



Partners in Prosperity: U.S. Investment in Indonesia



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AmCham Indonesia

Formed in 1971, AmCham Indonesia is a voluntary organization of professionals representing American companies operating in Indonesia. AmCham Indonesia promotes the business interests of the members by identifying and focusing on critical issues that improve the business climate, actively engaging stakeholders to achieve mutual understanding, serving as a key resource for business information, and delivering forums for U.S. business networks. Since its inception, AmCham has grown to more than 550 members and represents over 250 companies.

The United States Agency for International Development

On behalf of the American people, the United States Agency for International Development (USAID) improves lives and accelerates progress around the world. USAID works with the Indonesian government, local leaders, the private sector, civil society, and development partners to help Indonesia address its national development goals and support its efforts to address global issues. The close U.S.-Indonesia bilateral relationship is reflected in a Comprehensive Partnership signed in 2010 by Presidents Obama and Yudhoyono to elevate and deepen ties between the two nations.

The content of this Executive Summary is part of a report entitled “Partners for Prosperity: U.S. Investment in Indonesia” made possible by the support of the American people through the United States Agency for International Development (USAID). The content of the report, including this Executive Summary, is the sole responsibility of the authors and does not necessarily reflect the views of USAID or the United States government.

The U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world’s largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations. Its International Affairs Division includes more than 50 regional and policy experts and 23 country-specific business councils and initiatives. It also works closely with 116 American Chambers of Commerce abroad.



U.S. CHAMBER OF COMMERCE



EXECUTIVE SUMMARY

Impact, Partnership, Progress: U.S. FDI in Indonesia

The long story of U.S. foreign direct investment (FDI) in Indonesia begins in 1924 when geologists from Standard Oil of California (now Chevron) were trekking through the jungles of Sumatra. Those early explorers found what became the Duri field, one of the biggest oil finds in Indonesia, ushering in a lasting and positive relationship for U.S. companies in Indonesia.

Today, leading American brands are a familiar sight in Indonesia. In consumer goods, Procter & Gamble as well as Johnson & Johnson are very well positioned in the market. 3M, as a diversified product manufacturer, and Energizer, a battery-manufacturing company, own the most recognizable brands in their respective product areas within Indonesia.

U.S. manufacturing firms see promise in the country, and big-ticket extractive industry players have for decades helped build the oil and gas and mining industries. These are lasting relationships that are poised for significant growth, but they are sometimes misunderstood and the full extent of U.S. FDI is not well known.

To grasp the full depth and benefits of U.S. FDI in Indonesia, AmCham Indonesia, the U.S. Chamber of Commerce, and the United States Agency for International Development Mission to Indonesia (USAID Indonesia) have commissioned Ernst & Young Indonesia, Paramadina Public Policy Institute, and Gajah Mada University to conduct this comprehensive analysis—the first study of its kind—of the full impact of U.S. FDI on the Indonesian economy.

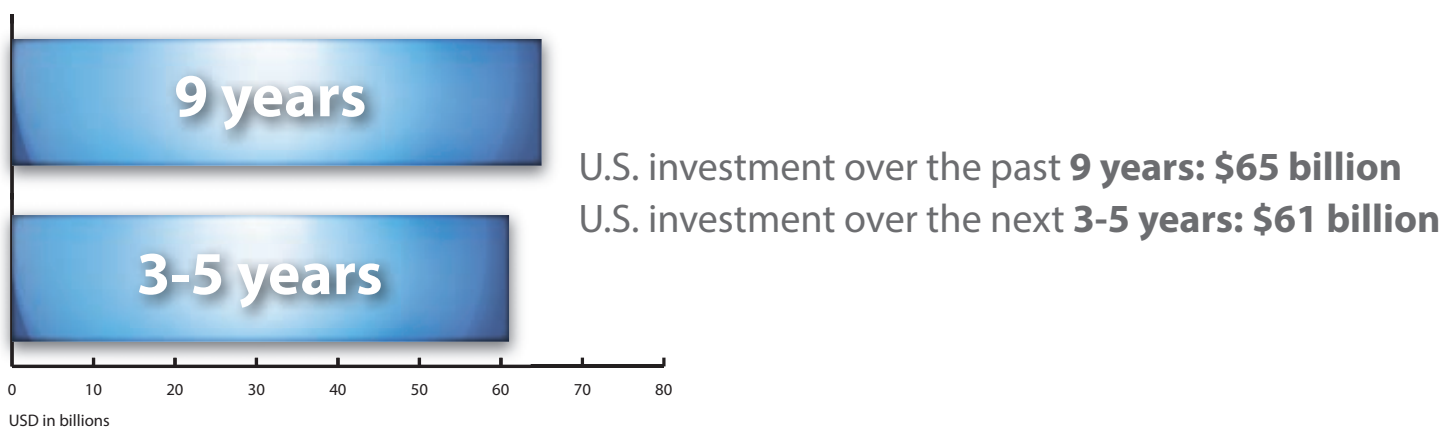
The study went beyond existing data to include in-depth interviews with senior-level executives from 35 U.S. companies with direct investments in Indonesia. This included companies in the manufacturing, mining, oil and gas, retail and other sectors. We asked for qualitative input and quantitative data. We sought insight on the investment climate, corporate social responsibility (CSR) activities, challenges companies face, and issues going forward. We also received hard numbers measuring both existing and planned investments.

