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KADIN BSD Bulletin

HOW HAS COVID-19 ACCELERATED DIGITAL TRENDS IN LIFE

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RECOVERING AND STRENGTHENING INDONESIAN ECONOMY THROUGH DIGITAL TRANSFORMATION

NEWS FLASH:

TRADE AND INVESTMENT OPPORTUNITIES FOR INDONESIA AND GUATEMALA

KADIN INDONESIA AND BOLD INVESTMENT JAPAN SYNERGIZE TO INCREASE INDONESIAN SMES AND STARTUPS THROUGH INVESTMENT

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FOREWORD

Dear Valued Readers,

The year 2020 has almost come to an end. Plenty of tragedies have been happening since the start of the year: the pandemic, natural disaster, protests, and politics. With mobility is being super restricted, 'holiday' is not on the 2020 lists of keywords. It's 'stay at home.' Thankfully, more and more activities are slowly recovering to its pace, guided by numerous regulations underlining the health protocol.

2020 hasn't been all bad. The pandemic triggered the acceleration of cooperation in the health and technology sectors. Along with this trend, KADIN BSD is happy to present insight into how COVID-19 boosted digitalization today and update the latest international trade activities. With everything is shifting to online activities, more and more virtual business dialogues were held. An exciting topic about recovering and strengthening the Indonesian economy through digital transformation is successfully held with significant support from CISCO Indonesia.

Additionally, KADIN Indonesia, in cooperation with the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations of Guatemala (CACIF), held an MoU signing ceremony and webinar to explore more opportunities in the future. Intending to help Startups and SMEs in Indonesia, KADIN Indonesia signed a partnership agreement with Bold Investment Japan. Happy reading, and see you on the next issue.

With dozens of COVID-19 vaccines are in development, we surely hope for the best result shortly. We also want to express our highest gratitude to all frontline and health care workers who did an immensely great job. Cheers to our hero!

Kind regards,

The Editorial Team.

MAIN ISSUE

HOW HAS COVID-19 ACCELERATED DIGITAL TRENDS IN LIFE

The world after COVID-19 is unlikely to return to the world that was. COVID-19 has accelerated various changes and trends. From the eradication of daily commute, attending public events, dine-in, to the workplace. Usual routines were upset many people as the physical restriction was extended due to the soaring of daily positive cases. That being mentioned, a significant shift of digitalization is playing an important role. According to data from McKinsey, almost four out of five people have attempted new shopping behavior. More and more people are purchasing goods from various e-commerce instead of going out to the shopping malls. Food delivery services, for example, GoFood from GoJek – an Indonesian multi-service tech company engaged in the ride-hailing platform – also increases significantly by 20% since the beginning of the virus outbreak. Based on the research by *Lembaga Demografi Fakultas Ekonomi dan Bisnis Universitas Indonesia* (LD FEUI), 40% of GoFood partners only joined when the beginning of the COVID-19 pandemic hit Indonesia in March 2020. From the number, 94% were micro-scale entrepreneurs, while 43% were doing business for the first time. It indicates that the culinary industry is an alternative source of income for people who have lost or experienced a decline in income during the pandemic to keep their business sustainable in difficult times. The research also concludes that the digital economy ecosystem's function brings many advantages in helping MSMEs survive during the pandemic. The ongoing condition is a test for business resilience and adaptability of entrepreneurs in times of crisis. Such a transformation is to change the traditional or conventional business into digital ones.

