



Prospects of Economic Relations between Southeast Asia and Latin America: Policy options for Small and Medium Enterprises

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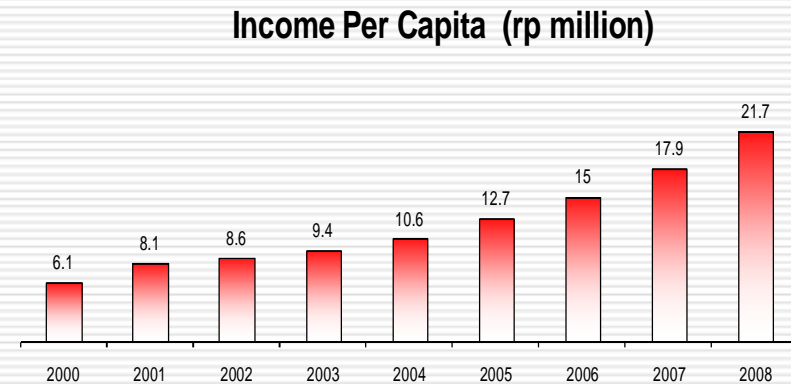
Current Indonesian Stories

- One of Asia's highest growth in 2009.
- PricewaterhouseCoopers:
 - n Indonesian economy no. 6 in 2050.
 - n Indonesian banking system is at par with the French and Italian Banks.
- Goldman Sachs: Indonesia no.7 in 2050.
- Morgan Stanley: "Adding Indonesia in to the BRIC story".
- CLSA: "Chindonesia"



The Power of Indonesian Middle Class – and Its Growing

- The income per capita increased more than 3x between 2000 to 2008. Currently \$2,271 (2008)
- In 2008, 23 million people earned \$7,000/year and another 23 million earned \$3,500 = Indonesian middle class bigger than the population of Malaysia.
- 30% of Indonesian population = 69 million people, earned around \$4,180, bigger than the entire population of Thailand



Source: BPS (2009)



Indonesian MSME Vs Latin America



99.1% of business unit (LA: 95%)



97.1% of employment (LA: 60-70%)



55.6% of GDP contribution (LA: 20-35%)

Similarities:

- High degree of informality
- Productivity gaps between SME and large companies are more pronounced than in advanced countries making it difficult for them to establish commercial relations.
- SME are more isolated, less specialized and find it more difficult to join global value chains



Indonesian SME Optimist

- o Indonesian SME are confident to gear up their business by investing more capital:
 - n 37% will increase capital investment
 - n 45% will maintain same capital investment
- o Indonesian SME are recruiting:
 - n 15% will increase employees
 - n 77% will not lay off employees



Policy Options for SME: Triple Helix Model

- **G2G:** Share the PPP best practice, involving cooperative research and development activities among industry, universities and government that play an instrumental role in accelerating the development of new technology from idea to market.
- **B2B:** Sharing B2B experience/success story. Innovative = Competitive advantage.
- **S2S:** 2009 Survey by PAPPITEK (Centre for Science and Technology Development Studies), 53 Chief Executives in industry association, find in general, the awareness of Indonesian entrepreneur towards science and technology is still quite low = Indonesian entrepreneur still hard to boost their innovation based on science and technology.



Thank You