On the basis of these interviews, as well as capital expenditures and M&A transactions from a number of U.S. companies, we concluded—conservatively—that from 2004 to 2012 U.S. FDI in Indonesia totaled USD65 billion, making the United States potentially the largest investor in the country over that period. This contrasts sharply with most published data suggesting that the United States is the fourth largest investor in the country. More narrowly defined official figures from Bank Indonesia show U.S. FDI for the period at just USD7 billion.

The study finds that in 2012 more than 95% of total U.S. foreign investment in Indonesia was in extractive industries (oil and gas and mining) and manufacturing. While the study shows that extractive industries are the largest FDI sector for U.S. companies, the manufacturing sector is increasing in prominence. The compound annual



Projection of U.S. FDI in Indonesia



“[I]n the next three to five years, U.S. companies plan USD61 billion worth of investments in Indonesia.”

growth rate for the extractive sector between 2004 and 2012 was 11%; for manufacturing, 21%. With extractive investment limited by finite quantities of natural resources, there is greater potential growth for manufacturing, assuming that income and consumption continue to grow. The study also shows that U.S. investment is concentrated in the populous islands of Java and Bali and resource-rich Eastern Indonesia.

Our interviews reveal that in the next three to five years, U.S. companies plan USD61 billion worth of investments in Indonesia, an amount that will be critical in helping the government achieve its growth and investment targets. In terms of contributions to government revenues, these companies paid an average of USD74.2 million in corporate income tax in 2012, for a total of approximately USD2.6 billion. In the upstream oil and gas sector alone, major U.S. companies contributed an estimated USD17 billion to national revenues in 2012, 47% of the total non-tax state revenue.

Taking into account capital expenditures and M&A activities in a variety of sectors, the study also finds that U.S. FDI has tremendous multiplier effects on government revenue, domestic consumption, direct and indirect employment, the creation of new domestic companies throughout supply chains, and infrastructure development. In rural areas, for example, companies have built roads, schools, and basic infrastructure that enhance community development, leading to local business growth and a more educated workforce.

Broadly put, the multiplier impacts of U.S. FDI in Indonesia are as follows:

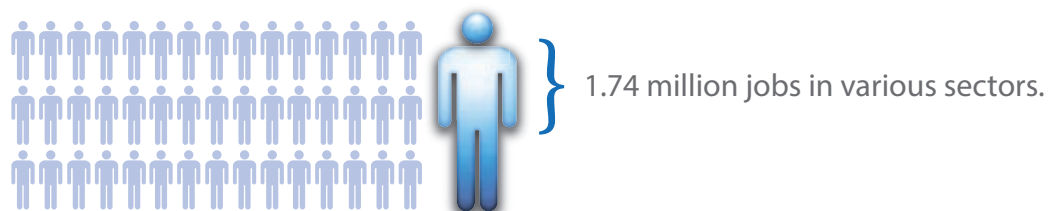
- National GDP: USD1.44 for every USD invested.
- Employment: 242 jobs (person years) per million USD invested.



When these impacts are multiplied across the economy, U.S. FDI has contributed:

- USD94.1 billion in GDP.
- 1.74 million people employed each year in various sectors.¹

Contribution of U.S. jobs in Indonesia



In the mining sector, U.S. companies employ approximately 35,000 people in their operations in Eastern Indonesia. According to one study, one of the largest U.S. companies in Eastern Indonesia contributed up to 96.9% to regional GDP in its operational area and 2.2% to national GDP between 2006 and 2011. It also increased national household income by up to 1.7% between 2006 and 2011 and regional household income by up to 96.2% in the same period.

1. Based on total U.S. FDI inflow data from BKPM, actual capital investment from the 35 U.S. companies participating in the study, and M&A transactions.



