

Distribution Services in Indonesia

Liberalization and GATS
commitment

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Distribution Services in Indonesia

- Contribute more than 20% of GDP
- Has the largest number of business unit
- Labor-intensive sector; small-scale business absorb employment the most
- Mostly are in the form of traditional business unit: unregistered family business retail, low wages

Distribution Services in Indonesia

- Characteristics of small-scale business:
low & self-financing; low level of education & not equipped by sufficient management & business skill; using low level of technology

Table 1. The employment of small-scale, medium-scale, and large-scale business of Trade sector, 2001

Small-Scale Business	Medium-Scale Business	Large-Scale Business	Total
6,682,274	1,499,050	28,556	8,209,880
81.39%	18.26%	0.35%	100%

Actual condition

- Foreign retailers are allowed to have 100% capitalization since 1998
- modern retail increased rapidly, sales turnover grew 26% per-year; traditional retail grew –6.06% per-year
- Potential in terms of high population attracted investors,
- Franchising: first established 1970, dominated by foreign, emerged due to liberalization, the highest turnover: restaurant
- Restrictions : in terms of zoning, minimum capital, the price, the quality standard

Reform priorities

- Government prior to ensure the distribution of goods/services in particular the basic needs for Indonesian people
- improve the business climate through regulatory framework
- government provides some facilities for small-scale business (financial, technology, training to increase the professionalism, business networking development, creating standardization policy to improve the local quality)

Benefit of international negotiation

- Giving the opportunity for small and medium scale business to compete with foreign business.
- Liberalization will create work opportunities for Indonesian people
- International cooperation will give advantage to all Indonesian people, but in the short term it needs a hard work for all parties because it could imply a financial loss to whom that loss in competition. Thus, the government tries to facilitate the economic activities to be more fair and not give disadvantage to domestic player.
- Open the opportunity to export this service
- However, social and political condition play significant role for government in determining Indonesia's position in WTO.