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Indonesia 2009
Individual Action Plan Study Report

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I. Policy Environment

1. INTRODUCTION

The APEC Individual Action Plan (IAP) process provides member economies with an opportunity to document measures taken toward reaching the Bogor Goal of a free and open trade and investment environment by 2010 (for developed economies) or 2020 (for developing economies, including Indonesia).

The Indonesia IAP under review was circulated to APEC economies in July 2008 for comments and feedback. An expert review team was assembled to complement the review process. The two experts visited Jakarta in early September 2008 to seek inputs from the related government agencies. A series of meetings were conducted with more than 100 participants. The list of participants can be found in Appendix 3.

The Indonesian economy began trade and investment liberalization in the late 1960s. According to an extensive recent study by Tambunnen (2007), the sweep of liberalization efforts can be divided into three phases (Table 1). Phase I, which concentrated on early adjustments of tariff and investment policy, lasted until 1980. Phase II, which continued trade liberalization but also expanded into a wider range of initiatives, was interrupted by the Asian financial crisis. Phase III, focused on more progressive reforms and an accelerated pace of the reform, has unfolded in the aftermath of the crisis.

The current economic reform effort, launched by the government in 2005, appears to be the most ambitious of those attempted. The overall structure of the reform program will be introduced in Section 3 of this Part, while its components will be analyzed in the context of the individual chapters of the IAP in Part II.

TABLE 1. PHASES OF INDONESIAN ECONOMIC REFORM

Period	Most important measures
Phase I 1967-1980	<ul style="list-style-type: none"> • Some tariff reduction; • Removal of quantitative restrictions on limited imports ; • National law on foreign and domestic private investment was introduced; • Liberalization of capital account in the balance of payments; • Managed floating was adopted as the exchange rate system.
Phase II 1985-1997	<ul style="list-style-type: none"> • Simplifying export-import procedures (including the duty drawback scheme for exporters)was improved substantially; • Limited agricultural liberalization; • Across-the-board tariff reduction; • Quantitative restrictions on some imports were removed, especially import licensing and import monopolies; • Approval procedures for foreign investment were simplified and limitations on FDI were abolished, especially for export-oriented investments (including more liberal treatment with regard to foreign ownership); • Revamping and replacing the corrupt customs service with a Swiss company (SGS); • Exemption from duties and VAT was given to export-oriented investments; • Banking system deregulation.
Phase III 1998 and on	<ul style="list-style-type: none"> • Financial restructuring, including the closure of 16 insolvent onwards private banks; • Foreign trade and investment liberalization; • Elimination of all cartels in all sectors; • Agricultural liberalization, including: (a) removal of import restrictions on various commodities; (b) removal of export bans on wheat, soybeans, sugar and oil palm products; (c) the monopoly role of BULOG on rice imports, and replacement with a 30 per cent tariff; (d) removal of local content regulations for agricultural products; (e) privatization of plantations, estates and input suppliers; (f) liquidation of cooperatives and removal of land-use regulations restricting producer crop choices; (g) suspension of the value added tax (VAT) on rice and other essential commodities; (h) elimination of subsidies on wheat, sugar and fertilizer; (i) phasing out soybean subsidies; (j) eliminating import subsidies and relevant import duties for soybean meal and fishmeal; and (k) for the first time in 30 years, allowing private traders to import rice; • Removal of various import licensing schemes such as producer licenses for iron and steel products, engine and engine parts, heavy transport equipment and electronic products; • Removal of local content requirements, reduction of tariffs on imported cars and components, and simplification of licensing procedures; • Elimination of all export restrictions and taxes; • Introduction of anticorruption and competition laws; • Approved Importer and approved sole agent licenses, which were applied to various industries from food-related sub-sectors to lubricants; • Liberalization of market access for five service sectors, namely telecommunications, industrial services, tourism, financial services and banking; • Removal of local content regulations under the Agreement on Trade Related Investment Measures (TRIMs), with the local content requirements for motor vehicles.

Source: Based on Tambunnen (2007).

This review is conducted at a time when the global economy is rapidly decelerating after a period of strong growth. Thus the policies and actions planned by the government and discussed in this review are subject to uncertainty and change, and in some cases have yet to factor in all of the consequences of the global downturn.

The government has nevertheless outlined ambitious reforms for 2008-09, focusing on the following areas: investment climate; macroeconomic and financial policy; energy security; natural resources, environment and agriculture; micro, small and medium enterprise; ASEAN Economic Community commitments; infrastructure and Labor and transmigration. The government has identified the following major work programs:

Investment

1. Institutional improvement, simplification of business licensing procedures and land registration processes
2. Acceleration of Customs processes and of goods movement
3. Taxation reforms

Macroeconomic and financial policy

1. Improved coordination of financial sector
2. Strengthening of banking sector financial institutions
3. Strengthening of non-bank financial institutions such as pension funds and insurance companies
4. Improvements in capital markets
5. Improvement in performance at SOEs
6. Steps to further guard against money-laundering

Energy security

1. Increase production in the oil, gas and mining sectors
2. Expansion of electricity production
3. Improve management processes
4. Energy diversification

Micro, Small and Medium Enterprises

1. Improve access to credit
2. Improve access to markets for MSME
3. Development of skills and entrepreneurial abilities

ASEAN Economic Community commitments

1. Steps toward free trade through removal of duties and non-tariff barriers
2. Commitment to free trade in services

3. Commitment to free investment flows
4. Commitment to freedom of monetary transfers
5. Commitment to freedom of movement of skilled workers
6. Commitment to trade in agricultural, food and forest products
7. Commitment to creation of a competitive economic zone

Infrastructure

I. Infrastructure development targets

1. Support for economic infrastructure
2. Improvement in global competitiveness
3. Fulfillment of basic needs

II. Development of infrastructure through government-private partnerships

1. Accelerate availability of land and funding
2. Clarification of government policy on partnership programs

Labor and transmigration

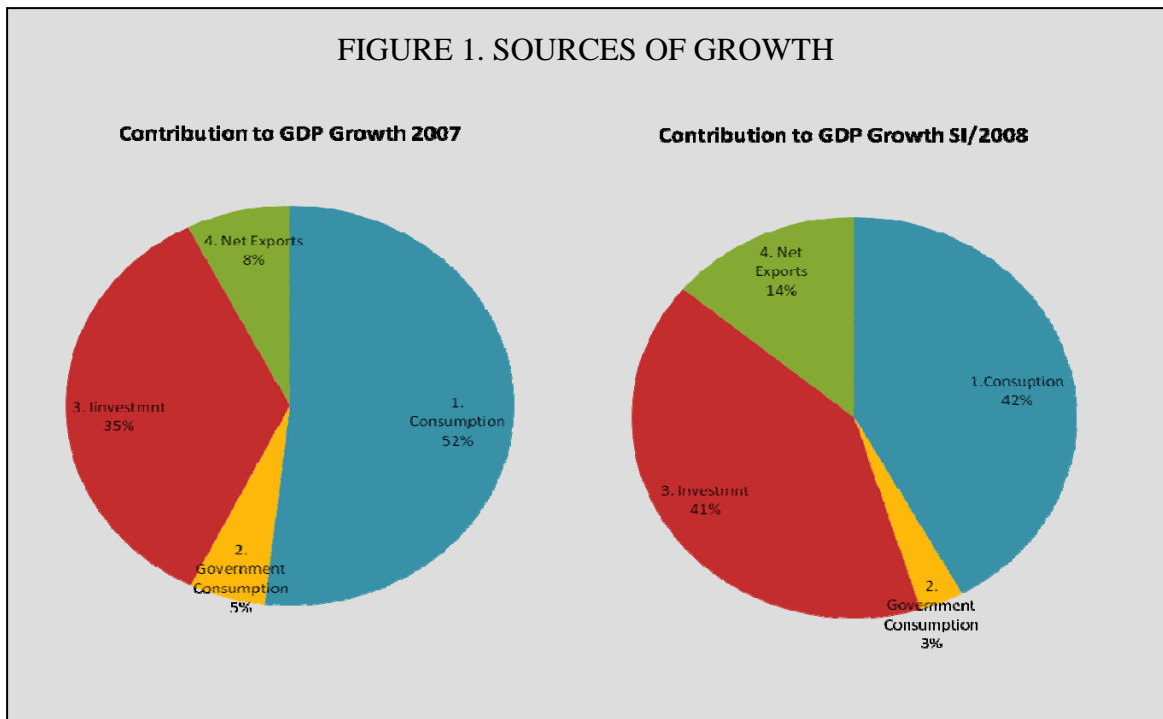
1. Creation of a conducive industrial relations environment
2. Improvement in government training programs (BLK) to boost skills and productivity
3. Development of neglected transmigration areas
4. Improvement in data bases for migrant workers

The details presented in this report confirm that many actions have been already taken or are planned on this wide agenda. But in recent months and weeks, the government's energies have been absorbed to a large extent by the global financial crisis. The crisis will doubtless affect the timing and speed of the planned reforms, as will Indonesia's 2009 election cycle. Nevertheless, the experience of the last few years—including under the great stress of the 1997-98 crisis—offers confidence that Indonesia is committed to carrying the reform process forward as best as political and economic circumstances allow.

2. MACROECONOMIC DEVELOPMENTS – AN UPDATE

The Indonesian economy has been recently enjoying its most rapid growth since the Asian financial crisis. Between 2003 and 2008 the GDP growth rate rose from 4.8 to 6.2 percent, with non-oil and non-gas sectors enjoying even higher growth. While high net savings and export surpluses had already emerged years earlier, until the middle of this decade investment had continued to lag, raising much concern about so-called “supply

constraints” on Indonesian growth. In the last few years Indonesia appears to have turned a corner on both investment and growth. These accomplishments took place in the context of a global increase of energy and other commodity prices in 2007 and 2008. The end of the period became especially tumultuous: in early 2008, inflation accelerated sharply in Indonesia, with a breakdown indicating that food and energy prices were the major cause (data from Statistics Indonesia, 2008). By the end of the year, however, growth in Indonesia, as elsewhere, was slowing rapidly due to the fallout of the global financial crisis. The overall composition of GDP growth is illustrated in Figure 1: not only did growth accelerate, but by early 2008, investment had also become a larger contributor to growth than consumption (Figure 1).

