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JAPAN INTERNATIONAL COOPERATION AGENCY (JICA)

NATIONAL AGENCY FOR EXPORT DEVELOPMENT (NAFED)
MINISTRY OF INDUSTRY AND TRADE
REPUBLIC OF INDONESIA

THE SECOND PHASE OF THE FOLLOW-UP STUDY ON
THE DEVELOPMENT OF SUPPORTING INDUSTRIES
IN THE REPUBLIC OF INDONESIA

EXPORT PROMOTION

(Summary)

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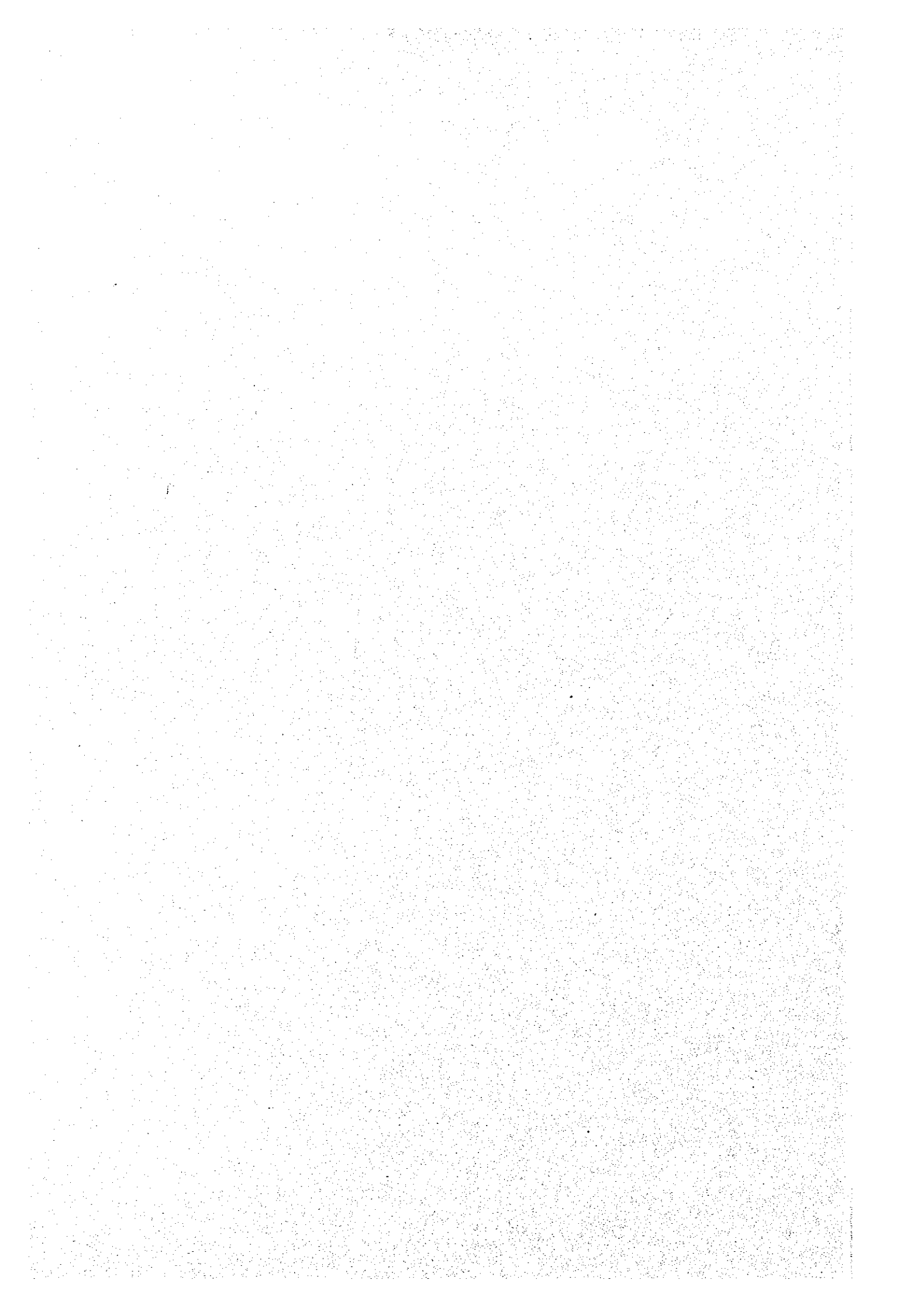
March 2000