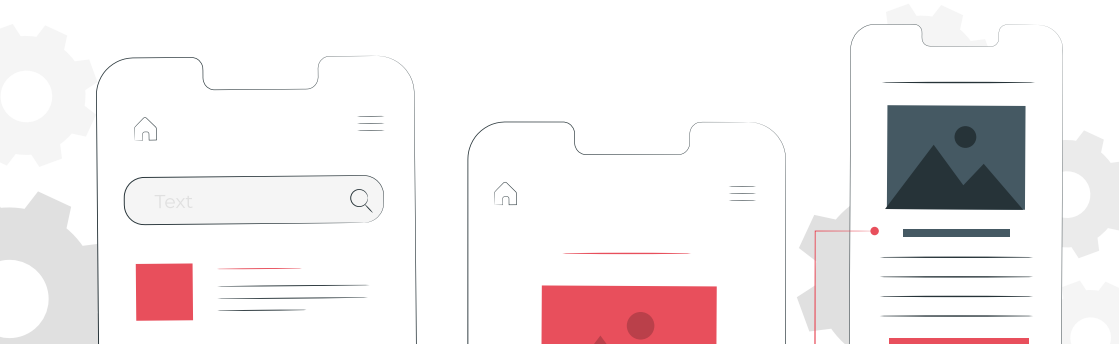
As the behavior pattern on purchasing pattern changes, so does the big industry player. Take examples from health care and education. COVID-19 has resulted in massive support for a more robust general medical care framework and an assortment of new devices to monitor

public health. Perhaps, the most significant challenge at the moment is how much do health systems have digital ability. More and more tech companies are developing artificial intelligence intended for health services that could be monitored through smartphones. It also incorporates assisting with keeping individuals to curb from getting contaminated by the virus, managing other conditions, or even more overseeing other circumstances. This could be the core of where advanced well-being environments assume a significant job.

COVID-19 likewise caused the scramble for all related stakeholders in the education sector to conduct a remote-learning. Students need to stay home and learn by themselves with no friends around. Teachers are in a rush to develop a new method for long-distance-lesson and examination while ensuring everything is still on track. The sudden shift will sizably affect the teaching and learning long after the COVID-19 emergency closes. This is not easy to do, especially for those who are not tech-savvy. The shift is bringing a global experiment while stressing a digital divide based on income and area.

Moreover, not everyone could have the same perquisites. Even though remote learning is indeed a needed shift today, it still doesn't supplant the classroom. Therefore, addressing regulative steps, privacy concerns, and subsidizing infrastructure to increase broadband access is required to support long-distance learning growth.

With the enhancement of these patterns, this emergency's real factors have set off reevaluation of a few certainties, with potential outcomes for long-haul decisions for the economy and society. These results differ from mentalities about productivity versus resilience, industrial policy, how to deal with issues that influence all people, and order for global and aggregate movement, such as pandemics and environmental change — to government role. But while physically restricted to one another, the internet's power combined with advanced technologies has permitted people to venture into each other's homes. Social relationships have grown closer than ever, and some hobbies which never heard before are being shared virtually. Over the past few years, responsibility has, for the most part, generally shifted from institutions to individuals. Yet health systems are being examined and frequently discovered needing, while benefits from paid sick leave to basic income are getting a subsequent look. Some critical decisions made during distress situations can form the world for a long time to come. What will remain vital is the requirement for a coordinated response to manufacturing sustain economies that dispatch inclusive maturity, prosperity, and safety for all.



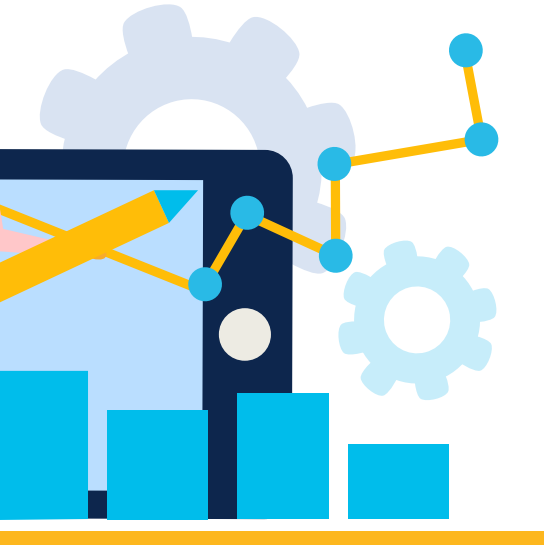
NEWS FLASH

RECOVERING AND STRENGTHENING INDONESIAN ECONOMY THROUGH BOOSTING DIGITAL TRANSFORMATION IN BUSINESS PROCESSES

The economic cycle is one of the essential issues to run a nation. For Indonesia itself, the economic performance is running positively pre-pandemic. According to the World Bank, Indonesia's accomplishment in progressing to an upper-middle-income country due to the positive GDP development pattern throughout the most recent five years managed to lift 3.8 million individuals out of poverty. Not only that, the increased investment in infrastructure creates a solid macroeconomic establishment in Indonesia. Nonetheless, Indonesia actually has a few homework on running the economy, for example, the massive infrastructure gap and insufficient human resources to support the modern economic structure.

