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Overseas Environmental Measures of Japanese Companies (Indonesia)

Program Penanggulangan Pencemaran Lingkungan Hidup oleh Perusahaan Jepang di Luar Negeri
(Kasus Indonesia)

Research Report on Trends in Environmental Considerations related to Overseas Activities of Japanese Companies FY 1997

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• References and list of organizations and institutions that have assisted in creating this book

Preface

In recent years, a large number of Japanese companies have made inroads into Southeast Asian countries and are developing dynamic corporate activities. They are focusing on this region due to its abundant labor force, relative proximity to Japan in geographical terms, and future potentiality of this market which is expected to continue rapid economic development.

However, industrial pollution as a result of economic development has become a serious problem in these Southeast Asian countries, and initiatives have begun to prevent it. Successive steps are being taken such as creating administrative organizations to promote environmental conservation, establishing new environmental laws and regulations, and strengthening regulatory standards. However, the lack of capital, human resources, technology and experience have acted as a bottleneck, and pollution control measures are still in the process of being developed.

Under such circumstances, Japanese companies, which have the experience of overcoming the severe industrial pollution which once prevailed in Japan, and which have much greater capital and technical capabilities than locally-funded companies, are expected not only to observe the environmental laws and regulations of the host country, but also to promote pollution control measures in Southeast Asian countries through superior environmental considerations. From within Japan, too, there is great concern for the environmentally-responsible activities of Japanese companies which are making inroads into Southeast Asian countries.

Against this background, Global Environmental Forum implemented a questionnaire survey in 1995, on commission from the Environment Agency of Japan. In this survey, we investigated the actual situation of environmental considerations being given related to activities of Japanese companies in the Philippines, Indonesia, Thailand and Malaysia; four countries in which Japanese companies are carrying out dynamic activities, but in which there are also fears that industrial pollution will become more severe. In this survey, there were many responses which expressed wishes that the Japanese government would provide information in such a manner as to prepare manuals and assist Japanese companies operating in these countries to implement more effective environmental measures. The on-site hearing survey also revealed that there were calls for manuals on the environmental laws and regulations and the current state of environmental problems in the host country, and collections of case studies of Japanese companies which are taking leading roles in tackling environmental measures.

The Environment Agency of Japan therefore has commissioned Global Environmental Forum to carry out the survey on trends in environmental considerations related to overseas activities of Japanese companies. The purpose is to collect information and cases that are useful in promoting environmental measures by Japanese companies which are setting up operations abroad. The survey was to be carried out for each country in Southeast Asia from 1996. The Philippine Edition was prepared as the first

installment in 1996.

The Indonesian Edition we present here is the second installment, and contains the most up-to-date information concerning the current state of environmental problems in Indonesia, environmental administration and legal systems, environmental laws and regulations, and case studies of Japanese companies which are taking leading roles in tackling environmental measures in Indonesia. In addition, it incorporates, as reference materials, the most recent information on movements in the ISO-14000 series, which will have a great impact on Japanese companies when they intend to behave in an environmentally-responsible manner.

We will be delighted if this report acts as a reference to enhance environmental initiatives by Japanese companies which have already established business operations in Indonesia, and also to promote appropriate environmental measures by Japanese companies which plan to make inroads into Indonesia in the future.

The preparation of this report would not have been possible without the great support from the Japan Chamber of Commerce & Industry, the Jakarta Japan Club, and the people from many Japanese companies who fitted the time in their busy schedules to cooperate with the on-site survey and collection of information, as well as everyone concerned from the Indonesian government and local municipalities. We thank them all for their valuable assistance.

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How to Use This Book

The structure of this book is shown below. Each chapter and sections within chapters are all independent of one another, and are arranged so as to allow the reader to extract the necessary environmental information in accordance with the current state of environmental initiatives of each company. Please note that the English translations of the names of laws and regulations and organizations used in this book are provisional ones adopted by this Forum.

