

Taiwanese machine makers eye Indonesia expansion

Rachmadea Aisyah

THE JAKARTA POST/TAIPEI

Taiwan-based machine makers are considering the possibility of expanding into Indonesia, the largest economy in Southeast Asia, as they attempt to earn wider recognition among Indonesian manufacturers.

Tube and pipe machine manufacturer SOCO Machinery said Indonesia had contributed to good export growth for the company, which supplies mostly furniture parts and motorcycle chassis to the country.

The company established its sales office in Indonesia more than 10 years ago. The country is one of SOCO's 40 global partners, including Malaysia and Thailand in Southeast Asia.

"Indonesia is experiencing good growth and is substituting for Thailand as a hub for our modern manufacturing. So, it has been going well," SOCO Machinery CEO and managing director Kyle Lo told *The Jakarta Post* during a recent visit to the company's Taichung factory in Taiwan.

Indonesia currently represents about 2.5 percent of SOCO's global market, while the major portion is represented by China and Europe, said Lo. He said the company's expansion in Indonesia was possible, but would depend on the sales booked by its "core customers".

He said several bureaucratic issues, such as investment restrictions and independent product inspection, had also challenged SOCO's movement into Indonesia, although the need to boost sales was the main hurdle.

"Once [the sales figures] reach a bigger number, we will discuss our next step — be it investments, joint ventures, or [opening] branch offices — but we certainly will do it with our local partners in Indonesia," he said, add-

ing that the company had not yet determined when the expansion would take place.

Indonesia was Taiwan's 14th biggest trade partner and 16th largest export partner in 2016 with a total trade value of US\$7.07 billion, according to the Taipei Economic and Trade Office (TETO) in Indonesia.

Indonesia recorded a \$1.73 billion trade surplus with Taiwan, TETO data show, although Indonesia's Trade Ministry posted a much lower figure of \$765 million.

Machinery and mechanical appliances made up over 20 percent of Indonesia's imports from Taiwan, which were valued at about \$3 billion in 2017, followed by other manufactured commodities like electrical machinery and equipment, as well as iron and steel, Trademap data show. The figure had increased by 5.8 percent from the previous year.

On the other hand, Indonesia exported mostly mineral fuels, oils and related products, as well as wood, to Taiwan. The overall exports were worth \$4.2 billion in 2017, an increase of 18 percent from 2016.

Mechanical press maker Chin Fong Machine Industrial, which established a branch in Indonesia in 1990, considered the ongoing volatility of the rupiah exchange rate a challenge as its Indonesian customers preferred to use rupiah as the currency for payments.

"We have even been trying to visit [individual customers] to convince them to make long-term payment terms as one of the solutions," said SOCO's deputy manager for overseas sales, Chris Chou, in a separate factory visit.

In October, the currency had weakened by more than 9 percent compared to earlier this year, before slowly recovering to just under the Rp 15,000 mark against the US dollar in November.



Antara/Ahmad Subaldi

Ngurah Rai International Airport
tarmac to support its Garuda

Pertamina over

lawmakers.

"In the private sector, we at least have only three annual shareholder meetings. However, during my 13 months in Pertamina, I had to go 37 times to House meetings. So, when have we got time to work?" He said. "It should be the job of the relevant ministry to represent us."

Pertamina spokesperson Adiatma Sardjito could not be reached for comment on Friday regarding Elia's remarks.

Toto Pranoto, SOE expert from the University of Indonesia, concurred with Elia as he cited a 2018 survey from Swiss-based International Institute for Management Development (IMD), which said that SOE management in Indonesia was still inefficient and resulted in poor productivity.

The IMD ranked Indonesia in 43rd position from 63 countries assessed in the 2018 World Competitiveness Yearbook ranking, down one notch from a year

Science talks



material for biodiesel, to pass the requirements for fuel imports.

The KPK alleges the practices were conducted between biofuel producers and fuel companies as the off-takers of FAME, a material refined into biodiesel, also known as Biosolar. The commission received the information from interviews with at least five fuel producers from November last year to February 2018.

The KPK has also conducted interviews with Energy and Mineral Resources Ministry officials, finding that fuel companies could not obtain import quotas unless they had proof of biofuel purchases — something that can be falsified. This kind of system, the KPK said, is prone to misconduct.

"In this kind of system, anyone can do anything, including Pertamina. Fuel producers that aren't actually ready to produce

alization of the FAME supply in 2017 only reached 21.3 percent, 2.5 million kilo liters of the total installed capacity of 12.05 million kl. It means that not all sectors are ready to absorb FAME," he said.

Another loophole was created by the government's decision to exempt several institutions from the B20 policy based on the rationale that their facilities or utilities could not be fueled with Biosolar. The institutions include gold and copper miner PT Freeport Indonesia and state electricity firm PLN, as well as the National Police and Indonesian Military.