The pandemic COVID-19 hardly hits all the nations' economic situation worldwide, and Indonesia is no exception. Indonesia's GDP contracted as much as 1,3% (YoY) in the first semester of 2020 compared to the same period in the previous year, 5,1% due to the negative sentiment of the COVID-19 pandemic for consumers and producers, as well as various movement restrictions. The current condition of the pandemic trend has yet to show any improvement trend in Indonesia. The eight months of the pandemic virus spread have forced humans to adapt to new habits to form new behaviors. It also affects the sustainability of business processes, which cannot be separated from technological developments. Therefore, in this era of uncertainty, a further comprehensive understanding of changes is needed. In collaboration with CISCO Indonesia, KADIN Indonesia has successfully held a virtual business dialogue. The event aims to conduct extensive discussions regarding the importance of digital transformation in companies, especially to maintain sustainable business continuity during unpredictable times.

The event was held on October 15th, 2020, via the Webex meeting and attended by 100 participants consisting of business actors



and executives of corporations throughout Indonesia. The event started with opening remarks from Ms. Shinta W. Dhanuwardoyo, Head of the Permanent Committee for Digital Business, E-Commerce, and Start-up Development of KADIN Indonesia, and Mr. Dr. Ir. Mohammad Rudy Salahuddin, Deputy for the Coordination of the Digital Economy, Manpower and Micro, Small and Medium Enterprises, Coordinating Ministry for Economic Affairs of the Republic of Indonesia. The event then followed by a panel discussion session which brought great panelists such as Mr. Said Zaidansyah, Deputy Country Director for Indonesia Asian Development Bank, Mr. Primus Dorimulu from Investor Daily, Mr. David Hermawan from Cisco Indonesia and moderated by Mr. Yongky Susilo as the Deputy Chairman of Permanent Committee KADIN Indonesia.

Based on the speakers and panelists' discussion, the hits of the pandemic influenced generally speaking in both macro and microeconomics. If seen closely, there is an accelerated shifting behavior among the consumers buying behavior from offline to online, as indicated by the increase in traffic on the internet around 20%. Logistics corporations have also reported a monstrous increment of 35% since April. Regardless of the negative effect, be that as it may, the pandemic circumstance is believed to be a momentum for the acceleration of digital transformation in Indonesia.

After looking into it further, the changes that have occurred at this time impact the company's operational activities, be it small companies to large companies. This is because of an adjustment in propensities that recently worked from the office. It was started earlier this year that most companies are compelled their employees to run work distantly through the term work from home. For certain companies that are highly engaged with technology day by day, changes like this may not be a significant issue. Notwithstanding, most companies that carry out conventional operations become a considerable challenge because of their unfamiliarity with technology utilization. In outcome, this influences the organization's everyday execution and could be the subsequent yield. In this way, instruction about computerized change in business measure exercises is essential for business actors. The importance of technology is also well attributed to the media industry. Mr. Primus, a senior journalist from Investor Daily, underscored that the degree of exactness of information perceived and circling in Indonesia is only 3% as per global standards. The rise of hoaxes is an aftereffect of the absence of accessibility of reliable and ideal data. The unintegrated and unfeasible synchronized