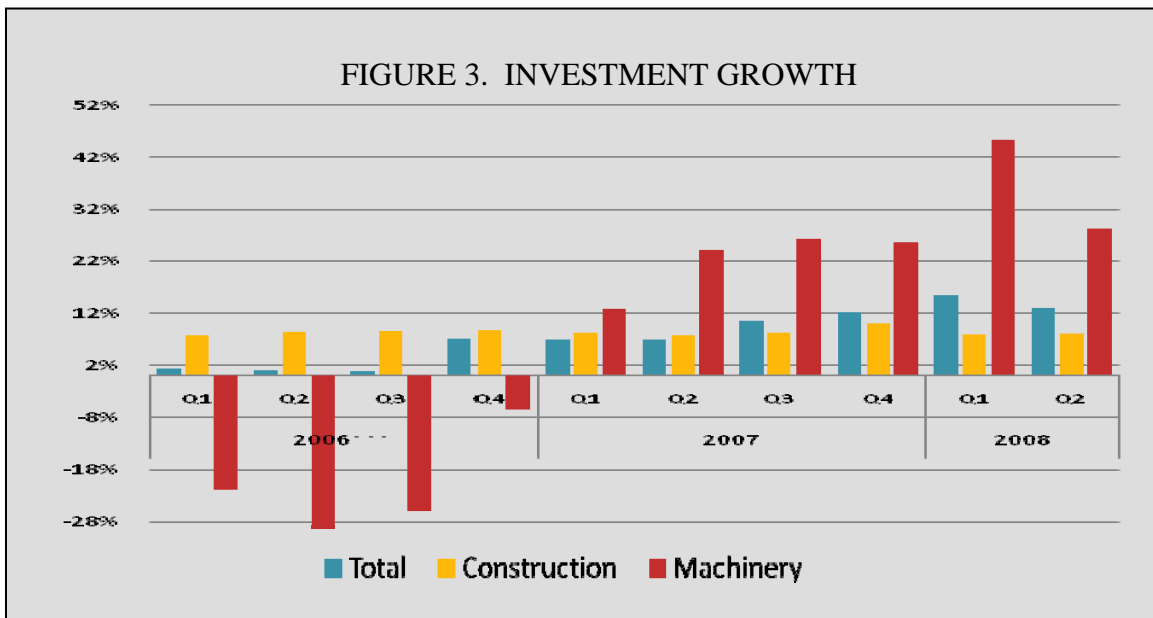
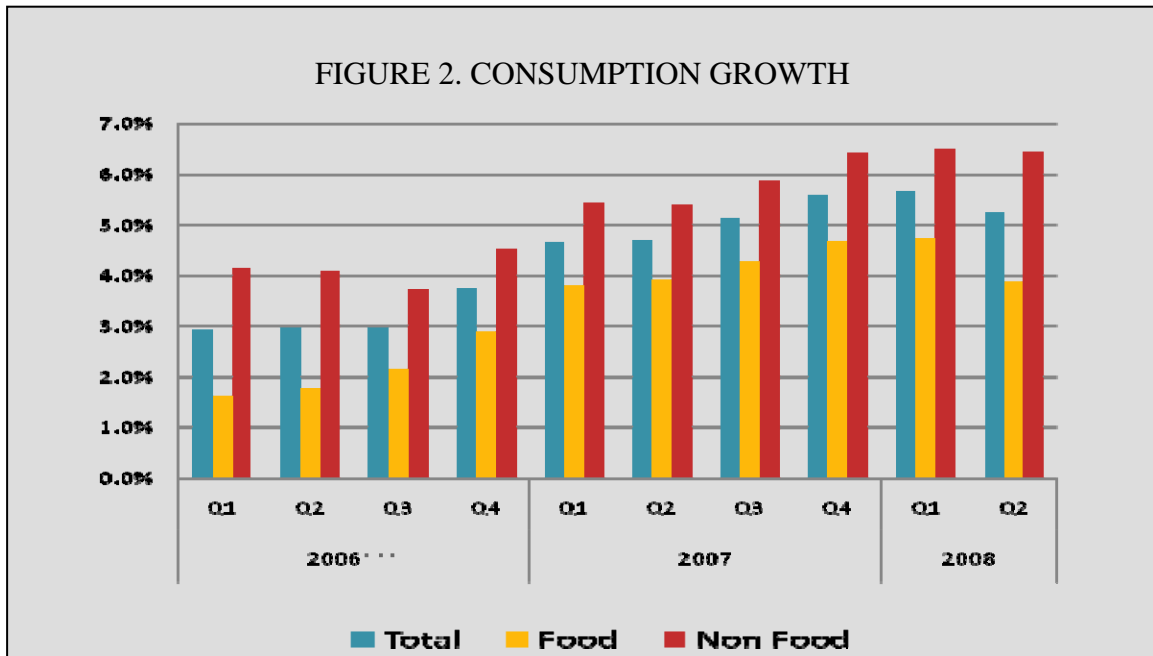


Source: Government of Indonesia

Consumption and Investment

Consumption has increased at a stable, accelerating rate until recently, and is projected to bear up reasonably well even under the global financial crisis. The World Bank (2008)

reports that non-food consumption constitutes the largest share of this increase (Figure 2). After relatively low levels of investment following the 1997-98 crisis, investment is recovering, and in the first half of 2008 its contribution to growth exceeded that of consumption. According to the World Bank (2008), construction accounted for the majority of investment (see Figure 3).



Source: Government of Indonesia

Foreign direct investment has increased too, from an annual average of US\$1.6 billion in 1990-2000 to US\$6.7 billion in 2005-2007, and by more than two-fold in the first half of 2008 compared to the similar period in the previous year.¹ While Indonesia's FDI inflows have been generally volatile, increases on this scale suggest a significant improvement in the attractiveness of the perceived investment environment. The reasons for this include Indonesia's improving macroeconomic environment, as well as policy initiatives that will be discussed in Part II of this report.

Public Finance

Public finances have improved especially impressively. The budget deficit remained comfortably low and the ratio of public debt to GDP fell very sharply, from 57% in 2003 to approximately 33% in 2008 (see Table 2). Foreign indebtedness fell even more sharply, from 57% to 27% percentage of GDP during this period. At the same time, Indonesia has undertaken substantial reform to improve its tax administration and to simplify its tax policies (see Box 1).

Stable government finances give Indonesia essential "fiscal space" to address the current global downturn. Indeed, the government has indicated that budget surpluses from 2008 will be used to fund stimulus packages in 2009. Until recently, most other key economic indicators have also shown a positive trend. Foreign reserves continued to increase with a large increment in 2007. The unemployment rate, though relatively high, has declined up to the run-up of the crisis, and the poverty rate has shown a predominantly downward trend.

¹ Full year data are based on the UNCTAD FDI database, accessed on 10 December 2008, and data for 2008 are based on information supplied by the government.

BOX 1. REFORM OF THE TAX SYSTEM

Indonesia is taking major steps to improve its tax administration and tax structure.

Administrative reforms have focused on making the tax system more transparent, accountable and trustworthy. As a result, taxpayer compliance is expected to increase. The modernization process began with the establishment of two Large Taxpayers Offices (LTO) and was later extended to Medium Taxpayers Offices (MTO) and Small Taxpayers Offices (STO). The process particularly emphasized improvements in ICT and human resource management. The latter was upgraded through better remuneration, transparent and standardized recruitment, and the enforcement of a rigorous Code of Conduct. A legal structure for the reforms was provided by a new General Provision and Tax Procedures Law introduced in 2008. The reforms were completed in November 2008.

Tax policy reforms are being introduced through a new Income Tax Law, which takes effect in 2009, and a new Value Added Tax on Goods and Services and Sales Tax on Luxury Goods Law, which is still under discussion in Parliament. The Income Tax Law simplifies the corporate tax from three tax brackets (from 10% to 30%) to a single bracket of 28% which will decrease further to 25%.in 2010. For individual taxpayers, the law reduces the highest rate to 30% and sets the dividend income tax at a single 10% rate. The law also reduces income tax rates for small and medium enterprises and provides tax exemptions for expenditures on corporate social and responsibility, research and development, and education. These reforms are expected to improve incentives, transparency and compliance, but are not primarily geared to generating substantial additional revenue (IMF 2008).

Source: Government of Indonesia.

TABLE 2. KEY ECONOMIC INDICATORS, 2003-08

No	Indicators	2003	2004	2005	2006	2007	S12008	2008
1	Economic growth (%)	4.8	5.0	5.7	5.5	6.3	6.4	6,2-6,4
	- Non-oil and non-gas	5.7	6.0	6.6	6.1	6.8	6.9	6,7-6,9
2	Inflation (%)	5.1	6.4	17.1	6.6	6.6	11.0	11-13
3	Interest Rate SBI % (3 month)	8.3	7.4	12.8	9.8	8.0	8.6	na
4	Exchange Rate (Rp/USD)	8593.0	8940.0	9713.0	9050.0	9130.0	9229.0	na
5	BoP (USD)							
	- Forex Reserves (USD bn)	36.6	36.3	34.7	42.6	57.0	60.1	69.0
	- Current Account Balance (% of GDP)	3.4	1.2	0.1	2.7	2.6	na	2.1
7	Budget Deficit (% of GDP)	1.7	1.3	0.5	0.9	1.1	-1.1	1.9
8	Public Debt Ratio to GDP	57.4	55.5	46.5	39.2	35.5	33.0	33.0
9	Foreign Debt							
	- % of GDP	56.8	53.8	46.5	35.2	32.7	27.0	na
	- Debt Service Ratio (% of Exports)	32.3	27.1	17.3	24.8	21.5	17.9	16.2
10	Unemployment Rate (%)	9.7	9.9	11.2	10.3	9.1	8.4	8.0
11	Poverty Rate (%)	17.4	16.7	16.0	17.8	16.6	15.4	15.4

