



ACTIVITY BRIEF

OCTOBER 19–DECEMBER 11, 2015, OTTAWA



TPSA | CANADA-INDONESIA TRADE AND PRIVATE SECTOR ASSISTANCE PROJECT

TPSA Interns Produce Research on Improving Indonesian Exports to Canada

One of the Canada-Indonesia Trade and Private Sector Assistance project's (TPSA) objectives is to strengthen the analytical skills and knowledge of Indonesian stakeholders to increase trade and investment between Indonesia and Canada. TPSA's internships offer participants the chance to work with Canadian researchers and research organizations to improve their skills and learn from Canadian best practices.

Canada, given the size of its economy and its presence on the Pacific Rim, is a market with significant potential for Indonesia's products. Canadian imports from Indonesia have grown in recent years, increasing by 1.4 per cent between 2010 and 2014. However, the import share of Indonesia's products is still small compared with other countries, including Indonesia's regional neighbours, Thailand, Vietnam, and Malaysia, providing a lot of room for growth.

Importing goods into Canada is about more than just meeting regulatory requirements. Products must also be in demand in the Canadian market. To help identify Indonesian products and commodities likely to be successfully exported to Canada, two officials from the Trade Policy Analysis and Development Agency (TREDA) of the Ministry of Trade participated in a two-month research internship program at The Conference Board of Canada (CBoC) in Ottawa from October 19 to December 11, 2015.

Naufa Muna, Head of Sub-Directorate for Agriculture and Forestry Products in the Centre for Foreign Trade Policy, and Miftah Farid, Head of the Sub-Directorate for Logistics Section in the Centre for Domestic Trade Policy, spent two months



Naufa Muna and Miftah Farid at the CBoC offices in Ottawa.

working with CBoC economists to produce a report titled *Enhancing Indonesian Exports to Canada*.

A Canadian Perspective

Before beginning their research, TPSA arranged for the interns to gain a more in-depth perspective of Canada's trade and investment position vis-à-vis Indonesia. The interns were hosted by André Downs, Office of the Chief Economist, Global Affairs Canada. Mr. Downs and his staff made presentations on Canada's competitiveness in the Indonesian market. Key points included:

- Indonesia is set to grow in importance as an investment destination for Canada, but the stock of Canadian investment there is declining.
- Canadian exports of services to Indonesia have gone up.

Canada

Program undertaken with the financial support of the Government of Canada provided through Global Affairs Canada

IN PARTNERSHIP WITH



MINISTRY OF TRADE



The TREDA interns present their research findings to CBoC staff.

- Merchandise exports have been growing briskly (last five years).
- There is evidence of increasing specialization in Canadian merchandise exports.
- Canada has been losing market share in Indonesia (1998–2008), but the Indonesian market expansion compensated for this, resulting in overall growth of Canadian exports.
- Some products—such as cereals, fertilizers, electrical machinery, chemicals, automotive, and aerospace products—challenged the trend and actually increased their market share.
- Canadian chemicals are more competitive in Indonesia than globally.
- Canadian metals and minerals are less competitive in Indonesia than globally.

The interns also had a chance to discuss their methodology of normalized revealed comparative advantage (NRCA) with the group. Mr. Downs and his staff shared with the interns research they had completed on using NRCA to analyze Canada's trade position in the European Union.

Analyzing International Trade Data Using TradeSift Software

During the week of November 2–6, 2015, the interns undertook training on how to use TradeSift software to analyze trade data. In addition to the interns, CBoC had invited participants from Global Affairs Canada, TFO Canada, and CBoC staff to join the training.

Dr. Michael Gasiorek from the Sussex Innovation Centre, University of Sussex, Brighton, England,

conducted the training. Dr. Gasiorek focused the training on how the software can take freely available international trade data (such as those from the United Nations Conference on Trade and Development or the World Integrated Trade Solution) to generate diagnostic trade indicators, analyze trade policy before and after implementation, and generate negotiating priorities and strategies based on actual trade and economic performance. He also demonstrated how to use the software to quickly and accurately generate graphs, tables, and reports.

Throughout the training, participants formed small groups to focus on applying the lessons to a research project. The final afternoon of training was devoted to group presentations of their research. The TPSA interns presented their analysis of trade and investment between Indonesia and Canada and got valuable feedback from other trainees as well as Dr. Gasiorek.

