

The case study questions can be used as a basis for seminar discussion.

1. Forty two per cent of Indonesia's population are under 25. Why is this an important factor in the future growth of Indonesia's economy?

Benefits:

- Provides a large and cheap future workforce
- Engenders dynamism/innovation
- Provides a growing market, and therefore can attract international investment
- Increases in savings/investment funds
- Provides a large tax base

Disadvantages:

- Puts a strain on resources, namely;
 - Education
 - Health
 - Accommodation
 - Food
 - May have large unskilled/poorly educated workforce
- Possible unemployment and associated problems (see Chapter 7, p. 242 and mini-case pp. 242–3, Youth unemployment—a social time bomb)
- Increase in rural–urban migration, which may exacerbate problems in cities given above possibility of political instability
- Population growth likely to slow and eventually this large, young population will reach retirement age, and be dependent on a smaller working age population, as in most developed economies

2. What are the benefits to business of ASEAN becoming an economic community?

Students should start by defining what an Economic Community is: a group of nations who join together to eliminate economic and political barriers between themselves. This should create a single market with free movement of goods, services, investment, and labour. It might eventually lead to harmonization of economic, monetary, fiscal, and other policies as well as single institutions much like any single nation state.

Benefits to business;

Creation of an enormous market—720 million people by 2030.

Greater employment opportunities—increasing wealth—increasing purchasing power—bigger market.

Easier access to (possibly cheaper) capital.

Improved inter regional infrastructure.

Easier access to labour and scarce skilled labour.

Greater access to technology transfer.

Cost reduction from economies of scale.

Greater competitiveness internationally.
Better bargaining power with world markets.

3. Explain the attraction of the Indonesian economy as an investment location.

Students should recap the factors that make a country attractive to foreign investors. Investors are looking for a return on their investment so must balance the expected profit (i.e. expected revenues minus expected costs) against the risk of investment.

Countries will vary in terms of attractiveness according to their economic environment, growth rates, disposable income, political stability, available resources, government incentives, level of competition and risk.

Indonesia is the world's 16th largest economy and predicted to be the fourth largest by 2050 (measured in PPP terms). It has an increasing population with a large proportion of young, working age, people and an increasing middle class making for a strong consumer market; abundant natural resources, relative political stability; strong economic growth (averaging over 5% for last 10 years); member of ASEAN and strategically located in what is expected to be a strong growth area in the next 25 years.

In short it is one of the most attractive countries for FDI in that revenues are potentially high and costs low with a government that is increasingly encouraging FDI.

Students can go through the process recommended in the book on pages 197 onwards to build up a detailed picture of the Indonesian economy using the resources mentioned from p.190 to p.196.

4. Investigate how easy it would be for a Western company to establish a new business in Indonesia.

This can be interpreted as narrowly or broadly as is appropriate to the group. Narrowly in terms of the procedures to establish a presence in the form of:

- a liaison office;
- a branch office; or
- a subsidiary company.

Or more broadly when all the factors listed in the chapter should be investigated.

The World Bank is a good source of information. The 'Doing Business in Indonesia' 2019 report can be found at:

www.doingbusiness.org/content/dam/doingBusiness/country/i/indonesia/IDN.pdf

as is the UKTI at: <https://www.gov.uk/government/publications/exporting-to-indonesia/exporting-to-indonesia>

or in Australia: <https://www.austrade.gov.au/Australian/Export/Export-markets/Countries/Indonesia/Doing-business>

A search on 'Doing Business in Indonesia' will bring up many results.

5. What risks would be faced in setting up business in Indonesia?

Although Indonesia is an attractive economy for investment foreign companies continue to face challenges entering the Indonesian economy. Bureaucracy, corruption, terrorism, natural disasters, poor infrastructure, complex cultural and religious environment, and a very different business culture are some of the main problems facing business in Indonesia.

Students should use the list on p.206 and the sources of information on pp.207–8 to assess the risks of doing business in Indonesia.

The UKTI has a useful page covering business risks in Indonesia at:

<https://www.gov.uk/government/publications/overseas-business-risk-indonesia/overseas-business-risk-indonesia>

6. Undertake a country assessment for Indonesia for firms in one of the following sectors:
- a) management training;
 - b) ICT;
 - c) renewable energy; or
 - d) defence technology.

Students are now asked to apply the general assessment in the previous questions to a specific sector identifying which of the above are relevant to the sector in question.

Useful websites;

See the UKTI 'doing business in Indonesia site:

<https://www.gov.uk/government/publications/exporting-to-indonesia/exporting-to-indonesia#opportunities-for-uk-businesses-in-indonesia>

<https://www3.investindonesia.go.id/>

<https://www.indonesia-investments.com/>

Other sources for all questions:

[https://www.ey.com/Publication/vwLUAssets/EY-doing-business-in-asia-pacific/\\$FILE/EY-doing-business-in-asia-pacific.pdf](https://www.ey.com/Publication/vwLUAssets/EY-doing-business-in-asia-pacific/$FILE/EY-doing-business-in-asia-pacific.pdf)

<https://home.kpmg.com/content/dam/kpmg/sg/pdf/2018/07/ASEAN-GUIDE-Indonesia.pdf>

<https://www.bdo.co.id/en-gb/insights/doing-business-in-indonesia-2018>

<http://emerging-markets-research.hktdc.com/business-news/article/ASEAN/A-Practical-Guide-to-Doing-Business-in-Indonesia/asean/en/1/1X000000/1X0ACODN.htm>

<https://www.pwc.de/de/internationale-maerkte/doing-business-in-indonesia.pdf>