In compiling these figures, we combined publicly available data of U.S. FDI inflow with the actual investment done by the companies we interviewed, which represent only about 10% of U.S. companies active in the country. It is fair to conclude, therefore, that the investments we document represent only a fraction of the total. In other words, our findings show that U.S. companies are investing more and doing more than is widely known, with plans already made to invest a further USD61 billion in the next three to five years. This amount is nearly equal to investments made in the past nine years, but this projection assumes a conducive regulatory environment.

Indonesia Well Positioned

Having weathered the 2008 Global Economic Crisis relatively unscathed, Indonesia has relied on its large domestic market, young workforce, and strong natural resource base to keep growth rates well above 5% while much of the West has been stagnant or in recession. With a per capita GDP that has surpassed USD3,000, the accepted mark for middle income status, and a population of about 240 million, the study indicates that U.S. companies are largely motivated to invest by the growth potential of the country and its natural resource base. As the largest economy among the ten-member Association of Southeast Asian Nations (ASEAN), Indonesia has become a leading investment destination at a time when the region itself has caught the eyes of investors given its 600 million population, rising prosperity, and relative political and social stability.

Chapter 1, “Indonesia: Riding on Global and Regional FDI Trends,” says that Southeast Asia received more FDI in 2012 than either India or China. In 2012, ASEAN received around 26% of total FDI in Asia, making it the largest recipient in the region. Indonesia received 18% of the investment directed to ASEAN, a total of USD19.8 billion in 2012.



Chapter 2, “Impact of U.S. FDI on Indonesian Economy,” discusses where the investment is going, what it contributes, and why U.S. investors are keen on investing more in Indonesia. U.S. companies are attracted to the growth potential of the Indonesian market, according to 30% of the respondents, while 14% of the respondents cite the relatively low cost of labor as a main driver of investment decisions.

Finally, Chapter 3, “Challenges in the Indonesian Business and Investment Climate,” looks at policy considerations, infrastructure issues, and human capital challenges that play a role in U.S. companies’ investment decisions.

Broad Impact

The impact of U.S. FDI extends far beyond simple dollar figures. It creates jobs and builds a skilled workforce, grows markets, enhances social responsibility, instills best corporate practices, transfers technology, and forges partnerships between American companies and the Indonesian people.

The study finds that the surveyed American companies directly employ approximately 183,000 people at competitive salaries; the average wage paid per employee by the companies in the study is Rp4.4 million per month, a figure higher than the legal minimum wage anywhere in Indonesia.

While the popular perception often seems to be that U.S. companies prefer to hire expatriates at a steep premium over locals, the study proves that this is a misconception. Employment data for the period 2007 to 2012 from the respondents shows a trend strongly in favor of domestic employment, with the number of local employees nearly

American companies in Indonesia directly employ approximately 183,000 people.





doubling over that period. At the same time, the number of expatriates employed by these companies in 2012 was only one-fourth the number it was in 2007 despite the growth in investment.

Moreover, U.S. companies invest in their workers; the companies in the study had an average employee training budget in 2012 of USD2.1 million, an increase of 150% over that of 2007. Interviews show that the companies encourage an average of 40 learning hours annually for every employee.

Socially Involved

U.S. companies' engagement with communities is significant. Companies in the study spent an average of USD5.8 million in 2012 on Corporate Social Responsibility (CSR) programs, an increase of 95% between 2007 and 2012.

Approaches to CSR range from community development projects to competitions such as those that Hewlett-Packard has hosted to promote better education, creativity, and entrepreneurship. Colliers has a program enabling people with disabilities to work in the company for six months, and then helps them find suitable jobs. Others emphasize the environment. Cargill, for example, has a partnership with Fauna & Flora International and the World Wildlife Fund to support protection of endangered species and conserve high-value forest.

Many U.S. companies provide assistance through NGOs active in nutrition, education, and environmental awareness. Mondelez International (formerly, Kraft Foods) works with Helen Keller International to combat blindness among children. Freeport and GE are major supporters of Prestasi Junior Indonesia, or Junior Achievement, which encourages entrepreneurship among young people. HM Sampoerna, a unit of Philip Morris International, is involved in education and support for small businesses. The list is lengthy and aimed at improving the quality of life in Indonesia.



The ethical business practices that U.S. companies emphasize have intangible but very positive effects on corporate governance in Indonesia, which support and reinforce the Indonesian government's efforts to combat corruption.

In addition, the companies in our study spent an average of USD1 million in 2012 on waste treatment, an increase of more than 200% since 2007. For its environmental efforts, Chevron Geothermal received a Gold PROPER rank from the Ministry of the Environment, which is given to less than 1% of all registered companies. Other U.S. companies received Green and Blue PROPER ranks.