"I gained so much research experience during my internship in Canada. The intense discussions and exercises with my research supervisor and the TPSA team to identify the best research methodology is definitely one of the highlights during my time in Ottawa. Upon returning to Indonesia, I participated in several knowledge-sharing and brainstorming activities with my colleagues. The skills and knowledge I gained from my experiences in Canada have been used as reference to develop upcoming research concepts. The report that Ibu Naufa and I produced is very valuable for DGNEP [Directorate General for National Export Development] in their commodities identification process and I am very grateful that our work is contributing to that effort."

—MIFTAH FARID

Domestic Trade Policy Centre, Trade Research and Policy Development Agency, Ministry of Trade

Study Results

The research by Naufa Muna and Miftah Farid identified commodities with a good chance of finding a market in Canada that (i) have been successful



Left to right, Yusuf Wiharsoyo (Administrative Assistant, Indonesian Embassy), Dinie Arief (Second Secretary for Economic Affairs, Indonesian Embassy), Naufa Muna, Paul Darby (TPSA Project Director), Miftah Farid, Candra Negara (Minister Counsellor for Economic Affairs, Indonesian Embassy), Noviandri Yotighana (Staff, Economic Affairs, Indonesian Embassy). CBoC offices, Ottawa, December 9, 2015.

in both the world market and the Canadian market, or (ii) have been successful in the world market but are considered to be “missed opportunity” commodities in the Canadian market. The idea is that when considering commodities for export to Canada, it is easier to build on existing strength. Commodities successful in the world market may more easily expand into the Canadian market. A further criterion was to exclude those commodities where imports from Indonesia were less than US\$1 million.

The interns’ research identified 37 commodity groupings as having been successful in the world and Canadian markets, including footwear, fish, coffee, and select garments. Another four commodities were identified as missed opportunities in Canada—cashew nuts, coconut oil, swimwear, and stringed musical instruments.

The interns then identified Indonesia’s major competitor countries in each of the four missed opportunity commodities. Countries taking market share away from Indonesia—particularly China and Vietnam—do so because of lower labour costs. In addition, some neighbouring countries and the United States are taking Indonesian raw goods and processing them for the Canadian market. In this case, there would appear to be room for Indonesia to move up the value chain. Tariffs were not found to be playing a role in the shift in market

share because they remained unchanged over the 2003–13 period.

The study also paid special attention to the environmental and social dimensions associated with these commodities. Using the garment industry as a case study, the report identified the major role of women in the industry, as well as the environmental issues. A high demand for environmentally friendly products in Canada is a sign that sustainable development is an important sales driver in the Canadian marketplace.

Sharing the Results

At the end of their internship, the interns presented their research findings to CBoC staff, as well as officials from the Embassy of Indonesia.

TREDA held a knowledge dissemination event on January 28, 2016, where the interns presented their findings to 35 of their colleagues from a number of different Ministry of Trade directorates.

Participant Feedback

In a post-internship survey, both interns reported that their knowledge of the subject increased significantly due to their participation in the internship and they are now better able to undertake trade and investment analysis. They noted that they expect to use the new skills/knowledge to improve their own work and that of their department.

Conclusions

The internship was successful in improving the capacity of TREDA researchers to undertake trade and investment analysis. The research produced by Naufa Muna and Miftah Farid also enriched



Interns Naufa Muna and Miftah Farid sharing their findings and knowledge with their Ministry of Trade colleagues after returning to Indonesia.



The interns celebrate a successful internship with colleagues and TPSA staff.



Naufa Muna and Miftah Farid speak with Dan Muzyka, President and CEO of The Conference Board of Canada.

and extended the work previously produced by TPSA researchers.

About the TPSA Project

TPSA is a five-year C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector—particularly small and medium-sized enterprises (SMEs)—

academics, and civil society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support higher sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

The expected immediate outcomes of TPSA are:

- improved trade and investment information flows between Indonesia and Canada, particularly for the private sector, SMEs, and women entrepreneurs, including trade-related environmental risks and opportunities;
- enhanced private sector business links between Indonesia and Canada, particularly for SMEs;
- strengthened analytical skills and knowledge of Indonesian stakeholders on how to increase trade and investment between Indonesia and Canada;
- improved understanding of regulatory rules and best practices for trade and investment.



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