

# SIPPO Newsletter.

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## Editorial.



SIPPO is active in a very wide range of Asian countries. While many small and medium-sized enterprises from Indonesia and Vietnam have already established themselves successfully on the European export market, and Swiss importers already enjoy and maintain good business relations in these two countries, this is the case in only very few other Asian countries. Nepal is one such example. Nepalese producers of natural ingredients have hardly been able to develop long-lasting business relations in this sector in Europe single-handedly. With the successful participation by Nepalese suppliers at BioFach 2011 and the involvement of the country's export promotion agency, TECP, SIPPO's aim is to make it easier for Nepal to enter the Swiss and EU markets and, in the medium term, to support TECP in having at its own national stand at Europe's most important organic trade fair.

Rita Stupf  
Head of Development Services

## From rice farming to ICT.

**Electronic goods from Asia used to be regarded as being of inferior quality – but in the meantime, they have conquered the global market. Even Apple products, which are revered for their quality, are now manufactured by Foxconn in China or contain Samsung components. The growth of the Asian ICT sector also includes the South-east Asian nations of Vietnam and Indonesia. The ICT sector is still small in these two countries compared with other states in Asia, but the high growth rates in investments and exports confirm the great momentum.**

The ICT sector is of great importance to Vietnam and Indonesia. The governments of both nations are promoting this growth by creating favourable parameters. This includes the development of ICT-oriented degrees, with Vietnam almost doubling the number of freshmen within three years. In the coming years, Indonesia plans to increase the ratio of computers to pupils to 1:20 in public schools. (This ratio currently stands at 1:3200.)

But ICT is not only important in education. Indonesia announced its ePassport scheme in 2010. Moreover, the country has the fastest growing mobile telephone market in the Asia-Pacific region, with experts predicting that there will be 391 million mobile telephones in the country by 2015. The Vietnamese government is providing support to newly founded companies in the ICT sector,



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including firms owned by foreigners. Quang Trung Software City was Vietnam's first high-tech park and opened in Ho Chi Minh City (Saigon) in 2001. Six further parks have followed since then. And the American investment fund, IDG, has also invested \$550 million in new start-ups, existing companies and training in the ICT sector to date.

The future looks bright. Indonesia is expecting growth of 17 % in its ICT sector in the coming years, while Vietnam is planning to double its ICT share of GDP to 20 % by 2020.

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### Background information on Indonesia

Indonesia has experienced severe natural disasters and economic problems in recent years. Fortunately, it has overcome these low points and is currently enjoying an economic boom. The vast amount of natural resources (including oil, natural gas, palm oil and tropical timber) remains a constant source of income. Textiles, clothing, rubber, oil and wooden goods are important export products. Goldman Sachs includes Indonesia in a group of countries (Next Eleven)



that has great potential to become a major economic power in the 21st century. At the same time, a quarter of the population lives below the poverty line and around half of the country's inhabitants work in the agricultural sector.

## Can Indonesian wood conquer the European market?

Current climate change and illegal deforestation issues have led to the majority of purchasers from the EU and USA requiring certification to prove that wood has been legally sourced. FSC is one type of certificate that proves wood is legal and is accepted by most purchasers. The Indonesian government takes these two issues very seriously. It is currently revising its national system to safeguard the legality of wood, which was introduced in 2009. Voluntary partnership agreements (VPA) are used to put the EU's FLEGT system into effect. Indonesia signed a FLEGT VPA with the EU in May of this year. This agreement has been praised for its high level of transparency in the development of joint partnerships, its

robust monitoring process and its inclusion of a constant improvement mechanism. In addition, the Indonesian Furniture Industry and Handicraft Association (ASMINDO) set up the ASMINDO certification scheme in 2009 to help the furniture industry obtain FSC certification. Finally, two forests managed by Perum Perhutani (a state-owned



company) – KPH Kendal (SA-FM/COC-002952) and Kebon Harjo (SA-FM/COC-002951) – were awarded FSC certification on 6 September 2011. With an extra 38,043.43 hectares of FSC-certified forests, the companies are convinced that it will be easier to procure FSC wood for their products. It is thus very likely that Indonesia's furniture industry will be able to meet the EU's wood regulations that will come into effect in March 2013.

### SECO Information.

SECO has already supported economic development in Indonesia and Vietnam for many years. In Indonesia, SECO concentrates on (a) improving economic policy governance and business parameters (b) promoting exports and increasing the economy's competitiveness and (c) tackling climate change. In terms of trade promotion, various projects have been accomplished in the cocoa, fish products and "biotrade" sectors, while new projects have been identified. SIPPO supported the development of synergies in these projects and will continue to do so in the future. In Vietnam, SECO's strategies concentrate on (a) improving macroeconomic conditions (b) helping SMEs to become more international and (c) supporting sustainable trade policy based on WTO regulations. In the last area, SECO has strengthened the scope of the Vietnam Trade Promotion Agency (VIETRADE) so that it can meet the demands of exporting companies. Following assessment of their export potential, several companies with promising export prospects have received specific support. These include shoe manufacturers, crafts and wooden furniture. These sectors have also benefited from support by SIPPO. VIETRADE and SIPPO will continue to be important partners for SECO in promoting Vietnamese exports in the future.

