banda Island (1623), the Dutch enjoyed a trade monopoly in the "Spice Islands."

In 1814 the British came to Indonesia. During the Napoleonic wars in Europe, when Holland was occupied by France, Indonesia fell under the rule of the British East India Company. After the fall of Napoleon, the British and Dutch signed a convention in which it was agreed that Dutch colonial possession dating from 1803 onwards should be returned to the Dutch administration in Batavia (present-day Jakarta). Thus, the Indonesian archipelago once again became a Dutch possession in 1815.

Throughout the period of colonization, Indonesians had been fighting for their independence. This struggle, begun in the 1600s, climaxed with a proclamation of independence in 1945, and continued for a few years more.

Independence

When World War II broke out, the Japanese occupied the Dutch East Indies after the surrender of the Dutch colonial army in March 1942. Three years later, on August 14, 1945, the Japanese surrendered to the Allied Forces. On 17 August 1945, Indonesian national leaders Soekarno and Dr. Mohamad Hatta proclaimed Indonesia's independence on behalf of the Indonesian people. The proclamation took place at Jalan Pengangsaan Timur No.56, Jakarta, and was heard by thousands of Indonesians nationwide through a secret radio broadcast from a captured Japanese radio station, Jakarta Hosokyo. An English translation of the proclamation was broadcast overseas soon afterwards.

RELIGIONS AND CULTURE OF INDONESIA

Indonesia is the world's fourth most populous nation. Around 86 percent of the population is Muslim which makes Indonesia the largest Islamic country, though it is a secular state. Other religions practiced by Indonesians are Protestantism, Catholicism, Hinduism, Buddhism, and Confucianism.

Indonesians are separated by seas and clustered on islands. The largest cluster is on Java Island, with some 130 million inhabitants (60 percent of the country's population). Sumatra Island, much larger than Java, has less than a third of its people. Ethnically, the country is highly diverse, with over 580 languages and dialects, however only 13 languages have more than one million speakers. Indonesia's national motto in Bahasa Indonesia, which means Unity in Diversity.

The present day culture of Indonesia stems from the old-age traditions already influenced by the Western thought brought by Portuguese traders and Dutch colonists. Though the legal system is based on the Old Dutch penal code, social life as well as the rites of passage is founded on customary or "adat" law, which differs from area to area.

People in Indonesia are artistic by nature and express themselves on canvas, wood, metals, clay and stone. Indonesia is famous for its unique batik patterns. Batik process of waxing and dyeing originated in Java centuries ago and classic designs have been modified with modern trends in both pattern and technology. There are several centers of Batik in Java, the major ones in Yogyakarta, Surakarta, Pekalongan, and Cirebon. Indonesia is also very rich in handicrafts.

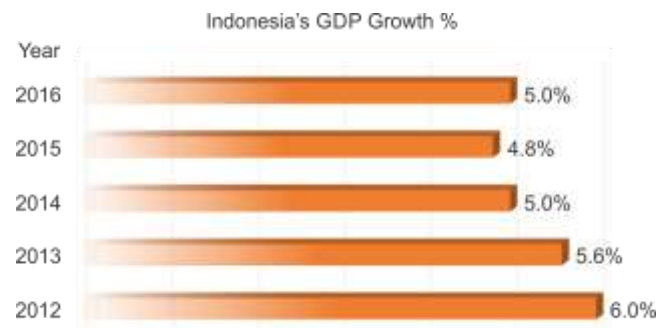
Indonesia's Economic Profile

Indonesia has charted impressive economic growth since overcoming the Asian financial crisis of the late 1990s. The country's GDP per capita has steadily risen, from \$857 in the year 2000 to \$3,603 in 2016. Today, Indonesia is the world's fourth most populous nation, the world's 10th largest economy in terms of purchasing power parity, and a member of the G-20. Indonesia changed from being an economy that was highly dependent on agriculture into a more balanced economy in which the percentage share of manufacturing in the country's GDP quickly exceeded that of the agriculture sector. Thanks to the prudent financial macroeconomic policy Indonesia was resilient to the global financial crisis of 2008-2009. Another important factor that drives Indonesia's economic growth is domestic consumption.

The Indonesian government under the leadership of Joko Widodo has implemented several structural reforms that aim at long-term growth. The government places high priority on infrastructure development and on investment. The Indonesian government aims to be in the top six of largest global economies by the year 2030.

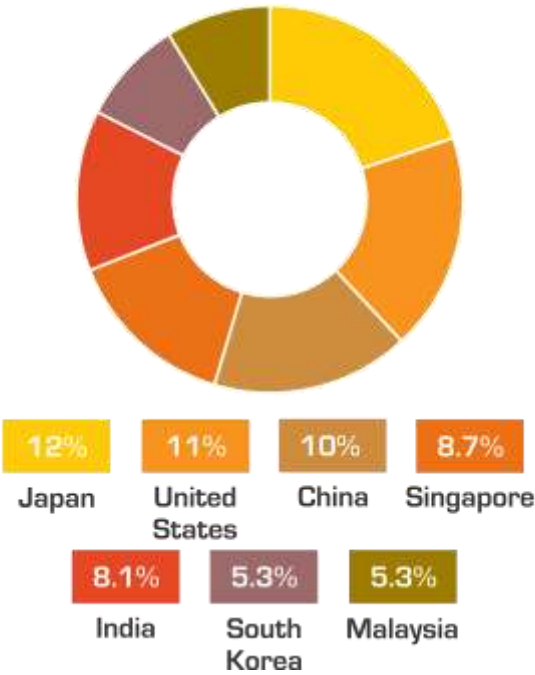
What are Indonesia's strengths?

- ◆ Abundant and diverse natural resources
- ◆ Young and large population with rapidly expanding middle class
- ◆ Political stability
- ◆ Prudent fiscal management since the late 1990s
- ◆ Strategic location in relation to the giant economies of China and India
- ◆ Low labour costs
- ◆ Being an emerging market



Main industries in Indonesia are petroleum and natural gas, textiles, apparel, footwear, mining, cement, chemical fertilizers, machinery, electronics, hardware, software, telecommunications, plywood, rubber, food, and tourism.