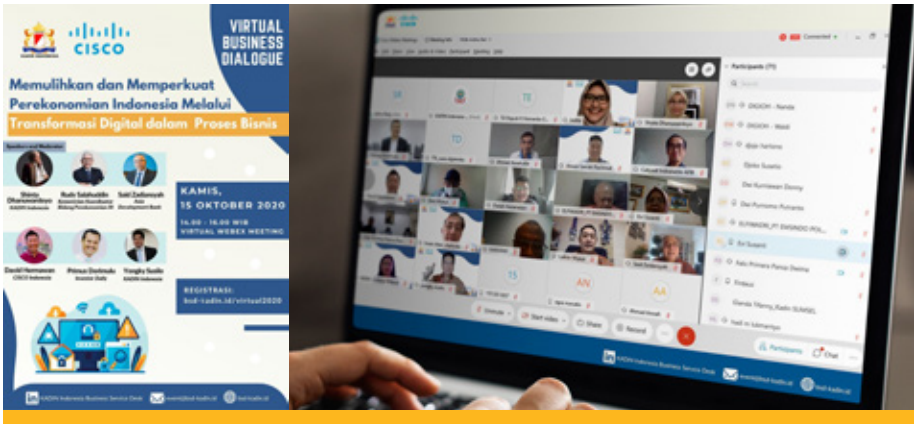
information from government and related parties make disarray among people in public.

Moreover, the urgency of digital transformation for the business process on a large scale is needed to respond to the industrial revolution. It is also expected that digitalization could be the enabler of economic transformation to get out of the middle-income trap and to be the national economic recovery. Most importantly, to strengthen the economic foundation to support a sustainable economy.

In managing changes and interferences such as what is happening today, cooperation and collaboration from all stakeholders are needed because each party has a vital role in overcoming this crisis. The government itself has made various efforts to provide and develop digital infrastructure, stated by Mr. Rudy Salahuddin, including the expansion of the 4G network, the operation of the SATRIA multifunctional satellite, and government data development centers, and the development of 5G.

From the private sector side, Ms. Shinta Dhanuwardoyo has dispatched another stage called startupindonesia.co, It is a platform as a social event for startup stakeholders in Indonesia, comprising of startup founders to angel investors, and venture capitalists. The venue itself has successfully provided mentoring to 40 startups across cities in Indonesia. Previously, there was an unevenness of access for startups in Indonesia located outside of large cities for a comparative program. Yet, this issue has been settled by the presence of startupindonesia.co on the grounds that this program is available online.

As an expert in the technology sector, CISCO Indonesia also plays a vital part in helping businesses transform digitally in their daily business activities. In this case, CISCO offers a wide range of capabilities to build a resilient digital transformation in a business process, such as security, infrastructure, data center, mobility, and collaboration. Through Mr. David Hermawan, CISCO Indonesia stated its commitment to assist the government in improving Indonesia's digitalization process. Simultaneously, the development of infrastructure, equitable access, and regulation must be encouraged concurrently.



NEWS FLASH

TRADE AND INVESTMENT OPPORTUNITIES FOR INDONESIA AND GUATEMALA

Dana Rohrabacher, a former US Congressional Delegations from California, once said, "If we want more trade in the world, we should establish bilateral trade agreements with other democratic countries. That way, we can control the decision-making process. The major economic countries of the world will enter into those agreements." That was precisely what Indonesia and Guatemala have done on Tuesday, October 13, 2020.

KADIN Indonesia, in cooperation with the Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations of Guatemala (CACIF), held MoU Signing Ceremony and Webinar with the topic "Trade and Investment Opportunities for Guatemala and Indonesia." This event was held to promote opportunities for trade, technical and economic cooperation between Indonesia and Guatemala. Aside from the government official representative and chamber of commerce from both countries who attended the event, the essential business players from Indonesia and Guatemala were also present to enliven the virtual event.

The event has two main agendas, which are MoU signing continued with the exposure of trade and investment opportunities in both countries. Indonesia's trade potential was explained by Mr. Diono Nurjadin, Head of the Committee for the Americas and International Economic Institution of KADIN. From Guatemala, with sub-topic "Guatemala, a Great Destination for Indonesian Investment"

was explained by Mrs. Lieschen Eger and Mr. Alejandro Moscoso from Programa Nacional de Competitividad (PRONACOM).

According to Mr. Ngurah Swajaya, Director General for America and European Affairs from Ministry of Foreign Affairs Indonesia, Indonesia is ready to cooperate with Guatemala in various products, such as automotive products, paper, woods, apparel, also in palm oil industries since Guatemala is the strong palm oil producer in America. In line with Mr. Swajaya, Mrs. Shinta Kamdani, the Vice Chairwoman of KADIN Indonesia for International Relations, stated that Guatemala had no embassy in Indonesia for about 26 years. Therefore, this will be good for Indonesia to find more new trade opportunities that Guatemala has.