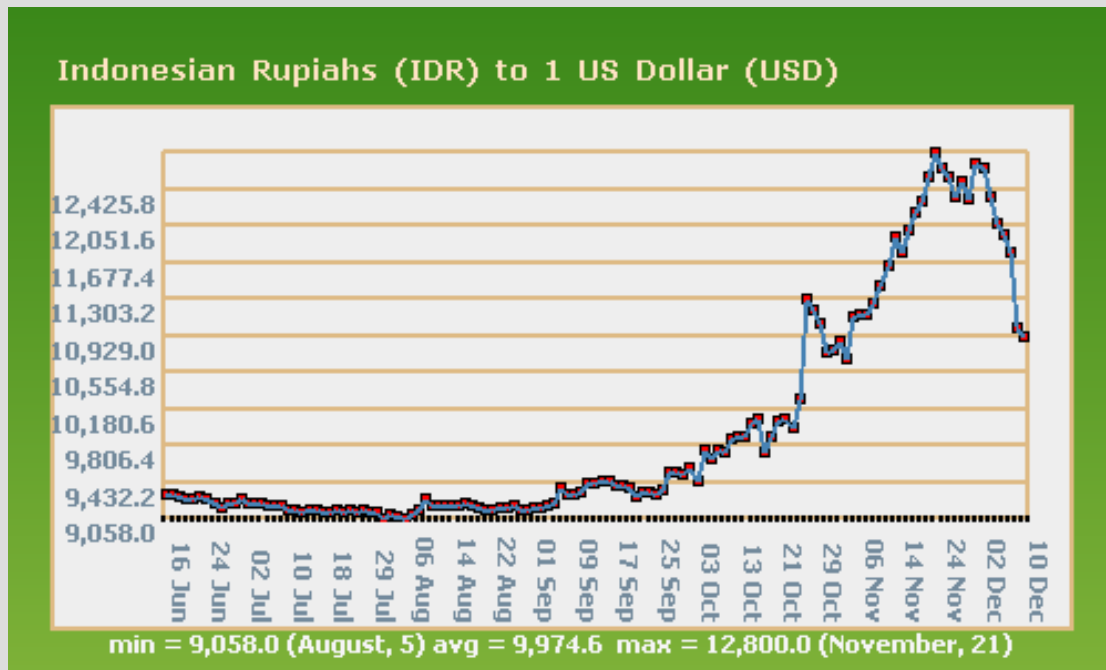
Source: Government of Indonesia

Exchange rates

The exchange rate of the rupiah against the USD had been stable in the 9,000-10,000 rupiah/USD range since 2003, but as the global economic financial crisis accelerated in September 2008, the rupiah began to depreciate sharply reaching nearly 13,000 (see Figure 3). The depreciation of the rupiah should not be considered entirely unwelcome. The decline in commodity prices has depressed the value of some important export earnings, and the improved competitiveness of other Indonesian products could help to provide support for the trade balance. Also, the US dollar has appreciated sharply against most currencies in this timeframe, so the depreciation of the rupiah paralleled the direction, if not amplitude, of changes in many other currencies. Finally, given today's generally deflationary environment, the depreciation of the rupiah is not as dangerous as in the past. Nevertheless, the sharp fall in the value of the rupiah during in 2008 is a troubling reminder of the spiraling depreciation of 1997.

While assuring markets that it will not impose capital controls, the government has taken steps to curb speculation by limiting transactions in some types of foreign exchange derivatives. Initially, the central bank had used substantial amounts of foreign exchange reserves to defend the rupiah. More recently, it has concluded that it could not resist fundamental market shifts primarily through intervention in the currency markets. Instead, the government has turned to lining up additional reserves through new credit lines to boost confidence. At this writing, the rupiah appears to be stabilizing at around 11,000, a rate that would be consistent with keeping inflation in check while also providing reasonable support for exports.

FIGURE 3. RUPIAH-USD EXCHANGE RATE



Source: Exchange-rates.org, accessed 11 December 2008.

Trade

Indonesia's exports have accelerated in recent years and the government estimates that the growth rate was near 20% in 2008.² Nevertheless, the OECD (2008) reports that Indonesia's exports of goods were US\$118 billion in 2007, or 26.9% of GDP, a ratio that is lower than in most other APEC economies. This is due partly to the large size of Indonesia's economy, and partly to Indonesia's relatively limited participation, so far, in the region's manufacturing production chains. In the same year, imports of goods reached US\$85.3 billion or 19.5% of GDP. Average annual growth of exports and imports over the previous 5 years were 14.9% and 19.6%, respectively. Indonesia has enjoyed a robust current account balance of around 2% of GDP (see Table 2). The WTO (2007) reports that Japan was the largest export destination (21.6%) followed by EC (11.9%) and the USA (11.2%). The latter two markets, while important, represented less than one-quarter of Indonesia's exports, a smaller ratio than in many other APEC economies. Policy makers hope that Indonesia's relatively low exposure to trade and key developed country markets will help to contain the impact of the current global downturn. Indonesia's largest import sources in 2006 were Singapore with 16.4%, followed by Japan with 9%. Major import items from Japan include motor vehicles, iron and steel and from Singapore organic chemical products and plastics.

Looking ahead

The environment in the intermediate term is highly uncertain. Major developed countries are entering a steep and possibly prolonged downturn, and even the dynamic, emerging economies of Asia, connected through export and financial links with developed markets, are likely to slow significantly. Indonesia, as noted, is less exposed to OECD markets than some other Asian economies, since manufactured exports directly or indirectly destined for those markets make up a smaller share of its exports and GDP. Nevertheless, the Indonesian economy is likely to slow, and possibly significantly. Table 3 reports the forecast of a prominent private forecaster, which anticipates a two-year slowdown to growth rates well below those of the last five years. The government's forecasts are more optimistic (at this writing, 4.5-5.5% for 2009) but in the current uncertain global

² Indonesia Trade and Investment News, 5 January 2009.

environment forecasts from both private and public sources are subject to frequent revisions as circumstances change.

TABLE 3. MEDIUM-TERM ECONOMIC FORECAST

Key indicators	2008	2009	2010	2011	2012	2013
Real GDP growth (%)	6.1	3.7	3.8	4.6	5.2	5.5
Consumer price inflation (%)	10.4	7.0	6.6	5.6	5.5	5.4
Budget balance (% of GDP)	-1.4	-1.6	-1.5	-1.3	-0.9	-0.8
Current-account balance (% of GDP)	0.5	0.6	0.7	0.7	0.6	0.6
Deposit rate (%)	8.1	8.8	8.2	7.3	7.2	7.0
Exchange rate Rp:US\$ (average)	9,349	9,633	9,727	9,788	9,806	9,823
Exchange rate Rp:¥100 (average)	8,823	9,352	9,900	10,330	10,458	10,486

Source: Economist Intelligence Unit 2008.

3. THE POLICY FRAMEWORK

No country was more deeply affected by the 1997-98 Asian financial crisis than Indonesia—or more profoundly changed by it. The economic downturn was steeper and lasted longer than in other crisis-affected economies. It also led to social unrest and eventually the resignation of President Suharto. In the wake of the crisis, Indonesia underwent far-reaching political change from an authoritarian government that had been in power for more than thirty years to a thriving, tumultuous democracy. Since 1998, Indonesia has seen four transitions of the presidency, including the first direct election of the president in 2004. During this difficult time, Indonesia also experienced massive natural calamities and became the target of terrorist attacks.

Indonesia has now emerged from these challenges with renewed investment and robust growth. It is a more open, diverse and decentralized economy than it was a decade ago. Many areas of control have been shifted from the central administration to the provinces, requiring new approaches for revenue sharing and for implementing national policies. Decentralization improved the Government's political legitimacy, but it also made the

formulation of national policy more complex such as business-unfriendly new taxes and charges by local governments. Managing these challenges—and doing so in the setting of spirited political debate—absorbed considerable Government energy.

The first priority of the early post-Suharto era was to restore macroeconomic stability. As previous sections show, stability gradually returned through careful management. By 2004, when the Yudhoyono government came to power, stabilization had begun to bear fruit: Indonesia had achieved balance of payments and trade surpluses and was building a substantial foreign currency reserve. These trends have been reinforced since. The rupiah nearly regained its mid-1990s real value. The government debt/GDP ratio was reduced (by 2008 it had fallen to 33%), and public finances were nearly balanced, with a deficit of only 0.1% of GDP. In the months leading up to the 2008 crisis, Indonesia shifted to restraining economic activity in order to reduce inflation, which partly resulted from oil and other global price increases.

As the focus of policy began to shift to structural reform, Indonesia faced microeconomic challenges as formidable as the macroeconomic ones. At the outset of this period, Indonesia ranked relatively low on various external evaluations of its policy environment. Further, policy making was complicated by both external and internal factors, including the ups and downs of the global economy, the impact of decentralization and democratization, and natural disasters. Despite these challenges—and the significant ones that still remain—Indonesia has made substantial progress in recent years and foreign perceptions of Indonesian policy have now begun to improve.

Improving external assessments (which will be discussed in more detail below) reflect not only accomplishments in macroeconomic stabilization, but also the early returns on a broad, many-pronged microeconomic reform effort. The scope of this effort is strikingly ambitious, ranging over many institutions and policies. Its major elements include:

- A new Investment Law to ensure the rights of investors and to streamline the administration of investment restrictions;

- A complex, interagency initiative to improve the investment climate;
- A National Single Window project to cut the cost of exports and imports, backed by responsibilities spanning many agencies;
- A Tariff Harmonization Program to streamline and lower many tariffs;
- Implementation of Indonesia's obligations in the Uruguay Round and the Blueprint for the ASEAN Economic Community;
- A major anti-corruption effort, including extensive reform of Customs;
- New laws to regulate patents, copyrights and other intellectual property;
- A new Government Procurement Agency;
- Enhanced enforcement of competition policy.

