

Interview: Chris Wren Executive Director, BritCham Indonesia



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Chris Wren, Executive Director of BritCham for the last ten years, explains the changes that have happened on the Indonesian market as well as opportunities for foreign companies to invest more in the upcoming years.

BritCham is one of the most dynamic international business chambers in Indonesia. Can you please give our readers an assessment of the challenges and opportunities that you face nowadays and how are they different from the ones you faced almost ten years ago when you started to manage the Chamber?

The Chamber has existed under different forms since 1989. At first, it was an informal business association, fairly restricted in its actions and with a limited public profile. However, in 1999 we were incorporated as the British Chamber of Commerce in Indonesia and the organization became more community-based and socially active. I was able to come off our board and take on this role because I wanted to shift our profile to more of a business organization. We became more pro-active than reactive, following the dynamic of our members.

We have also removed the necessity to be British or British-linked to be a member of the chamber. We are now a multinational organization, retaining a significant British feel but the dilution of total Britishness is reflected in our current membership made up of around 65 percent British or British-linked companies, the rest being mainly Indonesian entities in different forms. This characteristic has led to an opportunity for greater integration between the different needs of British and Indonesian businesses. It also acknowledges that we are in a global marketplace and presents a lot of opportunities on both sides.

We have the reputation as one of the most active chambers in this country. Our membership is composed of around 230 entities represented by a community of around 800 nominees who can act and interact as members of the chamber. We hold around 65 events a year, ranging from small niche roundtables to bigger networking events. We are also the only chamber with a professional women's group set up in acknowledgement of the fact that women face different challenges than men in business. We were the first chamber to create a young professionals group which embraces younger Indonesians who have come back from the UK as the influencers of the future.

We also are the only chamber with a community portfolio, giving young people a sporting chance, which is the perfect example of how we are ready for change within the organization. This portfolio was created at a time when Indonesia made it mandatory for companies to dedicate five percent of their budget to CSR. As the law was not especially clear, this portfolio was a short-term solution for our members to invest in in order to comply with the regulation. Up until now, we have helped more than 500 children through various programs and it has also helped the European Union become established as a national support.

The fifth edition of the joint Euro business confidence Index (BCI), conceived and managed by BritCham, was published in March 2017 and signals that 49 percent of European businesses have a positive outlook on Indonesia with revenues, profits and headcounts all expected to increase. What do you believe is Indonesia's attractiveness and competitive position in the region and what advancements have you seen in recent years?

While for the first three years, it was only composed of the Chamber's members, this index is now open to the members of our partners as well which gives a more European outlook. It is quite interesting to see that 49 percent have a positive opinion of Indonesia because it represents half of the businesses that are installed here. Most companies are saying that it is still difficult to do business, even if it is getting better with 78 percent of revenues going up and 60 percent of profits going up as well. Moreover, 59 percent of companies have seen an increase in their headcount which means proper and long-term employment opportunities in the country.

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However, the most significant result for us is that only 14 percent have a negative outlook. This result might be explained by the challenges in doing business in Indonesia. Even if the government is slowly improving the situation, regulatory environment, bureaucracy and red tape and most recently, increase in the perception of political and social instability have a significant impact. Moreover, 37 percent of companies have a neutral opinion so we are working on influencing them towards a positive opinion.

How is Brexit going to impact business between the two countries?

I think the Brexit question is really over-talked as the reality is that nothing has happened yet and it will take at least two years before we can see the consequences of Brexit. Right now, it is mostly guessing and counter-guessing. However, now, a few months after Brexit and with everybody finally understanding that nothing will change for the next two years, strategic British businesses are already thinking about the potential consequences. These companies understand that, in the worst-case scenario, they will need to invest in new markets and, in the best-case scenario, will keep the same trade agreements with Europe *and* will have added South-East Asia to their portfolio. Because of the fact that BritCham is the go-to platform for market access support for companies in the UK who want to export, invest or set up representation, distributors, or agents in Indonesia, we have seen an unprecedented level of interest in South-East Asia and especially Indonesia in the last six months, as it is the largest and most consistent GDP growth market in the region. We are directly

engaged with more British businesses than ever before and therefore, Brexit in the context of business, is widening the scope of opportunities for companies.