According to Mr. Nurjadin, the total number of trades between Indonesia and Guatemala is still small, less than USD 43 million. Even though it is a small number, but it still shows the opportunity to increase the trade. Referring to the pandemic situation, Mr. Nurjadin emphasized that Indonesia still has a vast domestic market for trade and investment. The top Indonesian products to Guatemala are paper products, machinery, fibers, rubber, coffee, tea, spices, and plastic. Mr. Alejandro Moscoso from PRONACOM, stated that Guatemala has a strategic position, which has direct access to the coastlines on both the Pacific and Atlantic oceans. Since it has a free trade agreement with the US, Guatemala has the potential, a gateway to the largest Hispanic American market, and preferential access to the Central American and European markets. Guatemala is also one of the countries that do not have a powerful economic impact from the pandemic.

Guatemala is currently Indonesia's second-largest trading partner in Central America, even though the trade values between the two countries have decreased compared to 2018. For Guatemala, Indonesia is a reliable partner for the exchange of goods and services. It is considered as the stepping-stone for Guatemala to enter the Southeast Asian market. The Guatemala business community well receives Indonesian goods such as paper, cardboards, and edible oil. The MoU signing between KADIN and CACIF hopefully can find new economic opportunities for Indonesia and also Guatemala. As Guatemala Vice Minister of Foreign Affairs, Mrs. Shirley Aguilar, expressed her expectation about the memorandum. Hopefully, it can generate a framework for creating new trade and investment between countries to boost Indonesia and Guatemala's economy.

NEWS FLASH

KADIN INDONESIA AND BOLD INVESTMENT JAPAN SYNERGIZE TO INCREASE INDONESIAN SMES AND STARTUPS THROUGH INVESTMENT.

KADIN Indonesia signed a partnership agreement with Bold Investment Japan on August 18 to revitalize Indonesian SMEs and Startups through investment offered by Bold. The partnership will be enforced for six months with a potential for extension. In this matter, KADIN Indonesia is represented by its Business Service Desk unit, will be introducing Indonesian SMEs and Startups that met Bold investment criteria through a 1-1 introductory meeting. After a series of discussions, Bold Investment will then offer an equity investment for the selected SMEs and startups if all conditions are fulfilled. The investment is typically a private fund investment, and hence, a long strategic relation is preferred

This partnership presents a very unique and special opportunity for Indonesian SMEs and Startups in which they can raise the standard from mostly receiving investment from local investors to undertake a merger and acquisition (M&A) process with an international investor. Through this process, Indonesian SMEs and Startups can prove that they can be as equal as big corporations accustomed to global M & A methods since Bold Investment is applying comprehensive and thorough criteria and due diligence process before deciding to invest.

Bold Investment Co., Ltd was founded in 2015 in Japan as a business diversification of a car export and trading businesses. It has been operating in 2 other countries aside from Indonesia, which is London and Pakistan. The “style” of Bold Investment is to create a business ecosystem in which all companies it invests can be co-dependent and supportive of achieving desirable growth. KADIN Indonesia Business Service Desk has introduced many SMEs and Startups to Bold Investment through 1-1 meetings or socialization events. To date, there are around 15 companies that have signed NDA after reached a verbal and mutual agreement for further and in-detailed discussion to explore the investment partnership. It is highly expected that this program can get more SMEs and Startups in Indonesia in the remaining months of the partnership period.

