



TPSA Provides Capacity-Building to Indonesian Public- and Private-Sector Representatives to Speed Up Implementation of the Bali Agreement on Trade Facilitation

TPSA organized a two-day introductory workshop on the WTO trade facilitation agreement and measures and a lunch discussion on the role of the private sector in trade facilitation reforms and implementation.

Background

In December 2013, the World Trade Organization (WTO) held its ninth Ministerial Conference (MC9) in Bali, Indonesia. The MC9 brought together high-level representatives from all member nations to make decisions on matters related to the WTO. Although the overall multilateral negotiations under the 2001 Doha Development Agenda (DDA) have been progressing slowly, MC9 saw the successful conclusion of the first multilateral agreement since the establishment of the WTO. Members reached a consensus and adopted the Trade Facilitation Agreement (TFA), which came into force on February 22, 2017. The TFA contains provisions to ease and speed up cross-border trade procedures for the movement of goods, enhance domestic and international cooperation among border and customs agencies, and provide flexibility and assistance to developing and least-developed countries.

In addition to this success at the multilateral level, Indonesia has been actively negotiating bilateral and regional free trade agreements (FTAs) within



Greg Elms opens the workshop.

the Association of Southeast Asian Nations (ASEAN) and with other Asian countries. Some of the newest trade deals to which Indonesia is a party include trade-facilitation commitments. This is the case for the Indonesia-Japan Economic Partnership Agreement, which explicitly aims to facilitate trade between the two countries and creates a subcommittee on customs procedures. Other FTAs go even further by including stand-alone trade facilitation chapters, such as Chapter 5 (Trade Facilitation) and Chapter 6 (Customs) of the ASEAN Trade in Goods Agreement (ATIGA).



Objectives

To help Indonesia comply with its obligations under FTAs and the TFA, the TPSA project delivered an introductory workshop on April 24 and 25, 2018, regarding the TFA and its measures. The workshop's objective was to initiate a dialogue on Indonesia's upcoming challenges and opportunities in implementing the TFA.

In attendance were 13 men and 16 women, including both staff members from the Ministry of Trade (MoT) and private-sector representatives. On the day following the training, TPSA and Bahar Law Firm organized a lunch discussion for a group of private-sector stakeholders on the role of the private sector in TFA implementation.

Workshop Topics

TPSA senior trade and investment experts Wenguo Cai and Alexandre Larouche-Maltais set the scene by providing background information on trade facilitation at the WTO and in other trade agreements. They reviewed various definitions of trade facilitation based on research conducted by regional and international organizations, including the WTO, World Customs Organization (WCO), and ASEAN. They explained the rationale for facilitating trade in goods and covered the overall structure of the TFA as well as regional initiatives in the Asia-Pacific region.

Mr. Larouche-Maltais then delivered an interactive presentation on best practices for establishing a national trade-facilitation committee (NTFC), including how and why other countries have created trade facilitation bodies. Using the results of the global survey on trade facilitation committees published by the United Nations Conference on Trade and Development (UNCTAD), he explained the different NTFC options for membership, mandate, institutional framework, communication strategy, and funding. He also provided advice on the main obstacles Indonesia will have to overcome, as well as recommendations and key take-aways on private-sector involvement in TFA implementation.

Subsequently, all workshop participants were split into smaller groups to discuss a series of questions about Indonesia's future NTFC, including what its mandate, membership composition, and short-



Group discussions.

term goals and work plan for 2018–19 should be. This brainstorming exercise was useful in enhancing awareness among Indonesian government officials of the urgent need to undertake certain tasks and clarify the role of each stakeholder.

On the second day of the workshop, Mr. Larouche-Maltais delivered a presentation on the legal aspects of trade facilitation, which focused on the special and differential treatment and flexibilities under the TFA for developing countries like Indonesia. He clarified legal jargon in the TFA as well as the different levels of obligation for each measure.

Mr. Cai then provided an explanation of the basic principles underlying trade facilitation, including transparency, simplification, harmonization, standardization, and modernization of cross-border procedures, forms and documentation, and regulations. He also offered advice on how to conduct research on trade facilitation, including using the right tools and conducting a needs assessment.

