



## Market profile

Indonesia is the largest economy and the most populous country in Southeast Asia. Located between Asia and the Pacific, Indonesia offers geopolitical and economic strategic values. This developing nation is very keen to upscale its economy through infrastructure investments in various fields, such as energy, smart city, roads, and urban transportation.

Indonesia plays a vital role in the region. Not only pioneered the creation of the Regional Comprehensive Economic Partnership (RCEP) back in 2011, Indonesia holds G20 Presidency in 2022 and the ASEAN chairmanship in 2023. Currently, Indonesia is a signatory to 17 Free Trade Agreements, 12 of which are already in effect.

Politically, Indonesia is a democratic country that implements *Trias Politica* (separation of powers between legislation, administration, and jurisdiction), whereas *Pancasila* (Five Principles) is the state philosophy. Islam, as the religion of the majority, plays an important role politically and economically. As of now, there are 9 (nine) political parties representing national and regional legislatures. The next general election for legislative, president, and local government heads will be held in 2024.

Geographically, Indonesia is an archipelago of more than 17 thousand islands. This vast area is believed to be responsible for cultural, ethnicity, and local language diversity. Indonesia is home to almost 1340 ethnic groups and 700 local languages. This is basically the background for enacting Indonesian (Bahasa Indonesia) as the language of unity in the *Sumpah Pemuda* (Youth Pledge) of 1928.

## Economy and business structure

Indonesia is suffering premature deindustrialization; this is where the contribution of manufacturing industry sectors to the economy is shrinking, from around 32% in 2002 to only 20.55% in 2021. This phenomenon has been one of the leading causes of considerable loss of employment. Another problem faced is the

### FACTS

- Capital: Jakarta
- Major Cities: Bandung, Surabaya, Medan, Semarang, Makassar, Samarinda, Denpasar
- Official language: Indonesian
- Independence: August 17, 1945
- Currency: Indonesia Rupiah (IDR)
- GDP, PPP: \$3.13T (2020) – 7<sup>th</sup> globally
- GDP, Constant 2015 US\$: \$1.03T (2020) – 16<sup>th</sup> globally
- GDP Per Capita, Constant 2015 US\$: \$3,756.9 (2020)
- Indonesia's Exports to World: €149.78B (2019), 143.1B (2020), €192.93B (2021)
- Finland's Exports to Indonesia: €220.66M (2019), €149.15M (2020), €229.72M (2021)
- Finland's Imports from Indonesia: €175.95M (2019), €153.5M (2020), €190.33M (2021)
- Area: 1,904,569 sq km – 15<sup>th</sup> globally
- Population: 273.5 million – 4<sup>th</sup> globally

regional disparity haunting Indonesia for decades. The island of Java, which only account for 7% of Indonesia's area, contributes more than 60% to the national economy.

These two phenomena call for immediate solutions, namely infrastructure and human capital development. Indonesia is now reallocating much of its resources for infrastructure investments. Fostering connectivity and lowering logistic costs are the main key drivers for higher growth and equitable development. In summary, Indonesia is in dire need of investments in infrastructure, telecommunication, digital connectivity, energy, health, and education.

Indonesia is eyeing institutional reform by introducing omnibus law, which aims to eradicate bureaucratic inefficiency relating to ease of doing business, overlapping regulations, lack of coordination between central and local governments, etc. This law is expected to ease investment and business commencement. Indonesia is very keen to facilitate any foreign investment into its economy.

