

CHALLENGES FOR BUSINESS IN TIMES OF UNCERTAINTY¹

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Since the start of the globalization processes, nations, businesses and people are brought much closer, due to ease of communications as well as transportations. Any sudden events, such as avian flu pandemic (which hopefully will not happen), surging oil prices, continuing threats of terrorism, which happen any where in the world will be quickly known all over the world, therefore reactions to such events will be almost immediate and the impacts on businesses are seen in the fluctuations of the Stock Exchange Indexes all over the World.

Currently, beside three uncertainties mentioned above, there are other uncertainties which could greatly affect businesses in the Asia Pacific Region:

1. Any sudden changes in China Financial and Businesses Conditions.
2. Continuing uncertainties of the Doha round of WTO and increasing number of bilateral FTA's between Asia Pacific Countries.
3. Possible pollution threats, due to rising oil demands from China, which are currently transported through the Malacca Straits. Currently, approximately 12 millions Bbls are transported, partially by VLCC's which need 5 miles to stop in the narrow and heavily used Malacca Straits.

Successful businesses are generally ready to meet the challenges of these uncertainties. Most successful businesses already have an on line Management Information System, which can be assessed by the Management any time of the day. Good Corporate Governance has been implemented, with its Audit Committee, Appointment and Compensation Committee, plus Risk Assessment Committee which will continuously monitor any unexpected changes in the business climate due to sudden uncertainties.

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The Risk Assessment Committee will normally have a comprehensive and up to date database to support immediate evaluation of any uncertainties which may occur. The Committee will review under takings of large projects, and any unusual conditions which are not included in the Standard Operating Procedures which are developed only for normal business conditions.

Our experience in Indonesia, since the financial crises in 1997, taught us to be always ready for these uncertainties. For example, our Tourism Industry, still suffering from two Bali bombings, is now facing threats of Avian Flu, continuing threats of terrorism and surging oil prices which affect air transportation.

The impacts on Indonesia's tourism industry are further felt by food, entertainment and handicraft industries as well as other businesses.

The Indonesians Government, including Provincial Governments, have tried to convince that it's safe to travel to Indonesia, but until today foreign tourist arrivals, particularly Western Tourists, are still very low. Fortunately, our Asia Pacific friends from Taiwan, China, Korea and Japan as well as our Asean friends are fully supporting us.

We have now more tourists from Asia Pacific Countries as well our own domestic tourists. Therefore our efforts are now more concentrated to attract Asia Pacific tourists, while still waiting for the Western tourists to realize that Indonesia is as safe as London or Madrid in term of tourism.

The way Government manages its economy will also have great influence on how businesses face the challenges of uncertainty.

IMD Switzerland, published IMD World Competitiveness Yearbook every year. The IMD World Competitiveness analyse how nations and enterprises manage the totality of their competencies to achieve increase prosperities they include:

- **Economic Performance:**

- Macro economic evaluation of the domestic economy.

•• **Government Efficiency:**

Extent to which government policies are conducive to competitiveness.

•• **Business Efficiency:**

Extent to which enterprises are performing in an innovative, profitable and responsible manner.

•• **Infrastructure:**

Extent to which basic, technological, scientific and human resources meet the needs of business.

Indonesia, currently the least competitive nation of the 15 Asia Pacific Nations evaluated in the survey, is finally starting to take action. The Government of Indonesia is promoting Infrastructure Projects. Currently, there is the 2nd Infrastructure Forum held in Jakarta. Our economic and political reforms have also shown good results. Our macro economic condition is very stable with sufficient foreign reserves. We have fully paid the IMF emergency loans and we manage our own economy without IMF's interferences, which generally are damaging rather than helping the Indonesian Economy.

We are also finalizing our Tax Laws to eliminate discriminations between foreign and domestic companies and to be competitive at least against our Asean friends. We will have incentives to balance our rather tough Labour Law.

We are working on offering attractive incentives to promote foreign investments. A new committee has been appointed to recommend any immediate actions needed to promote investment and enhance business climate.

We believe Indonesia is now ready to face the challenge of uncertainties as good as any other Asia Pacific Nations. May God bless us all.