Exports by Country

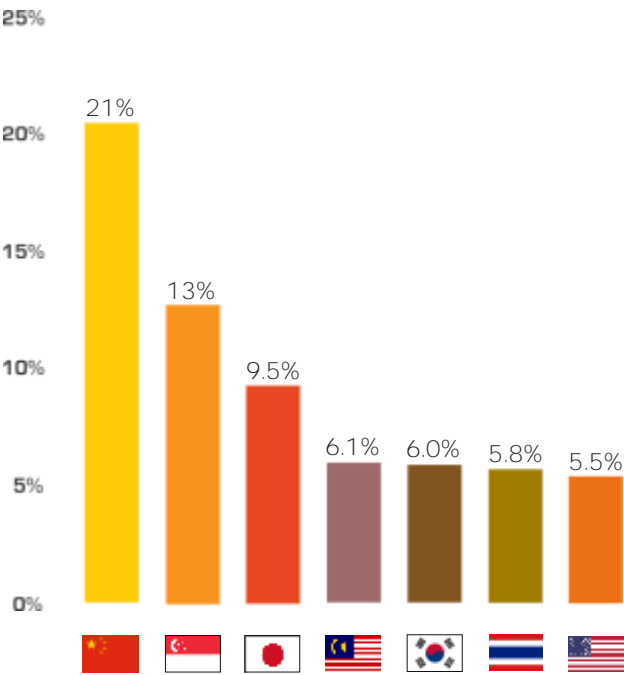


TRADE BALANCE

Since the 1970's Indonesia has been recording consistent trade surpluses due to robust exports growth. However, from 2012 to 2014 the country started recording trade deficits, as exports shrank due to slowdown in the global economy and fall in commodity prices. In 2016, Indonesia recorded a trade surplus of US\$8.78 billion, marking a 15 percent increase from the surplus of \$7.61 billion achieved a year earlier. Year 2016 recorded a 4.93 percent year-on-year decline in imports to \$135.65 billion and a 3.95 percent fall in exports to \$144.43 billion.

(based on Central Statistics Agency BPS Data)

Import by Country



Main Exported Goods	Share
Mineral fuels, oils, distillation products	23%
Animal, vegetable fats and oils, cleavage products	12%
Electrical, electronic equipment	5.7%
Rubbers and articles thereof	3.9%
Pearls, precious stones, metals, coins	3.7%
Vehicles other than railway, tramway	3.6%
Machinery, nuclear reactors, boilers	3.5%
Footwear, gaiters and the like, parts thereof	3.0%
Wood and articles of wood, wood charcoal	2.7%
Articles of apparel, not knit or crocheted	2.6%
Paper and paperboard, articles of pulp, paper and board	2.4%
Ores, slag and ash	2.2%

Main Imported Goods	Share
Mineral fuels, oils, distillation products	18%
Machinery, nuclear reactors, boilers	16%
Electrical, electronic equipment	11%
Plastics and articles thereof	4.8%
Iron and steel	4.4%
Organic chemicals	4.0%
Vehicles other than railway, tramway	3.7%
Articles of iron or steel	2.6%
Cereals	2.2%
Residues, wastes of food industry, animal fodder	1.9%
Cotton	1.5%
Fertilizers	1.4%

(based on the United Nations COMTRADE database on international trade)

Indonesia in the ASEAN Economic Community

Per 1 January 2016 the ASEAN Economic Community (AEC) came into effect. The community implies stronger cooperation and integration among the ten member countries in Southeast Asia, i.e. Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam. If the Association of Southeast Asian Nations (ASEAN) were one economy - then it would be the sixth-largest economy in the world (having a huge market of USD \$2.6 trillion).

Four pillars of the ASEAN Economic Community are a single market and production base; a competitive economic region; equitable economic development, and integration with the global economy. The first AEC pillar seeks to create a single market and production base through free flow of goods, services, investment, skilled labour and freer flow of capital. The second pillar helps to create a business-friendly and innovation-supporting regional environment through the adoption of common frameworks, standards and mutual co-operation across many areas, such as in agriculture and financial services, and in competition policy, intellectual property rights, and consumer protection.

It also supports improvements in transport connectivity and other infrastructure networks. The third pillar seeks to achieve

equitable economic development through creative initiatives that encourage small and medium enterprises to participate in regional and global value chains and focused efforts to build the capacity of newer ASEAN Member States to ensure their effective integration into the economic community. The fourth pillar envisages ASEAN's full integration into the global economy pursued through a coherent approach towards external economic relations, and with enhanced participation in global supply networks.

Within Southeast Asia, Indonesia is the largest economy, has the largest population size and the largest land area. With more than 250 million inhabitants, Indonesia accounts for nearly 42 percent of the total population within the ASEAN market. With large population and land area, as well as its strategic location, Indonesia seems to be a natural leader of the community. It will play a significant role in further economies integration processes but at the same time may strongly benefit from being a member of the AEC, especially if the country improves its infrastructure to better accommodate foreign corporations and investors.

Foreign investors, besides fulfilling the demand of Indonesia's domestic market, may expand the country's export market. By establishing their business operations in Indonesia, foreign investors can take advantage of Indonesia's tariff exemptions within ASEAN and further expand into the region.

POLISH-INDONESIAN

ECONOMIC RELATIONS

BILATERAL TRADE

Trade exchange between Poland and Indonesia has a huge potential that still needs to be maximized. Taking into consideration the large population of Indonesia, its expanding middle-class and robust consumption, Polish products may find their place in the Indonesian market. Similarly, the demand for Indonesian goods in Europe, and Poland, steadily grows.

Polish companies selling successfully their products to Indonesia operate mainly in the medical equipment sector (Draminski SA, Alvo Sp. z o.o., Balton and several others) and cosmetic sector, for example La Rive or Inglot. A huge potential is seen in the dairy sector as milk consumption in Indonesia steadily grows. Also Polish machinery such as mining equipment managed to conquer the Indonesian market (Famur SA).

Top export products from Indonesia to Poland
(based on GUS data)

Type of product	Export value 2016
Machine and electronic equipment including: galvanic cells, telecommunication equipment, voice and image transmission aperture, microphones, loudspeakers, video aperture, data storage media, isolating wires and cables	US\$147,238,058
Clothes and accessories (not knitted)	US\$59,775,039
Footwear, parts of footwear	US\$58,768,978
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	US\$56,163,632
Rubber and rubber products	US\$44,260,399
Clothes and accessories (knitted)	US\$37,924,082
Toys, games and sports equipment, parts and accessories	US\$24,751,386
Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modelling pastes, dental preparations with a basis of plaster	US\$22,697,042
Plastic and plastic products	US\$21,651,099
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	US\$18,341,517
Organic chemicals	US\$16,899,719
Vehicles other than railway vehicles, including its parts	US\$16,203,052
Coffee, tea, spices	US\$16,143,842
Wood and wooden products, wood charcoal	US\$10,844,909
Residues and waste from the food industries; prepared animal fodder	US\$7,720,890

Top export products from Poland to Indonesia
(based on GUS data)

Type of product	Export value 2016
Oils & resinoids, perfumery, cosmetic or toilet preparations, mostly make-up products	US\$23,641,132
Dairy products, mostly whey, milk and cream	US\$21,012,662
Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	US\$20,491,351
Electronical machinery and equipment, such as graphite electrode, boards, panels, consoles, desks, cabinets for electric control or the distribution of electricity	US\$8,928,307
Wheat products, malt extract	US\$5,000,902
Rubber products such as synthetic rubber, styrene-butadiene rubber, rubber conveyers	US\$3,255,890
Various food products	US\$3,020,341
Non-organic or organic substances, mostly carbonate	US\$2,767,977
Optical and photographic equipment, such as lens and curved mirror	US\$2,541,634
Plastic and plastic products such as pipes, transportation equipment, packing materials, bottles	US\$2,253,613
Casein	US\$1,897,661
Weapon and ammunition; parts thereof	US\$1,773,830
Pharmaceutical products	US\$1,542,476
Mineral fuels, mineral waxes	US\$1,236,376
Furniture	US\$1,100,616