SANWA RESEARCH INSTITUTE AND CONSULTING CORPORATION
(SRIC)
TOKYO, JAPAN

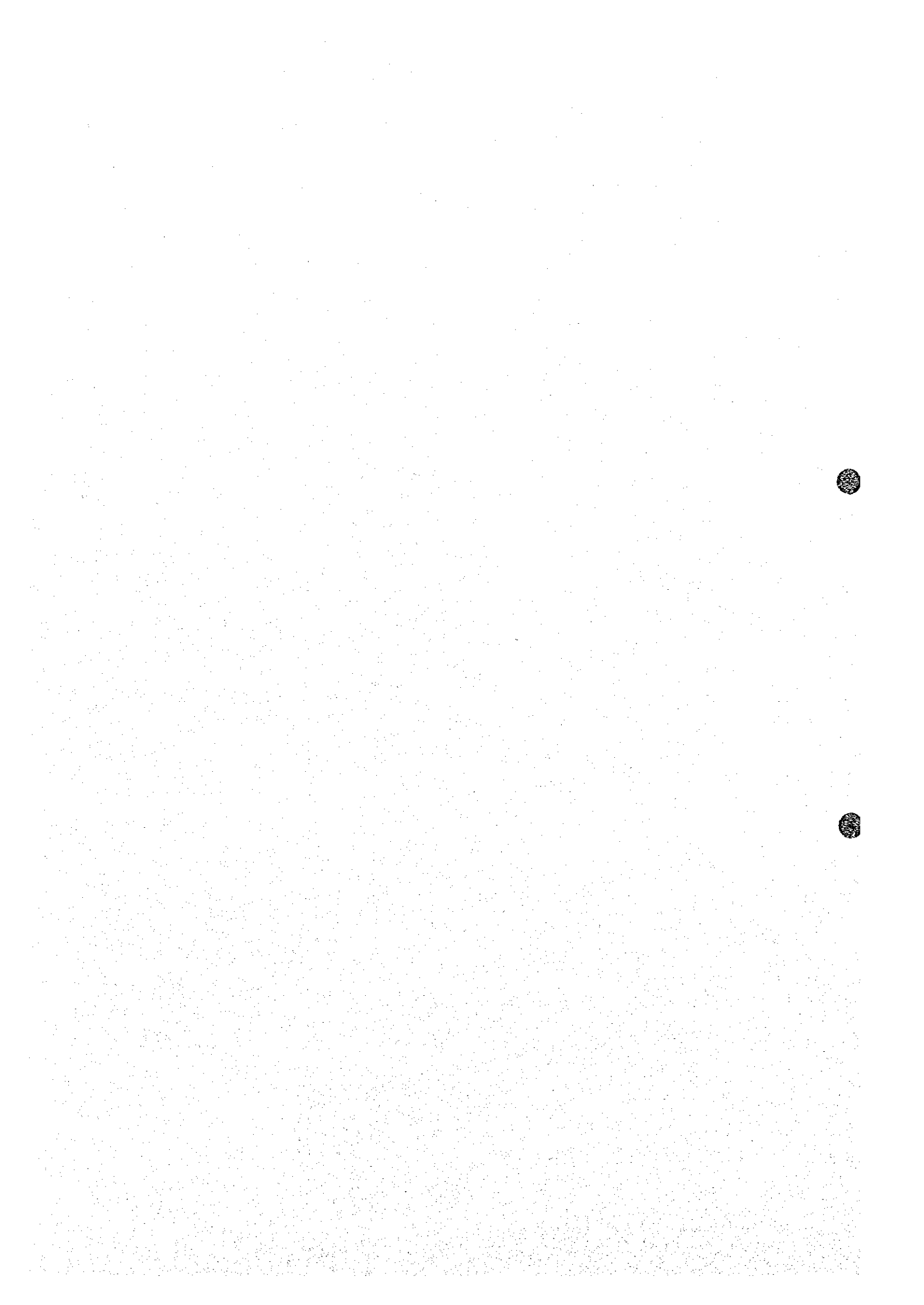
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Executive Summary: EXPORT PROMOTION STRATEGY

I. Study Outline

1. Background

Export promotion is one of the most critical issues for Indonesia, and could be an important contribution to lead recovery of economy and to overcome the external debt problem caused by the Asian financial crisis. It is important for the Government of Indonesia to take a strategic marketing approach, which focuses on the product competitiveness including administrative costs incurred because of government involvement.

2. Japanese Cooperation

In response to the request of the Government of the Republic of Indonesia, the Japan International Cooperation Agency (JICA) agreed to undertake a study that focused on export promotion of targeted 6 industries. They have already had a large export volume, such as textile and textile products, foods and beverages and wooden products, need to be improved so that they have higher added values. At the same time, it is essential to foster the supporting industries such as electric and electronic parts, automobile parts and machinery parts, in order to minimize the rate of imported intermediate goods and increase their export competitiveness in export.

3. Objective

The objective of the Study is to produce a set of recommendations for export promotion of the target industries in Indonesia. Recommendations will include the following:

- 1) Measures to be taken by the Government of the Republic of Indonesia for further promoting the country's exports from the target industries.
- 2) Practical advice and guidance for the business sector of the target industries to improve their export competitiveness in terms of production technology, management and marketing technique.
- 3) A desirable export promotion strategy and action plan to be formulated through a series of investigation of the target industries.

4. Approach

The study was conducted from July 1999 to February 2000. JICA Study Team was organized with eight experts. NAFED acted as the main counterpart body to JICA Study Team for the implementation of the Study, while a steering committee will be organized for the smooth implementation of the Study. Members of the committee include:

- Representative from the Directorate General of the Chemical Industry, Agro and Forest Products Department in the Ministry of Industry and Trade (MOIT)
- Representative from the Directorate General of Metal, Machine, Electronics and Various Industries covered by MOIT
- Representative from the Agro Business Agency in the Ministry of Agriculture (MOA)
- Representative from the Chamber of Commerce
- Representative from the relevant associations and organizations
- Representative from JETRO (Japan External Trade Organization) Jakarta Center
- JICA Experts related to export business working in MOIT, IETC, and BEI

5. Study Policy

(1) Strategic approach

To improve the export competitiveness of Indonesian companies, strategic plan should be proposed by presenting few model companies from selected sub-sectors in each industry. The strategic plan would be extendable to the other companies.

(2) Market-oriented approach

The market is one of the most important factors for planning export promotion. It is necessary to evaluate the export competitiveness of Indonesian products in the world market. Few factors have to be evaluated to measure Indonesian product competitiveness, such as the production costs and the cost incurred from the administrative process.

(3) Practical recommendations

The output of this survey would not be a research paper but a practical recommendation to support Indonesian exports. The recommendations would include an action plan with analysis of the present condition of each industry.

(4) Immediate response to the changes of environment

As Indonesia is still facing a serious economic problem, immediate action is necessary for recovery. Since the economic condition in Indonesia is still fluctuating and uncertain, the recommendations should be timely and based on the up-to-date information.

(5) Priority on field survey

Because of the economic crisis has led to financial and political reform, the organizational structure and business environment in Indonesia has experienced major changes. Therefore, field survey is necessary in order to understand the actual situation faced by companies in Indonesia.

