

# Infrequently Asked Questions in Indonesia

Nigel Stitt  
Telstra





Indonesia remains a steady hand when it comes to growth.

While a range of plans aim to boost growth to 7 per cent, growth is solid at around 5 per cent a year – prompting optimism the country could be set to become the world's next economic giant.

Much of this confidence is based on Indonesia's large and growing population. Its people are young and enthusiastically taking up new technologies in its cities, while its rural areas are increasingly being connected through improved Internet and mobile infrastructure.

Data from global social media agency We Are Social shows that, while just 58 per cent of Southeast Asia's population is online today, Indonesia is recording some of the world's biggest jumps in social media user numbers – at year-on-year growth rates of 23 per cent.

With a population of 265 million, it is incredible to think that Indonesia has 416 million mobile connections and 130 million individuals active on social media. With an e-commerce penetration rate of just 11%, Indonesia's online consumer goods market is worth US\$7 billion and growing at more than 20 percent year-on-year.

The ingredients for growth are already there. The question now is what role Australia and Australian companies can play to tap this enormous Indonesian opportunity.

That opportunity is only set to grow as the Indonesia-Australia Comprehensive Economic Partnership Agreement ushers in what the Australian government calls "a new chapter in economic relations" between the two countries.

Yet, while insight and advice is in strong supply, many of the recommendations can be generalist in tone, and may not take into account nuances in what many misconstrue to be a homogeneous market.

Telstra has been working together with Indonesian telco Telkom, forming the **telkomtelstra** joint venture in 2014. As a result we have unique insight into operating in Indonesia and know some of the infrequently asked questions that will help to cast a new light on doing business in the Indonesian market.

## How can businesses connect across Indonesia's unique island geography?

### **Success in the Indonesian market is a unique challenge.**

The fact that there is no definitive answer to the number of islands that comprise the Indonesian archipelago should underline the scale of the task. While the Indonesian government estimates there are 922 inhabited islands, there have been reported anywhere between 13,000 and 18,000 islands in total.

Yet its cities are bustling, crowded metropolises. Jakarta was once outed as the most active city on Twitter in the world and its young population is spurring 4G adoption that will enable e- and m-commerce at much higher rates. Indonesia is the world's fourth-largest mobile-phone market, with more SIM cards than there are people.

Indonesia's cities are also famously prone to traffic congestion. The success of the unicorn company Go-Jek is founded on its scooters' ability to negotiate the city's regular jams. The company is now valued at \$4bn.

### **The key for business is reliable connectivity.**

To support that demand, the Palapa Ring project is on track to provide the entire country with Internet access by 2019. The project will implement a fibre-optic network comprising 35,000km of undersea cable, providing high-speed broadband connectivity across the country. That connectivity will spur Indonesia's ICT spending to increase by 16% by 2020.

Yet, there remains significant untapped potential across the market. [Deloitte found](#) 36% of SMEs in Indonesia had no access to a broadband network or a computer, while another 37% said their access was 'basic'.

Companies entering or building their presence in Indonesia require the scale and understanding to deal with these extremes.

This is where access to reliable services becomes essential. Breadth and depth of offerings in-country are vital, but equally important is the boots-on-the-ground expertise and experience to truly understand local issues and provide service you can depend on.

## How can foreign companies navigate the complexities of Indonesia's business landscape?

Doing business in Indonesia, you may well come across one of the country's most popular proverbs: "*Dimana bumi dipijak, disitu langit dijunjung*".

Translated directly, that means 'Hold up the sky of the land where you walk'. But, Western audiences may understand the meaning better by its similarity to one of their own sayings, 'When in Rome, do as the Romans do'.

In short, entering Indonesia with pre-conceived ideas about how to do business is not best practice. You need to do business as the Indonesians do – including navigating its bureaucracy.

In the World Bank's Ease of Doing Business 2019 report, Indonesia ranked in 73rd place behind other ASEAN member states such as Singapore (2nd), Malaysia (15th) and Thailand (27th). The index ranks global economies on how business-friendly their regulatory environments are in terms of procedures such as starting a business, dealing with construction permits, and getting credit etc.

For example, when it came to starting a business, New Zealand was the forerunner in taking just 0.5 day. Indonesia required about 20 days, which placed it 134th out of 190 economies.

Indeed, as a reflection of Indonesia's sprawling island geography and red tape, it has been reported that companies there spend [50% more](#) on logistics than in neighbouring Thailand, and [twice as much](#) as their peers in Malaysia.

That's why collaboration with established, knowledgeable firms is critical. Our Indonesian joint venture telkomtelstra leverages the strengths of both Telstra and Telkom. This lets us offer customers in Indonesia an unparalleled combination of deep local market expertise and global managed solutions experience.

## How can firms prosper while complying with Indonesia's data sovereignty laws?

Indonesia's start-up economy has more than doubled in less than half a year according to management consulting firm A.T. Kearney and Google. Investment funding in Indonesia rose from USD\$1.4 billion in 2016 to an estimated \$3 billion in the first half of 2017 – up from below just \$50 million in 2012.

Driven by Go-Jek, Tokopedia, Traveloka, and Akulaku, Indonesian start-ups are booming, focused primarily on Internet- and mobile-enabled innovation.

Those businesses are processing enormous amounts of personal data, leading to Indonesia's government stepping in to impose regulation on the market.

In 2012, the government introduced Government Regulation 82 (GR82) to oblige companies that provide a 'public service' to have on-shore Indonesian data centres and disaster recovery centres by October 2017.

By February 2018, business-led lobbying led to the creation of a draft amendment to GR82. The Draft Amendment brings sovereignty and privacy regulations largely in line with similar data protection laws around the world (the EU GDPR, for example), though so-called 'strategic electronic data' – including Indonesian citizens' data – must be kept in Indonesia.

While some of the requirements for on-shore data centres has been minimised, the full scale of the regulation is still to be fully understood or tested in practice.

The situation is uncertain. But, the key for organisations entering the Indonesian market – or optimising their existing presence there – is to have access to compliant local data centres, reliable connectivity, and data services.

## How can foreign firms thrive in Indonesia?

Our own research shows that Indonesia infrastructure offers foreign firms a strong base upon which to grow across the country.

Our 2017 study with the Economist Intelligence Unit, [Connecting Commerce](#), ranked 45 cities around the world on five key areas that influence the digital transformation environment: innovation and entrepreneurship, financial environment, people and skills, development of new technologies, and ICT infrastructure.

Business confidence in Jakarta's digital transformation environment is high in relation to other cities with an overall score of 7.25 out of 10, ranking 8th out of 45 cities.

These results underlined not only the strength of the local digital transformation infrastructure, but also the opportunity for firms to partner with enterprise and government for mutual benefit.

The most successful global firms are tackling Indonesia by working closely with and alongside local firms. In addition to a range of Chambers of Commerce, trade organisations and advisory bodies, there are numerous multinational companies with long histories in Indonesia with the expertise to support the market entry and expansion of organisations new to the country.

Telstra's joint venture telkomtelstra leverages the strengths of both Telkom Indonesia and Telstra, bringing an unparalleled combination of deep local market expertise and global managed solutions experience.

By taking advantage of these connections and drilling into infrequently asked questions about the Indonesian market, foreign organisations can truly thrive in Indonesia.

## Get expert advice for your business

Get in touch with Telstra to find out how we can support your business expansion into, across and out of Indonesia.

 [Nigel.Stitt@team.telstra.com](mailto:Nigel.Stitt@team.telstra.com)