Poland-Indonesia Trade Turnover
(based on GUS data)

EXPORT	2010	\$66,221,704	\$614,415,731	2010	IMPORT
	2011	\$120,953,237	\$731,253,693	2011	
	2012	\$121,938,853	\$626,185,329	2012	
	2013	\$140,630,698	\$716,389,460	2013	
	2014	\$148,899,288	\$798,550,721	2014	
	2015	\$105,828,281	\$679,868,562	2015	
	2016	\$109,537,680	\$643,40,875	2016	

The government of Indonesia places high priority on nationwide economic and social development. It has drafted a number of ambitious objectives that should be reached by the year 2025.

In the above mentioned plans the private sector is envisaged to play a significant role through public-private partnerships with the Indonesian government.

In the infrastructure sector, the Indonesian government is focusing on accelerating development outside of Java Island and towards the eastern side of the country.

In the Indonesia's National Medium Term Development Plan for 2015-2019, infrastructure investment has been targeted as requiring up to USD 550 billion for the economy to grow at its full potential. One fifth is allocated to roads or toll roads; around USD 107 billion is part of a connectivity

program covering railways, mass transportation, sea transportation and to support airline industry by building more airports. Meanwhile, gas, energy, power, clean water, waste management and information technology investment is

estimated at around USD 258.7 billion. Government and regional budgets are expected to fund 22%, and 78% is being sought from State Own Enterprises (SOE), public private partnerships, loans and obligations.

The Indonesian Government prepared three interrelated and interdependent development plans:

- ◆ National Long-Term Development Plan (RPJPN) (*Rencana Pembangunan Jangka Panjang Nasional*)
- ◆ National Medium-Term Development Plan (RPJMN) (*Rencana Pembangunan Jangka Menengah Nasional*)
- ◆ Masterplan for Acceleration and Expansion of Indonesia's Economic Development (MP3EI) (*Masterplan Percepatan dan Perluasan Pembangunan Ekonomi Indonesia*)

Taking into consideration those development plans, which above all aim to develop infrastructure in Indonesia, the potential of Polish investment in Indonesia is promising, especially in such sectors as energy, including renewable energy, shipbuilding, road transportation, environment protection but also in tourism, healthcare or mining.

Several Polish companies managed to succeed in the Indonesian market, among others FM Group which opened its Indonesian branch, or Prime Minerals SA, the owner of a nickel ore located in Southern Sulawesi. With no doubt, tourism sector attracts most of the Polish investors. They invest mostly in hotels, leisure centers and provide services to



tourists visiting Indonesia, mostly Bali and Lombok Islands.

Currently, energy sector seems extremely promising when it comes to investment. Indonesia badly needs to increase its power capacity in order to avoid its economy slowing down. A perfect example of a Polish company that

succeeded in Indonesia is Rafako SA which recently won a tender for a 2 x50 MW power plant in Lombok Island.

At the moment, we observe a rising interest of Polish companies in the Indonesian market that seems very rewarding. Hopefully, the success of Rafako will attract other Polish players to

pay more attention to Indonesia.



PROSPECTIVE SECTORS OF COOPERATION

Energy Sector

Growth in the demand for electricity over the next ten years is estimated 8.7% p.a., from 219.1TWh in 2014 to 464.2TWh in 2024. As of mid-2014, Indonesia's electrification ratio was 82% [above the Philippines (70%) but below Malaysia (100%), Thailand (99%) and Vietnam (96%)], although some progress has been made since 2008 (62% electrification ratio). The new Government of President Joko Widodo has introduced a new 35GW program as part of its total target for the next five years, of which 24.9GW will be awarded as Independent Power Producers (IPPs).

Indonesia possesses enormous potential for renewable energy. According to a 2015 report by the International Energy Agency (IEA), the nation has 75 gigawatts (GW) of hydropower potential and 28 GW, or 40 percent, of global geothermal reserves. The report also states that the archipelago holds solar energy potential of approximately 1,200 GW.

Currently, the country relies on fossil fuels for most of its energy supply: oil (38.35

percent), coal (22.21 percent), and gas (17.03 percent). The Indonesian government has prioritized the development of its renewable energy sector. Its 2014 National Energy Policy (NEP14) attempts to transform Indonesia's energy sector by reducing oil consumption and expanding renewable resources by over eleven times by 2025. The plan targets a minimum of 23 percent renewable energy consumption by 2025 and 31 percent in 2050.

Shipbuilding

As an archipelago comprising more than 17,000 islands, covering an area of over 2 million square kilometers, maritime connections are vital to Indonesia and its economy. There are 21,579km of navigable waterways among the larger islands that represent over 90% of Indonesia's land, Sumatra, Java, Madura, Kalimantan, Sulawesi and Irian Jaya. Fishing industry is not without importance to the Indonesian economy either.

The government does not impose any restriction on foreign direct investment in shipbuilding. Nevertheless, most

government agencies are still favorably disposed in their tenders towards Indonesia-based shipyards boasting higher local content (such as equipment and Indonesian representation in the shareholder mix of the yards involved in any shipbuilding projects). According to the Indonesian Investment Board, 70% of shipbuilding components is imported.

Road Infrastructure

According to 2015 data, Indonesia's road network amounts to 508,000km, of which 287,926km (56.7%) are paved or sealed and 820km are operational toll roads. It is estimated that 90% of all domestic passenger transport and 50% of cargo traffic is carried by road. Indonesia has experienced a rapid increase in the numbers of cars in circulation, with virtually no major investment in toll and other road infrastructure. The rise of the Indonesian economy over the past decade has boosted the number of vehicles by 13.7% (two wheel) / 9.6% (four wheel) % p.a. (CAGR) vs. a 2.9% p.a. growth of paved roads. The road network is most developed on the islands



Agriculture



Infrastructure



Industry



Tourism



Maritime

and main population centers of Java, Sumatra and Bali where over 80% of Indonesia's population live.

The Government has plans to build 4,621km of additional toll roads, of which 60% are on Sumatera Island as part of its Trans Java and Trans Sumatra highway program.

Railway

The railway system covers 5,107.8km, all of which is narrow gauge; and 235km of which is electrified. Most of the Indonesian rail network is operated by the state-owned enterprise/PT Kereta Api (Persero), while some freight railways are privately owned and operated in Sumatera and Kalimantan.