The ethical business practices that U.S. companies emphasize have intangible but very positive effects on corporate governance in Indonesia, which support and reinforce the Indonesian government's efforts to combat corruption. U.S. companies promote responsible business conduct by complying with the Foreign Corrupt Practices Act, a 1977 law passed by the U.S. Congress that makes it unlawful for any American company to participate in acts of corruption, including bribing foreign officials. U.S. companies also seek to remain in compliance with the even tougher U.K. Bribery Act, which is considered one of the strictest regulations worldwide.

Education and Knowledge Transfer

U.S. companies invest in their workforces. Many provide mentorship, training, and other learning experiences. Our respondents report that some companies offer tuition assistance for university education as well as for management and language courses. Most major U.S. companies integrate senior employees into a global workforce, giving them opportunities to work overseas.

Examples of this commitment can be found in on-the-job training, job rotation policies, and internship programs. A U.S. company in the financial services sector described a long-standing partnership with a local university to provide internships and mentoring as a way to identify potential skilled employees to be hired upon graduation. For several years, the program has helped produce knowledgeable, professional, and productive graduates.

Another very successful program is Citibank's Management Associate Program, many of whose graduates now hold significant positions in business and government, including many familiar names in the corporate sector.

Beyond training and human resource development, U.S. firms facilitate transfer of knowledge and technology, which has had a beneficial impact on productivity. U.S. companies unquestionably improve the productivity of domestic companies within the same industry by extending best global industry practices into the domestic sphere, spreading technology within the value chain, and transferring knowledge via labor mobility from U.S. to domestic companies.



Plans and Policy Considerations

With an additional USD61 billion of planned investments on the horizon over the next three to five years, U.S. companies are eager to significantly boost their involvement in Indonesia. But the study also finds serious issues that need to be addressed. Respondents discussed the challenges and specific policy considerations in three main categories: regulatory uncertainty, infrastructure, and human capital. These are summarized below.

REGULATORY UNCERTAINTY

There is a lack of regulatory coherence with abrupt changes in regulations, a lack of regulatory clarity, and frequent gaps in implementation and enforcement. In addition, respondents cite continuing concerns over decentralization leading to inconsistent regulations.

Policy Considerations

- **Simplify investment procedures.** The average number of procedures involved in setting up a business in Indonesia is 15.3. This is higher than in Singapore at 8.3, Malaysia at 10.5, and Thailand at 11.5. Reducing the number of procedures would improve Indonesia's investment competitiveness.
- **Engage civil society and the business community in the policymaking process.** Involving key stakeholders would facilitate support and ensure practical and timely compliance.
- **Implement Evidence-Based Policy.** Formulating and implementing policy based on empirical evidence would improve confidence that policies will achieve their intended objectives.
- **Use investment-related parameters as performance indicators for government institutions.** Establishing key investment-related performance indicators would ensure improved cooperation, coordination, and implementation across government ministries on investment-related policy decisions.
- **Strengthen the role of the Ministry of Home Affairs and provincial governments.** These stakeholders play a critical role in the adoption and implementation of policy. If their role is strengthened, conflicts in policy implementation would be reduced.
- **Establish a “dashboard” at the central government.** Conflicting regulation and uneven implementation of policy creates investor uncertainty. A centralized dashboard, coordinated by the Vice President or Coordinating Minister of the Economy, would serve to monitor coherence of investment regulation and its implementation.

INFRASTRUCTURE

Indonesia is seen as less competitive than its Southeast Asian neighbors in terms of logistics and infrastructure. Hard infrastructure such as ports, roads, and railways are still inadequate, and investors are concerned about insufficient government spending on infrastructure.



Policy Considerations

- **Increase Government Spending.** During the Soeharto Era, the government allocated more than 30% of its budget to national infrastructure development. In 2012, however, this figure dropped to approximately 10%, and nearly 10% of that allocation went unspent. Increased infrastructure spending would promote economic competitiveness.
- **Improve implementation of the Land Acquisition Law (Law 22/2012) and Presidential Regulation (71/2012).** The Law and Presidential Regulation provide a clear framework for land acquisition for public projects, but the lack of decisive implementation makes the law ineffective.
- **Promote Public-Private Partnerships (PPPs).** The government has established several institutions to provide guarantees and funding support for PPPs, but limited capital, authority, and regulatory flexibility have undermined their effectiveness.

HUMAN CAPITAL

Indonesia suffers from a shortage of skilled and educated workers, leading to a mismatch between supply and demand for workers with specific skills. Significant efforts are required to improve the quality and productivity of the Indonesian workforce, and the limited number of academic institutions and qualified teachers are holding back the national education system.

