

INDONESIAN SMALL & MEDIUM INDUSTRIES (SMIs) AND THE GLOBAL VALUE CHAIN

Presented by :

Mr. Sakri Widhianto

Deputy Minister for Small and Medium Industries

Ministry of Industry, Republic of Indonesia

POSITION OF SMEs AND SMIs IN INDONESIAN ECONOMY

A. Small and Medium Enterprises (SMEs) :

- Criteria : An enterprise with assets not exceed US\$ 1,000,000 or employees not exceed 99 person.
- Total No. : 44.6 million units (include Small and Medium industries –SMI's).
- Share to National GDP : 53.3 %

B. Small and Medium Industries (SMIs)

- Total No. : 3.4 milion units
- Export : US\$ 8.7 billion
- Share to Industrial GDP : 38.4 % (share industrial sector to National GDP : 28%)

INVOLVEMENT OF SMIs IN GVC

Since 1970s

- SMIs producing car seats around Jakarta have supplied for TOYOTA company.
- SMIs companies producing balls in West Java have supplied to ADIDAS company.
- SMIs shoe-maker have supplied to NIKE and REEBOK company.

AUTOMOTIVE INDUSTRY

- No. of car manuf. 22 companies, motorcycles 77 companies, component manuf. 1,245 companies.
- Sales of cars 533,917 units/year, motorcycles 5,086,617 units/year
- The number of car 12 million units, motorcycle 33 million units
- CBU car export (2005) was 17,805 units and CKD car export was 103,370 units.
- Total sales of parts and components increased significantly from US\$ 1.53 billion in 2000 to US\$ 5.13 billion in 2005.
- Export parts and components reached US\$ 1.48 billion

4 TYPES OF SMIs INVOLVE IN GVC

1. SMIs producing parts and components supply to Original Equipment Manufacturing (OEM) and suppliers, such as in automotive industries.
2. SMIs are part of production process of foreign partner company , such as in garment industries.
3. SMIs are packers of foreign partners products, such as in the electronic industries.
4. SMIs are supplier of end products, such as food products to foreign retail companies.

OPPORTUNITY AND RISK OF SMIs IN COLLABORATION WITH GLOBAL COMPANY

- OPPORTUNITIES i.e :
 - Increase access into global market
 - Transfer new technology and knowledge
 - Establish good reputation to market and investors.
- RISK i.e :
 - Create dependence from foreign partner companies (market, technology, system)
 - Loose of creativity and innovation
 - Possibility to claim IPR of the SMIs creativities and design.

GOVERNMENT POLICIES TO SUPPORT SMIs

- Created Ministry of Cooperatives and SMEs
- Promote business networking between international companies and local SMIs
- Encourage large companies (private or state-owned enterprises) to have inter-linkage with the SMIs
- Tax exemption for raw materials and machineries import for new investment
- Accelerate amortization on machinery and equipment
- Provide special facilities to investor in accessing import licence, immigration and land-use certificate
- Enforcement of IPR Law.
- State-owned enterprises to put aside certain percentage of the profits for SMIs promotion
- Credit Guarantee Fund to facilitate loan from Banks.

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- R & D Institutes to assist SMIs in design, standard and quality products development.
- Training to improve technical, managerial and marketing skill for global market.
- Strengthen Common Service Facilities to stimulate modernization of technology and equipments of SMIs.
- Facilitate SMIs to enter global market through comparative studies, exhibitions, trade and investment missions, etc.

CONCLUSION

1. Involvement of Indonesian SMIs in the GVC is important for Indonesian economy.
2. Support from OECD and non-OECD member countries are needed to speed up Indonesian SMIs to join Global Value Chain.

THANK YOU