

LOCAL CONTENT 30%:

Pushing Down Import, Pushing Forward the Added Value of Local Products

Government launches some policies to push down the influx of imported goods and raising up the value of local industrial products. The magnitude of the domestic market potency is also a big chance to push forward the growth of local industries and Small and Medium Enterprises that proved to be one of the main pillar for the national economic resilience.

To reinforce domestic market and push down the influx of import goods, Republic of Indonesia Minister of Trade has some techniques and strategies. One of them is to support and promote the obligation of increasing the use of local components for many variations of global branded goods that had been circulating in the local market.

That is reflected from the participation of Minister of Home Affairs Rachmat Gobel in the signing of rules about Local Content of 4G LTE smartphone, along with Minister of Communication and Informatics Rudiantara, and Minister of Industry Saleh Husin, the previous Friday (3/7/2015). In the rules that was planned to be in effect on the upcoming 1 January 2017, 4G LTE smartphone that is Frequency-division Duplex (FDD) based is required to have a minimal of 30% local content to enter the market of Indonesia.

Besides, the calculation of smartphone Local Contents in that rule not only involves the hardware but also the software. That is, as an effort to push down import that had always been happening. Along with that, this rule enforcement in the future is also expected to open the opportunities for the local human resources to be involved in this kind of large-scale goods.

The good news is, about 16 cellphone producer had already prepared themselves to build manufacturing factory, or cooperated to do the local assembly. They even had met the 20% Local Content. Those brands are Polytron, Evercoss, Advan, Axioo, Mito, Gosco, SPC, Asiafone, Oppo, Haier, Huawei, Smartfren, Bolt, Ivo, Lenovo, and Samsung. The total production capacity reaches the number of 23.02 million per year.

“We will support the rule fully. Because we want the added value, do not let Indonesian market become a place of import product that we actually can create ourselves,” said Rahmat that time.

As a form of commitment from the Ministry of Home Affairs in the effort of increasing the use of local components in those various international-scale industries, nowadays the Minister of Home Affairs Rachmat Gobel was found to observe various otomotive and electronic factories.

Those efforts were done in order to make sure the readiness as well as commitment from the businessmen that support goverment policies. From some of the Minister of Home Affairs’ work visit positive responses were from the industry principals in Indonesia were visible, especially in the automotive sector.

For example, the supporting components industry factories that keeps on improving the product quality, as well as expanding localization and investment of their companies in Indonesia. For instance, PT Denso Indonesia that opened new factory in Bekasi, West Java, with investment value of Rp1.4 trillion.

In that new factory, Denso will assemble some high technology components like Engine and Sonar ECU, Alternator, Starter Motor Evaporator, and VCT. According to Denso Indonesia Director A. Hartoyo, those products are not only marketed domestically but also exported to some countries in America, Europe, and Asia.

Reciprocally, PT Astra Daihatsu Motor (ADM) that owns Research and Development Center facility, and used by ADM to support the transfer of technology by keeping improving their products. Assembly and manufacture of components are included.

According to Minister of Local Affairs Rachmat, this government policy is not impossible to be realized. It is, he said, because domestic industries had already been supported by capable resources, and also already had vehicle components industry which is needed by automotive industry.

“This support is proven to produce products that match the quality standard in global market,” said Minister of Local Affairs Rachmat Gobel when tandas Mendag Rachmat Gobel saat Kunjungan Kerja (Kunker) ke PT Suzuki Indomobil Motor, (29/5).

Not without any reason, Minister of Local Affairs Rachmat’s remark was based on the facts that showed Indonesian vehicle components industry product have become well-selling product in international market.

One of the companies that gets profit from the export of the components is PT Astra Honda Motor (AHM). PT AHM had already gained component export value to Rp853 billion each year.

Nationally, component export made by automotive principal in Indonesia – starting from large industries to Small and Medium Enterprises undergo positive growth. Data of Indonesian Vehicle Industries Union show that the components export volume of January-June 2015 period increased to 74% or 2.4 million pieces compared to the achievement in 2014 at the same period, which was about 1.38 pieces.

Latest development even mentioned that Indonesian component products was high in demand in some countries like Taiwan. Indonesian Trading and Economy Office in Taipei said, in the previous January-February 2015 period, component products and vehicle accessories export with the code HS 8714 (parts and accessories of the vehicles of headings 87.11 to 87.13) increased more than 2000%, or about US\$ 6.68 million.

Based on the information obtained by PDN, aside from automotive products, there are also electrical products like capacitor, motor and generator, as well as battery and cell battery that underwent increase of demand in Taiwan market.

This struggle of Indonesian components product, is actually directly proportional to vehicle export increase which showed positive improvement graph. The proof was when the Minister of Local Affairs went on work visit to PT Suzuki Indomobil Motor Plant Cikarang in Delta Mas City Industry Area, Cikarang, Bekasi District, the previous 29 Mei 2015.

On this occasion, Minister of Local Affairs emphasized that Suzuki and also other automotive companies can encourage the increase of their products' export volume to overseas. The challenge from the Minister of Local Affairs was accepted enthusiastically by Suzuki President Director Shuji Oishi. He said that Suzuki Indonesia now exports about 25000 units of four-wheeled to 25 countries, like Saudi Arabian, Philipina, United Arab Emirates, Thailand, and Japan.

“We are committed to increase export and investment firther. In the future, the export volume will also increase to 30000 units,” said the high-spirited Oishi. The same commitment was also showed by President Director PT Isuzu Astra Motor Indonesia (IAMI), Yohannes Nangoi. According to him, IAMI will start to export vehicles in full set or completely build up (CBU) in the upcoming 2016.

Those efforts, said Yohannes, were of the request of Minister of Local Affairs Rachmat Gobel that – in work visit the previous 7 April 2015 – asked that 20% of the Isuzu CPU production capacity be reserved for export market. “We actually had already been exporting around 250000 units of block engine to Thailand and also to Japan each year,” said Yohannes.

On the other side, the automotive products that were exported in the form of CBU were also using quite large number of local component products. For example, PT Astra Daihatsu Motor (ADM) that keeps on improving the Local Contents in their products.

ADM Manufacturing Director Pongky Prabowo, said that Local Content in the whole products of PT ADM are now reaching 86% in number. That number, he said, will be improved to 100%. “Now, around 15% of ADM total production is being thrown to export market in 40 countries,” he said.

More surprising, PT ADM is actually involving the role of Small and Medium Enterprises inside. It is noted that aroun 846 Small and Medium Enterprises in spare part field are being involved in supplying about 86 kinds of components for their inexpensive ecological-friendly cars, Astra Daihatsu Ayla.

Aside from ADM, there are also other big names in automotive industry that are using Local Components in their products, like PT Toyota Motor Manufacturing Indonesia (TMMIN). TMMIN enclosed 60% Local Contents in the products they exported to overseas.

The other examples are Honda Mobilio product from PT Honda Prospect Motor (HPM). The Local Content in this car, which are favoured by many youngsters, reached about 86%. With this condition, it is natural that many of the observers and industry that evaluate the trend and interest in national industry today is more oriented to export market and forming a global brand. (ccp/amf)