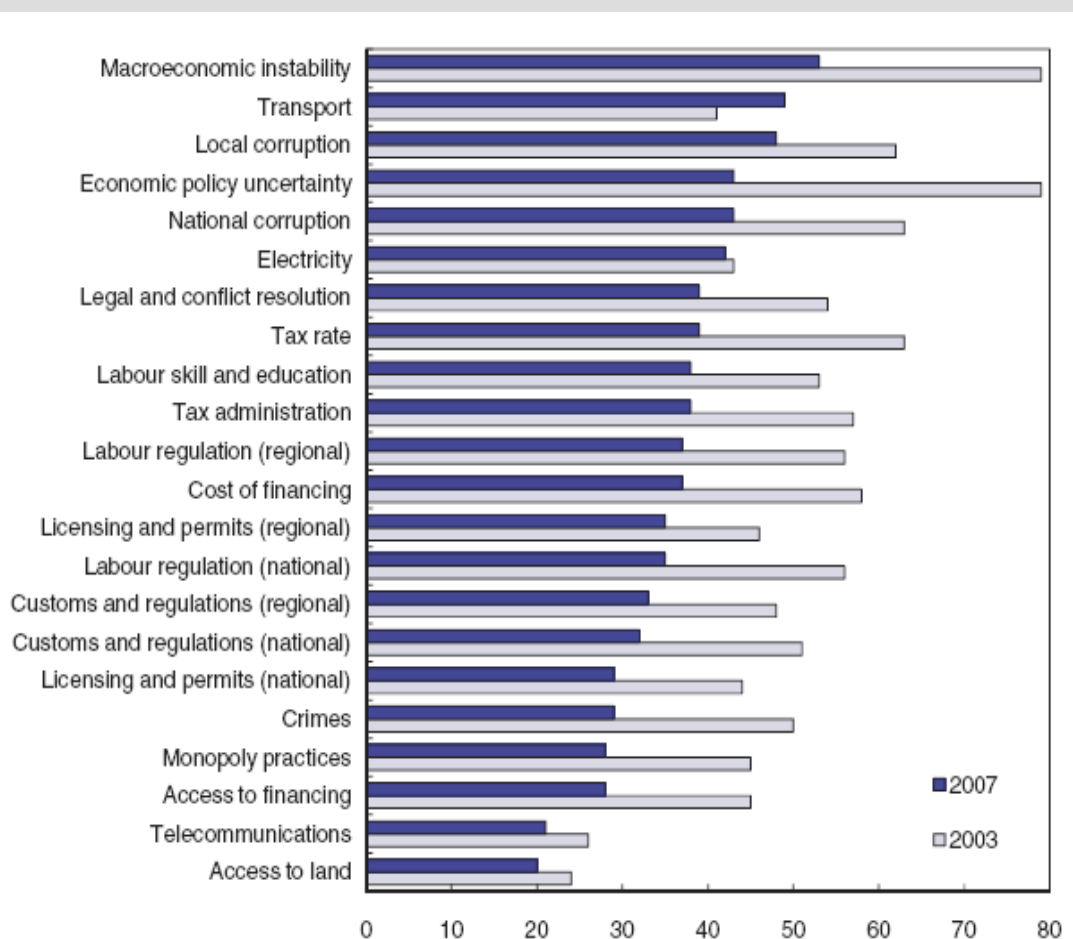
Policy appears to be following a two-part strategy. One part of the strategy is broad: it involves drafting laws and launching initiatives to address virtually all of the obstacles that the Government believes to be constraining growth. The other part targets narrower initiatives: it focuses resources and attention on specific "islands of best practice." The goal is to produce early results which in turn can be used to justify continued investments in reform.

The investment law and related implementation efforts—which appear to be proceeding slowly—may be an example of the broad approach for dealing with Indonesia's constraints. The new law seeks to modernize the framework of investment (it replaced a 1967 law) and to collect in a single place the restrictions imposed on foreign investment. But its adoption represents only the beginning of the effort to streamline Indonesia's investment structure. A crucial aspect of the investment climate is the associated "negative list" of prohibited or regulated investments, which is detailed in Presidential Regulation 111/2007. The regulation is expected to be reviewed and revised over time; much work remains to be done in streamlining the list.

The reform of Customs appears to represent a more direct, targeted approach to reform. One reason for quicker results in this area is that the agency is directly administered by the Ministry of Finance. Given its high-level perspective on reform, the Ministry could make quick changes without interagency negotiation and had the resources to prioritize this high-profile, high-priority reform activity.

Indonesia's reforms are beginning to achieve results. A survey of firms found that the constraints they perceived were easing between 2003 and 2007 in all of the areas analyzed, with the exception of transport (see Figure 5). Especially large declines were reported for economic policy uncertainty, macroeconomic instability, tax rates and corruption at the national level. As noted later in this report, specific surveys of port users also report improving perceptions. Measures of Indonesian trade policy collected by the World Bank suggest significant improvements as well (see Table 4).

FIGURE 5. MAIN BUSINESS CONSTRAINTS, 2003 AND 2007
Percent of firms reporting the issues as a business constraint



StatLink <http://dx.doi.org/10.1787/414838075526>

1. Data for 2003 is available from Asian Development Bank (2003) and for 2007 from LPEM-FEUI (2007a).

Source: Asian Development Bank (2003) and LPEM-FEUI (2007a).

Source: as shown in OECD (2007), Indonesia Country Assessment.

TABLE 4. RECENT IMPROVEMENTS IN THE POLICY ENVIRONMENT
Indonesia's and Comparators' Ranks Among 178 Economies

	Indonesia				East Asia- Pacific	Lower Middle Income
	1995-99	2000-04	2005-06	2006-07 latest	2006-07 latest	2006-07 latest
Ease of Doing Business	..	..	133	123	86	100
Starting a Business	..	..	160	168	86	99
Closing a Business	..	..	135	136	109	97
Enforcing Contracts	..	..	141	141	89	94
Trading Across Borders	..	..	59	41	86	96
Government Effectiveness Index						
Government Effectiveness	114	128	124	119	127	127
Regulatory Quality	105	133	114	112	130	126
Rule of Law	137	160	156	155	110	125
Control of Corruption	161	171	155	152	129	123
Logistics Performance Index	..	..	43	43	85	92

Source: World Bank (2008), World Trade Indicators 2008 database,

The World Bank's "Doing Business" index generates some of Indonesia's lowest rankings. However, Indonesia's ranking shows a general upward trend—it improved by 10 positions in 2008, although it slipped by 2 in 2009.³ Indonesia's rank in "trading across borders" is substantially ahead of its comparators, and has improved dramatically even in the last two years. The World Bank's "Government Effectiveness Index" also offers mixed results; Indonesia remains behind comparators on systemic variables such as the "rule of law" and "control of corruption," but it is ahead of them in areas that the government controls directly, namely "government effectiveness" and "regulatory

³ The recent deterioration was evidently caused by an increase in the capital requirement for Limited Liability Companies to Rp50 million (approximately US\$4,600), adopted to help ensure the qualifications of registered companies. This change was weighted negatively in the index and, despite other improvements, caused the index to decline.

quality.” Those indicators that are available for longer periods of time show that Indonesia’s policy environment has improved steadily since the 1997-98 financial crisis.

The A. T. Kearney consultancy recently added Indonesia to its list of the world’s most attractive investment destinations in 21st place, citing “President Susilo Bambang Yudhoyono’s active courting of the international business community,” the new investment law, and the plan to improve the investment climate through incentives, customs, labor, taxation and support for small and medium-sized enterprises (Kearney 2007).

It is easy to overstate the significance of these and other rankings and quantitative indexes that have come to be widely used in recent years—they are based on relatively few, subjective observations, and offer at best a simplistic view of complex phenomena. Nevertheless, they provide useful summaries, and are important in part because they are widely followed by analysts, policy makers and—not least—investors. Moreover, national bureaucracies often use them to set measurable, quantitative objectives for policy. For example, Indonesia has established targets for variables measured in the World Bank’s *Doing Business* studies, has focused specifically on meeting them, and has made considerable progress. Table 5 reports, in particular, on the steps Indonesia has taken to reduce the time and cost involved in opening a new business, one of the indicators tracked in the World Bank surveys.

TABLE 5. RECENT IMPROVEMENTS IN OPENING A BUSINESS

No.	Process	Days Before	Days Now	Notes
1	Clearance of corporation name from Ministry of Legal Affairs	7	1	
2	Signing of act of deed	7	1	
3	Domicile information	10	n.a.	Process omitted
4	Tax identification number	14	1	Arranged in parallel with TDP
5	Opening account for paid-up capital	4	1	Not required, only statement from Board of Commissioners and Directors
6	Payment of non-tax revenue	1	1	
7	Validation of act of deed by Ministry of Legal Affairs	30	7	Conducted by centralized information system
8	Company registration (TDP)	15	3	Maximum 3 days
9	Stated in the State Gazette	2	2	
10	Trade license (SIUP)	14	3	Maximum 3 days
11	Registration of workers at Ministry of Manpower	14*	1*	
12	Workers insurance (Jamsostek)	7*	1*	
	Total	104	20	

* Processes can be handled in parallel with SIUP.

Source: Based on a presentation by Deputy Coordinating Minister for Economy Mahendra Siregar..

In sum, Indonesian reform is making progress in the face of varied and difficult challenges. Indonesia is large and unusually diverse, facing many different problems in widely dispersed industries and provinces. Its history of opaque, centralized, and corrupt administration has left it with weak institutions, including in key areas such as the court system. And its government has had to address pressing economic challenges amid a historic political transformation, natural disasters on a vast scale, and serious security threats. Indonesia's commitment to reform is especially impressive when seen in this context. Some results are tangible, even though some of the key reforms are of relatively recent origin. Unless the emerging global downturn overwhelms these efforts, they are likely to bear ample fruit in the years ahead.

4. MEETING THE BOGOR TARGETS

Adopted in 1994, the Bogor Goals were the highly prominent output of first APEC Leaders Meeting held in Indonesia. The goals are simple yet far-reaching, and have been closely identified with APEC ever since. Since APEC is a voluntary, consensus-based organization, the primary means for achieving the goals involves the formulation, discussion and implementation of Individual and Collective Action Plans. Since APEC provides neither rewards nor penalties, it relies on peer pressure to motivate action.

The effectiveness of peer pressure is often underestimated. According to some, peer pressure requires “name and shame” approaches to work—techniques that are inconsistent with APEC’s collegial operations. But peer pressure also operates through information exchange and quiet persuasion with respect to successful policies pursued by others—that is, through demonstration effects. (Economists broadly agree that most of the benefits from opening an economy’s markets accrue to the economy itself.) Arguably, many of Indonesia’s most ambitious reform initiatives are designed to create trade and investment environments that have proven successful elsewhere. APEC provides one of several venues for exchanging experiences and information that support “technology transfer” in policy making, and several of Indonesia’s most prominent policy makers and academics have had long involvements in the APEC process.

Indonesia’s reform efforts have been driven most importantly by increased recognition in business and government that, to remain competitive in the global economy, Indonesia has to embrace reforms affecting every aspect of its economy. Indonesia’s reforms have also been shaped by its deepening engagement with the world. The Uruguay Round generated a schedule of actions for much of the 1990s, and in a few cases lasting until 2005. ASEAN’s regional economic integration agenda (covering trade in goods and services, investment, and many other areas, as reflected in the concept of the ASEAN Economic Community) and ASEAN’s FTAs with Dialogue Partners provide other sources of scheduled activity that will affect Indonesia’s policy agenda significantly in the intermediate future. Indonesia’s long term policy trends are driven by many different

forces, and it is neither possible nor informative to deconstruct which set of forces is responsible for the progress being made.

