

## **Patience Needed for Indonesian Start-Up**

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BALI, INDONESIA — A fertile archipelago of 17,500 islands, and one of the world's most populous countries, Indonesia is enjoying an unprecedented consumer and resource-driven boom. In April, the International Monetary Fund predicted that its \$514 billion economy, the biggest in Southeast Asia, would grow 6 percent this year, up from 4.5 percent in 2009.

James Castle, a Michigan native who founded the CastleAsia consulting firm, has been doing business in Jakarta for more than 30 years and has more than 100 multinational clients, including Citigroup, Siemens and Shell. Mr. Castle spoke in an interview this month about why the Indonesian market was starting to get the recognition it deserved.

### **Q. What are some of the pleasures and pitfalls of doing business in Indonesia?**

The real pleasure is that it's a good place to make money. Companies tend to be quite profitable here. The pitfalls are that it is highly bureaucratic, regulations can be confusing and sometimes implementation can be inconsistent. These things can be intimidating, especially for new-to-market people. But it's also a very practical country where most problems get worked out, and not in a corrupt manner; most multinationals can do business here consistent with other codes of conduct around the world.

It has a stereotype of not being a very efficient manufacturing economy, but that's not true. There are exporters here, aside from the normal natural resource and commodity exporters, who are gaining market share and are reasonably competitive.

### **Q. Has it become easier to do business here as Indonesia's political system has stabilized into a relatively solid democracy?**

**A.** We've had pretty stable politics here for a decade now, since '99. That's certainly a big plus and one reason companies are profitable. Because the democracy is young, you do get a lot of bureaucratic uncertainty. People aren't quite sure where the political power lies. But our regulatory uncertainty is not political instability. In terms of law, order and safety, it's a very good place to operate.

**Q. You have survived two separate terrorist blasts in Jakarta, one of which took place just last July. How real is the threat of terrorism in Indonesia? Should it scare off investors?**

**A.** That last blast was the first attack in several years. It's part of the global trend in political terrorism we see around the world, and it's a tragedy. But as I've said before, more people die of dengue fever than die of terrorist activity here.

I think it does deter some businesspeople, but not too many. Indonesia, because of its performance economically and because it's one of the faster-growing members of the G-20 >, has got a lot more interest at headquarters. I think most companies, if they don't have a position on Indonesia, want to have one.

**Q. Do you think Indonesia should be a contender for the BRIC named after Brazil, Russia, India and China)?**

I think BRIC is a catchy term, but the countries in the group are so different. What's the common denominator of a BRIC? That said, the world is changing, countries that were low-income are able to move up, a variety of political and social systems can make that happen. I would say that the long-term stability ones are India, Indonesia and Brazil. I think both China and Russia have tremendous political obstacles to overcome, though meanwhile they both can be very good places to do business. Large companies will have the resources to go into all these countries if they want to. So it's really just

a question of, 'Is that particular market ready for us right now?'

Does Indonesia get forgotten by the global business community amidst all the attention lavished on India and China?

After '98 and the Asian financial crisis, Indonesia just got ignored. Now it's in the discussion. Some companies may for very good reasons decide that now is not the right time for them to come here, but they will have made a conscious decision. Indonesia can no longer be ignored. If you're a global company, and you're not in Indonesia, you really have to ask yourself why, or why not.

It's really starting to get the attention it deserves, and that I attribute to its visibility in the G-20 and the fact that it was one of the high-growth countries in the slowdown of the last 18 months. Most big companies are looking at Indonesia and trying to find opportunities here.

And if they're not, they should.

**Q. What important changes does the government need to implement to improve the country's business climate?**

**A.** Where the government has made some progress is the anti-corruption movement. I've been here a long time, and this is the first government that's made a real, noncynical attack. But they're still not halfway there, whether you're talking about judicial reforms or bureaucratic reforms.

The other area where the government is being too slow is in all the regulations that are preventing infrastructure investment, whether public or private sector. They ought to be able to forge a political consensus on how to move ahead. That we haven't had more infrastructure investment and that Indonesia's been unable to create the policy environment to make that happen has been the big disappointment of the last

number of years. It's been a huge loss to the country.

**Q. Do you have any advice for newcomers to the market?**

**A.** If you think there's a market for your product here, there's a legal way to get into the market. It just may take more time and energy. Indonesia's what I call a 'management intensive market.' It takes a lot more senior management time. If you're confused, there are plenty of lawyers and accounting firms and consultants here who can give you advice and help you through the thicket. The Investment Coordinating Board has a new chairman now, Gita Wirjawan, who is very much pro-business. We've never had a head who has understood the private sector as much as he has and he's instilled that spirit through the board.

You can't do something here overnight. You can't fly into town, set up a company and be operating in 48 hours like you can in some countries.

Singapore is friendly in that way. So are some of the Middle Eastern countries. But they don't have the market.

Study the market very carefully. Don't come in with a very short-term objective of getting something going in three to six months. Don't cut corners, don't get frustrated by the bureaucracy, because you will get through it.

One of the reasons a lot of the new investment here is coming from people already in the market is because some new-to-market companies give up too soon. Indonesia is a little harder than some of the other markets to get into. But it's worth the effort.