## Vietnamese hand embroidery – more than just a tradition.

It is a fact that hand-embroidered bed and table linen from Vietnam will not have an easy time on the global market in the future. China sells mass-produced machine-embroidered products at low prices and is a major competitor for the Vietnamese home textiles industry. SIPPO has been supporting Asian home textile manufacturers with guidance on fashionable designs and export marketing for three years. It also provides the sector with an annual exhibition venue at Heimtextil in Frankfurt, a trade fair for home and contract textiles. Hand embroidery can produce exclusive and complex designs that no machine in the world can match. Hand embroiderers offer the market further advantages such as creativity, flexibility, handicraft skills and prompt delivery.

Several hundred thousand women have mastered the art of hand embroidery. Most of these women live in remote, disadvantaged and predominantly agricultural regions in Vietnam. The relatively low income represents a monetary value to this population group that cannot be replaced by alternative employment. The embroiderers preserve traditions and artistic skills and keep in touch with national and international practices. This form of employment provides many young women with a career start. It shows them what the market requires of them, and gives them self-confidence and pride in an old tradition.



## Nepal at BioFach.

BioFach, the world's leading trade fair for organic products, takes place in Nuremberg every February. This year's fair attracted more than 44,000 trade visitors from 131 countries over the course of four days. Over 2,500 exhibitors presented innovative organic food, organic textiles and natural cosmetics. For the first time in years, companies from Nepal were among the 2,500 exhibitors. Their participation was made possible by cooperation between the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Trade and Export Promotion Centre (TEPC) and SIPPO. Five exhibitors from Nepal had their own stand in the SIPPO Pavilion. Thanks to intense preparation, they were very well equipped to meet the challenges of international trade. This was shown by the above-average number of contacts that they made, among other positive results. This is an ideal starting point for success in the export business. It is planned that Nepalese companies will exhibit once again at BioFach in 2012. This will give the companies the opportunity to improve relations with existing clients. But naturally, the aim is also to expand their client basis in the export business.

Visit Nepal at the SIPPO Pavilion at BioFach 2012.

### Background information on Vietnam

The transition from the socialist planned economy to the market economy was introduced by a reform at the beginning of the 1990s. Vietnam became the 150th member of the WTO on 11 January 2007. Membership of the WTO led to growth of 21.5 % in Vietnamese foreign trade compared with figures for 2007. The Vietnamese economy is one of the Southeast Asian economies to have witnessed rapid economic development. Although the country's industrial centres are growing quickly and agriculture is becoming less important in economic terms, three quarters of the people in



Vietnam still live in rural areas. Around two-thirds of the population work in agriculture, forestry or fishing. Rice and coffee are important exports. Crude oil, wood, textiles and seafood are also exported.

## Trade fair calendar.

- **Heimtextil**, 11–14 January 2012  
International trade fair for home and contract textiles, Frankfurt, Germany
- **Swissbau**, 17–21 January 2012  
Construction and real-estate trade fair, Basel, Switzerland
- **IMM**, 16–22 January 2012  
International trade fair for home furnishings, Cologne, Germany
- **Fruit Logistica**, 8–10 February 2012  
Trade fair for fresh fruit and vegetable, Berlin, Germany
- **Ambiente**, 10–14 February 2012  
International trade fair for consumer goods, Frankfurt, Germany
- **Biofach**, 15–18 February 2012  
World's leading organic produce trade fair, Nuremberg, Germany
- **ITB**, 7–11 March 2012  
World's leading tourism trade fair, Berlin, Germany
- **CEBIT**, 6–10 March 2012  
ICT sector congress and trade fair, Hanover, Germany

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## Indonesia: procurement market of the future.

What will come after the BRIC states? Goldman Sachs has named the next candidates: eleven up-and-coming nations. Indonesia is one of the most promising countries among these candidates. What does Indonesia offer in terms of the procurement market? In the last 20 years, Indonesia has been built and developed from scratch, primarily by the Japanese car industry. Toyota, Honda and Nissan make use of the geographical proximity,



the available logistical infrastructure, the large potential of a young and willing labour force, good English-language skills, access to important raw materials markets, and the very low wages in comparison with other Asian countries. Indonesia has a wide-ranging supply sector that provides Swiss and European industrial companies with many different products and services in metal work (mechanical processing including high-precision work, as well as steel and container construction), various casting technologies, tool and form manufacturing, conveyors, plastics and connection technology, among others. This wide range specifically facilitates and aids the development of multi-stage supply chains, which make it possible to attain more complex and extensive sourcing objects.

## Outlook.

### **Natural Ingredients, Buyer Mission to Lima, 17–22.09.2012**

Business trip on natural ingredients from Peru for the European food, cosmetics and pharmaceutical industries, including visits to companies and trade fairs (PeruNatura, Expoalimentaria).

**This is the last edition of the SIPPO Newsletter for the moment. We would like to let you know that you will find more information about SIPPO's activities at [www.sippo.ch](http://www.sippo.ch) in the future.**