6. Field Survey

In order to make fact finding, field surveys were conducted by the Study Team:

- Interview survey with export promotion organizations and forwarders in ASEAN 4 (Singapore, Malaysia, Thailand and Philippines), for seeking best practice of export promotion.
- Questionnaire Survey with Indonesian export companies (total 522 companies), in Jabotabek, Bandung, Semarang, Surabaya, Medan and Palembang, done by local consultants with face-to-face style.
- Buyers' satisfaction survey with Japanese 44 importers and 19 IPO (International Procurement Office) in Singapore, to have buyers' voice regarding to Indonesian export products.
- Diagnostic survey with 51 export companies to have practical advises for export promotion. Study team selected model export companies from this study.

II. Review on Export Condition in Indonesia

7. Trade Policy

At present, Indonesia is undoubtedly facing its biggest economic and social challenge in decades. Under the conditions set force by IMF, it has been undertaking to remove most impediments to domestic and international trade within three years from 1998. All IMF-sponsored reforms in the field of trade are to be implemented on an MFN basis. Indonesia has also committed to conform with WTO Agreements. In relation with ASEAN partners, Indonesia applies the principle of open regionalism, an idea that it also promotes in the APEC forum. Tariff reductions under the AFTA-CEPT scheme of ASEAN have been kept largely in line with unilateral MFN tariff cuts.

8. Export Incentive System

Indonesia has been trying to develop export infrastructure which supports export performance. As a matter of fact, the range of export incentives in Indonesia is generally similar to other exporters in the region. However, the most significant difference is that Indonesia has tended to place less emphasis on tax holidays and related tax incentives. Among the export facilities used, EPZ and bonded manufacturing warehouses (termed "EPTE" in Indonesia) tend to cater to wholly export-oriented producers. Duty exemption and duty drawback schemes assist companies selling to both domestic and export markets. Indonesia has these schemes to some extent, however, the main drawback here is in the inefficiency with which existing schemes are operated.

Main incentive schemes can be categorized as exemption or reduction of corporate income taxes and exemption from or reduction of taxes on imported capital goods and raw materials. However, since corporate tax incentive directly related to export is regarded as export subsidy and not conforming with WTO Agreement.

If we compare with ASEAN regional norms, some problems can be pointed out as in the followings:

- 1) *The amount of the security to be posted for the duty exemption scheme, at 100 percent of duties payable, is quite high (the regional norm is about 50-75%). This raises interest costs and ties up working capital, particularly undesirable in present circumstance;*
- 2) *The duty drawback scheme is inflexible in a sense that it does not allow "substitution drawback," in that local materials cannot be sub-contracted to indirect exporters. The recent change to restrict drawbacks to producers increases this inflexibility;*

- 3) The need to specify and forecast import requirements and export plans over a 12 month period for the duty exemption scheme is fairly restrictive by regional standards. In other countries, Thailand and Malaysia for example, so called "one-stop" approval and clearance system is used which combines the need for prior licensing with the import declaration procedure;
- 4) The requirement for *advance payment* of income tax equivalent to 2.5% of import value is uncompetitive and a redundant control feature;
- 5) It does not have specialized schemes for *indirect exporters*. (See the below table.) Other ASEAN countries have developed ways for indirect exporters to access imported materials on duty and tax free basis through extension of the regular duty exemption scheme, application of public and private common bonded warehouses or rebate mechanisms. Indonesia has certain drawback in this regard.

Table 1. Indirect and Smaller Exporters in ASEAN 4

	Indonesia	Thailand	Malaysia	The Philippines
Exemption on duties, VAT and other taxes on indirect exports	Yes, through sub-contracting with direct exporters in Bonded Zone and EPTE	No	Yes, through sub-contracting with direct exporters	Yes, through sub-contracting with direct exporters
Rebate of VAT and other taxes on indirect exports	No	Yes	Yes	No
Zero-rating of VAT on sales to EPZ,	No	Yes	Yes	Yes
Income tax credit on local materials used in exports	No	No	No	Yes
Income tax deduction on export value added	No	Yes	Yes	No

Source: Program for Recovery in Trade and Industry: A Strategy for Short Term Reform, Asian Development Bank 1998

9. Custom Administration

The volume of sea cargo at Tanjung Priok Port in Jakarta increased 1.32 times in export and 2.98 times in import during 9 years from 1988 to 1996.¹

According to JETRO survey², most Japanese affiliated companies in Indonesia has pointed out that "tax and custom clearance procedure" is the serious problem for their daily management. This is something-peculiar complaint in Indonesia, which is not seriously taken up in other ASEAN countries. In detail, most of them have pointed out "custom clearance procedure is too complicated and takes long time" and "reimbursement of

¹ See Feasibility Study of Customs Intelligent Database System in the Republic of Indonesia, JICA March 1999 ² See Survey on Management Condition of Japanese Affiliated Companies in Asia, JETRO, December 1997

draw back duty delays and not fully paid back'.

As has been illustrated in the following table, although export clearance time is quite reasonable, import clearance indicates excessive dwell time by international standard

Table 2. Comparison of Custom Administration in ASEAN 5

	Indonesia	Singapore	Malaysia	Thailand	Philippines
① Export Clearance (Customs Formalities)	4~8 hours	0	4~8 hours	4~8 hours	2~3 hours
② Import Clearance (Customs Formalities)	2~3 days	10~15 minutes	0.5~2 days	2~7 days	3~5 days
③ EDI Situation	Import only	All	Im+Ex Application No.	Export only	Export only

Source: Interview by JICA Study Team

10. Export Finance after Economic Crisis

The year 1997/98 witnessed the most onerous pressures on Indonesia's economy over the course of three decades of development. Since the fourth quarter of 1997, the performance of all financial related institutions commenced to subside due to the monetary crisis. The crisis has raised cost of fund of those institutions as the Rupiah turmoil has pushed interest rate up. Many special financial institutions, especially banks, have been liquidated, (i.e., Bank Papan Sejahtera (Housing loan), Uppindo - Indonesian Development Finance Company) or merged (Bank Exim, Bapindo).