Looking specifically at the pharmaceutical and healthcare sector, what challenges and opportunities do you see at the moment?

From what I have seen, SMEs, manufacturers and re-exporters are not discouraged by all the talk about moving to the halal law. There are still companies that are interested in exporting their healthcare products to this market. They know the journey is a little bit more complicated and longer than usual but they are not scared.

As for multinationals, they have greater opportunities with JKN but the challenges have not changed over the years. They are still worried about protectionism. The government wants to be more open towards investment but at the same time wants to protect local players. However, they are making an effort on the regulatory front. With the ASEAN Economic Community, Indonesia is trying to de-complexify the new drug approval process. Another challenge is with the new patent law which requires local manufacturing of patented products and stricter compulsory licensing requirements. The Indonesian government has learned to be pragmatic even if it has always wanted to over-regulate the market and be more conservative. I think multinationals are now confident that somehow, the government will find a pragmatic solution to the halal law and new patent law situation.

Moreover, it is not preventing multinationals from investing. An IPMG report showed that companies like Bayer and Novartis are investing in manufacturing here. However, the distinction should be made between a company that is already in the country and one which is thinking about entering. If you are already here, it is just more time-consuming but it does not stop the business, while it is more difficult for a company that is not investing here already to start doing business here without a proper knowledge of the market; that is why we are here.

In 2014, the Indonesian government launched Jaminan Kesehatan Nasional (JKN), a universal health care system for the Indonesian population. How do you see this reform impacting the attractiveness of the sector?

From a macro perspective, Indonesia is backwards in terms of the development of sectors such as healthcare and education. This reform is a positive step in recognition of that. They have to start somewhere and targeting the neediest at the beginning is a good sign of an evolving and maturing democracy. The regulation is very well-intentioned. First, companies wanted to see how it was going to change the business environment but now, multinationals actually have the biggest portfolio in JKN and they are seeing a growth in the public sector faster than the private market which is a positive development. Nonetheless, as the government is focused on pushing down prices, they are not considering cost-effectiveness which is most challenging for innovative products so the government still needs to improve its system.

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The British Chamber is part of Britain in South East Asia or BiSEA, a group of South-East Asian Chambers. Can you tell us more about this group and what the organization's major objectives are?

It is an informal grouping of different British Chambers and business associations in South-East Asia with the exception of Laos and Brunei. BiSEA is effective in two ways. First, it allows the chamber to learn about how to grow and develop with best practices. For example, we are learning from Singapore's Chamber which has been established for a lot longer. At the other end, it is also

helping our members and they are benefitting from the replication in its various forms. They can use the network and knowledge of other chambers as well.

It is also regarded as a very powerful unit back in Britain. The motivation behind its inception was our fatigue at all the political attention on China and India. Singularly, no one ASEAN market can command the same attention but when we put ourselves together as a block, it is very clear that this group is the third largest opportunity market in the world and comprises both mature and emerging markets. When we go back to the UK and talk to various players, we are now welcomed and considered in discussions.

How do you see the relationship between Britain and Indonesia evolving in the next five years and what are your objectives for the British Chamber?

The Anglo-Indonesian relationship goes back a long way. The companies that have invested here clearly came in on a long-term basis and remain invested. One out of two companies will reinvest significantly in the upcoming years. The Indonesian relationship with Britain is also stronger than with the rest of Europe. When the President of Indonesia visited several European countries last year to negotiate deals across several sectors, more than USD 18 billion of deals were made between Indonesia and Great Britain out of the USD 22 billion worth of deals.

BritCham should remember what its role is for the next few years; to support B-to-B engagement and provide intelligence for the government to be able to use at different levels. If we manage to keep these goals as our main role, then we will still be relevant and innovative.

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