The evidence compiled in this report suggests that, overall, Indonesia is moving toward free and open trade most rapidly with its key trading partners but also on a multilateral basis. It is also adopting complementary policies, including especially those that affect the investment climate, to create a more efficient and globally connected economy. This policy stance, if sustained, will enable Indonesia to develop vigorously and to build strong connections with other economies in APEC and beyond.

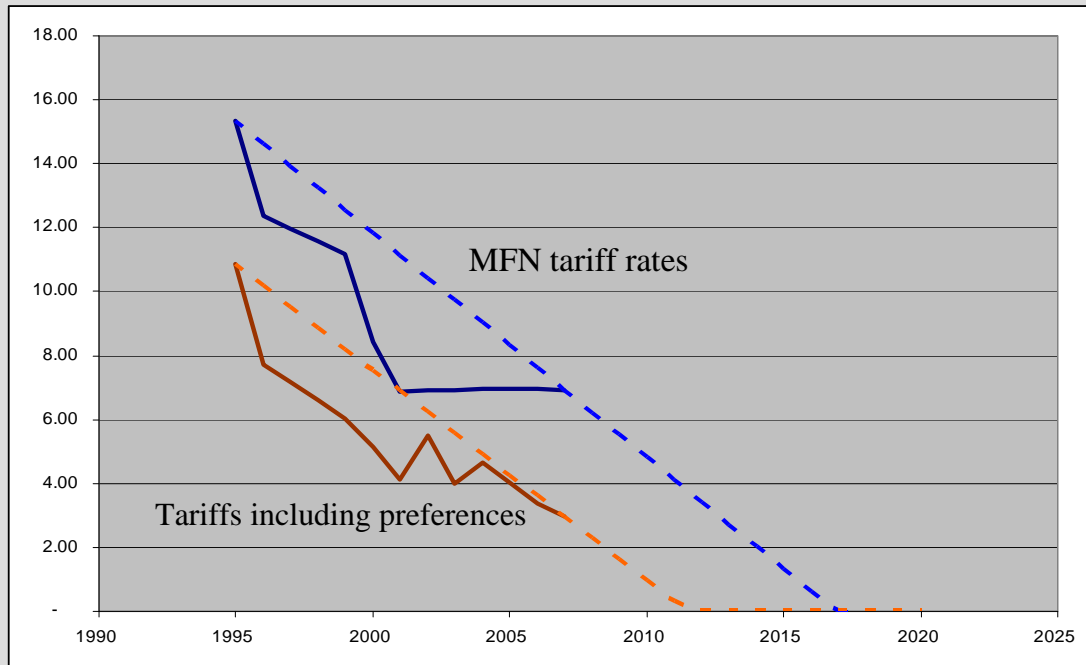
Since the targets of Bogor Goals by 2020 have not been precisely defined, there is some ambiguity involved in measuring progress by Indonesia or other APEC economies toward those goals. In most economic policy areas the “full achievement” of an objective is usually interpreted as allowing some *de minimis* departures from its exact conditions. Such deviations from pure free trade have not yet been defined for the Bogor Goals, but assuming that some limited departures will be acceptable, Indonesia could well achieve the targets by 2020.

Indonesia’s overall policy directions were outlined in the previous section, and its detailed efforts are described in Part II. It is useful, however, to single out some indicators here to illustrate how the continuation of past trends would lead Indonesia to meet the Bogor Goals by 2020.

In Figure 6 tracks the evolution of two indicators of protection: the simple average applied MFN tariff rate, and the weighted average applied tariff rate, including all preferences. The solid lines show actual rates for these tariff indicators; as expected, the MFN rate lies above the preferential rate. The dashed lines extrapolate the tariffs into the future, assuming that they will continue to change after 2007 at the average annual rate experienced between 1995 and 2007. Since the MFN rate fell from over 15% to 7% in 2007, continued decline at this rate will reduce it to zero by 2017. The weighted

preferential rate starts lower but falls at approximately the same rate; it reaches zero in 2012. Following past trends, both rates will fall to zero before 2020.

FIGURE 6. ACTUAL AND EXTRAPOLATED APPLIED TARIFFS



Source: World Trade Indicators website, accessed 1 December 2008.

Actual tariff rates ———— Implied trends - - - - -

The declines illustrated in Figure 6 are not smooth and appear to be dominated by declines that are probably due to Uruguay Round concessions and other policies pursued in the late 1990s. These factors will not operate in the future. But as noted in Part II, Indonesia is planning significant tariff reductions in its Tariff Harmonization Program and has agreed to reduce protection under several new FTA agreements. In other words, new forces will take over the work of the Uruguay Round in opening Indonesian markets. If these are similar in strength to those operating in the 1990s, Indonesia is very likely to meet the Bogor deadline in terms of average tariff levels. But similar analysis at a sector level would suggest that while past trends are clearly sufficient to reduce tariffs in the

non-agricultural sectors to zero, past trends alone will not be sufficient to eliminate agricultural tariffs and tariffs for goods with the highest (maximum) tariffs. In the case of agriculture, tariffs have been relatively stable, but since protection has shifted from quantitative measures to tariffs, tariff changes tend to understate the extent of liberalization that has occurred.

Time series data are not available for Indonesian policy indicators associated with most other chapters of this report, but qualitative progress appears to be taking place in most of the areas analyzed. To be sure, in many areas the new laws and institutions are of relatively recent origin, and it will take time for them to mature. Often, the new institutions have not yet been fully staffed or had the chance to implement their full mission. Even once they do, it will take additional time for their effects to become visible and sustainable. Given the limited time the team spent in the field, and given Indonesia's vast scale and challenging geography, it was not possible to confirm, much less to extrapolate, the implications of these wide-ranging changes.

In addition to consolidating the reforms already in place, acceleration over past trends will be required in some areas. This appears to be the case, for example, on investment regulations and in the service sectors, where the reforms have identified, but not yet fully addressed, the barriers to greater international flows. Hopefully tariff rates will be bound at rates closer to applied rates, and frequent interventions in tariffs and taxes—as has been the case recently in crude palm oil exports—will be discontinued.

By any reasonable standard, Indonesia is in the early stages of its reforms, and cannot have been expected yet to address all of the challenges that have materialized. Hopefully Indonesia will continue on its course of reform without becoming sidetracked—or at least sidetracked for long—by the global crisis of 2008 and its political implications at home. If the global environment regains stability within a few years, there is good reason to expect that Indonesia's policy environment will approach, within an acceptable margin, free and open trade by 2020.

An important source of optimism is the commitment to integrate information technology in the reform process. As later sections will show, many government agencies utilize websites as communication channels. The National Single Window project is perhaps the most ambitious of these efforts, ultimately aiming to involve all traders and related business in an electronic network. These processes, too, take time, and require progressive improvement. Some websites, for example, appear to need further updating and content, and further steps toward making them easier to use.

To be sure, Indonesia's progress has not been even across all sectors and its pace has varied over time. For example, given the pending negotiations in the Doha Round, multilateral trade reforms have slowed since the implementation of Uruguay Round commitments was completed. New motivations—regional, bilateral and especially unilateral—will be needed to drive further progress. All of these appear to be gaining traction.

Indonesia's friends across the world should encourage these efforts. Further initiatives are needed in various areas—as part II of this analysis will show in more detail—ranging from continued customs reform to a more transparent and less restrictive investment regime. But at this stage, the economies of APEC have much reason to be pleased with and impressed by Indonesia's contributions to the region's trading system, particularly in light of the difficult transitions and challenges that Indonesia recently faced. APEC is also in a good position to help—with advice, technology and other support—to advance Indonesia's important, successful and promising efforts to build an open, integrated Pacific economy.

II. Individual Action Plan Chapters

1. TARIFFS

Despite a long history of import substitution and selective industrial promotion, Indonesian markets today are quite open, even by East Asian standards. Throughout the slow recovery from the 1997-98 financial crisis, Indonesia avoided significant new protectionist measures and in fact reduced its simple average MFN applied tariff from 13 % in 1996 to 8% percent today. (The downward trend in Indonesia's overall applied tariff was already highlighted in Figure 6 in the previous section.) Moreover, a substantial share of imports now falls under an expanding network of free trade agreements focused on ASEAN and its major trading partners, so that the applied rate including preferential agreements is less than half as high. In 2008, 82% of Indonesia's MFN tariffs are no higher than 10% and only 2% exceed 35%.

The impetus for tariff liberalization over the past decade came initially from Uruguay Round commitments, but in recent years unilateral tariff reductions and regional trade agreements have come to play an important role. Under AFTA, all tariff lines have come under the CEPT ceiling of 5 percent. In addition, Indonesia participates in ASEAN's free trade agreements with China, Korea and Japan respectively, and is expecting the implementation of ASEAN's new FTAs with Australia and New Zealand, and India, thus placing a large share of Indonesia's trade under a free trade regime. While these agreements do not cover all trade and will be implemented gradually, they provide new schedules to help drive further tariff reductions.

Tariff reductions negotiated with FTA partners not only contribute to the liberalization of trade with those partners, but also exert pressure for the reduction of the MFN rates imposed on other economies. This occurs because policy is likely to respond to the potential costs of maintaining differentials between intra-regional and MFN rates; policy

makers will resist allowing trade to shift away from efficient third-country partners, or to allow competitors to gain an edge over Indonesia because they buy third-country inputs at lower MFN rates. Basri (2008) has argued that much of Indonesia's tariff concessions to FTA partners have in fact been multi-lateralized this way. Thus, even without new global trade agreements, regional trade agreements provide impetus for continued MFN liberalization.

Despite much progress, significant opportunities for improvements in Indonesia's tariff regime remain. While 95% of tariff lines are bound (many at 40%), Indonesia has generally bound tariffs well above applied rates. On average, bound tariffs (37%) are more than four times as high as applied tariffs (8%). This margin is especially high in agricultural products, where the average bound tariff is 48% compared to the applied rate of 12%. Indonesia may have been reluctant to reduce bound rates in the expectation that it could use tariff bindings in Doha Round bargaining. As the prospects for concluding the Doha Round recede, Government may be more willing to reduce bound rates in order to reduce uncertainty about future tariffs and thus improve incentives for investments based on an open trade regime.

