



ACTIVITY BRIEF

SEPTEMBER 11–NOVEMBER 3, 2017, OTTAWA



TPSA | CANADA-INDONESIA TRADE AND PRIVATE SECTOR ASSISTANCE PROJECT

Internship Focuses on Canada's Public-Private Consultation Mechanism for Free Trade Agreement (FTA) Negotiations

TPSA is helping to build the capacity of KADIN Indonesia, a leading Indonesian business association, to identify, adapt, and adopt Canadian best practices on public-private consultation (PPC) to provide quality input to trade negotiators.

Background

With 21 bilateral free trade agreements currently under negotiation, Indonesia is carrying out an ambitious trade agenda. These comprehensive trade talks are pushing the country to develop clear and well-defined positions on all aspects of FTAs. Only by doing so can negotiators effectively submit requests and present what Indonesia has to offer its trading partners in exchange for their concessions and commitments.

Institutional and human capacity challenges may be difficult to overcome, but the Indonesian government and private sector must seize available economic and trade opportunities. Indonesia's business community will play an essential role by identifying the country's trade interests, highlighting sectoral interests, and pushing for modernized negotiating positions and further reforms.

With its open and trade-dependent economy, Canada has concluded many bilateral and regional FTAs, including those with the European Union, the United States, Mexico, and South Korea. Canada has developed a strong PPC mechanism for reaching out to the private sector and other stakeholders. Its extensive experience and best practices could be shared with Indonesian busi-



Meeting with the Canadian Chamber of Commerce on October 5, 2017.

ness associations to enable them to strengthen their FTA consultations.

As a leading business association in Indonesia, the Indonesian Chamber of Commerce and Industry (KADIN Indonesia) is interested in improving the FTA consultation process in Indonesia. To support this effort, TPSA hosted an intern from KADIN for a two-month period at the offices of The Conference Board of Canada in Ottawa to study Canada's PPC mechanism and identify best practices for Indonesia. The intern, Jessica Callista, assists the Permanent Committee on Multilateral Institution

Canada

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and Free Trade Agreements of the Indonesian Chamber of Commerce and Industry (KADIN Indonesia). She also works as an associate in the Investment, Trade, and Industry Practice Group of Bahar Law Firm in Jakarta.

Internship Activities

The internship included study visits and meetings with 16 public- and private-sector institutions in Ottawa, Toronto, Montréal, and Québec City.

The first two weeks were dedicated to desk research and the collection of data and information on both Indonesia's and Canada's consultation mechanisms for FTA negotiations.

This was followed by a period of meetings with external public and private institutions combined with report writing. Ms. Callista met with three Ottawa-based federal government ministries—Agriculture and Agri-Food Canada, Department of Finance Canada, and Global Affairs Canada—to discuss federal policy on PPCs for FTA negotiations and learn about the complementary role of each institution.

Meetings with key Canadian business associations, including the Canadian Chamber of Commerce, the Business Council of Canada, and the Canadian Association of Importers and Exporters, also took place in Ottawa. Many topics were discussed, including the challenges related to consulting with association members, dealing with members' opposing views, and developing and agreeing on a coherent position on FTA negotiating issues. The business associations also noted the benefits to their organizations that result from government consultations on FTAs, such as access to ministers and high-level policy-makers and the ability to convey their members' needs and priorities.

In Toronto, Ms. Callista met with the Ontario Ministry of International Trade, the University of Toronto's Munk School of Global Affairs, and the Canada China Business Council. Representatives from these institutions provided her with unique perspectives on Canadian PPC mechanisms.

The Toronto trip was followed by meetings in Montréal and Québec City with key regional eco-



Jessica Callista presents her research findings at The Conference Board of Canada on November 1, 2017.

nomics development agencies, such as Montréal International, which is in charge of attracting of foreign investment, skilled foreign workers, and international organizations in the Greater Montréal area, and Québec International, which has a similar but extended mandate of trade promotion for the Québec City region. Ms. Callista also met with the Quebec Federation of Chambers of Commerce and the Ministry of International Relations of Quebec, and had a discussion with the Chamber of Commerce of Metropolitan Montreal.

Presentation of Results

The final part of Ms. Callista's internship program was dedicated to drafting and finalizing her research report. On November 1, 2017, she presented her findings, conclusions, and recommendations to staff at the Conference Board and officials from the Embassy of the Republic of Indonesia in Ottawa.

Key Learnings

The research internship identified the following key learnings on the consultation processes for FTA negotiations in Indonesia and Canada.