Under the current situation, SME exporters have some serious financial difficulties as follows:

- They cannot enjoy pre-shipment finance based on L/C although it was possible before the crisis, thereby have to borrow fund from the commercial bank at extraordinary high interest rate for importing raw material or semi-processed materials to make final products.
- They no longer can get cash upon presentation the shipping documents to the commercial bank. They are obliged to wait until the commercial bank collects money from the issuing bank.
- Now they have to get finance for even opening L/C because the commercial bank request them to deposit 100~120% of L/C amount.
- They cannot accept D/A, D/P payment, because the bank does not accept it. They lose overseas buyers because of non-flexible payment requirement from the bank.

III. Recommendation on Export Promotion Policies

Having reviewed the present condition surrounding export, we shall introduce the main recommendations for the export promotion policies to be taken by Indonesian government.

11. Role of Government in Export Promotion

Compared with NIEs or neighboring ASEAN countries, Indonesia has not adopted state led industrial promotion policies, a vision that shows the future ideal industrial structure. In addition, Indonesian government has not adopted active industrial and trade promotion measures except for monopolies for state owned enterprises. Since Indonesian private sector has been still suffering from serious management problems after the crisis, it is the time for the government to play more active role in trade and industrial promotion (particularly in the field of marketing and finance) to achieve quick economic recovery and make sustainable growth by introducing more fair and transparent competitive policies.

The success of nation's export promotion will simply depend on private sector's international competitiveness. Government can only give advice and assistance in cultivating competitiveness of export industries and products. Since developing country like Indonesia has scarce resources, the most expected role for the government is indeed "Selection and Concentration".

12. Trade Finance through Trading House and Assembly Manufacturers

Considering the current difficult situation that the Indonesian banking sector is facing, it will take some time for commercial bank to commence active financing to SMEs. In addition, although Bank Ekspor Indonesia (BEI) has started operation, since their main activities are refinancing of working capital through commercial banks, they do not directly deal with SMEs exporters. Therefore, it is recommended to build a new financial flow through trading house and assembly manufacturers in addition to the existing financial flow through commercial banks.

In Japan, *Sougou Shousha*, large-scale general trading houses, have played significant role in identifying potential manufacturers and assisting their export and import activities in terms of marketing and finance. In terms of financial assistance, they usually extend pre-shipment and post-shipment finance to credible manufacturers. Since they have quite good expertise in marketing the potential products through their global network, trading house can play catalytic role between foreign exporters/buyers and domestic buyers/exporters. In addition, Japanese assembly manufacturers of such as electronics and automobile have been also offering trade finance to their Asian affiliated companies through Singapore based Asian headquarters. Indonesian

gouvernement owned venture capital, PT. Bahana, for example, has established trading houses in Medan and Bali to support the export and domestic (inter-islands) marketing of SMEs' products. Accordingly, the linkage of marketing and finance is critical for SMEs export promotion.

13. Brand Promotion Strategy

In order to compete with China or Vietnam with labor intensive industries, it is crucial for Indonesian entrepreneurs to implement their own marketing strategies and create own brand awareness. The good brand image will improve the perception of Indonesia in international markets and add value to its products and strengthen competitiveness by differentiating them from those of competing countries. This is particularly so, the country as well as its product image has seriously damaged after the economic and political crisis. In this regard, Indonesia has to improve its country's image as a whole as well as products image by putting priority on brand promotion strategy.

14. Design Promotion Strategy

Today, one of the strongest Indonesia's competitive advantages, low labor costs alone cannot withstand the global intensity of trade competition, therefore, top quality and design is a critical factor in the race for recognition. In this regard, Indonesia has been behind its competitors.

Some ideas of concrete measures to promote design strategy are illustrated as follows:

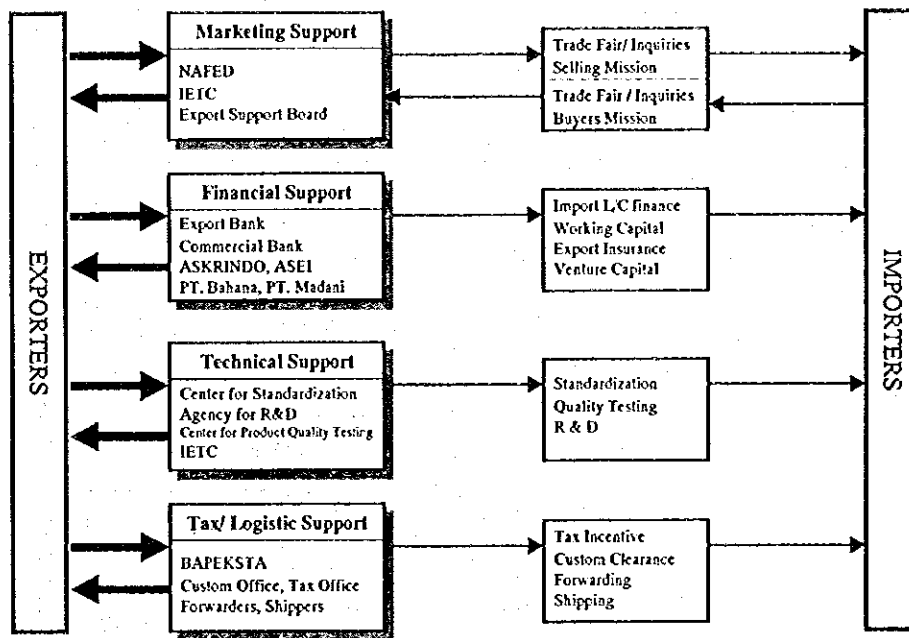
- ① Establishing a national "Design Center" to research the markets needs and train exporters to develop products that meet these needs.
- ② Employing foreign designers for targeted markets and products.
- ③ Promoting locally heaped up industries to develop their own unique design.
- ④ Promoting industrial linkages between local suppliers and potential buyers.