In addition to high bound rates, some applied tariffs also remain high. There are 247 tariff lines above 20 percent, including 87 in the agricultural sector and 137 in transport equipment. (For example, a medium-sized sedan assembled abroad faces a tariff of 70% plus a luxury tax of 40%.⁴) The development of a more integrated auto industry in ASEAN is likely to make it less advantageous to protect Indonesian markets from other, potentially more efficient trade partners.

An ambitious Tariff Harmonization Program, begun in 2004 and now in a third phase launched in 2006, will move Indonesia still further toward a low and uniform tariffs by 2010. According to the announced schedule, by 2010 some 87 percent of all tariff lines will face just two low rates: 59% will be subject to 5% tariff, and 28% to 10% tariff (see Table 6). The 6% of tariff lines with rates still exceeding 10% in 2010 would be shifted

⁴ WTO (2007).

into the 10% band by 2020. Low and less variable tariff rates will also help to streamline the import process, reduce smuggling, and facilitate the Government's efforts to eliminate corruption in customs administration.

Tariff rate	2004	2008	2010
0%	21%	23	5
5%	39	38	59
8%	0	0	1
10%	15	16	28
13%	0	1	0
15%	14	16	2
20%	3	1	0
25%	3	0	0
30%	0	0	0
>=35%	5	5	4
Total	100	100	100

Source: Customs and Excise Office cited in World Bank (2006)

Given its progress so far, Indonesia is well placed to achieve the Bogor target of zero tariffs by 2020. Specifically, the annual rate of reduction to eliminate the current 8 percent simple average tariff by then is $\frac{3}{4}$ percentage point per year, and Indonesia has averaged only slightly less—about $\frac{1}{2}$ point per year—in the difficult period since the 1997-98 financial crisis. The government has programs in place to implement further reductions and explicitly notes in its plans a commitment to achieve the Bogor target.

2. NON-TARIFF MEASURES

The use of NTMs in Indonesia has declined significantly since the 1990s, as the number of tariff lines subject to import restrictions, prohibitions and special licensing has fallen from 1112 to 141 in 2008. The Government is committed to limiting the use of such

measures to cases related to human health, hygiene and sanitation, animal and plant life, environmental conservation and security.

Since the last IAP review, Indonesia has continued to reduce the use of NTMs by exempting from non-tariff measures several important groups of products, including the exports of timber, rattan, crude palm oil and leather products, and the imports of fishing vessels, wheat, wheat flour, soybean and garlic, and various automotive products. (In some cases, these products became subject to new taxes or tariffs instead.) These measures were undertaken unilaterally and had not been included in Indonesia's Uruguay Round commitments.

Indonesia has also gradually reduced the role of Bulog, the state trading company, in managing Indonesia's international trade in primary products. Bulog previously had a monopoly on importing and distributing all bulk products, but most of these—including wheat, sugar and soybeans—are now handled by other commercial traders. Bulog remains responsible for Indonesia's rice stock and rice price stabilization program.

But despite the fact that Indonesia's NTM regime is generally open, a few remaining NTMs continue to generate friction with some trade partners. For example, imports of chicken parts are banned under the justification that otherwise consumers could not be assured that these products are processed in conformance with Islamic practices (*halal*). Other products, such as fabrics, are subject to import licenses granted only to companies that further process fabrics. These measures may reduce smuggling, but also are likely to curtail legitimate uses of the restricted products as well as diminish competition in import-competing and downstream sectors.

Some non-tariff measures are justified by the need to prevent smuggling. Given Indonesia's geography—a vast, decentralized archipelago easily accessible by sea—smuggling presents an understandably important problem. To limit smuggling, the Government has introduced methods to restrict those allowed to conduct import trade through licensing and other means. These restrictions, however, could inflate the

domestic prices of the affected products and lead to various types of rent-seeking behavior. (As some analysts have observed, from the perspective of Indonesia's economic welfare, there may be also a silver lining to smuggling problem: the threat of smuggling imposes constraints on and reduces losses from inefficient interventions in trade.)

Indonesia has also used trade measures to intervene in recent months in order to address inflationary and other macroeconomic pressures. It has restricted exports of commodities in short supply and has made selective value added tax reductions and special import duty exemptions available to industries under stress. Indonesia is not alone to have have resorted to such special measures under the current global crisis, but the effect of such policies on the trading system is troubling. In Indonesia, restrictions on exports have been removed relatively quickly in the past as price pressures subsided, and it is hopefully special measures will be also removed quickly once the emergency lifts. Nevertheless, the government's willingness to use trade policy tools for transitory macroeconomic objectives may have longer term costs. The possibility of future interventions could undermine the confidence of foreign partners and limit domestic and foreign investment—at a time when Indonesia is justifiably concerned with renewing its investment momentum.

In sum, while Indonesia's remaining NTMs—aside from those that address the committed objectives—cover a few politically sensitive products, they do not appear to play a significant positive role in the overall operation of the Indonesian economy. Thus, Indonesia's commitment to achieving the Bogor targets is both persuasive and viable. Indonesia should be able to make continued progress in liming the scope of NTMs to the core objectives articulated by the government and eliminate NTMs altogether as a factor in normal commerce. Speedy progress to this end could further demonstrate the government's wide-ranging commitment to making Indonesia a transparent and efficient place for doing business.

3. SERVICES

According to World Bank statistics, service sector accounts for around 40% of Indonesia's GDP between 1987 and 2007. Indonesia's current position on service sector liberalization can be explored from four aspects: WTO, FTAs and ASEAN and APEC. This position is consistent-with Indonesia's overall approach to liberalization. Under the WTO framework, Indonesia follows the development of GATS negotiations. On the other hand, RTA/FTA (as part of ASEAN and signed individually) provides a relatively broader range of possibility for Indonesia, for example, the ASEAN Framework Agreement on Services (AFAS), which has progressed until AFAS 7, and eight Mutual Recognition Arrangements (MRAs) under the ASEAN Economic Community 2015 Blueprint. Another example is the recent Indonesia - Japan Free Trade Agreement which includes capacity building clauses to transfer skills and knowledge. In terms of exploring service sector liberalization, Indonesia benefits from its engagement in APEC as a non-binding forum in addition to WTO and FTAs.

Given the diversified nature of service sectors, a brief review of selected sectors will be presented.

Legal (A:1)

The legal profession in Indonesia is regulated by the Ministry of Law and Human Rights. Foreign lawyers are allowed to provide legal services through sponsorship of local law firms. The license of a foreign lawyer will be processed by the firm through Ministry of Manpower and Transmigration and Directorate General of Immigration. Foreign lawyers (advocate) can work in Indonesian law firm as employees or as experts in International Law, but shall not appear in courts and/or undertake legal proceedings under any circumstances.

In additional the above restrictions, foreign lawyers are obliged by law to provide free law services for law education and research⁵. According to the authorities, this is

⁵ Ministry of Law and Human Rights' Decree no.11-HT-04-02/2004

intended to be a capacity building mechanism and in no way trying to constitute any impediment to foreign participation. The free law service requirement can be fulfilled in various forms. Arrangement such as leading a team with junior legal personnel or having a apprentice system or internship programs for Indonesian nationalities will be accepted as free legal service for education. There are also regulations regarding the number of foreign lawyers in an Indonesian law firm. The ceiling is 20 % of the total number of lawyers or five, whichever applies first.

Accounting (A:2)

Licensing is required for accountants. Foreign nationals are allowed to provide accounting services in Indonesia under supervision of Indonesian Public Accountant Firm, however they are not allowed to sign audit reports. The same qualification and examination of Certified Public Accountants of Indonesia apply to both locals and foreigners. First of all, a bachelor's degree of accountancy is required; secondly, there is a requirement of taking the Accountancy Profession Education Program; thirdly, requisition with the Ministry of Finance for the State Registered Number of Accountant and finally, pass Certified Public Accountant Examination. It is to be noted that the Indonesian Certified Public Accountant Examination is only administered in Bahasa Indonesia. There are, however, limitations to the practice of foreign public accounting firms and auditing organizations. They cannot access or operate in Indonesia directly, but through a partnership scheme with local partners. Mutual recognition agreement of accounting services will be arranged under the ASEAN Mutual Recognition Arrangement Framework.

Telecommunication (B:3)

Telecommunication service in Indonesia is expanding rapidly. As of September 2008, penetration rate of Public Switchboard Telephone Network (PSTN) is 3.78 and Fixed Wireless Access (FWA) is 7.29% while cellular phone is 55.75%. Given the geography of Indonesia, providing coverage throughout the entire nation is very challenging. There is a huge gap in the distribution in terms of penetration rate between rural and urban areas. To cope with the situation, Indonesia is implementing Universal Service Obligation

(USO). Under the regulation, telecommunication operators are to contribute 0.75% of their gross revenue to the USO fund. The first phase of USO program was implemented between 2003 and 2004 and USO related procurements were carried out through open tenders. The latest USO program began in 2007 with the deployment timeline by 2009. In addition to the technical achievement and infrastructure advancement, perhaps the most important finding of Indonesia's USO program in the context of trade and economic development was the fact that the 2003 projects for remote areas has turned out to be commercially viable. Indonesia's telecommunication liberalization follows the GATS negotiations procedure. The latest regulation of foreign equity participation is 49% for voice telecommunication services, based on Presidential Regulation No. 11 of 2007,

Distribution Services (D)

Indonesia applies MFN principle to the distribution services. After the implementation of Investment Law no. 25/2007, foreign ownership is allowed in supermarkets larger than 1,200 square meters and department stores larger than 2,000 square meters. Foreign equity of direct selling is up to 60%. Licenses are required to provide distribution services.

Financial Services (G)

Financial market liberalization is an item on the recent policy reform agenda. Banks are regulated by the Bank of Indonesia and other financial institutions are under the jurisdiction of the Ministry of Finance.

Finance Company

The term "finance company" refers to companies that provide leasing, factoring, credit card and consumer finance. According to the 2007 BAPEPAM-LK Annual Report, there are 217 finance companies with 1,544 branch offices. In terms of performance between 2006 and 2007, total asset of finance companies increases by 16.9%. A 27.7% increase in bond issuance is recorded in 2007 to signal the market is trending towards a more diversified source of financing. Foreign participation in this category must be a joint

venture in the form of a limited liability company. There is also a ceiling of 85% paid-up capital on foreign equity ownership.

Banking

According to Indonesian banking law, Indonesian banking institutions are typically classified into commercial and rural banks. Commercial banks fit the traditional definition of banks while rural banks are banks that do not involve directly in payment system and have restricted operational area. In term of operational definition, banks in Indonesia are classified into conventional and syariah-based principles commercial banks. The maximum foreign equity ownership for commercial bank is 99%.