Role of the Private Sector in TFAs

On April 26, 2018, Bahar Law Firm invited the TPSA experts to deliver a presentation to a group of 22 private-sector stakeholders (10 men and 12 women) about the role that the private sector should play in the implementation of TFA measures. Mr. Larouche-Maltais identified four roles that should be filled by the private sector. First, it should play the role of **firefighter** by helping the government quickly finalize the TFA measures-categorization process. Second, businesses should actively get involved in the NTFC and be **advocates** for private-sector interests. Third, the private sector



should play the role of **engineer** by helping to design and implement trade-facilitation measures. Finally, they must act as **bankers** by contributing to NTFC financing and helping the government obtain foreign funding.

Participant Feedback

All participants reported that their skills and knowledge improved as a result of the workshop. Fifty-four per cent said that their new level of confidence in applying the knowledge was "good," another 31 per cent said "very good," and 15 per cent said "excellent." Fifty-nine per cent said they would use the knowledge acquired at the training either "very frequently" or "frequently" in their work, while 41 per cent said "occasionally."

"This training helped government employees and other stakeholders better understand the TFA agreement and its impact for Indonesia. Workshop participants are expected to be change agents to help design a policy to facilitate trade."

—LEO MUALDY CHRISTOFFEL
Sub-Sector Chief of Goods Market Access,
Ministry of Trade

The participants reported high overall satisfaction with the training. Thirty per cent gave a satisfaction rating of "excellent"; 48 per cent, "very good"; and 22 per cent, "good."

Key Learnings

The TFA provides a unique opportunity to simplify cross-border procedures and bring substantial economic benefits to Indonesia.

Facilitating trade makes economic sense for developing countries, as inefficient border procedures negatively impact a country's economic attractiveness. For businesses, especially SMEs, burdensome cross-border procedures translate into direct and indirect costs, including time and the financial and human resources invested in managing export administrative activities. Indonesia's rank in the World Bank *Doing Business 2018* report on trading across borders is a disappointing 112 out of 190 economies worldwide. Several other



Special session hosted by Bahar Law Firm.

Asian countries outperformed Indonesia, including Thailand (57), Malaysia (61), Vietnam (94), China (97), and Philippines (99).

From an economic perspective, studies show that TFA implementation can help reduce international trade transaction costs by up to 15 per cent and speed up the cross-border trade process. In addition, the TFA provides adequate solutions to problems identified by business that are in line with their needs: a more transparent regulatory system, standardized forms, a single access point for all public services, and simple, efficient, and uniform formalities.

The TFA also provides a unique opportunity for Indonesia to comply with its trade-facilitation commitments under bilateral and regional FTAs. By adopting an ambitious action plan, the Government of Indonesia can implement both its TFA obligations and previous commitments made under the 2009 ASEAN Trade in Goods Agreement and the ASEAN Trade Facilitation Framework (ATFF).

Indonesia must hasten to comply with two of the TFA's short-term requirements: Create a NTFC and finalize the TFA measures categorization process.

First, Indonesia must create a NTFC to facilitate both domestic coordination and implementation of TFA provisions. A national trade facilitation committee is a multi-agency permanent platform where public and private stakeholders discuss and coordinate trade-facilitation measures at the national level. Under TFA Article 23.3, this committee should already have been created, as the TFA entered into force in February 2017.



Second, Indonesia must finalize its categorization of TFA measures. In 2014, the government notified the WTO of Category A measures, which refer to trade-facilitation measures that are either already in place or are expected to be implemented before the entry into force of the TFA. The next step will be for the Indonesian government, in cooperation with the private sector and, if possible, with the newly established NTFC, to identify Category B and C measures. The former refers to measures that have not yet been implemented and that would require a transition period in order for Indonesia to implement them, while the latter represents measures that have not been implemented and that would require a period of transition as well as external financial and/or technical assistance for Indonesia.

Considerable international financial and technical assistance will be made available to help Indonesia design and implement trade-facilitation reforms.

Indonesia should get ready to ensure sufficient domestic absorption capacity to make the most of international financial and technical assistance.

By designating a TFA measure as Category C, Indonesia would indicate that both a transition period and technical and/or financial assistance are needed to implement it. This would send a signal to other WTO countries and international organizations that Indonesia is ready and willing to receive funding and technical assistance.