15. Restructuring Export Promotion Organization

As it has been pointed out earlier, export orientation should be the crucial policy for economic recovery and sustainable economic growth of Indonesia. Although private sectors should take the initiative for export business activities, given the current business environment in Indonesia, the most urgent matter is to recover the confidence from both internal and external business communities. In order to improve the country's image as a whole and build up a good brand image, both the government and private sector should work together more closely to consolidate their efforts. In addition, consistent industry and trade (not only export but also

import) promotion policy is badly needed for Indonesia now to show the new government's long-term vision to change its business infrastructure towards more open and competitive environment. In these regards, the existing promotion agency does not have enough competencies to implement these roles. Accordingly a new powerful and consolidated body that handles from policy to execution should be created.

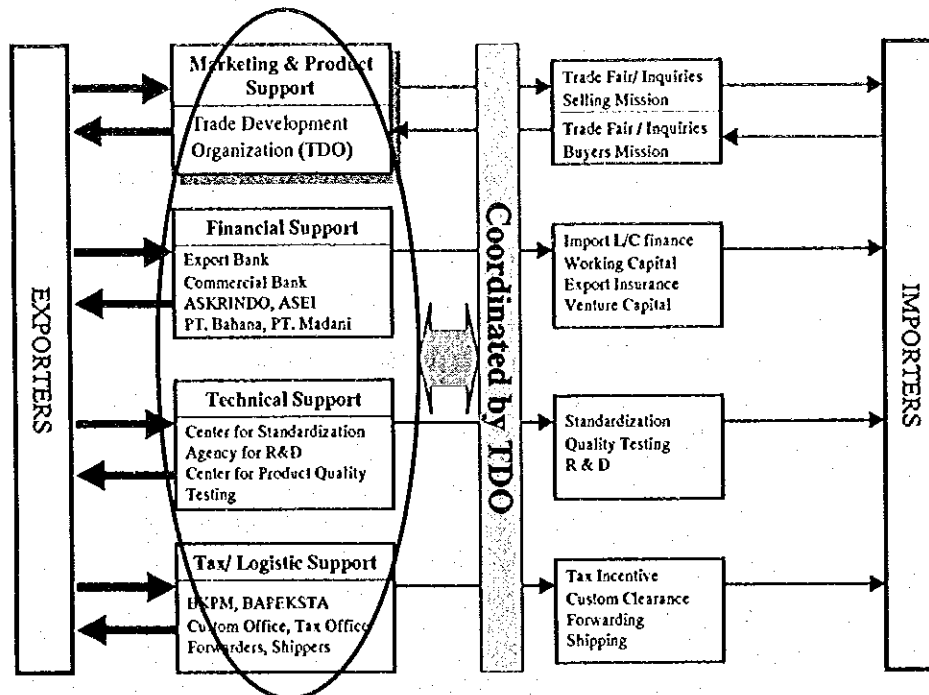
Figure 1. Present Export Supporting organizations



Source: JICA Study Team

The following chart illustrates the present system where each export supporting institution acts separately under no or very little coordination, whereas figure 2. shows the close coordination done by the Trade Development Agency.

Figure 2. Future export supporting organization



Source: JICA Study Team

For establishing an ideal trade development organization, some key approaches should be considered.

1) Strategic Approach to Compete with ASEAN Countries

Since most of Indonesian export products compete with ASEAN countries such as Thailand, Malaysia and Vietnam, the Government should take more strategic marketing approach to win the competition. (Ex. Brand or design strategy)

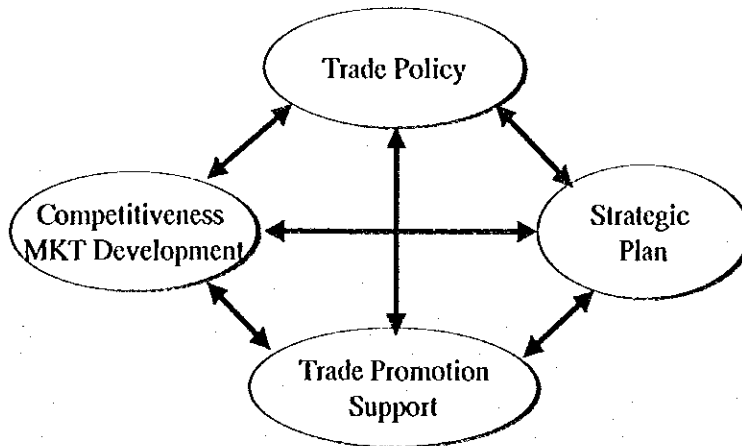
2) Efficient Approach

Indonesia's export infrastructure has the problem of inefficiency with which the existing schemes are operated, more efficiency-oriented approach should be taken. (Ex. One stop export service)

3) Consolidated Approach: Policy and supporting activities

The governmental trade promotion policy and supporting activities in marketing, design and product development should be consolidated and coordinated by the new organization.