Insurance

As of 2007, there are 46 life insurance companies, 93 non-life insurance companies, four reinsurance companies in Indonesia. For non-life insurance companies, between 2003 and 2007, total premium increases by 10.27% while claims of increases by 16.67%. For the same period of time, asset grows by 14.85% and investment rises by 15.04%. For life insurance company, the expansion is even strong during the same period. Gross premium grows by 36.16%, gross claims 32.04%; asset increases by 33% and investment 36.54%. Foreign participation in the insurance industry must be in joint venture with local partner(s) with a ceiling of 80%.

Capital Market

The term “capital market” refers to securities companies providing services as underwriting, brokerage-dealership and/or investment management. There is no restriction on foreign equity ownership.

Overall Assessment

The service industry as a whole shows positive growth during the review period. In terms of facilitating further liberalization of professional services, Indonesia has signed 7 MRAs under ASEAN cooperation, those are MRA on Engineering, MRA on Architecture, MRA on Nursing Services, MRA on Accountancy, MRA on Land

Surveying, MRA Medical Practitioners and MRA on Dental Practitioners. Aside from the need to facilitate further liberalization of professional service sectors through MRAs and constant of law/regulation amendments, all statistics indicate a very active trading financial market with a stable expansion. However, it is to be noted that the Indonesian financial market, compared to other mature markets around the world, tends to be less complicated in financial products and foreign participation. As the Indonesian financial market is preparing to further develop in terms of depth and width, it may be important for the authorities to maintain and even increase the transparency of laws/regulations in forging a conducive environment for the financial to flourish.

4. INVESTMENT

Investment Coordinating Board (Badan Koordinasi Penanaman Modal, BKPM) is the government agency that is responsible for coordinating all government procedures related to investment. BKPM has been in existence since 1973 and the scale and operation of BKPM grows as Indonesia gradually moves along the path of investment liberalization.

The Indonesian government has been especially focused on investment liberalization in recent years (see appendix for a brief history since 1966). For example, the latest batch of policies was put in place in February 2006 in the form of a Presidential Instruction to improve the investment climate in five areas including general provisions, customs, labor, taxation and small and medium-sized enterprises. In addition, the new investment law of March 2007 is aimed to protect foreigners' property rights, reform the bureaucratic process for investment applications, simplify the tax regime and open more sectors to foreign investment (AT Kearney 2007).

Indonesia's investment climate has drawn the attentions of several third party studies including, but not limited to, AT Kearney (2007), OECD (2008) and World Bank (2008). Despite indicating several areas to be improved, all three reports recognize the progress in investment liberalization. The World Bank report (2008) indicates that corruption, weakness in the legal system, taxes and labor issues and infrastructure are major

obstacles in 2007 while the AT Kearney also points out the uncertainty in regulatory environment constitutes an impediment to investment. The OECD report mentions that burdensome local regulatory environment and labor issues are concerns of foreign investors. EIU (2008) forecasts that direct foreign investment will continue to grow between 2009 and 2013. The conclusion of the four reports can be clearly identified: Indonesia's investment climate is improving and the government must continue to strengthen the legal/regulatory to continue to attract foreign investment. The issue of the coordination between the central and local governments in terms of regulations such as licensing was examined by this study. The government of Indonesia indicated that the harmonization of central and local government laws and regulations has been a focus of the recent reform agenda and has nullified more than 200 local government laws/regulations that are in conflict with the central government laws/regulations. According to the authorities, BKPM has taken the following steps to synchronize the various conflicting rules and regulation to resolve this issue:

- Disseminate information on various government regulations to local authority, to provide them with sufficient information in order to design local regulations that are inline with national regulations and policies.
- When the BKPM discovers regulations or policies that are conflicting, BKPM takes steps to resolve this problem, by holding meetings with the related ministries and line agencies. If the local regulation is conflicting then BKPM will submit a request to Department of Internal Affairs in order to withdraw the particular local regulation.

Investment facilitation is one area that the Indonesia has made substantial progress. The government administrative procedure of starting a new business has been shortened from 104 days to 20 days on average. It can be clearly seen from Table 5 in the General Policy Framework section, the most significant saving of time comes from licensing/registration and tax arrangements. This is one piece of information that is in contrary to the three

reports mentioned above and it may be viewed as another step of Indonesian government's efforts in liberalizing investment.

One issue that is worth of noting is the limitation of foreign participation. There are sectors that are reserved for small and medium enterprises and cooperatives and others require partnership. According to the authorities, the rationale of a ceiling is based on the consideration of strengthening the capital of domestic enterprises. This may carry a political significance but it may require more empirical studies to assess the business weighting of such policies.

Another important feature of Indonesia's investment liberalization is the multi-dimensional approach. In addition to the APEC process, Indonesia is also pursuing investment liberalization according to the ASEAN agenda and free trade agreements. In the case of foreign equity ownership, the ASEAN is progressing ahead of APEC. This is not to be interpreted as any delay in the APEC process but simply a parallel development of investment liberalization.

Investment is an area where Indonesia has implemented significant reforms and the process is still on-going. Laws and regulations are constantly revised and new laws and regulations are coming into effect. With the coordination of BKPM, investment climate has improved. As concluded by reports of several international organizations, this study believes that if Indonesia's investment liberalization can continue at the current pace, the Bogor Goals will be reached.

5. STANDARDS AND CONFORMANCE

APEC has long recognized the importance of standards in the facilitation of trade, establishing guidelines and processes to encourage the transparency and harmonization of standards. In Jakarta in 1994, APEC Ministers adopted a "Declaration on an APEC Standard and Conformance Framework" and tasked a new Sub-Committee on Standards and Conformance (SCSC) within the Committee on Trade and Investment with its

implementation. Indonesia has worked closely with the SCSC and with the Specialist Regional Bodies (SRB) that help to coordinate standard setting in the Asia Pacific region. In fact, Indonesia has served as the Lead Shepherd of the SRB since 2005.

Indonesian standards are formulated by the National Standardization Agency (BSN) in cooperation with the Indonesian Standardization Community (MASTAN), a network of approximately 1,000 stakeholders. As of December 2007, 6746 standards had been approved as National Standards of Indonesia (SNI). Of these, 3.5% were mandatory and approximately 30% had been harmonized with international standards.

Internationally, Indonesia participates in the International Organization for Standardization/International Electrotechnical Commission (ISO/IEC) and other bodies. Indonesia is a participant or observer member of more than 280 ISO/IEC technical committees, subcommittees and working groups that draft standards. It has established national “mirror committees” to provide feedback to ISO committees and has assumed increasing responsibilities in the ISO by chairing committees and hosting technical conferences and meetings.

In APEC, Indonesia subscribes to the Electrical and Electronic Equipment (EE) and Toy Safety (TS) Mutual Recognition Arrangement processes, although so far, as other economies, it has only signed Part I of the arrangements which cover information exchange. Indonesia indicates that it plans to subscribe to Part II of the EE MRA process, which will involve accepting test reports from bodies certified by other signatories. (In Part III, signatories will agree to accept the product certification of other signatories.)

In ASEAN, as a signatory to the 2007 ASEAN Economic Community Blueprint, Indonesia has agreed that “standards, technical regulations and conformity assessment procedures will be harmonized through the implementation of the ASEAN Policy Guideline on Standards and Conformance, with greater transparency, improved quality of conformity assessment and active participation of the private sector” by 2015. Indonesia

has already participated in two ASEAN priority sector MRAs, Electrical and Electronic Equipment and Cosmetics.

Indonesia's conformity assessment framework was streamlined in 1992 with the creation of the National Accreditation Body of Indonesia (KAN). KAN's scope has expanded from the accreditation of 11 laboratories and institutions in 1996 to more than 500 540 in 2007. Indonesia is a signatory to several international conventions governing the accreditation of national testing, calibration and inspection bodies as well as certification bodies, and KAN participates in Mutual Recognition Agreements and Multilateral Agreements with its counterpart organizations in the Asia Pacific. Indonesia addresses the transparency requirements of APEC by publishing standards and conformity requirements on a centralized website and by notifying the TBT-WTO as necessary.

In addition to the initiatives listed, the National Standardization Agency is developing a major program to align national standards with international ones, so that by 2010 70% of all national standards will be harmonized with international standards. Given Indonesia's active participation in international organizations, in regional standard setting bodies under APEC and ASEAN, and its internal commitment to the modernization of its standards and conformity assessment regime, it is reasonable to expect that Indonesia will be near international best practice in this field by the Bogor deadline of 2020.

6. CUSTOMS PROCEDURES

In 2006 the government embarked on a wide-ranging effort to improve customs procedures. Major initiatives included changes in the management, operations and staffing of the customs agency, and a comprehensive, interagency program to streamline the customs process. The government has engaged an international consulting firm to survey the results of these efforts. Early findings are that the reforms are reducing the time required to clear customs and limiting opportunities for improper or illegal charges.

The management of the customs has been thoroughly revamped. The Ministry of Finance, which administers customs, identified this agency as a priority area for introducing best practice reforms. New leadership and professional management were brought in, new operating principles were adopted, and large-scale personnel changes were made to ensure that the staff was committed to implementing the new processes. Electronic processing methods were expanded to reduce opportunities for corruption. An ambitious integrity platform was created (see Box 2). At the same time, compensation scales were raised and strong incentive systems—involving both improved compensation and stricter punishments—were introduced to align the interests of officials with the vigorous performance of their duties.

BOX 2. CUSTOMS REFORM

In 2002 Indonesia embarked on comprehensive reform of its Customs Administration. The main objectives of reform have been to improve service, intensify surveillance, and raise staff quality and integrity. The project has been implemented especially vigorously since 2005 and has involved initiatives to improve human resources, modernize and automate the reimbursement system, eradicate corruption, and increase accountability. Implementation has focused on creating high quality “prime service offices” (PSO) with improved staffing, remuneration, procedures and organization.

Human Resources

Investments in human resources have focused on recruiting, training, exposure, and empowerment. The University of Indonesia helps to manage recruitment to ensure independence. An Integrity Pact was drafted to define employee rights and responsibilities—and sanctions if they are violated. The Corruption Eradication Commission closely watches the ports, and has raided offices to seek evidence of bribes. All employees are required to sign and follow the Integrity Pact and a strong esprit de corps is inculcated into officers: “one perception, one direction, one action.”