Recognizing the importance of rail transport, the Government's plans include improving the quality of track, e.g., double-tracking of the southern rail line from Jakarta to Surabaya; and connectivity through its "Trans-rail" projects for Java, Sumatra, Sulawesi, Kalimantan and Irian Jaya.

Food and Agriculture

Food imports from Poland seem very prospective. In Indonesia there is a high demand for foodstuffs such as apples, but also other fruit and vegetables, dairy products, meat, especially beef, and cereal products.

At the beginning of 2016, Indonesian Directorate General of Livestock and Animal Health Services granted approval to Poland as an eligible country to export dairy products to Indonesia. As dairy consumption in Indonesia (and in all ASEAN countries) steadily grows, the cooperation in the dairy sector appears to be promising.

Other approvals are hopefully going to be granted in the nearest future, especially regarding Polish apples and beef.

Moreover, food sector brings investment opportunities. Indonesia still relies on imports from abroad for several agricultural commodities, such as corn and meat. To fulfill its own domestic demand, Indonesia needs investors to develop and introduce agricultural technology to integrate and grow its agriculture industry.

Medicine

Infrastructure development also means granting the society better access to healthcare services.

In order to make healthcare services affordable and available to everyone in Indonesia, the Indonesian government launched Universal Healthcare Program – *Jaminan Kesehatan Nasional* (JKN) in January 2014, a scheme to implement universal health care in Indonesia. JKN initially covered around 120 million citizens. The targeted population coverage is around 250 million people, to be covered by 2019. When this goal is achieved, JKN will be the largest social health insurance program in the world.

The implementation of the JKN is expected to bring plenty of opportunities for pharmaceutical companies and medical devices providers. It is worth mentioning that about 97% of medical devices in Indonesia are imported, due to a shortage of locally established manufacturers.

Note: All foreign pharmaceutical companies have to produce their drugs in Indonesia or forge a partnership with a local manufacturer; otherwise they will not be granted drug approvals.

Water Waste Management

Taking into consideration the installed capacity of the 350 Regional Water Companies, only 40% of the population have direct access to clean water. Although there are 8.3 million water connections in Indonesia, half of Regional Water Companies are not considered as being in a "healthy" condition.

According to the World Health Organization and the United Nations, only 22 percent of Indonesians had access to water piped onto their premises in 2015. The Indonesian Government aims to ensure universal access to sanitation and drinking water by 2019.

Defense Industry

Despite a recent slowdown in defense spending, it is estimated that Indonesia will be one of the fastest growing defense budget in the world until 2025.

Indonesia currently faces several challenges. It has confrontations around the Natuna Islands in the South China Sea as well as maritime piracy and terrorism issues in its territorial waters. At the same time, the country is trying to enhance autonomy in its defense.

Indonesia's military requires a wide range of equipment, especially in sea and air domains. Procurement programs the government has approved for the period of 2015 and 2019 include an F-5 multirole fighter, offshore patrol vessels, replacement of mine countermeasure vessels (MCMVs) and artillery.

IMPORT FROM INDONESIA

Indonesia is rich in natural resources. It is worth mentioning that Indonesia is:

- ♦ **world's largest** producer and exporter of **crude palm oil**
- ♦ **second largest** exporter of **coal**
- ♦ **second largest** producer of **cocoa and tin**
- ♦ **fourth largest** exporter of **natural gas**

Indonesia has abundant resources of **nickel, gold, coffee and other forest and marine resources.**

Entrepreneurs looking for certain Indonesian commodities might find useful to contact the Directorate General for National Export Development (for e-mail address go to the next chapter).

If you look for a particular product or

a group of products, it is recommended to visit **Trade Expo Indonesia** – the biggest trade fairs in Indonesia. Every year, it takes place in Jakarta in October.



ESS IN INDONESIA



representative office cannot be involved in direct trading activities and sales transactions from the beginning until the completion of a project.

Moreover, a foreign trade representative office must designate a national company as an agent for the products being promoted. Such designation must be approved by the overseas parent company.

Even though representative office is not allowed to earn revenue and thus cannot report income tax, it still needs to report monthly withholding tax. Most of the withholding tax will be paid on employee salaries, renting office and other administrative expenses. Once a year, a foreign trade office needs to submit activity report to BKPM. This is also basis for the extension of the representative office license.

Foreign Construction Services Representative Office (BUJK)

A foreign construction service representative office in Indonesia is established by foreign parent companies intending to conduct business activities in the field of construction services. It includes consultancy services in construction work planning, construction implementation services, and consultancy services regarding the supervision of construction work.

Based on article 11 of the Public Works Regulation 05/PRT/M/2011, a foreign construction service representative office is allowed to be involved in construction projects which fulfill one or

more of the following requirements:

1. Complex construction projects;
2. High risk construction projects;
3. High-tech construction projects.

In order to conduct activities in Indonesia, a foreign construction service representative office is required to establish a joint operation with a local construction company. The joint operation is established temporarily for handling of a given construction project and is not considered a new legal entity.

Based on article 10 of the Public Works Regulation, a local construction company must fulfill the following requirements in order to be eligible as partner of a BUJK:

1. Must be a Limited Liability Company (PT).
2. Must be fully owned by Indonesian citizens.
3. Must have so called big qualification B1 or B2 (kualifikasi besar).
4. Must have a Certificate of Business Entity (SBU).
5. Must have a Business License for Construction Services (IUKJ).

Based on article 13 of the Public Works Regulation, the validity period of a foreign trade representative office is maximum 3 years and may be extended (number of extensions is unlimited).

Foreign Limited Liability Company (PT PMA)

If foreign investors intend to conduct commercial activities in Indonesia, they are required to establish in Indonesia a foreign investment limited liability company (Indonesian: Perseroan Terbatas Penanaman Modal Asing – PT PMA).

Establishing a PT PMA is regulated by Law No. 40/2007 on Limited Liability Companies (Company Law). Such a company can be either 100 percent foreign-owned or partially foreign-owned. Some sectors in Indonesia are closed, or partially closed, to foreign investment. The Negative Investment List, i.e. sectors closed to foreign investment, is discussed later.

At least two shareholders are required (President Director and President Commissioner) for a PT PMA to be established. At least one of them needs to be a foreign individual or a foreign legal entity. A foreigner who works and resides in Indonesia must obtain a tax number (NPWP) and a work and stay permit (KITAS).

In order to establish a PT PMA, a foreign investor needs to comply with minimum capital requirements for foreign investment. Currently the minimum requirement stands at IDR 10 billion or the equivalent value in US dollars. The Indonesian government set a high requirement in order to attract large scale companies and investors, and protect smaller local businesses.

Paid up capital is generally set at 25% of the minimum capital requirement (i.e. IDR 2.5 billion). However, in certain industries paid up capital requirements are higher.