In Chapter 1, the most recent information concerning the current state of environmental problems and movements in laws and regulations in Indonesia are brought together. Section 1 gives an overview on the whole chapter. Section 2 and subsequent sections are divided by topics and discuss environmental laws and regulations in Indonesia and other information which are essential for Japanese companies to implement environmental measures.

Particularly, Section 2, which comments on environmental laws and regulations, presents the features of the new Environmental Management Act enacted in September 1997 as well as the points that need to be taken notice of by Japanese companies. Section 3 discusses measures against water pollution, which is a top-priority issue in Indonesia's environmental conservation.

The structure of Chapter 1 is as follows:

- Section 1: Overview of Environmental Problems and Environmental Policies
- Section 2: Environmental Administration, Laws and Regulations Centering on the New Environmental Management Act
- Section 3: Water Pollution Control Measures
- Section 4: Air Pollution Control Measures
- Section 5: Hazardous and Toxic Waste Control Measures
- Section 6: Environmental Impact Assessment System

In Chapter 2, Section 1 outlines the current state of Japanese companies doing business in Indonesia and the features of their environmental conservation activities. The subsequent sections introduces 18 cases of leading initiatives of Japanese companies toward environmental conservation. These cases were collected in the on-site survey, and are separated into four categories: Section 2 for Cases of Complying with Stringent Effluent Standards (4 cases), Section 3 for Cases of Companies Located in Industrial Estates (4 cases), Section 4 for Cases of Various Environmental Conservation Activities (6 cases), and Section 5 for Cases of Establishing Environmental Management Systems (4 cases).

Corporate initiatives toward environmental conservation in Indonesia are almost exclusively against water pollution due to its severity among various environmental issues and the priority placed on it in Indonesian environmental policies. Therefore, initiatives to tackle water pollution formed the mainstream of the cases gathered on this occasion. Additionally, it is currently prohibited in principle to locate new factories in existing urban areas in Indonesia, and policies are in place to attract them to industrial estates. Therefore, the cases of environmental measures of Japanese companies located

in industrial estates are presented separately as Section 3.

In addition, the following information was recorded at the end of the book as a reference.

Appendix 1: The Environmental Management Act of 1997 (Law No. 23 of 1997) and its Elucidation

Appendix 2: Current Status of Environmental Practices of Japanese Companies in Indonesia and Other Asian Countries (from the 1995 Research)

Appendix 3: Trends in International Standards for Environmental Management Systems

Appendix 4: Sources of Environmental Information in Indonesia and Japan

Appendix 1 shows the whole text of the new Environmental Management Act discussed in Section 2 of Chapter 1 together with the whole text of the supplementary Elucidation, which is equivalent to a commentary of a law in Japan, while in Indonesia it is positioned as an integral part of a law.

For information, the currency exchange rates as of March 1998 are 100 Indonesian Rupiah (Rp) = 1.66 Yen, and 1 US Dollar = 135 Yen.

Following abbreviations are used in this book.

- a) International organizations and Indonesian administrative organizations
 - BAPEDAL: Badan Pengendalian Dampak Lingkungan / Environmental Impact Management Agency
 - BAPPENAS: Badan Perencanaan Pembangunan Nasional / National Central Planning Development Agency
 - BKPM: Badan Koordinasi Penanaman Modal / National Investment Coordinating Board
 - BLH: Department of Environment of a Local Government of Indonesia
 - BPN: Badan Pertanahan Nasional / National Land Affairs Agency
 - LH: Kantor Menteri Negara Lingkungan Hidup / State Ministry of Environment
 - MPR: Majelis Permusyawaratan Rakyat / People's Advisory Assembly
 - ISO : International Standardization Organization

- b) Administrative policies and others
 - AMDAL: Analisis Mengenai Dampak Lingkungan / Environmental Impact Assessment System
 - ANDAL: Environmental Impact Assessment Statement
 - B3: Hazardous and Toxic Waste
 - LANGIT BIRU: Blue Sky Program
 - PROKASIH: Clean River Program
 - PELITA: Pembangunan Lima Tahun / five-year plan
 - GBHN: Garis-garis Besar Haluan Negara / Broad Outlines of the Nation's Direction