Policy Considerations

- **Enhance access.** Indonesia has done well in primary education, but high schools, vocational schools, and universities lag behind. Two strategies should be considered: (1) providing more scholarships for students who cannot afford education, and (2) using online technology to reach remote areas.



- **Raise quality.** Facilities, teachers and lecturers, teacher salaries, teaching materials, and delivery of services all need improvement.
- **Provide resources for engineering and science.** Incentives in the form of scholarships, research grants, and facilities are needed to fill human resource needs in engineering and the sciences.
- **Link education to business needs.** Workforce supply and demand should be harmonized by developing a system that incorporates basic on-the-job training into educational materials and curricula, such as internships.

The Way Forward

Respondents and other observers agree that Indonesia's economy holds enormous potential. This study demonstrates that the greatest factor driving FDI in Southeast Asia's largest economy is the continued growth of GDP, largely as a result of Indonesia's huge domestic consumption, which, in turn, is driven by continuous investment.

U.S. FDI has long been an essential, if somewhat underrecognized contributor to the Indonesian economy on many levels, from driving growth to building vital infrastructure, transferring technology, and instilling corporate best practices in a variety of industries. Given plans to significantly increase investment in Indonesia, the companies participating in this study seek to deepen their partnerships with the country.

However, growth in U.S. investment cannot be taken for granted. The respondents were clear in wanting to see consistent policies, a long-term commitment to infrastructure development, and steady improvement in education.

For a copy of the complete report, please visit www.uschamber.com/International/asia/southeastasia.



Creating a Sustainable Win-Win for Our Customers the 3M Way

3M has a long history in Indonesia. PT 3M Indonesia, the subsidiary of 3M Company, was founded in 1975 focusing on the distribution of abrasives, tapes and later locally-assembled overhead projectors that were widely used by education institutions in 80s.

As the Indonesia business was growing in early 90s, the company saw opportunity in the automotive area and invested in a production facility for high-quality automotive graphic films and conversion for materials to be used by automotive manufacturers. Hence, in 1982, the company invested in land in Tambun, Bekasi to build a Graphics Production Center. Our largest customer base is the domestic Automotive market. Our intent is to develop into a SEA region hub for export in specific product categories. As a diversified company we also serve the consumer, healthcare, general industrial and electrical market segments.

3M Company now employs more than 550 full time employees across Indonesia and continues to build on the foundation started in 1975 in order to help our customers become more competitive using innovative 3M technology. We spend more than 5% to sales on local research and development so that we can continue to add value locally with our 3M, Scotch-Brite™, Post-it® and Nexcare™ brand solutions.



Military dentists were also 3M regular attendance of dental treatment training run by 3M



Discussion with a customer on the technique of car body repairs



An 3M instructor performs fit-testing of safety respirators to a trainee

3M Indonesia is probably a unique company in comparison to its peers or other local companies as the company put great efforts on teaching customers first. This is mainly due to the fact that 3M products are designed to give users or consumers a better, faster, more innovative way to achieve the result they seek.