Indonesia's Limited PPC Mechanism Has Weaknesses

Despite an ambitious trade negotiating agenda, Indonesia's consultation process remains limited, with persistent weaknesses preventing the country from achieving its negotiation objectives. The Indonesian government does provide information and updates on certain FTA negotiations to the



domestic private sector by inviting them to meetings, sending e-mails, and gathering their views on key negotiating issues. However, the private sector does not have complete access to information and the consultation process is generally not extended to cover the three negotiation phases (before, during, and after). The internship report identifies the following general weaknesses or gaps in Indonesia's consultation process for FTA negotiations:

- Low awareness of FTA negotiations by the private sector, especially SMEs, which leads to poor knowledge of FTA issues and passive involvement by the private sector.
- Lack of transparency about FTA negotiations, which has a negative impact on the relevance of private-sector inputs.
- During consultations, the views received are limited to certain private-sector entities (business associations and companies) that may not represent all sectors of the country.
- Absence of a government follow-up mechanism to provide feedback on input provided by the private sector.
- Those in the Indonesian private sector, especially SMEs, have limited access to government negotiators for direct consultations.

As a result of these weaknesses, there is a low level of trust between the government and the private sector in Indonesia regarding FTA negotiations.

The Canadian Approach to PPC Has Unique Features

Various factors have contributed to shaping Canada's approach to consultation on FTA negotiations:

- *Long-standing tradition:* The Government of Canada has a long-standing tradition of consulting with public- and private-sector stakeholders on free trade agreement negotiations. Although the consultation format has changed over the years, it has been established since the 1980s.
- *Inclusive process:* The current Canadian government has stated that its progressive trade agenda means "an open and transparent process, and maintaining an ongoing dialogue with a broad range of civil-society and other stakeholders, including small and medium-sized

businesses, women-owned enterprises, non-governmental organizations, and Indigenous peoples and northern communities."¹

- *Non-formalized mechanism:* Despite its systematic and established nature, the Canadian consultation process for FTA negotiations has not been made mandatory or regulated by law. This non-formalized approach offers more flexibility in conducting the necessary PPC based on the needs and priorities of each FTA.
- *Multiple channels of communications:* Each consultation on FTA initiatives is officially announced and launched through the *Canada Gazette*, but the government uses other communication channels to reach out to as many stakeholders as possible, including dedicated web pages for FTA-specific consultations, online forms, e-mails, and social media, to collect views and inputs from stakeholders and the general population.
- *Three-phase process:* The Canadian consultation process is implemented in three phases: before the FTA negotiation launch, to set the objectives; during negotiations, to collect stakeholder views on Canadian trade partners' requests and offers, as well as potential concessions and impacts; and after the conclusion of the FTA negotiations, to disseminate the results and raise awareness among the private sector and other stakeholders about the new opportunities created by the FTAs.



Jessica Callista (centre) with Candra Negara (left), Minister Counsellor for Economic Affairs and Christophorus Barutu (right), Trade Attaché of the Embassy of the Republic of Indonesia in Ottawa.



Top Three Best Practices in PPC Mechanisms

Three best practices could be considered when reforming Indonesia's PPC:

- *Flexible and informal process:* As it has not been formalized, the Canadian consultation process for FTA negotiation has proven to be very flexible, and thus adaptable to different situations. While Indonesia may or may not formalize its mechanism, flexibility in the consultation process should be a key feature.
- *Accurate and timely dissemination of information:* The Government of Canada acts to keep stakeholders informed during the negotiation process to ensure transparency, which contributes to a positive relationship with the private sector and other stakeholders. Such transparency would be a welcome improvement to Indonesia's FTA consultation mechanism.
- *Easy access to stakeholders and inclusive consultations:* Canadian policy-makers and private-sector representatives endeavour to make themselves available as often as possible, upon request. This ease of access facilitates information-sharing and dialogue between the government and the private sector, and keeps the channels of communications open. Another unique feature of Canada's approach to PPC for FTA negotiations is its inclusiveness, as the government seeks to involve civil-society groups and the general public, in addition to business associations and private enterprises.

Common Challenges Faced by Indonesia and Canada

Although the trade-consultation mechanisms in Canada and Indonesia differ significantly, they share some common challenges:

- *Contradicting and opposing views:* Governments and business associations in both Canada and Indonesia must deal with contradictory views when conducting internal consultations with their members. They can decide to either adopt and present the majority view to the government or present a summarized position of all different views collected.
- *Low awareness and lack of knowledge of SMEs on trade negotiations:* Governments and business associations in both Canada and Indonesia are challenged by the limited knowledge of international trade and FTAs

within the business community, particularly among SMEs. To address this problem, the Canadian government provides background information in the *Canada Gazette* and other mechanisms for each FTA initiative. This helps stakeholders, especially SMEs, to better understand the negotiating issues and provide higher-quality inputs. To inform their members about technical aspects of FTAs, business associations also implement communication and awareness-raising strategies, such as briefing notes and regular updates sent by e-mail, phone calls, and awareness-raising events.

Recommendations

For the Indonesian Government

Based on the current PPC mechanisms that Canada has implemented, below are several recommendations for the Indonesian government.