"Freeport asked for permission not to use B20 and then INSA [the Indonesian National Shipowners' Association] also asked the same [but was rejected]. The uncertainty makes room for relevant officials to give dispensation," Dedi said.

Previous reports said that the

ate the policy, and the readiness of downstream sector to absorb biodiesel.

"Basically, we fully support the B20 policy, but it shouldn't only benefit some people, while the rest suffer," he said, adding that for the next two years the KPK would monitor the relevant stakeholders.

Wawan said the recommendation should be followed up with real action by the relevant ministries and if they fail to do so, the KPK would inform President Joko "Jokowi" Widodo and its own prosecution division about the situation.

The B20 policy has been in place since 2016 for public service obligation purposes and the blending of subsidized gasoil, but then it was expanded to all sectors on Sept. 1 this year because of the urgent need to shrink the current account deficit by reducing oil imports.

MANUFACTURING

Taiwan ready to offer Indonesia new Industry 4.0 technology

Rachmadea Aisyah

THE JAKARTA POST/TAIPEI

Taiwan's machinery industry is ready to share its knowledge of smart manufacturing and machinery with Indonesia as the latter has started to take interest in the fourth industrial revolution, often dubbed as Industry 4.0.

Mechanical press maker Chin Fong Machine Industrial, one of Taiwan's oldest machinery manufacturers, which established its Indonesian subsidiary in 1990, said it was open for Industry 4.0 consultations with its Indonesian consumers.

"A lot of foreign companies are basing their operations in Indonesia, especially for automotive [manufacturers], which have become [our] strategic customers," Chin Fong deputy manager for overseas sale Chris Chou told *The Jakarta Post* during a recent factory visit in Taiwan.

"Whenever the customers want to have some cooperation or discussions, we welcome our technicians to come visit them," Chou added.

During a separate occasion in Taipei over the weekend, CC Wang, president of the Taiwan Association of Machinery Industry (TAMI), said that the trade war between United States and China had created uncertainties for the Taiwanese machinery industry, saying that the country's machine exports to China had slowed to 5 percent yoy after the tension started.

"I think the biggest challenge faced by the Taiwanese machine tool industry right now is to develop a smart machine tool tech-

nology, as well as smart manufacturing," said Wang. "We are familiarizing [ourselves] with the idea of Industry 4.0 and its core of smart manufacturing and machinery."

Industry 4.0 gained much wider recognition in Indonesia after President Joko "Jokowi" Widodo established the road map in April, even though domestic industry players had since pointed to a lack of regulations derived from the initiative.

Despite having Southeast Asia's largest consumer market, Indonesia has not absorbed many of Taiwan's machinery exports.

According to TAMI data, Indonesia ranked 12th as an export destination for Taiwan's machinery between January and October 2018, with an 11 percent decline year-on-year (yoy) in value to US\$454 million.

Indonesia absorbed only 2 percent of Taiwan's overall exports under the category, the value of which totaled \$22.8 billion. Its position was also below its Southeast Asian competitors, such as Vietnam in the fifth place, Thailand in ninth and Singapore in 11th.

The same trend appears in Taiwan's machine tool exports to Indonesia. Indonesia is the 14th largest destination for them with a 1.7 percent worldwide export share, even though its value had gone up by 23.1 percent yoy to \$52 million.

At the same time, Taiwan has been seeking to expand its machinery market amid the trade tensions between the US and China — its two main destinations — by introducing its Industry 4.0 technology to its global customers.

As part of the efforts, Taiwanese machinery producers are to showcase their state-of-the-art, Industry 4.0-related products in the 27th Taipei International Machine Tool Show (TIMTOS) in Taipei from March 4 to 9, 2019.

"[In TIMTOS,] you will be able to see a number of digitalized solutions that integrate industrial robots, sensors, the internet of things and big data analysis for whole-plant operations," Taiwan External Trade Development Council CEO and president Walter Yeh told reporters at a press conference in Taipei over the weekend.

The exhibition aims to attract more than 52,000 visitors with 1,230 exhibitors from 26 countries, including Taiwan itself. TIMTOS 2017 had recorded only 169 Indonesian visitors among its total of 50,146.

Yeh said he was confident that Taiwan's machinery and tools industry would keep on growing amid the global market slowdown, pointing to a 9.9 percent yoy increase between January and October 2018 for machinery product exports and a 12.3 percent yoy increase for machine tool exports.

"This is an indicator that Taiwan machine tool producers have established an excellent reputation around the world and that their investments in machine upgrading and smart manufacturing has paid off," he said.

Speaking about the conference, Wang of TAMI estimated Taiwan's machinery exports would reach \$3.6 billion by the end of 2018, marking at least 8 percent growth yoy.

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