Figure 3. Consolidated Approach

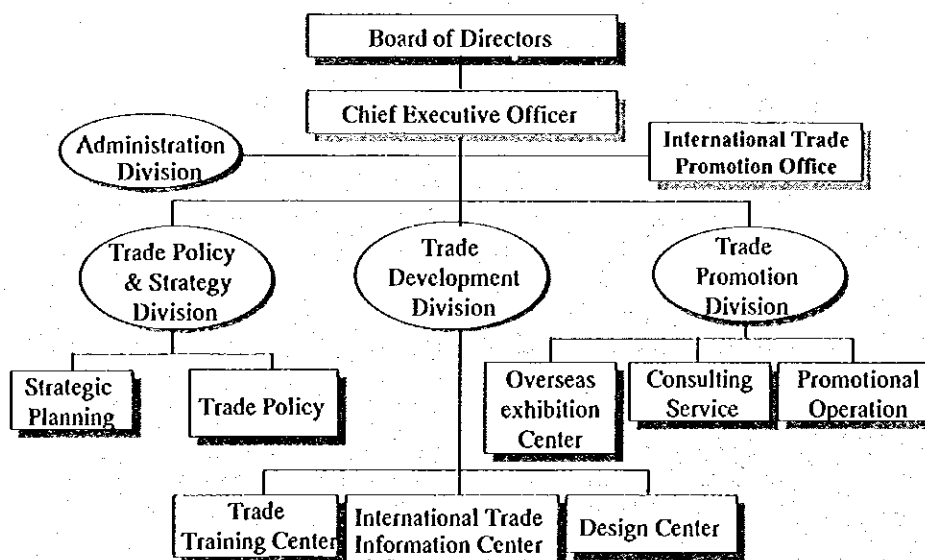


Source: JICA Study Team

4) Professional Approach

In order to provide Indonesian exporters more vivid information and practical consultation, professionals such as marketing analysts, designers, and consultants should be hired, and other staffs should be facilitated in house training. In addition, the organization should be managed by professionals who have experience in export business. Furthermore, in order to get input from various sources such as academics, business association, large exporters, SMEs exporters and the government, the new organization should invite directors from outside.

Figure 4. Ideal Organizational Structure



Source: JICA Study Team

5) Decentralized Approach

Before the arose of economic crisis, the Indonesian economy had been too much dependent on its capital region and large firms and state owned corporations in terms of industrial development and income distribution. The new government has been trying very hard to promote regional development especially by the hands of SMEs. Therefore, the new trade development organization should also take the approaches in line with these direction.

IV. Recommendation for Improving Competitiveness

In order to improve international competitiveness, export companies should take strategic action. In general Indonesia export company should have the individual export strategy and improve the management ability with the strategy. For each target industry recommendations are prepared.

16. Establishing export strategic plan by individual export company

Management of export company should be improved by systematic and strategic way. Strategic plan is established by the following process. Management consultant can be assistant to them.

- ① Define the company domain
- ② Analyze the external environment: customers, industry, competition and macro-economic condition.
- ③ Analyze the internal environment; resources, past business performance, weakness and strength.
- ④ Prepare some strategic options and evaluate them.
- ⑤ Select the best strategy and decide the target market
- ⑥ Develop a marketing implementation plan

17. Improving marketing activities

Indonesian export companies should recognize that strengthening their own marketing power is the most important for increasing export. Own effort is the first, but governmental assistant in training, finance, technology, R&D and management is also needed.

18. Textile / Textile Products

Through the interview with both Japanese buyers and Indonesian exporters, we conclude that Indonesian exporters especially small and medium sized enterprises should improve their **marketing activity, quality standard and design capability**. For those purpose, we propose that Indonesian SME should establish "Textile Export Corporation", whose members are Indonesian SME.

1) Strengthening Marketing Activities

The main office of the Corporation will be in Jakarta with branch offices in major export market.

They stay for about 4 months there. It takes 3 shifts in one year. The way of "On the Job Training" through actual business shall be taken everyday, for example, to acquire know how to get appointment, to obtain information, to obtain enquiry, to make business negotiation, to make contract, to make sample. The senior marketing experts, who have plenty of experiences, need to assist Indonesian trainees.

The Corporation shall hold a textile and textile product exhibition in major export market once a year. The Corporation should organize a very attractive exhibition with more than 30 manufacturers. The expenses are on account of participants.

The Corporation shall organize tour to China, Thailand and Vietnam, to learn the competitor's textile and textile products strategy for production and export. The expenses are on account of beneficiaries.

2) Upgrading the quality standard.

As has been mentioned earlier, Japanese garment buyers, for example, require Indonesian manufacturers to invite Japanese engineer in the factory to control the quality to meet Japanese standard. Japan Overseas Development Corporation (JODC) has such program.

3) Developing design capability

Indonesia should develop original and unique designs that can differentiate from the competitors such as China, Thailand and Vietnam. The Corporation should coordinate a joint designer tour to major market such as Japan, Europe and US.

19. Food / Beverage

■ Marine Products

Indonesia has various kinds of marine resources from surrounding oceans and the marine products become the biggest export item in the food industry. It seems that it has achieved a successful level but the processing level can be further developed to produce more value added products. This will require more manual work and Indonesia has advantages in this kind of jobs with cheap labor costs.

■ Processed Foods

Following suggestions can be made to increase export in processed foods.

- ① Canned fruits and juice should be more developed. Mix juice with pineapples may have possibility to be exported. The taste of canned juice should be adjusted to meet consumers' preference. Mango juice is also potential item to be exported though Malaysian products have already covered a big share in the market.
- ② Brand strategy: Establishing world famous brand name is important strategy for all Indonesian exporters. It is more effective to use the same one brand name rather than each different company's for better penetration in the world market. As the brand name must attract foreign people effectively, it should be related to the words that are well recognized by foreigners with Indonesian image such as "Bali" for example.

- ③ Utilizing Indonesian resources products: Asian ethnic taste (Coconuts taste, hot, spicy, etc) is getting more popular in Japanese market for example. Especially younger generation prefer hot and spicy tastes. In fact there are many new hot and spicy products in instant noodle and snacks.
- ④ Be familiar with foreign culture and regulations: It is necessary to know the foreign culture and regulations to develop package and taste of the products. Some of the food additives used in Indonesian products are not approved due to the quarantine regulations of other countries.
- ⑤ Attracting foreign tourists: Displaying the products at the places where the foreigners will see as much as possible. (Duty Free Shops at the airports, shopping centers, famous sightseeing places, etc)
- ⑥ Open Indonesia restaurants in foreign countries: Export of Indonesian food can be considered export of Indonesian culture. Opening Indonesian food restaurants is one of the best ways to advertise Indonesian foods. The function of these shops can be varied such that restaurants or antenna shops. These shops can be used not only for the food products but also for other products.
- ⑦ Developing "Healthy & Dietary" Food: People are paying more attention to health and dietary foods. Indonesia has various plants, spices, teas, medicinal herbs and plant oil, and these traditional natural resources can be developed for exporting with a key word "Healthy & Dietary". The prices of "Healthy & Dietary" foods are surprisingly very high in Japanese market, for example, thus these products may generate high values in export market.
- ⑧ Package size strategy (Something Unique): This idea can be used commonly for all kinds of food. Unique size products sometimes attract certain consumers. Although the size assortment is strictly controlled under regulations or national standards, it is important to remember that unusual size (too big or too small) products can also create new market.
- ⑨ Color impact: Breaking common sense is effective for creating new products. For example, yellow watermelons have been considered precious fruits in Japan as a contrast to the red ones. Paprika is also very successful in the world market with its beautiful color variations. There is a lot of ways to enjoy food items besides the tastes.