Establish a single-window, user-friendly web portal for PPC.

The portal should operate in a similar way to the *Canada Gazette* and the GAC website and be run and managed by the Government of Indonesia (in this case, the Ministry of Trade as the lead negotiator for Indonesia). The government should publish related, non-confidential FTA information in a concise and simple way to ensure complete understanding by the Indonesian private sector and other stakeholders.

It should be transparent, consistent, reliable, and accessible by all interested parties who wish to share their views, not just the private sector.

The portal should provide the Indonesian private sector and other stakeholders with opportunities to comment on all issues as well as to offer their views in the form of submissions or position papers. In commenting or submitting their input, the private sector and other stakeholders should also provide relevant information about their companies and institutions.

Establish a committee to monitor PPC.

Although Canada no longer has a permanent committee (SAGIT) for monitoring its PPC, it is important to establish such a committee in Indonesia. It



should be led by the government and its members should include Indonesian business and other key stakeholders (e.g., experts, academia, and others).

The main responsibility of the committee should be to monitor PPC implementation. It should ensure that all information is provided and updated in a timely manner, and that the private sector and other stakeholders have full access and opportunities to submit their input.

The committee should also be responsible for the follow-up activities of PPC, ensuring that the private sector and other stakeholders are properly consulted and that all their views are captured by the government in the consultation process.

Produce a template form for input/contributions.

The government should produce a template form for the private sector and other stakeholders as a guide for submitting their input. The form should be made available for download on its website.

The main objective of producing a template form is to help the private sector and other stakeholders convey their perspectives (with highlights, details, justifications/evidence, and other necessary information) so that the government can obtain accurate and timely input for FTA negotiations.

Produce briefing notes prior to PPC.

The government should produce briefing notes on the key negotiating issues and make them available online for the private sector and other stakeholders prior to conducting PPC.

For internal consultations, business associations should also produce briefing notes and disseminate them to their members prior to conducting internal consultations on FTA negotiations.

Organize regular capacity-building activities.

As PPC for FTA negotiations has not yet been established in Indonesia, it is necessary to organize regular capacity-building activities for both the government and private-sector stakeholders to address the issues that may arise during PPC implementation and progressively improve the PPC mechanism. Facilitators with extensive

and related experience with and knowledge of PPC should be invited to contribute to capacity-building efforts.

The main objectives of these activities are:

- to develop technical-assistance capacity in PPC implementation;
- to support both the government and private sector in dealing with issues in the implementation of PPC;
- to provide updated information on PPC implementation (if any).

Conduct regular meetings.

Regular meetings have proven to be effective in building mutual trust and understanding in the Canadian PPC context. Both the Government of Indonesia and the Indonesian private sector will come to understand each other better and strengthen their relationships.

Meetings should be conducted regularly, either scheduled in advance or mutually agreed-upon. The PPC committee should be in charge of scheduling these meetings.

For Indonesian Business Associations

The following are key general recommendations for Indonesian business associations in preparing position papers for FTA negotiations.

Be more proactive in reaching out to their members on a regular basis.

Business associations and their members should proactively reach out to one another on a regular basis, especially when there are issues on certain topics that need to be communicated in the FTA negotiation process. By being more proactive, the relationship between associations and their members will be improved and mutual support will be established, making it easier for business associations to draft position papers on FTA negotiations.

Engage in a two-way exchange of information with the Indonesian government.

Information need not only be disseminated by business associations; members can also disseminate information (based on their business practices) to business associations and individual enterprises (particularly SMEs), so that both are aware of



new information and the current issues related to FTA negotiations.

Information on FTA negotiations should be disseminated on a regular basis (every one to two weeks).

Consult with in-house committees.

In practice, a business association establishes several committees on different issues (e.g., a committee on international trade, a committee on the environment, and so forth). With many issues now included in modern FTAs, brainstorming among the committees is important to ensure that all perspectives are taken into consideration. Such a practice will improve the knowledge of the business association as a whole.

Engage members with relevant expertise or partner with external experts in order to offer quality input into PPC.

Position papers need to be supported with solid evidence. For technical matters, members with particular expertise (e.g., legal, economic, or environmental) must be engaged to include their views, knowledge, and experience in the position paper. In addition, partnering with external experts is often advisable.

Summarize all views received from their members.

With many industry sectors and various business interests, the private sector must provide all views to the government for their consideration in FTA negotiations.

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.

For further information, please contact the Project Office in Jakarta, Indonesia:

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ENDNOTE

¹ Hon. François-Philippe Champagne, MP, "Government Response to the Standing Committee on International Trade: The Trans-Pacific Partnership Agreement: Benefits and Challenges for Canadians" (presented to the House of Commons on Wednesday, July 19, 2017), <https://www.ourcommons.ca/DocumentViewer/en/42-1/CIIT/report-6/response-8512-421-190>.