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Indonesia

Cyber Security Market

INDONESIA'S CYBER SECURITY MARKET

EXECUTIVE SUMMARY:

- Indonesia offers abundant demand for cyber security exports.
- Defense spending is modest, totaling $8 billion, but is expected to increase. Increase in defense spending partnered with the estimated $10 billion in losses from cyber crime annually, will translate into increased cyber security spending in future years.
- The political environment is relatively young, but appears stable. Moreover, the economy is expanding rapidly and is expected to become one the largest economies by 2030.
- US support has augmented Indonesian security policies, helping US defense firms access the market.
- Indonesia has recognized the importance of cyber security, but has only implemented patchwork solutions. IT build out, infrastructure enhancement, security management and human resource training offer the greatest areas of opportunity.

INDONESIA'S CYBER SECURITY MARKET

POLITICAL & ECONOMIC ENVIRONMENT

- Indonesia has implemented democratic reforms for more than ten years, and developed a free market economy.
- Following a series of terrorist attacks in early 2000s, Indonesia pursued augmented enforcement measures resulting in enhanced stability.
- US-Indonesian relations are improving. Indonesia is also engaged in 64 international organizations.
- In recent years, GDP has grown at an average rate of nearly six percent.
- Trade accounts for 47 percent of GDP.

INDONESIA'S CYBER SECURITY MARKET

CYBER SECURITY MARKET

•Indonesia is the number one source for cyber attacks. Last year there were 36 million incidents of hacking against the government. Online “hacktivism” is also rampant, despite limited internet access.

•Indonesia’s current and proposed cyber security framework:

Implemented Policies

- IT Monitoring Team
- National Cyber Security Organization

Proposed Policies

- Cyber Defense Group
- New Regulations
- CIP
- Human Resource Training
- International Cooperation

US Led Policies

- Comprehensive Partnership - Security Working Group

INDONESIA'S CYBER SECURITY MARKET

MARKET ACCESS

- Import burdens and costs are relatively low; however, there are some restrictions on imports of electronic products.
- Indonesia is a member of the ASEAN Free Trade Agreement, and also maintains agreements with the US, China and Japan. Also party to the WTO GPA.
- Government contracts may be listed as public tender, limited tender, direct selection of direct appointment.
- Foreign firms must partner with local companies, unless the contract is related to defense exports.
- US defense firms should employ a local agent to enter the market. Because of cultural norms, foreign firms are advised to visit their target market and agent regularly.

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MARKET SIZE & GROWTH

- Military spending increased 163% in past six years, but totals $6.9 billion annually. Spending expected to increase in upcoming years. IT infrastructure spending is higher, reaching $13.1 billion in 2012, and expected to reach $21.4 billion by 2017.

- US and Indonesia maintain Defense Framework to collaborate on security policy. US provided $56 million in military funding from 2006 to 2009.

- There is an opportunity to build cyber defense from ground up.

- Key areas for export include: human resources; CIP enhancement, data control, network security, and basic IT.

INDONESIA'S CYBER SECURITY MARKET

PRACTICAL CONSIDERATIONS

•Indonesia has a weak IP framework. The 2008 Information and Electronic Transaction Law passed new reforms, but has been implemented slowly.

• Foreign firms should be aware of the boundaries of Indonesia's legal system.

•Socio-cultural issues include:

- Attitudes toward the military
- Nationalism
- Weak enforcement
- Corruption and labor laws impact labor market

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PRIVATE SECTOR DEMAND:

•Most of the “private sector” is occupied by SOEs.

•Indonesia is projected to become a developed nation by 2025, so opportunity could be on the horizon.

•Indonesia regularly engages local companies in PPPs to develop infrastructure. US defense firms could market to these companies.