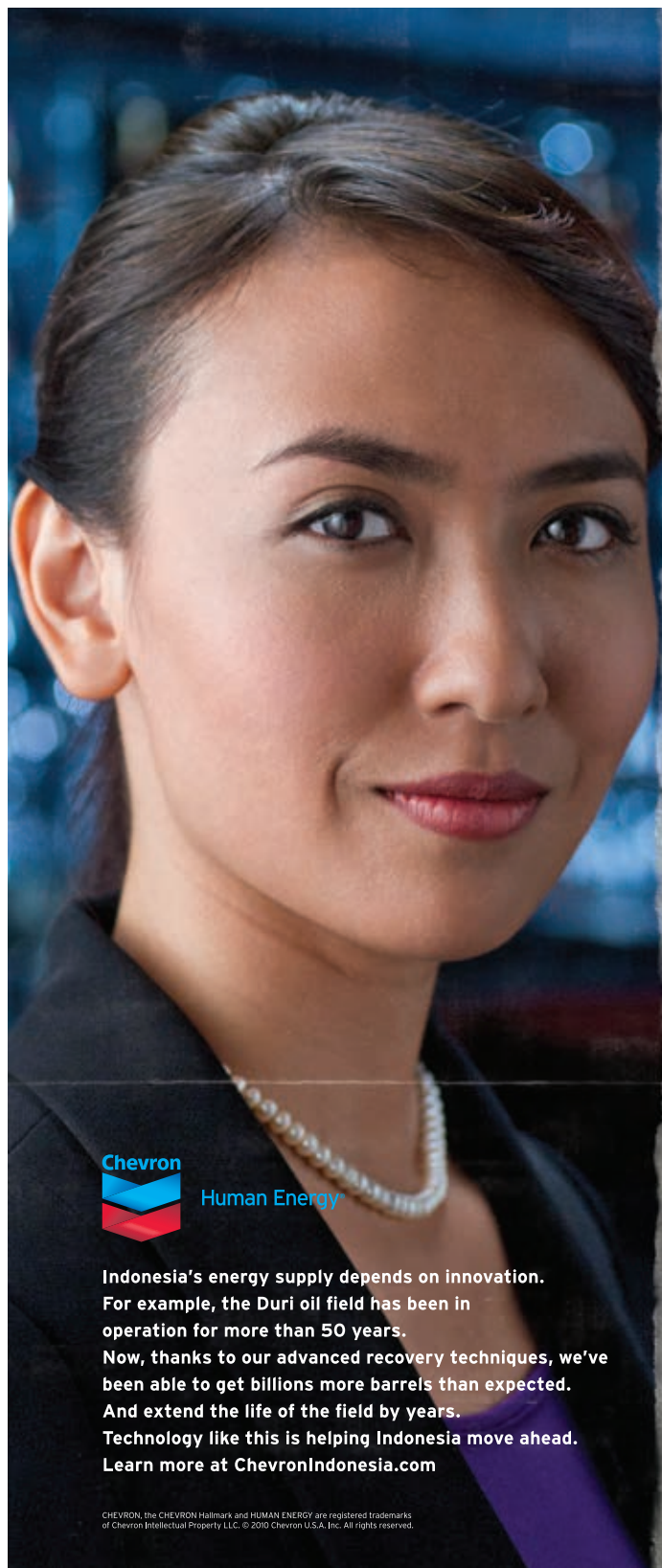
Several examples are available : in the case of electrical jointing module, 3M engineers educate and certify PLN's contractors the correct method to install it. Not only that, 3M engineers spend time in the field supervising the process. Another area is in the hospitals where nurses are taught to insert IV needles correctly and secure it using 3M clear medical tape. The right process and 3M medical tape help minimize damage and infection risk to the patient. Even for the use of a simple 8210 N95 mask or respirator, people need to be educated on the right procedure as incorrect use will not give any protection at all.

The commitment of 3M Indonesia to customer education is supported by the investment in the 3M Customer Innovation Center, located in the the headquarter office in Arkadia Green Office Park in South Jakarta. The center has a display area and most importantly, a workshop area for customers such as automotive repair operators to dentists, learning to use 3M products. The display area is frequently used to collaborate with customers on how to solve their challenges. In 2012 alone, approximately 1,500 people have been trained or visited 3M Indonesia Customer Innovation Center.

The education does not have to be at 3M sites as 3M Indonesia has around 40 Technical Service Engineers for on-site support. Some of these engineers travelled even to a remote mining site in Papua to support our customers.

We have a simple vision:

3M Technology Advancing Every Company
3M Products Enhancing Every Home
3M Innovation Improving Every Life



OIL COMPANIES

NEED

NEW
IDEAS.



Human Energy

Indonesia's energy supply depends on innovation. For example, the Duri oil field has been in operation for more than 50 years. Now, thanks to our advanced recovery techniques, we've been able to get billions more barrels than expected. And extend the life of the field by years. Technology like this is helping Indonesia move ahead. Learn more at ChevronIndonesia.com

WE AGREE.