20. Wooden Products

- 1) Focusing on product suited to the export markets and try to obtain the trust of these buyers by providing high quality and on time delivery.
- 2) Assuring that production plans are accurately fulfilled and quality control is thorough.
- 3) Using high quality material such as teak, mahogany and pine as raw materials.
- 4) Reducing costs by introducing new technology in sawing and exploring use of new wood of unutilized types.
- 5) Aiming for stabilization of quality by improving kiln dry technology.

21. Electric and Electronic Parts

- 1) Aggressive and continuous marketing efforts to foreign market. Foreign assemblers are assuring "Open Door Policy".
- 2) Understanding the assessment criteria that foreign export manufacturers are evaluating for procuring parts.
 - Can they make a reasonable quotation?
 - Do they assign a person who can correspond with the customers?
 - Can they deliver quantity just as scheduled?
 - Do they have inspection and quality control systems and measuring instruments?
 - Can they take prompt action on quality claim?
 - Can they obtain any volume of specified material any time?
 - Can they follow specified production processes?
 - Can they respond to urgent situations?
 - Is the management base reliable?
 - Can they meet UL and other world safety standards?
 - Is management system certified by ISO?

22. Automotive Parts

- 1) The important point is how to set up targets for exporters. For export, there are two main market segments. The first segmentation is OEM market. The second market segmentation is After Market.
- 2) Customers in the OEM market usually request high level QCD and profit margin is normally lower than that of After Market. However, once they acquire a deal with assemblers, usually the orders are stable and long-term.
- 3) Marketing
 - The evidence of good QCD
 - Long-term experience dealing with foreign assemblers
 - Experience as a recipient of technology transfer from foreign countries
 - Has obtained QCD assurance from foreign PM
 - Has obtained QS9000 if you want to deal with USA
 - The ability to combine various skill in production
 - Skills to design (R&D), make and maintain mould & die
 - Exhibition
 - Authorization standard in each countries

4) Production

- Technologies transfer from foreign PM and apply cultivation program from assembler.
- Availability of liaison office in the target countries.

5) Human Resource Development

- Technology transfer from foreign PM and supplier cultivation program by assembler
- Establishment of in-house HRD system
- Keep discipline of employees

23. Machinery Parts

In order to materialize proper linkage, vertical and horizontal cooperation is needed. As for horizontal cooperation, reactivation for existing associations, which consist of 14 associations under Federation of Metal work and Machinery industry, should be considered. According to the result of survey, very few associations are respected and other is not evaluated. In our conclusion, we would like to propose measures to expand export of machinery parts.

Goal

1. Achieve balance between export and import of machinery parts
2. Careful watch toward Thailand exports trend of machinery parts
3. Reach to the level of Taiwan about export of machinery parts

Program to materialize

1. Bring up casting and forging export in quality and quantity
2. Bring up basic industries
3. Improvement of machining technology
4. Bring up mould and dies making technology
5. Application of Production and maintenance technology

How to achieve

1. Establish governmental organization specialized in export promotion
2. Privatization of public laboratories
3. Establish more education center for technology
4. Establish linkage between upstream and downstream industries
5. Reactivation of association's activities
6. Collaboration with export between Japanese JV and local companies

7. Utilize facility of Sogo Shosha

8. Simplify export procedure

9. Incentive and favor to foreign engineers

IT technology should be used for them to establish network and we are confident in increasing export of machinery parts after implementing the above proposals.

Y. Action Plan for Export Promotion

In the action plan, there should be specific remarks of the objective, the detailed measures, the responsible person, the Priority, budget and the expected results. In addition, A monitoring system of operation of the plan is usually proposed. As we already mentioned recommendations for export promotion in Indonesia, which cover very wide area and since the new Indonesian Wahid administration is in the process of restructuring governmental organization, it would need more time to define some elements, especially responsible person.

In this chapter, we are going to recommend most important action to be taken and its priorities.

(1) Measures to be taken by Government

In this section, we will focus on most urgent measures among the recommendations of Chapter 5. The measures consist of 1) Restructuring of Organization and Strategy, 2) Strengthening of Marketing Support, 3) Strengthening of Financial Support, and 4) Increasing Efficiency of Logistics. The priorities of each measure are illustrated in the following table. (Here we use the word "Most Urgent" as to be achieved within one year, and "Urgent" as within one to two years.)

Table 3. Priorities of Governmental Measures

Target	Priorities
1) Restructuring of Organization & Strategy	
• Restructuring of Trade Promotion Organization	Most Urgent
• Restructuring of Export Promotion Strategy	Most Urgent
2) Strengthening Marketing Support	
• Brand Promotion	Most Urgent
• Design Promotion	Urgent
• Promotion of Export Product Model	Urgent
3) Strengthening Financial Support	
• Strengthening Trade Finance	Most Urgent
4) Increasing Efficiency of Logistics	
• Increasing Efficiency of Custom Administration and Logistics	Urgent

Source: JICA Mission

1) Restructuring of Organization and Strategy

■ Restructuring of Trade Promotion Organization

(Action)

1. Establishing high level committee to conduct restructuring
2. Designing new export organization
3. Designing detail restructuring plan including budget
4. Recruiting new organization staff
5. Re-engineering the support system for export promotion:
 - International trade information center
 - Trade training center
 - Exhibition service
 - Consulting service
6. Planning stronger system of linkages among export promotion organizations
7. Implementing the above system
8. Implementing the restructuring plan
9. Public Relations activities of new trade promotion organization

(Priority)

Most Urgent

■ Export Strategy Master Plan

(Action)

1. Setting vision for future industrial and trade structure
2. Analyzing business environment of each industry and market
(Ex. comparative advantage, international division of labor, domestic market size, etc.)
3. Identifying target industries and products and setting export target
4. Identifying target market and setting export target
5. Formulating concrete measures to promote these industries
(Ex. Institutional building, financial scheme, etc.)