To benefit from international support, Indonesia should first identify all its domestic trade-facilitation gaps and needs in terms of training, capacity-building, soft infrastructure, and regulatory frameworks. Second, the government should create a list of priorities to be shared with international development partners. Third, Indonesia should establish a coordination mechanism, which can be the future NTFC, to manage various trade-facilitation projects, communicate with international donors, monitor progress, and keep stakeholders informed. These three steps should increase international aid efficiency, reduce inter-agency and donor competition as well as duplication of projects, and in the long term ensure Indonesia can make the most of future international financial and technical assistance.



Group presentations.

Indonesia should establish its NTFC using best practices and lessons learned from other countries.

In light of internationally recognized best practices for NTFCs, workshop participants reached a consensus on the need for Indonesia to create a NTFC with the following characteristics:

- **Public-private membership:** Participants suggested the NTFC include both public- and private-sector members, with representatives from the Coordinating Ministry for Economic Affairs and various other ministries and directorates, including the Directorate of Customs and Excise, Indonesia Port Corporations, the Indonesian Standardization Body, Indonesia National Single Window, and representatives from the private sector such as APINDO, KADIN, Indonesia National Ship Owners Association, and Indonesia Freight Forwarders Association.
- **Government-led:** The majority of workshop participants say the future NTFC should be led and chaired by the Coordinating Ministry for Economic Affairs. However, the permanent secretariat and staff of the NTFC should reside within the MoT.
- **A broad mandate:** According to workshop participants, the NTFC should aim to:
 - Provide technical advice and recommendations to the government on the implementation of the TFA and other trade-facilitation and customs-related commitments under bilateral and regional FTAs.



- Monitor changes in cross-border trade-related regulations and laws that impact ease of import and export procedures.
- Disseminate information on the progress of implementation of the TFA and other trade-facilitation commitments under FTAs.
- Organize public-private consultations and capacity-building activities on cross-border trade procedures.
- Coordinate international technical assistance on trade facilitation with foreign partners.
- Contribute to the search for self-financing sources as well as funding for trade-facilitation reforms in Indonesia.
- An ambitious work plan: After formalities are completed in 2018, the NTFC should:
 - monitor and evaluate the implementation of Category A measures;
 - contribute to distinguishing between Category B and C measures for notification to WTO;
 - identify inefficient cross-border procedures for SMEs;
 - prepare a roadmap and white paper outlining the issues, obstacles, and goals for the NTFC;
 - map out regulations and laws on cross-border trade procedures that may need reform to comply with the TFA or other TF commitments under FTAs;
 - eventually set up a website for the NTFC.



Participants gather to celebrate the conclusion of a successful workshop.

- Gender- and disability-sensitive: Indonesia's NTFC should be gender- and disability sensitive by not tolerating gender-based discrimination within the NTFC and by exploring whether there is gender-based discrimination against female entrepreneurs and traders or against businesspeople with disabilities in Indonesia.
- Adopt a dynamic communication plan: According to workshop participants, Indonesia's NTFC should develop a comprehensive communication strategy that would include regular meetings with stakeholders (at least four times per year), multiple means of communications (including e-mail and official letters), and outreach activities.

"The TPSA workshop provided updates on the progress of trade facilitation implementation and shared best practices related to NTFC, which have been adopted by some WTO members."

—LORENTA SIAHAAN
*Head of International Trade Facilitation,
 Coordinating Ministry for Economic Affairs of Indonesia*

In 2019, the NTFC should pursue any unfinished work and further oversee implementation of the TFA based on foreign assistance from donor countries, monitor implementation of all trade-facilitation measures, continuously monitor obstacles to the implementation of Category B and C measures, and plan the self-funding strategy for the TFA implementation.

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:

Mr. Gregory A. Elms, Field Director

Canada-Indonesia Trade and Private Sector Assistance (TPSA) Project

Canada Centre, World Trade Centre 5, 15th Floor
Jl. Jend. Sudirman Kav 29-31 Jakarta 12190,
Indonesia

Phone: +62-21-5296-0376, or 5296-0389

Fax: +62-21-5296-0385

E-mail: greg@tpsaproject.com