

Interview: Airlangga Hartarto – Minister of Industry, Indonesia



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Airlangga Hartarto, Indonesia’s minister of industry, explains the Ministry’s commitment to

talent pool development, economic capital availability, and technology implementation within the national industrial landscape. Furthermore, he highlights the role of the governmental institution to create a positive ecosystem between the public and private stakeholders playing a role in the implementation of Universal Healthcare Coverage (JKN).

Could you please introduce the main concerns of the Ministry of Industry of Indonesia?

The Ministry of Industry in Indonesia runs several strategic programmes, including the development of small and medium sized companies as well as the development of the natural resources-based, export-oriented and labour-intensive industries. At the same time, we are focused on strengthening human capital through industrial vocation initiatives and deepening the industrial structure by enhancing the whole industrial value chain. Lastly, we are very committed to developing industrial clusters.

Concretely, the pharmaceutical sector represents around 9.8 percent of the non-oil and gas industry GDP contributors and therefore, pharmaceuticals is one of our main concerns.

Our job in the healthcare industry is to build up the business environment needed to foster the domestic manufacturing of medicines as well as medical equipment. Indonesia is the fourth most populous country worldwide and consequently, it is a strategic market for healthcare companies because of the current and the future potential that it offers; even more since 2014 when the

Universal Healthcare Coverage (JKN) started its implementation. We consider that to fulfil the national needs it is highly important to produce locally. Both national as well as international players have to collaborate in order to bring high quality, effective, and cost attractive healthcare solutions to the entire Indonesian health system.

In this sense, the Ministry of Industry is highly committed and devoted in building up the business-friendly environment needed to increase domestic manufacturing and enhance patients' access to care.

Your mandate is expected to end in 2019, what is your action plan to achieve your goals until then?

We are fully aware that in order to create a strong domestic industry we need to attract both foreign and national direct investments to Indonesia. Thus, we are actively working on creating the regulatory environment that will certainly bring those investments through several legal initiatives, e.g. tax incentives.

Indonesia is one of the strongest pharmaceutical markets within the region. Indeed, it is valued a 5.5 billion USD market with an incredible 12.6 percent annual growth, which is expected to further grow to 12 billion USD value by 2020. What are the steps that the pharmaceutical industry should undertake in order to leverage such growth potential? And what is the Ministry of Industry currently doing to bring the pharmaceutical industry to that level?

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Firstly, the implementation of the Universal Healthcare Coverage (JKN) is going to be one of the main drivers of the industry's growth. Hence, private industry has to be at the forefront of the implementation of the aforementioned promising governmental program through constructive Public and Private Partnerships (PPPs).

Secondly, the pharmaceutical industry has to vertically integrate its business across their value chain, which means reducing its current dependence on API imports from countries such as China and India; especially for highly demanded medicines like Paracetamol.

Thirdly, technology plays an important role to enhance the operational efficiency ratios of the pharmaceutical industry, which is crucial for those companies that want to take advantage of the huge local market through enlarging patient access to their medicines.

Fourthly, pharmaceutical companies have to quickly adapt their offering and procedures to those local regulatory specifications such as the Halal law, which might soon be applicable for pharmaceutical products.

As you indicated, JKN is going to be one of the main growth drivers of the Indonesian pharmaceutical industry. Could you expand on how engaged the Ministry of Industry is in the successful implementation of this promising governmental healthcare project?

The successful implementation of JKN will highly depend on the financial capability of the Indonesian Public Insurance Agency (BPJS). Hence, private industry has the duty to help the government to meet the national health goals through creating symbiotic PPPs.

The Ministry of Industry is highly active in finding the best ways to minimize the cost for manufacturing healthcare solutions locally in order to help private companies to be profitable within

the JKN scheme and ultimately enlarging the patients' market access to such solutions.

Technology can certainly create efficiency breakthroughs within the pharmaceutical industrial arena; in this sense, the Ministry of Industry is highly committed to introducing high-end technologies in the industrial processes. Could you expand on how the Ministry of Industry is fostering technology implementation in the country?

The Ministry of Industry is providing the environment needed in Indonesia to create innovation and embrace technology. Thus, the Ministry of Industry plays a role through designing and implementing regulatory friendly actions like investment fiscal allowances and stronger Intellectual Property (IP) rights.

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One of your strategies to gain competitiveness is to enhance the quality of human capital in the industry. Considering that domestic talent pool in Indonesia is still limited, what are the initiatives that you are undertaking to develop human capital in the industrial arena?

We have just started implementing the so called "Vocational school" program, which is an early career training initiative that has been adopted from European countries such as Switzerland, Germany, and Austria. In this sense, the students that are enrolled in the "vocational program" will be 50 percent of their time in classes and the remaining 50 percent working as an intern in a company. We strongly believe that this program will reduce the gap between the education delivered and the industry needs. My objective is to have 1,000,000 students enrolled in the commented educational initiative by 2020.

Referring to the pharmaceutical industry, the "Vocational school" program is more tailored to the chemical analysis arena, which is highly needed in Indonesia.

One of your main concerns is to increase the role of the national industry as a pillar and a driver of the national economy. However, looking at the pharmaceutical industry, 95 percent of the APIs are imported from countries such as India and China. What is the Ministry of Industry doing in order to reduce the country's dependence on pharmaceutical imports?

The reduction of dependence on APIs' imports is one of our main action lines since it is highly needed to strengthen the domestic industry. Again, our role here is about creating the regulatory allowances that will increase the manufacturing attractiveness of Indonesia and, as a result, integrate the pharmaceutical industry vertically.

Foreign and domestic direct investments play a key role in the development of the national healthcare industry. What are Indonesia's competitive advantages to attract investments in the healthcare industry?

It is important to highlight that Indonesia is the most populous country within the ASEAN region and it already embeds attractive opportunities that differentiates us from any other nation, at least in terms of market size. In addition, we have already implemented some fiscal allowances like "Zero Tariff" that position Indonesia as an attractive country to serve both the national and regional demand.

What are the main objectives that you would like to accomplish in the upcoming years?

The main priority on my agenda is to increase the GDP contribution of the industry from 30 percent now to 34 percent in 2019. Secondly, I want to enhance the professionalism of the talent pool as well

as foster the creation of high quality job post. Finally, I want to build up industrial capabilities not only in Java but also in other geographic locations within the Indonesian country.

From a personal standpoint, what is the legacy that you would like to leave before ending your mandate in 2019?

I want to ensure that the national industrial landscape is on the right track â?? supported by a business-friendly environment that brings the investment needed, expands the domestic industry, and increases the confidence of the private business community to local manufacturing.

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