Distributionship

If a company would like to sell their products in the Indonesian market without establishing a local company or representative office, the best solution would be to appoint a distributor or agent. A distributor or agent, that is an Indonesian trading company, may be appointed by a foreign principal supplier or producer, a foreign investment company (PT PMA) or a foreign trade representative office. When the appointment is completed, the trading company must register at the Ministry of Trade in order to obtain a certificate of registration (Surat Tanda Pendaftaran). In order to register, the trading company needs to submit several documents, among others an appointment letter/distributorship agreement between the foreign principal supplier or producer and the Indonesian trading company. Such a letter needs to be legalized by the Embassy of the Republic of Indonesia in Warsaw.

What is the difference between distributor and agent? A distributor is acting on behalf of its own name based on an agreement with the principal to purchase, store, sell and market the goods or services. An agent in turn is engaged in the marketing process on behalf of the principal without doing the physical transfer of goods or services.

Note: Foreign investment companies (PT PMA) are subject to Ministry of Trade Regulation No. 11 of 2006, which prohibits PMA companies from directly selling their goods to retailers. According to the regulation, PMA companies have to appoint a local distributor/agent to sell goods to a retailer. Then the retailer can sell the original products to consumers.

NEGATIVE INVESTMENT LIST

A Negative Investment List is a list of sectors which are partially open (open with conditions or under certain conditions) or closed to foreign investment. The latest list based on Presidential Decree (Perpres) Number 44 Year 2016 on List of Business Fields Closed and Business Fields Open with Conditions to Investment was signed by President Joko Widodo on May 12, 2016.

In case a sector is partially closed to foreign investment, the list states the maximum allowed percentage of foreign capital. Thus,

sectors open with conditions require a local partner.

The list of investments closed to foreign capital comprises 20 positions, among others alcoholic beverages industry, organization and operation of terminals for passenger land transport, gambling, catching of certain fish species, and industry of pesticide active substances.

A complete Negative Investment List in English can be found at BKPM website <http://www3.bkpm.go.id/>

INCENTIVES FOR FOREIGN INVESTOR

There are several incentives created to attract foreign investors to Indonesia, such as import duty exemption, tax allowance, and tax holiday.

Import duty exemption is regulated by Ministry of Finance Regulation No. 76/PMK.011/2012 jo. No. 176/PMK.011/2009. Import duty exemption is granted for the import of machines, goods and materials for production purposes for a period of 2 years, under conditions such goods are not available locally.

Meanwhile, the Government Regulation No. 9 of 2016 regulates the tax allowance facility in Indonesia. It offers for example total net income reduction by 30% of the investment, charged respectively 5% per year in the 6 years period. A total of 145 business fields are eligible for tax allowance.

PUBLIC-PRIVATE PARTNERSHIP (PPP)

The Public-Private Partnership projects are offered by the Indonesian government to the private sector through the Coordinating Ministry for Economic Affairs and the National Development Planning Agency (Bappenas). The cooperation between the central government, local governments, state owned enterprises and the private sector is given much attention, as the private sector is expected to contribute to the financing of the projects.

PPP projects implementation is regulated by Minister of National Development Planning/Head of National Development Planning

Finally, the Regulation of Ministry of Finance No. 159/PMK.010/2015 defines when a tax holiday facility is available. There are 9 types of industries eligible for tax holiday, i.e. upstream metal industry, oil refinery industry organic basic chemical industry, based on oil and natural gas, machinery industry producing industrial machine, processing industry in agriculture, forestry or fisheries, telecommunication, information and communication equipment industry, maritime transportation industry, processing industry that is a main industry in special economic zone (SEZ), economic infrastructure other than in the scheme of government and business project.

Agency Regulation No. 4 of 2015 regarding the Implementation Procedure of Cooperation Between the Government and Enterprises in Infrastructure Procurement ("Bappenas Reg 4/2015").

PPP may be applied in case of 18 types of infrastructure projects, among others energy conservation, city facilities, educational facilities, sports and arts facilities, public infrastructure, tourism facilities, transportation, roads, drinking water, wastewater, telecommunications, and electricity.

TAX SYSTEM IN INDONESIA

In Indonesia there are several types of tax, i.e. corporate income tax, individual income tax, withholding taxes, international tax agreements, value-added tax (VAT), luxury-goods sales tax, customs & excise, tax concessions, and land and building tax.

Corporate Income Tax

Corporate Income Tax	Tax Rate
Regular rate	25%
Public company with more than 40% of its shares traded on the IDX	20%
Companies with a gross turnover below IDR 50 billion	12.5%
Companies with a gross turnover below IDR 4.8 billion	1%

Individual Income Tax

If an individual lives in Indonesia or resides in Indonesia for more than 183 days within a 12-month period, it is obligatory to pay individual income tax.

Individual Income Tax – Annual Income	Tax Rate
Up to IDR 50 million	5%
Over IDR 50 million to IDR 250 million	15%
Over IDR 250 million to IDR 500 million	25%
Over IDR 500 million	30%

Usually, individual income tax is collected through withholding by third parties/employers. Employers withhold income tax on a monthly basis from the salaries paid to the employees.

Non-resident individuals are subject to a 20% withholding tax provided the income source is in Indonesia.

Withholding Taxes

In Indonesia income tax is mostly collected through a system of withholding taxes. If a certain part of income is subject to withholding tax, the payer is responsible for withholding or collection of the tax. Therefore, employers are required to withhold individual income tax from the salaries payable to the employees and pay the tax to the State Treasury on their behalf. The same withholding tax is applicable to other kind of payments.

Value Added Tax

Value Added Tax (VAT) is applied in case of the transfer of taxable goods or the provision of taxable services in Indonesia. Generally, the VAT rate in Indonesia is 10%. However, the exact rate may be increased to 15% or decreased to 5% according to government regulation. Certain goods such as basic commodities (rice, salt, corn) as well as certain services, for example health or educational services are non-taxable.

Luxury Good Sales Tax

In addition to VAT, imports and deliveries of certain goods may be subject to luxury goods sales tax. This type of tax can be applied only once, either on importation of a product or delivery of a product by a local agent to another party. The luxury goods sales tax must be accounted monthly together with VAT. The settlement of the taxes is a responsibility of an importer or a manufacturer. Luxury goods sales tax rates are set between 10 – 125%; the maximum allowed rate is 200%. As an example, the rate for luxury cruises is 75% meanwhile for luxury apartments 20%.

Customs and Excise

Import duty: Import duty rates vary from 0% up to 150%, although a current highest applicable rate is 40%. Customs value is calculated based on Cost, Insurance and Freight (CIF).

Export duty: Export duty might be calculated based on a percentage of customs value. Customs value in turn is defined by the Director General of Customs and Excise based on the benchmark price set by the Ministry of Trade.

Excise: Goods subject to excise are ethyl alcohol, alcoholic drinks and tobacco products.

LABOR MARKET AND EMPLOYMENT

During the Asian Financial Crisis in late 1990s, the unemployment rate in Indonesia surged and surpassed 20%. At that time many people from urban areas decided to settle in the countryside to work in the informal sector-mostly agriculture. Although Indonesia managed to recover from the financial crisis, economy of Indonesia in a part still relies on the informal sector.