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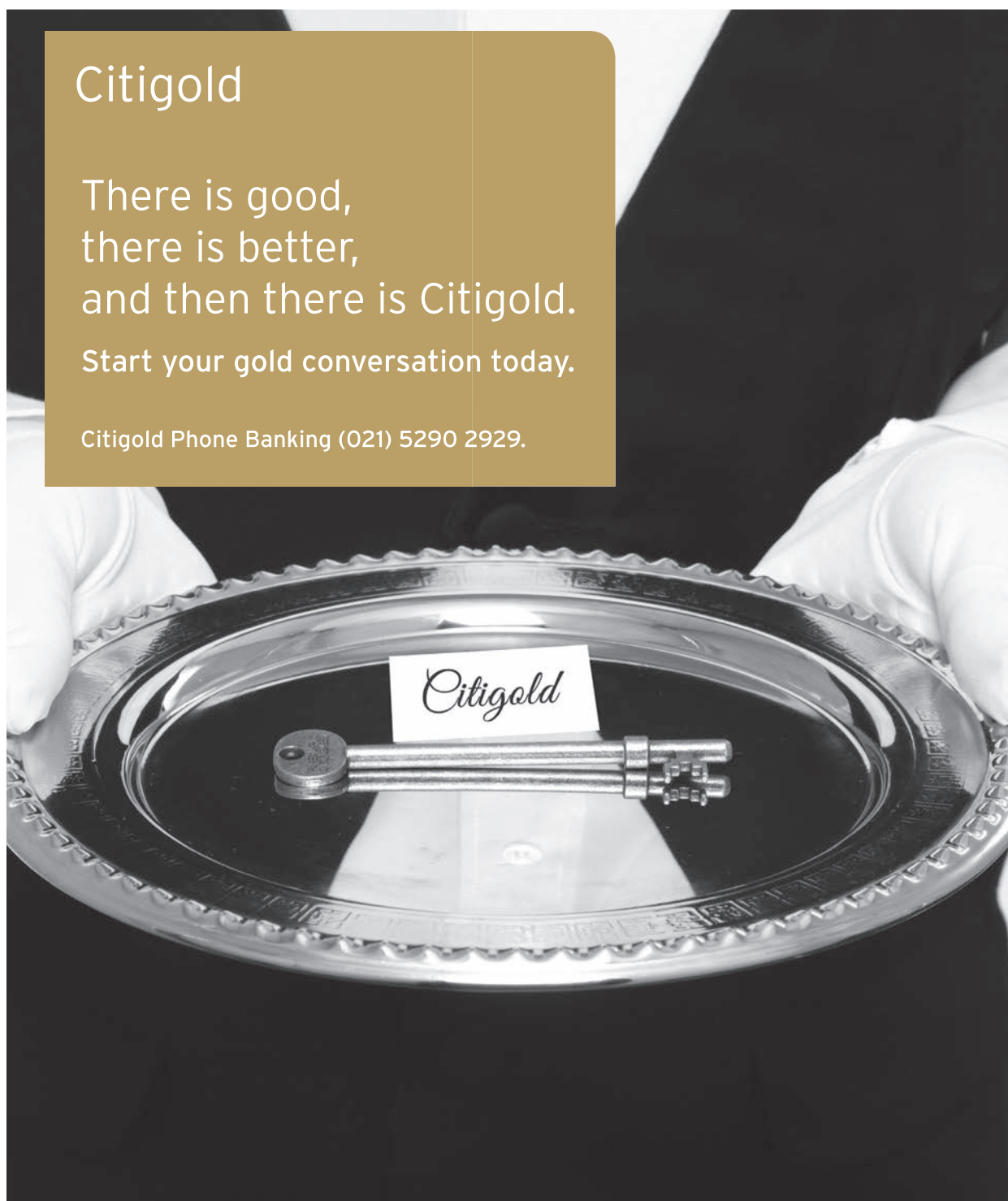


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Affiliate of Freeport-McMoRan Copper & Gold

Unceasing Passion For The Nation

Papuan students at Penjunan dormitory school in Timika, Papua. Penjunan is one of the dormitory schools for Papuan students managed by Amungme and Kamoro Community Development Institution (LPMK) and funded by PT Freeport Indonesia

“We are both blessed and entrusted with being the world’s biggest producer of copper concentrate from mineral ore that also contains gold. It is a blessing and trust that we must safeguard and avail for the greatest benefit of all.”



The balanced fulfillment of economic, social and environmental needs is an intrinsic virtue. It is in tune with our commitment to meet the needs of present generations without disrupting those of future generations. This is the core concept of our sustainable development.

We continue to engage in activities and programs that are beneficial to the environment and the community, in our own area of operations and its surroundings. Because we are aware that accomplishment is not complete if it is enjoyed alone. To build alongside others, and to bring hope to fruition in a consistent endeavor to serve our beloved nation, Indonesia means a great deal to us.

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WE CREATE SOLUTIONS

GE has been in Indonesia since 1940, providing the latest technology and solutions in aviation, transportation, power generation, energy management, oil and gas, health, and lighting. With a workforce of 800 local employees in our 10 facilities and project locations in Indonesia, our teams operate from our head office in Jakarta, Yogyakarta, Batam, Palembang, Balikpapan and our service center in Bandung.

In addition to our technology, we are also committed to helping Indonesia build and develop its local talent to compete and lead in the increasingly-globalized economy. With our technology and expertise, we are working together with the government and our customers to build capabilities, impart skill sets, and co-create innovative solutions that will continue to power economic growth for the country.

In powering Indonesia, GE's gas turbines and gas engines technology help generate more than 30 percent of the country's electricity needs, and bring cleaner electricity from low rank coal, palm oil effluent, and biomass for Indonesia's homes and industries.