NEWS FLASH

INDONESIA'S TRADE AND INVESTMENT ACTIVITIES

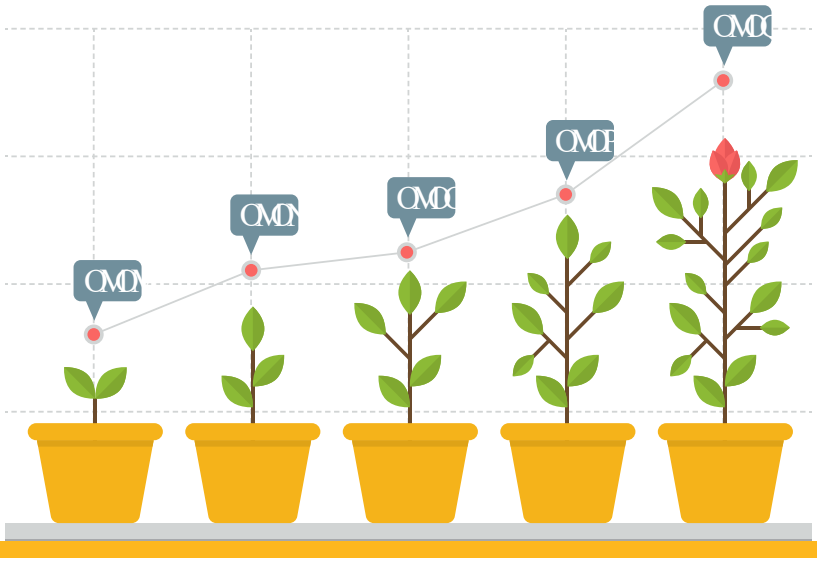
The implementation of large-scale social restrictions (PSBB) hindered many mobility activities in Indonesia. It disrupted urban mobility, in which activities in retail trade, recreation, market, offices, and transportation experienced a decrease. That being mentioned, export and import accomplishments also had an impact. Some regulations came into effect for certain goods such as live animals to avert the virus's entry into Indonesia. It is known that animals can be carriers of the virus and will be very dangerous if consumed by humans.

Indonesia's export stumbled by the international trade perspective by 0.51% YoY to USD 14.01 billion in September 2020. Furthermore, on an annual basis, oil and gas exports were recorded to have decreased by 12.44% to USD 700 million on the back of mining products. Meanwhile, non-oil and gas exports increased by 0.21% to USD 13.31 billion. Meanwhile, the import value slumped by 18.88% to USD 11.57 billion in the same period. There was an increase of 7.23% MoM in imports of auxiliary raw materials amounting to USD 8.32 billion. Imports of auxiliary raw materials still dominate the total imports of 71.87%, while capital goods were 18.45%, and consumption was 9.68%.

As a whole, the Indonesian Statistics noted that the trade balance from January to September 2020 had a surplus of USD 13.51 billion. This surplus is much better than the position from January to September 2019,

which experienced a deficit. To maintain a beneficial trade balance, Indonesia has more potential markets that haven't been tapped outstandingly. Everything is going online now, which also brings more advantages to save time and just one click away. Such activities that support export pursuits can be increased through virtual exhibitions, virtual trade missions, and many more running and carried out by many countries today. Aside from the traditional market, Indonesia can start increasing trade activities with the non-traditional market, especially with bilateral countries with trade agreements, such as a CEPA or FTA.

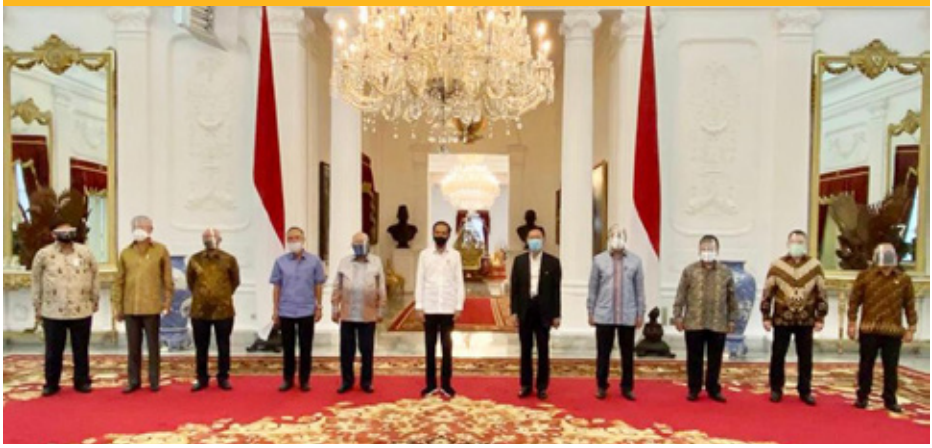
On the investment side, the investment realization data in the third quarter of 2020 reached IDR 209.0 trillion, a slight increase of around 1.9% from Q2 2020. As for the cumulative investment realization for January – September 2020, the amount reached IDR 611.6 trillion, a slim growth of 1.7% compared to the same period last year. According to the Indonesia Investment Coordinating Board, even though the investment activities during the first quarter of 2020 fluctuated and is dominated by the Domestic Direct Investment (DDI), Foreign Direct Investment (FDI) has recovered during the third quarter, which grew by 8.7% from the second quarter. Singapore ranks first as the country with the largest investment in Indonesia for five consecutive years, even though, throughout 2020, Singapore experienced a recession due to the COVID-19 pandemic. Cumulatively, the top three total foreign investments in 2020 come from Singapore, which amounted to USD 7.1 billion, followed by China with USD 3.5 billion, and Hongkong with USD 2.4 billion. The realization of both DDI and FDI by far has contributed to 74.8% to the 2020 target. Nevertheless, the absorption of employment from January to September 2020 reached as many as 861,581 workers.