Currently, Indonesia's population reached more than 250 million, half of which are young people under 30. In the first quarter of 2017 the unemployment rate in Indonesia reached 5.33%. The biggest unemployment is observed in young people aged 15 to 24 years.

The agricultural sector remains in the top position in terms of employment (38%). It is followed by sale sector (including hotels and restaurants) with 28% of labor market share, then by services (almost 20%), and finally by manufacturing industry (16% as of 2016).

Minimum wage in Indonesia differs across the country's provinces and cities. It is determined by regional wage councils and is revised annually.

Jakarta for example has set its minimum wage for 2017 at IDR 3,355,750.00 (US\$ 251) while Yogyakarta rate is at IDR

1,337,645.00 (US\$ 100). In smaller cities it is usually lower.

Sectors with the highest salaries are oil & gas, financial services industry, hi-tech, e-commerce, and infrastructure.

At the same time, the most desired jobs in 2016 were project manager, operations GM, finance manager, logistics manager, and call center supervisor.

What are the mandatory employment costs (apart from a salary) the companies need to bear? Employer is obliged to withhold income tax whose rate varies from 5 to 30%. It is also obligatory to cover the health insurance fee which varies from 1 to 5% of the salary amount per month, depending on the area of an employee's expertise. Indonesia has embraced a new health insurance policy in 2016 (called BPJS). Based on the new policy, an employer is required to register their employees. Meanwhile, based on the new pension program launched in 2015, employer is obliged to bear monthly a fee of 3% of an employer's salary. Besides that, an employee is entitled to a 13th salary once a year (usually before religious holidays).

REAL ESTATE PURCHASE BY FOREIGNERS

In late 2015 Indonesian President Joko Widodo signed a government regulation (Government Regulation No. 103/2015 on House Ownership of Foreigners Residing in Indonesia) that allows expats who legally reside in Indonesia to own landed houses in the country for a period up to 80 years. Foreign ownership of landed houses and apartments is based on so-called 'right-of-use' (Indonesian: *hak pakai*). Because of the right-of-use status it is very difficult to obtain a mortgage from a financial institution.

However, the new regulation sets several requirements regarding the property purchase. First of all, expats can only buy property in Indonesia at a fixed minimum price that is determined by region, for example in Jakarta it is IDR 10 billion for a landed house and IDR 5 billion for an apartment. What is more, they can only purchase property directly from a developer. They are not allowed to rent out property to a third-party. Finally, if an expat leaves Indonesia to reside in another country, they need to transfer the right-of-use to another person who meets all requirements to own property in Indonesia within one year after

their departure from Indonesia. Expats can buy a landed house in Indonesia for an initial period of 30 years. This can be extended twice, once by another period of 30 years and then by a 20-year period (a total of 80 years).

Meanwhile, foreign investors who want to establish their business in Indonesia can have their building or office under a "rights to build" deed for a certain period. The duration of right for the building is maximally 30 years, extendible for 20 years (article 30 Act No. by 5/1960).

Right to build deeds are available to Indonesian citizens and legal entities established under Indonesian law and domiciled in Indonesia, either 100% foreign-owned, joint venture or 100% Indonesian-owned companies. Such entities, however operating in agriculture and farming sectors, are also entitled to the "right of land cultivation". Its duration is maximally 25 years, extendible for 35 years, and should be registered at the Land Register at the National Land Agency.

USEFUL LINKS

- | | |
|--|--|
| • Indonesian Embassy in Warsaw | indonesianembassy.pl
kemlu.go.id/warsaw |
| • Indonesian Investment Board (BKPM) | bkpm.go.id |
| • Indonesian Ministry of Trade | kemendag.go.id |
| • Indonesian Ministry of Industry | kemenperin.go.id |
| • Indonesian Chamber of Commerce (KADIN) | kadin-indonesia.or.id |

USEFUL CONTACT INFORMATION

ASSOCIATIONS IN INDONESIA

In order to find partners in Indonesia, it is very useful to contact the business organizations. Below we present the list of the most important organizations/associations.

Indonesian Food and Drink Association (GAPMMI)

Gabungan Pengusaha Makanan dan Minuman Indonesia

ITS Office Tower Lt. 8 Unit 16, Nifarro Park

Jl. Raya Pasar Minggu km 18, Jakarta Selatan 12510

E-mail: gapmmi@cbn.net.id

Indonesian Packaging Federation

Federasi Pengemasan Indonesia

Ruko Ciputat Center no.75-S, Jl. IR. H. Juanda no. 75,

Ciputat 15419, Jakarta Selatan

Phone / Fax : 021-744 1775

E-mail to: packindomail@gmail.com or seminar@packindo.org

Indonesian Fertilizer Producers Association (APPI)

PUSRI Building, 1st Floor - Annex Building

Jl. Taman Anggrek Kemanggisan Jaya

Jakarta 11480

Fax : (021) 548 3313

Indonesian Textile Association (API)

Graha Surveyor Indonesia Lantai 16

Jl. Gatot Subroto Kav.56 Jakarta 12950

Phone: 082113643263

E-mail: sekretariat.apidki@yahoo.com

Indonesian Pharmaceutical Association

Gabungan Perusahaan Farmasi Indonesia

Angkasa No. 20AKemayoran

Jakarta Pusat10620

E-mail: sekretariat@gpfarmasi.or.id

Indonesian Sugar Association (AGI)

Asosiasi Gula Indonesia

Kantor Taman E.3.3, Lantai 4, Unit C-6

Jl. Dr. Ida Anak Agung Gde Agung

Mega Kuningan-Jakarta Selatan

E-mail: asosiasigula@gmail.com

Indonesian Electricity Equipment Producers Association (APPI)

Asosiasi Produsen Peralatan Listrik Indonesia

Gedung Sarana Jaya 3 Lt.3 Jl.Rawamangun no 59c Cempaka Putih Jakarta Pusat 10570

Fax. : +62-21-21480021

E-mail: appijakarta@gmail.com

Indonesian Vegetable Oil Association (GIMNI)

Gabungan Industri Minyak Nabati Indonesia

Gedung Multivision Tower, 11 th Floor

Jl. Kuningan Mulia 9B, Kuningan – Jakarta, 12980

Fax. : (+6221) 29380883

E-mail : gimni@gimni.org

The Employers' Association of Indonesia (APINDO)

Asosiasi Pengusaha Indonesia

Gd.Permata Kuningan Lt.10

Jl. Kuningan Mulia Kav. 9C Guntur - Setiabudi

Jakarta Selatan 12980

Fax: +6221 - 8378 0823 / 8378 0746

E-mail: sekretariat@apindo.or.id

Indonesian Cocoa Association (ASKINDO)

