



# Protecting resources

## INDONESIA IMPRESSES WITH SUSTAINABLE FORESTRY AND NATURAL INGREDIENTS IN ORGANIC QUALITY



Indonesia is made up of over 17,000 islands in Southeast Asia. The country offers high biodiversity and is rich in natural resources. This is an advantage for products such as natural ingredients for food, pharmaceuticals and cosmetics. Furthermore, the timber industry is traditionally well developed. The island state has long been involved in international trade, but in the past, it was mainly raw materials which were exported. Within the framework of a National Long Term Development Plan, the Indonesian government is pursuing the strategy of promoting processing within the country and thus creating additional value.

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## IPD PRODUCT GROUPS

### Natural ingredients for food

+ e.g. coconut products and spices

### Natural ingredients for pharmaceuticals and cosmetics

+ e.g. essential oils and herbal extracts

### Sustainable wood products

+ e.g. plywood such as teak and meranti; laminates; glued panels from fast-growing woods such as jabon and albasia



## IPD ACTIVITIES IN INDONESIA

In Indonesia, the Import Promotion Desk (IPD) is active in the sectors sustainable wood production, as well as natural ingredients for food, pharmaceuticals and cosmetics. Since 2014, the IPD has been supporting small and medium-sized enterprises and assisting them in gaining a foothold in the European market.

Forestry, agriculture and related industries account for a significant share of Indonesia's gross domestic product and are important employers. They secure income opportunities and thus also prospects for the (young) population in rural regions. The exporters in the IPD programme usually work with small farmers. To produce natural ingredients, the smallholders are often organised in cooperatives; lightwood also originates from smallholder farming, often agro-forestry.

## CHALLENGES: PERSUASION AND MATCHMAKING

In the wood sector, the IPD focuses on producers of fast-growing and light woods. Materials made from Indonesian lightwood are still little known on the European market and even in Indonesia itself, lightwood was long considered inferior to tropical hardwood. Through tests in a German testing laboratory, the IPD has determined the most important properties and compiled them into a brochure. Now, the IPD is using these results to promote Indonesian lightwood at trade fairs and specialist events. At the same time, the IPD is working to persuade Indonesian state authorities to allow lightwood companies to benefit from export promotion measures.

In addition, many Indonesian exporters lack basic market knowledge and, above all, contacts with European traders. IPD experts provide exporters with an overview of quality requirements and prepare them specifically for matchmaking. Many producers need support in intercultural communication and negotiation skills. The IPD offers special training and connects exporters and importers – for example at trade fairs.





**Lenny Saputro**  
General Manager  
PT. Pinako Rotari Permai,  
Indonesia

»As a family-owned company, responsibility and sustainability are particularly important to us. The IPD has helped us a lot to gain a foothold in the European market. Since we now also offer lightwood panels, our exports to Europe have been rising continuously. This is the way to go.«



### OPPORTUNITIES: SUSTAINABLE MANAGEMENT

Indonesia is the only country so far to have successfully completed the Voluntary Partnership Agreement (VPA) process with the EU. Under this agreement, Indonesia has established a control system to ensure the legality of exported timber products. Documents known as "FLEGT" licences confirm the legal origin of the exported timber products and exempt European importers from due diligence requirements under the European Timber Trade Regulation (EUTR).

In the sector of natural ingredients, the IPD works with many companies that offer products – such as coconut oil, coconut blossom sugar or spices – in organic quality. In addition, there is a focus on natural ingredients for the cosmetics industry. Due to its biodiversity and the high number of endemic plants, the country has a natural advantage in this segment, which has been little exploited so far. The Indonesian government has already launched promotional measures. Together with the Dutch import promotion programme Centre for the Promotion of Imports from Developing Countries (CBI), the IPD is supporting this initiative and promoting producers of essential oils and herbal extracts.

### SUPPORT FOR EXPORTERS: PREPARATION FOR THE EUROPEAN MARKET

A framework agreement on cooperation between the EU and Indonesia has existed since 2009; a more far-reaching trade agreement has been under discussion since 2016. Forestry and agricultural products are of great importance for foreign trade. The supply from the island state is diverse. On the one hand, the large number of producers ensures the ability to deliver, but on the other hand it leads to a certain lack of clarity on the market. Through sourcing, pre-selecting and preparing exporters, the IPD plays an important role as a mediator. It identifies export-ready companies and prepares them for the European market. Furthermore, the IPD advises and supports further development of products and helps with access to specialised market segments.

### AT A GLANCE: ACTIVITIES OF THE IPD

- + Regular **sourcing missions** in Indonesia for the selection and evaluation of small and medium-sized enterprises
- + Provision of **market information** on various products
- + **B2B matchmaking activities** at European **trade fairs**, (e.g. Interzum, ZOW, Biofach, Anuga, SIAL, Food Ingredients Europe, In-Cosmetics)
- + **Virtual B2B events** to network with suitable importers in Europe (e.g. virtual B2B Indonesia Lightwood, Biofach eSPECIAL)
- + **Training** on export-relevant topics (e.g. corporate social responsibility [CSR], export market strategy, sales & negotiation skills)
- + **Specific workshops** (e.g. coconut sugar quality, CE certification for plywood panels)
- + **Study/orientation trips** and guided visits for market orientation as well as follow-up of business contacts



## IPD COMMITMENT IN NUMBERS

+ Number of IPD companies in Indonesia:	<b>47</b>
+ Number of business deals:	<b>119</b>
+ Export turnover to Europe (in €m):	<b>23</b>
+ Jobs created so far:	<b>1,003</b>

Finally, IPD experts accompany exporters on the last mile to the European market and connect them with European importers – through trade fairs, buying missions and virtual B2B events.

The IPD's comprehensive training programme enables partner companies to implement operational improvements in many areas and thus increase their competitiveness. The long-term goal of the IPD programme is to establish sustainable trade relations.

## COOPERATION WITH LOCAL PARTNERS: SUSTAINABLE STRUCTURES FOR EXPORT PROMOTION

To promote lightwood products in Indonesia, the IPD works closely with the lightwood association and the Ministry of Trade – Directorate General for National Export Development (DGNEDE). Together with local partners, the IPD succeeded in ensuring that lightwood producers were also included in the government's export promotion programme.

Moreover, the International Lightwood Cooperation Forum was established. In addition, DGNEDE staff participated in various training courses offered by the IPD specifically to Business Support Organisations (BSOs) in order to support national export promotion.

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