PAST EVENT HIGHLIGHTS

DISCUSSION WITH THE PRESIDENT

Chairman of KADIN Indonesia, Rosan P. Roeslani, together with the National Entrepreneurs met and discussed with President Joko Widodo at the Merdeka Palace



KADIN INDONESIA NATIONAL COORDINATION MEETING

National Coordination Meeting KADIN Indonesia (Rakornas) for Industry, Trade and International Relations with the theme "Accelerating Economic Growth" which was held virtually on Thursday, September 10th 2020 (10/9/2020). The meeting was also attended by Coordinating Minister for the Economy Airlangga Hartoto, Minister of Industry Agus G. Kartasasmita, Minister of Trade Agus Suparmanto and Minister of Foreign Affairs of the Republic of Indonesia Retno L. Marsudi.

SEIZING BUSINESS OPPORTUNITY FOR INCREASING BILATERAL TRADE

KADIN Indonesia together with the Ministry of Foreign Affairs of the Republic of Indonesia have held a virtual business meeting with the theme "Seizing Business Opportunity for Increasing Bilateral Trade". This virtual business meeting was attended by various entrepreneurs from five business sectors, namely the clothing, rubber, footwear, electronics and furniture sectors, both from Indonesia and from America.

MEETING WITH THE UNITED STATES EMBASSY

Chairman of KADIN Indonesia, Rosan P. Roeslani along with Vice Chairwoman for International Relations, Shinta W. Kamdani, and the Indonesian Chamber of Commerce and Industry of the United States Committee (KIKAS) attended a meeting with the United States Embassy (US) and the Chief Executive Officer of the Development Finance Corporation (DFC) United States, Adam Boehler, in a virtual roundtable discussing business cooperation opportunities, especially in the health, digital economy & infrastructure sectors

KADIN INDONESIA

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Bold Investment

Grow Your Business With Bold Investment

Requirements:

- Min. 3 years of business operations
- Must have legal entity
- Using Basic IT/4IR-related technology in daily operation

Further information:

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021-5274503

KADIN INDONESIA

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- Are you looking for potential business partners, domestic producers or potential buyers?
- Do you need to verify a potential company in Indonesia?
- Do you need to promote your product or event to the Indonesian business network?
- Are you looking for an invaluable partner to develope strategic partnerships with key goverment agencies, interntational organizations, embassies as well as Foreign Chambers of Commerce and Industry?

INDONESIA, WE ARE READY!

KADIN
BUSINESS SERVICE DESK

The purpose of the international service unit of KADIN Indonesia is to promote investment, trade, and boost economic growth in Indonesia.

With the combination of professionalism and bilingual staff, KADIN Business Support Desk introduces entrepreneurs and investors to potential business partners using the network of KADIN Indonesia. This network covers 34 regional chambers (KADINDA), with 514 district branches and almost 200 business associations from all industrial sectors in Indonesia.

OUR
SERVICES

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