(Priority)

Most Urgent

2) Strengthening Market Support

■ Brand Promotion

(Action)

1. Selecting strategic products for brand promotion
2. Surveying Indonesian product image to Indonesian exporters and foreign buyers
3. Making logo for Indonesian national brand
4. Holding brand contest of Indonesian private brand
5. Diffusing the new brand image through mass media, sales mission and trade fair

(Priority)

Most Urgent

■ Design Promotion

(Action)

1. Selecting strategic products for design promotion
2. Detailed planning "Design Center" to research the markets needs and train exporters to develop products that meet these needs.
3. Implementing the "Design Center"
4. Employing foreign designers for targeted markets and products.
5. Promoting design show and contest
6. Public Relations activities through issuing design magazines and information
7. Developing local unique design and merchandising

(Priority)

Urgent

■ Model Products Promotion: One Stop Service

(Action)

1. Selecting export model products (textile, garments, wood products, furniture, processed food, etc.)
2. Establishing consulting section that handles from business concept to actual export business in the new trade promotion organization
3. Trial implementation of export "One Stop Service" (Expediting license and all administrative process for export)
4. Identifying problems regarding export for model products
5. Solving the above problems

(Priority)

Urgent

3) Strengthening Financial Support

■ Strengthening Trade Finance through Trading House

(Action)

1. Developing trading finance scheme (through trading house and assemble manufacturer)
2. Developing incentive system for establishing trading house
3. Implementing pilot projects
4. Identifying problems regarding pilot projects
5. Implementing the new trade finance scheme

(Priority)

Most Urgent

4) Increasing Efficiency for Logistics

■ Improving efficiency for custom clearance and logistics

(Action)

1. Designing complete EDI(Electric Data Intelligence) system and securing budget
2. Trial implementation of EDI
3. Identifying the problems regarding SCM (supply chain management) and warehousing service (Ex. export-import license, handling EPTE cargo, etc.)
4. Implementing pilot projects for SCM
5. Identifying problems regarding pilot projects
6. Planning measures for promoting shipping services
7. Implementing pilot projects for shipping services
8. Increasing shipping capacity by promoting shipping services
9. Opening loading and unloading service license

(Priority)

Urgent

(2) Measures to be taken by Private Sector

■ Establishing export strategy plan by individual exporter

(Action)

1. Define the company domain
2. Analyze the external environment: customers, industry, competition and macro-economic condition.
3. Analyze the internal environment; resources, past business performance, weakness and strength.

4. Prepare some strategic options and evaluate them.
5. Select the best strategy and decide the target market
6. Develop a marketing implementation plan

■ **Strengthening marketing power**

(Action)

1. Promoting Public Relations activities by opening internet home page
2. Collecting overseas market information by utilizing internet
3. Product development based on the overseas market information
4. Establishing export cooperatives/trading house by strengthening alliance among SMEs
5. Establishing the above liaison office in major export market
6. Developing business partnership with buyers, trading house or manufacturer in major export market
7. Developing marketing channels

Table4. Export Promotion Action Plan

Target	Activities	Tentative Schedule		
		1st Year	2nd Year	3rd Year
Restructuring of Trade Promotion Organization	1 Establishing high level committee to conduct restructuring	■		
	2 Designing new export organization	■		
	3 Designing detail restructuring plan including budget	■		
	4 Recruiting new organization staff	■		
	5 Re-engineering the support system for export promotion	■		
	6 Planning stronger inter-government linkage system	■		
	7 Implementing the above system		■	
	8 Implementing the restructuring plan		■	
	9 Public Relations activities of new organization		■	
Restructuring of Export Promotion Strategy	1 Setting vision for future industrial and trade structure	■		
	2 Analyzing business environment of each industry & market	■		
	3 Identifying target industries & products and setting export target	■		
	4 Identifying target market and setting export target	■		
	5 Formulating concrete measures to promote these industries		■	
Brand Promotion	1 Selecting strategic products for brand promotion	■		
	2 Surveying Indonesian product image	■		
	3 Making logo for Indonesian national brand	■		
	4 Holding brand contest of Indonesian private brand		■	
	5 Diffusing the new brand image		■	
Design Promotion	1 Selecting strategic products for design promotion	■		
	2 Detailed planning of "Design Center"	■		
	3 Implementing the "Design Center"		■	
	4 Employing foreign designers		■	
	5 Promoting design show and contest		■	
	6 Public Relations activities		■	
	7 Developing local unique design and merchandising		■	
Promotion of Export Model Products	1 Selecting export model products	■		
	2 Establishing consulting section		■	
	3 Trial implementation of export "One Stop Service"		■	
	4 Identifying problems regarding export for model products		■	
	5 Solving the above problems		■	
Strengthening Financial Support	1 Developing trading finance scheme	■		
	2 Developing incentive system for establishing trading house	■		
	3 Implementing pilot projects	■		
	4 Identifying problems regarding pilot projects		■	
	5 Implementing the new trade finance scheme		■	
Increasing Efficiency for Custom Clearance and Logistics	1 Designing complete EDSystem	■		
	2 Trial Implementation of EDI		■	
	3 Identifying the problems regarding SCM	■		
	4 Implementing pilot projects for SCM	■		
	5 Identifying problems regarding pilot projects		■	
	6 Planning measures for promoting shipping services	■		
	7 Implementing pilot projects for shipping services	■		
	8 Increasing shipping capacity by promoting shipping services		■	
	9 Opening loading and unloading service license	■		