**Economic Sectors (% of GDP, 2021):** Manufacturing Industry (20.55%), Wholesale and Retail Trade; Car and Motorcycle Repair (13.04%), Agriculture, Forestry and Fisheries (12.62%), Construction (9.92%), Information and Communication (6.26%), others (30.77%)

**Main Export Partners (2021):** China, USA, Japan, India, Malaysia, Singapore

**Top Export Products (2021):** Mineral fuels, mineral oils and products, Animal or vegetable fats and oils and their cleavage products, Iron and steel, Vehicles other than railway or tramway rolling stock, and Electrical machinery and equipment and parts thereof

**Main Import Partners (2021):** China, Singapore, Japan, USA, Malaysia, South Korea

**Top Import Products (2021):** Mineral fuels, mineral oils and products, Machinery, mechanical appliances, Electrical machinery and equipment, Iron and steel, and Plastics and articles thereof

**Ease of Doing Business ranking:** 73/190 - World Bank's Doing Business 2020 Report

## Key industries and their trends

**Key industries:** Wholesale and Retail Trade, Manufacturing Sectors, Construction, Food and Beverage Industry, Information and Communication, Plantation crops, Food crops, Coal, Palm Oil, Tourism, Restaurant and Hotel.

**Future trends:** The government is pushing to upscale manufacturing performance through infrastructure, vocational training, and innovative financing. The government is also trying to develop special economic zones for this purpose. This support for manufacturing is driven by its importance to the structural transformation of the Indonesian economy. Besides manufacturing, tourism sectors, particularly halal tourism, are aimed to be one of the champions in advancing the Indonesian economy. For this, supporting sectors such as restaurant, hotel, food and beverage industry, communication, etc are playing a monumental role. Indonesia's rich natural landscape is the reason behind the championing of the tourism sector. Lastly, as the government is also aiming to phase out coal-based energy power, Finnish expertise in clean energy is most likely needed.

## Important things to consider when doing business in Indonesia

One of the biggest problems with starting a new company in Indonesia is getting all the necessary permits. The licensing process can be time-consuming and expensive. In order to successfully develop business in Indonesia, it is essential to build a good network with businesses and the government. Foreign entrepreneurs should be aware of the importance of these networks and seek to develop them.

Fortunately, building such a network is not difficult because foreign entrepreneurs are attractive parties for Indonesians. It is highly recommended to explore cultural values first to know how to socialize with

Indonesian business partners and employees and understand 'business culture' in Indonesia. These are links that may convey useful information:

[Foreign Investments](#)

[Establishing Foreign Company](#)

[Establishing Representative Office](#)

## Annual main trade shows and events

Check the exact dates from our office

Please contact Business Finland Jakarta office.

## Market data sources and other useful links

[Statistics Indonesia](#)

[World Bank - Indonesia Country Profile](#)

[Trademap - Indonesian Export Data \(HS 2\)](#)

[Trademap - Indonesian Import Data \(HS 2\)](#)

[Doing Business in Indonesia - World Bank](#)

[Doing Business in Indonesia - PWC](#)

[Official Website of the Government of Indonesia](#)

[Ministry of Investment, Republic of Indonesia](#)

[Visit Indonesia](#)

## Business Finland in Indonesia

### Offices

Jakarta

Menara Rajawali 20th Floor  
Jl. Mega Kuningan Lot # 5.1, Jakarta  
12950

### Staff and contact details

Nina Jacoby, Commercial Counsellor

[nina.jacoby@businessfinland.fi](mailto:nina.jacoby@businessfinland.fi)

+62 812 1813 4490

Harry Dhavilla, Senior Advisor

[harry.dhavilla@businessfinland.fi](mailto:harry.dhavilla@businessfinland.fi)

+62 815 9296 088

Priscy Tanumihardja, Senior Advisor

[priscy.tanumihardja@businessfinland.fi](mailto:priscy.tanumihardja@businessfinland.fi)

+62 813 1702 9952

## Team Finland in Indonesia

### The Embassy of Finland, Jakarta

Menara Rajawali 9<sup>th</sup>, Jl. Mega Kuningan, Lot 5.1, Kuningan, Jakarta 12950

Pekka Kaihilahti, Ambassador

[pekka.kaihilahti@formin.fi](mailto:pekka.kaihilahti@formin.fi)

+62 830 50 50 30

Juha Parikka, Deputy Head of Mission

[juha.parikka@formin.fi](mailto:juha.parikka@formin.fi)

+62 830 50 50 30

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