GE's presence in Indonesia's transportation industry started 60 years ago, when Indonesia's railway bought its first GE locomotive. Now, over 320 GE locomotives are moving people and freight across Indonesia.

GE helps Indonesia take flight. With a total of 560 GE Aviation engines operating in Indonesia, every 68 seconds a GE powered airplane takes off in Indonesia.

GE is also deepening our presence in Indonesia by expanding the Batam facility, and establishes it as the home of GE's vertical subsea trees production in Asia Pacific.

Developing health globally and improving rural healthcare is also an important focus for GE. More than 4,000 GE technologies have been deployed in Indonesia's medical industry to provide better healthcare for millions. An example of GE's local innovation in rural health care is its Vscan 1.3, a handheld, pocket-sized screening device with ultrasound technologies.

REALIZING THE NATION'S POTENTIAL

As part of GE's commitment to help develop Indonesia's local talents, GE will, over these next five years, partner with Perusahaan Listrik Negara (PLN), Garuda Indonesia, and Pertamina to develop the GE Learning and Technology Center which will serve as a center for leadership and engineering and localization of GE applied technology.

GE CITIZENSHIP IN INDONESIA

Every day, GE employees help improve the communities where we live and work through volunteer programs, grants and donation in health, education, environment, and community development. In 2012, we mobilized 379 GE volunteers, which is almost half of the total number of GE employees in Indonesia, and contributed close to 5,000 volunteer hours.

GE Indonesia has twice been awarded the "Millennium Development Award, Indonesia." In 2008, GE Indonesia won the award for its financial literacy program aiding disadvantaged women. In 2012, GE Indonesia won the award again for its clean water and piping restoration for the surviving Merapi communities of Yogyakarta.



GE imagination at work



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Nurturing the community, one family at a time.



Johnson & Johnson, the world's most broadly based manufacturer of health care products and services for the consumer, pharmaceutical and medical device and diagnostics markets, has been a part of Indonesia and a supporter of U.S. investment in Indonesia since 1973. We have had operations in the country since 1974.

Johnson & Johnson operating companies manufacture a range of consumer, pharmaceutical and medical device products in Indonesia. We support approximately 450 direct jobs in the country and many other indirect jobs.

As part of our global Credo commitment, Johnson & Johnson and our local operating companies partner with a broad range of NGOs that operate programs in local communities across Indonesia. For example, since 2004 J&J has partnered with the Indonesia Midwives Association for health care capacity building for midwives, and since 2012 J&J has partnered with the University of Indonesia in addressing mental health issues in the country.

The program has provided training for mental health caretakers in a traditional center with the aim of improving access to medical treatment and enhancing outcomes for patients. We've also supported women's health initiatives, clinical trials in a number of disease areas, and many other activities.

We congratulate Indonesia on a successful host year of the Asia Pacific Economic Cooperation. Johnson & Johnson is proud to be a platinum sponsor of the APEC CEO Summit.

Johnson & Johnson

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COMPANY PROFILE

PT Hanjaya Mandala Sampoerna Tbk. (Sampoerna) celebrated its centenary in 2013, making it one of the oldest companies in Indonesia. After 100 years in business, Sampoerna remains a major employer, investor, tax payer and CSR contributor in Indonesia. Sampoerna absorbs a total workforce of almost 90,000 people while its excise tax payments represent approximately 30% of the Indonesian government's annual excise tax revenue. The company operates nine manufacturing facilities in Indonesia and has partnerships with 38 third-party operators for the manufacture of Sampoerna's hand-rolled kretek (clove cigarettes) brands.

Sampoerna is part of Philip Morris International Inc. (PMI), the world's leading international tobacco company. Since joining PMI in May 2005, Sampoerna has integrated international standards of management and corporate governance into its business. PMI's USD5.2 billion acquisition is one of the largest single direct investment transactions in Indonesian history.

COMMITMENT TO THE COMMUNITY

- Sampoerna is committed to improving livelihoods in the communities where our employees live and work and where we source our raw materials.
- Our Good Agricultural Practices assists tobacco farmers and clove farmers to improve their yields, while at the same time enhancing quality and protecting the soil and environment.
- The Sampoerna Entrepreneurship Training Center provides training and start up support for thousands of small businesses in the vicinity of our manufacturing facilities.
- Sampoerna supports programs to raise the quality of secondary education, with scholarships to thousands of smart but disadvantaged high school students and professional development programs for over 50,000 teachers since 2006.
- The Sampoerna Rescue team has provided disaster relief, medical check ups and disaster management training since 2002 to tens of thousands of people throughout Indonesia.

For more information about Sampoerna, visit www.sampoerna.com



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