Asosiasi Kakao Indonesia

The Jakarta Residence Cosmo Mansion Lantai 11 unit CC,

Jl. Kebon Kacang Raya

Jakarta Pusat - 10340

Fax: (62-21) 31991719

E-mail: askindo@rad.net.id, askindo_kakao@yahoo.com

Indonesian Palm Oil Association (GAPKI)

Gabungan Pengusaha Kelapa Sawit Indonesia

Sudirman Park Rukan Blok B No.18

Jln. K.H. Mas Mansyur Kav.35

Jakarta Pusat 10220

Fax. +6221-57943872

Indonesian Exporters Association (GPEI)

Gabungan Perusahaan Eksportir Indonesia

ITC Cempaka Mas, Office Tower 7th Floor No. 06

Jalan Letjen Suprpto

Jakarta 10640

Fax. (021) 42900546

E-mail : dpp.gpei@gmail.com

Indonesian Association of National Importers (GINSI)

Gabungan Importir Nasional Seluruh Indonesia

Wisma Kosgoro Lt 8

Jl.MH. Thamrin No. 53

Jakarta 10350

Fax. 39832499, 39832504

E-mail : ginsipusat@yahoo.co.id

COMPANY VERIFICATION AND RELIABLE PARTNERS

Directorate General for National Export Development

In order to find a business partner/exporter/supplier in Indonesia, it is advised to contact the Directorate General for National Export Development at the Ministry of Trade of the Republic of Indonesia via csn@kemendag.go.id

Directorate General for National Export Development at the Ministry of Trade of the Republic of Indonesia (DGNED) attempts to provide support and assistance to foreign buyers in conducting trade activities in Indonesia. In addition, DGNED also provides guidance on a business trip to Indonesia.

Buyer Reception Desk

Buyer Reception Desk (BRD) is a facility of DGNED that functions as a 'one-stop service' in providing information and guidance directly to foreign buyers who want to find a certain product in Indonesia. One of the tasks of BRD is to arrange meetings between prospective buyers and suppliers/ related companies in Indonesia.

In order to receive detailed information it is advised to register on the DGNED website at <http://djpen.kemendag.go.id/membership/>

Documents verification

When you are about to start cooperation with an Indonesian partner, it is useful to ask them to send the copies of 2 documents, i.e. a confirmation of the tax identification number (NPWP) and the license to run trade activities (SIUP). In order to

verify the authenticity of NPWP it is advised to contact the Directorate of Counseling, Service, and Public Relation via e-mail at pengaduan@pajak.go.id. Meanwhile, in order to verify the authenticity of SIUP, it is useful to contact the regional office of the Ministry of Trade. The addresses and contact data of the regional offices may be found at <http://www.kemendag.go.id/en/trade-representatives/regional-office>

Fairs and Exhibitions

Every year in Indonesia there are organized several business fairs and exhibitions. One of the biggest events that takes place every year is Trade Expo Indonesia (TEI). TEI attracts hundreds of exhibitors from various business fields and is a perfect opportunity to find a reliable business partner. In 2016, TEI hosted 1.066 exhibitors and 15.567 visitors. Value of transactions reached USD 1.02 billion. TEI is organized every year, usually in October. If you are interested in visiting TEI, please contact the Indonesian Embassy in Warsaw.

What to do if you become a victim of the online fraud?

If you become a victim of the online fraud, it is advised to immediately send the account number you made transfer to along with the transfer confirmation to the e-mail address: ncb-jakarta@interpol.go.id

Based on the e-mail, the Police is going to block the account and start the investigation.

SUPPORT FOR COMPANIES INTENDING TO START BUSINESS WITH INDONESIA

Starting business with a remote country is not a simple decision and requires some consideration. However, there are institutions that may help you in the decision-making process.

Embassy of the Republic of Indonesia in Warsaw

Economic Section at the Embassy of the Republic of Indonesia in Warsaw supports Polish businessmen who are attracted to do business with Indonesia. The Embassy provides basic business information, useful business tips but also, if possible, may try to find a suitable business partner. When Indonesian businessmen visit Poland, the Embassy organizes bilateral meetings. Also, every year the Embassy organizes a business mission to Indonesia. The program of the mission is designed to satisfy all participants – it is based on their needs only. From time to time, the Embassy organizes information meetings for those who consider Indonesia as a prospective market for their business and search for more information. For business inquiries, send an e-mail at info@indonesianembassy.pl

Polish-Indonesian Business Council

The Polish-Indonesian Business Council at the Polish Chamber of Commerce was officially established on June 16, 2016. Its main goal is to promote the business cooperation between Poland and Indonesia as well as to support Polish and Indonesian entrepreneurs in their efforts to develop bilateral trade and investment relations. In the near future, the Council is to be transformed into a Polish-Indonesian Chamber of Commerce.

Polish Agency for Trade and Investment

The Agency has a number of representative offices abroad, such an office is also planned to be opened in Jakarta. Agency's mission is to create a positive image of Poland across the world, to promote high quality Polish goods and services. The Agency strongly supports Polish exports abroad and intends to develop so called "Polish brand".

VISITING INDONESIA: USEFUL INFORMATION

VISA AND CUSTOMS INFORMATION

Visa

Indonesia provides a Visa Free Facility for tourists who are nationals of 169 countries, including Poland. Visa Free Facility is valid for 30 days, is non-extendable and cannot be transferred into any other type of stay permit.

The Visa Free Facility can be used for tourism, family visit, social visit, art and cultural, government duty, international exhibition, or transit purposes. It cannot be used for business purposes. Travelers visiting Indonesia on business purposes have two options:

1. They might apply for a visa at the Embassy. In this case they will be required to submit a sponsorship letter from a business partner, a company or organization in Indonesia. The visa is issued for maximum 60 days and it costs 50USD.
2. They might apply for a visa-on-arrival which is issued for maximum 30 days and might be extended once for another 30 days. Visa-on-arrival facility is available at certain airports and seaports; it costs 35 USD.
3. Those frequently visiting Indonesia might apply for a Multiple Entry Business Visa which is valid for a year but allows a maximum 60 days stay in Indonesia. This kind of visa can be only obtained based on the permission issued by the Directorate General of Immigration in Jakarta. The cost of Multiple Entry Business Visa is 120 USD (110 USD for a visa, 10 USD for so called *porto* fee).

Business visa does not allow its holder to work in Indonesia. A business visa is used for business trips, such as short courses, seminars, trainings, and meetings. Meanwhile, a director/ commissioner in an Indonesian-registered company who plan to stay in Indonesia needs to have a work permit (IMTA).

Work permit: To work legally in Indonesia, you must have a work permit (IMTA). Based on the work permit (IMTA), the Indonesian Immigration will issue the limited stay permit (VITAS) and the limited stay permit card (KITAS).

Note: All travelers to Indonesia must be in possession of a passport valid at least six (6) months from the date of arrival.

Customs

While entering Indonesia, travelers are allowed to bring:

- ◆ 1 liter of alcoholic beverages;
- ◆ 200 cigarettes OR 50 cigars OR 100 grams of tobacco;
- ◆ Reasonable amount of perfume per adult;
- ◆ Cameras, video cameras, portable radios, cassette recorders, binoculars and sport equipment are admitted provided they are taken out on departure; they must be declared to Customs.

Travelers are prohibited to carry:

- ◆ Firearms;
- ◆ Narcotics drugs;
- ◆ Pornography materials;
- ◆ Chinese printing and medicines;
- ◆ Transceivers and cordless telephone;

Films, pre-recorded video tapes, laser discs, VCDs, DVDs must be screened by Censor Board.

Import or export of foreign currencies and travelers' checks are allowed. However, the import and export of Indonesia currency, exceeding 100 million Rupiah is prohibited.

TRANSPORTATION, ACCOMMODATION, AND FOOD

Transportation

Within Indonesia

The fastest and most comfortable way to travel within Indonesia is by plane. There are available several domestic airlines such as a national carrier Garuda Indonesia, Sriwijaya Air, Citilink, Wings Air, or Lion Air. Foreign-owned carriers, such as Air-Asia, also operate in Indonesia.

For those who prefer land transportation, trains, night buses, and mini buses are available.

In the Cities

Indonesian cities usually suffer from heavy traffic. The most comfortable way to commute in the cities is by taxis (the most popular is Blue Bird) which are quite inexpensive. It is not a bad idea to rent a car with a driver who knows the city.

Accommodation

Hotels

Indonesia has a wide range of world class luxurious hotels (in the cities and holiday resorts). For those with lower budgets, decent 3stars hotel are widely available. Comfort and price depend on the visitor's preferences.

Apartment/Flat

For those who plan to stay longer in Indonesia, it might be reasonable to rent an apartment. There are many upmarket apartment blocks in Jakarta offering good locations, excellent amenities and stylish interiors. Apartment blocks are usually close to restaurants, shopping areas and other entertainment facilities. The rental prices vary depending on the location and size.

House in the Suburbs

Those visiting Indonesia with families might prefer a more suburban lifestyle. You can choose between a free-standing home, and a house in a development or security complex.

Food

Indonesia offers a huge variety of food. Over the centuries many different nations have visited and influenced the cuisine – Indian, Chinese, Arab, Portuguese, Spanish, English and Dutch, which made Indonesian cuisine very unique. Meals are generally simple, with plenty of roots, spices, grasses, and leaves. Rice is Indonesia's most important staple food. It normally accompanies every meal and is often the main ingredient for desserts. The most popular dish that can be found practically everywhere is fried rice (Indonesian: *nasi goreng*). Indonesia is famous for its sambal sauces. These are chili-based condiments which combine a variety of chili peppers with different combinations of spices, fruits or vegetables. Meat lover definitely need to try *rendang*, beef steamed in coconut milk and spices. According to

the CNN survey, *rendang* is the most delicious dish in the world. Another popular dish, usually sold by street vendors is *bakso* – tasty meat balls. For those who avoid meat, *tempe*, fermented soybeans high in protein and fiber, will be a perfect choice.

Indonesian food, especially the one sold in the streets is delicious. Indonesian “stands” or small restaurants selling food are called *warung*. You can also buy food from so called *kaki-lima* – a street vendor. To avoid stomach problems, it is extremely important to drink bottled water only. For those who prefer European-style food, in the cities there are plenty of restaurants with western food.

Business Tips

Etiquette

Business visitors should check the local holiday schedule before traveling to Indonesia. It might be seen as inappropriate to arrange business meetings before and after Idul Fitri holiday.

Indonesians like to avoid confrontation and disharmony. It is better not to lose one's temper or show negative emotions. Try not to openly disagree with people as this can be interpreted as a lack of respect and will probably affect the relationship.

Avoid using left hand when receiving and handing gifts or while eating. The left hand in Indonesian culture is used for toilet duties.

Business cards are important and should be given out in a formal manner at the beginning of a meeting.

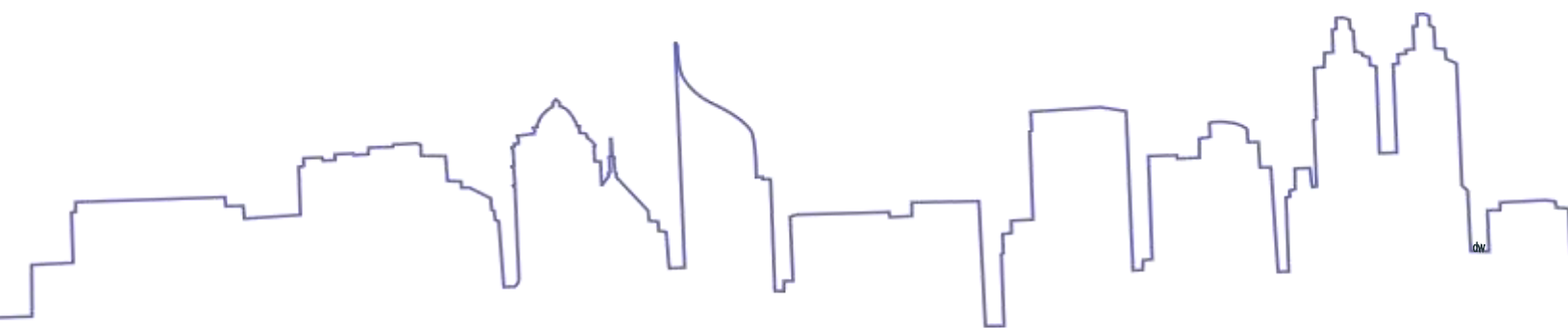
The normal business attire is a business suit or white shirt, tie and slacks for men, and a business suit or dress for women. The traditional batik shirt is also commonly worn in the office and is now considered proper business attire.

Indonesians do not conduct business talks or make decisions in the same direct fashion as Westerners. Therefore, foreigners should be prepared to spend a good deal of time with clients before settling the business transaction. Patience is extremely important and the word “no” is rarely used. Exchanging small gifts is common practice for business or social visits.

It is worth mentioning that Indonesians do business with “friends”, people whom they know. Therefore, developing a rapport is crucial. Dealing with someone face-to-face is the only way to do effective business. Indonesians prefer to do business over coffee, food or on a golf course.

Language

The national language *Bahasa Indonesia* is spoken all over Indonesia, in addition to local dialects or languages. English is widely spoken and understood in Jakarta by most business people. Most of the better hotels have English-speaking staff. International telephone operators also speak English. However, the level of English can vary.



The Embassy of the Republic of Indonesia

ul. Estońska 3/5, 03-903 Warszawa, Poland

T: +48 22 617 51 79/08 F: +48 22 617 44 55

e: warsawa.kbri@kemlu.go.id

w: kemlu.go.id/warsaw