Remuneration

A 2005 consulting study found that customs remuneration was too low to attract high quality staff and failed to reward contributions and accountability. The agency’s new remuneration system rewards performance and reflects responsibility, job risk, workload, skill and echelons, all based on a systematic job evaluation methodology. For good performance, officials can receive substantial special allowances.

Procedures

Prior to the reform, customs procedures were perceived as time consuming, unpredictable, and ineffective in generating revenue. Procedures were often complex and left significant discretion to officers. A new, simplified system has been built on risk management principles. Clients are sorted into low-risk, medium-risk and high-risk categories. Low-risk clients face light regulatory requirements and little customs intervention. High risk clients face more intervention and control. A “Client Service Charter” is published to explain procedures, service standards, time and payment required, channels for obtaining information and providing feedback.

Organization

Organizational changes have included (a) creating an Internal Affairs Unit to monitor and evaluate the performance of officers and the PSO, (b) establishing a Clients’ Compliance Advisor and Information Service Units to help clients develop correct,

fair and current information, (c) developing “one stop service” capabilities so that facilitation, permits, licenses, and audit will be all accomplished in one place, and (d) defining performance indicators to monitor the quality, efficiency and effectiveness of service and supervision.

Implementation

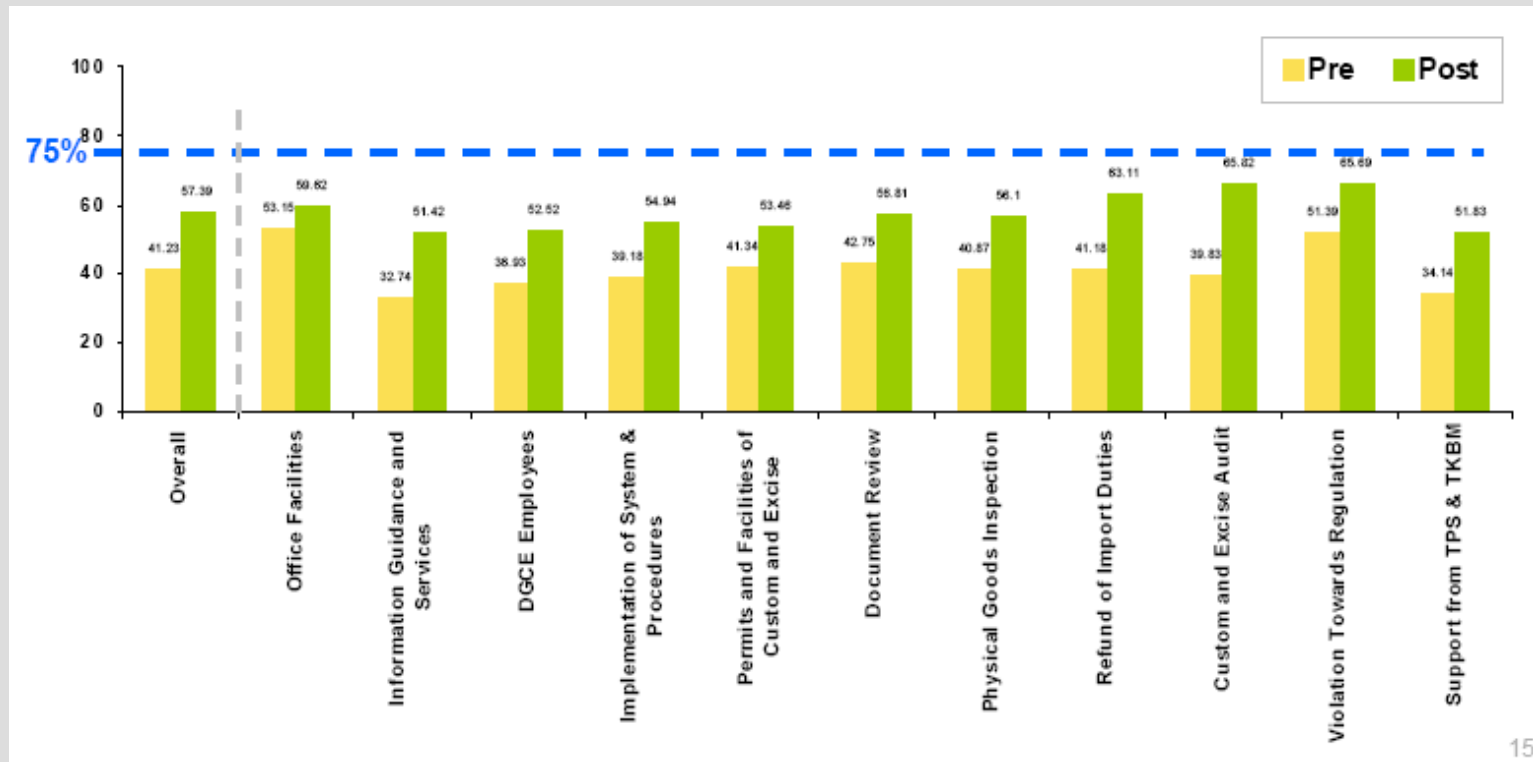
The first PSOs opened in Tanjung Priok port on April 2, 2007 and in Batam on May 1, 2007. At Tanjung Priok, reportedly 1,200 customs officials were replaced with 850 newly trained officials who passed a comprehensive assessment test (McLeod 2008). Additional PSOs are planned in strategic customs offices around Indonesia. The system is built with the cooperation other agencies, including the Ministries of Trade and Health, Quarantine, and the Agency for Food and Drug Supervision. Port infrastructure and storage facilities also need to be coordinated. The Corruption Eradication Commission of Indonesia is helping to facilitate coordination among related agencies.

Positive outcomes are already evident. Revenue realized for the period 1 July 2007 to 30 June 2008 increased to 24 quintillion Indonesian rupiah. The measured rate of satisfaction of stakeholders has risen by 17%. But much room is left for progress, and the Customs Administration continues to consolidate, improve and extend its reforms.

Sources: Government of Indonesia responses and McLeod (2008).

The government appears to be carefully monitoring the results of its reform efforts. Pre- and post-implementation surveys of stakeholders in the customs administration process, conducted at Batam Port only six months apart in 2007, suggest major improvements in all customs functions (see Figure 7). Nevertheless, the survey suggests that opportunities for improvement remain, since the 75% satisfaction rates normally associated with high quality service have not yet been reached in many functions. The detailed results of this survey provide additional guidance on where such improvements are possible—for example, it shows that satisfaction with the absence of “unofficial funds” in the customs process have doubled as a result of the reforms, from levels in the 30s to levels in the 60s, but even there leave room for further progress.

FIGURE 7. IMPROVEMENTS IN CUSTOMS PROCEDURES AT BATAM PORT



Source: Hay Group, "Survey of Stakeholders' Perception: Modern Office Batam," Jakarta: December 2007.

The consultant concludes that “for Batam, both achievement and perception show that it is improving. It is also important to show the public the level of improvement and achievement that has been attained, so that [the] public is aware and public perception is gradually formed into a more positive outlook towards Batam” (Hay Group, 2007). It notes that the Batam experience can be also transferred system-wide, and should help to raise overall perceptions of Indonesian government service.

Beyond reform focused on administrative installations, Indonesia has also introduced other, more general innovations to minimize the burden of customs procedures. A “green” lane system was introduced for large importers, alongside a “red” lane for importers with shipments that require careful inspection. There are also other ways to specify certain characteristics of importers based on the risk level, such as yellow lane, priority lane, and eminent partners. In addition to making the customs clearance more efficient, this system generates incentives for timely and accurate reporting by importers and exporters.

The centerpiece of the new customs model is a “National Single Window” (NSW) system that will speed up export-import processes, minimize the lead time and costs involved in trade, and improve the validity and accuracy of customs transactions (see Box 3). Launched in 2007, the NSW will eventually include an extensive electronic data interchange (EDI) system that automates most customs procedures and links all affected agencies, including the Department of Trade, the quarantine bodies for agriculture and fisheries, the Food and Drug Administration, and Customs. Nearly 85% of procedures are now said to be automated, but not all are yet linked to the central EDI system. The NSW is widely understood to have high official priority and appears to be making good progress. As a result, Indonesia has been called on to provide advice for and help implement ASEAN’s single window project. The NSW has begun operations in the Batam port and will be expanded gradually to other ports.

BOX 3. THE NATIONAL SINGLE WINDOW

The National Single Window (NSW) system is a massive undertaking that will create a network of electronic links among importers, the Directorate General of Customs and Excise (DGCE), the port system, the many government agencies that may be involved in issuing permits and licenses, and the banks and shipping lines that handle trade-related transaction. Once it is fully operational, the system will save substantial cost and time for businesses and governments involved in trade, and will greatly improve the transparency, security and integrity of trade-related business practices.

The goal of the system is to enable an importer (directly or through a customs broker) to communicate electronically with the NSW to submit a customs declaration and a request for an import permit, and to receive the import permit from the NSW. In the background, as it implements the permitting process, the NSW will communicate with the networks all of the many agencies and businesses that need to be involved in approving or handling the transaction, including:

- **appropriate government agencies** to request and receive import permits and licenses;
- **the customs office** to submit a customs declaration and to receive information on payments required and on the anticipated customs discharge date;
- **the client's bank** to advise it to make necessary payments and to receive confirmation that the payments have been made;
- **the shipping line** to submit the manifest response received from customs and to receive the manifest declaration;
- **the port system** to submit the manifest declaration and to receive information on the discharge of the shipment.

The system has to incorporate—and seamlessly integrate—thousands of businesses, hundreds of business processes and countless different computer networks. National workshops on the NSW began in early 2007. A pilot exercise was launched in November 2007 with 10 priority importers, and the 1st stage implementation began in December 2007 with 100 importers and wider range of government agencies. Once completed, the system will handle all transactions at 5 major ports: Tanjung Priok, Tanjung Perak, Tanjung Emas, Belawan and the Soekarno-Hatta Airport.

At the end of 2008, the system was expected to move into a new phase by requiring mandatory coverage for all imports at certain designated ports. At that time, the integration of exports was also scheduled to begin, and preliminary steps were planned for linking the Indonesian NSW system to the ASEAN Single Window system.

Source: Coordinating Ministry, "Implementation of Indonesia National Single Window System," 2008.

Customs reform, although already extensive, is still underway. Judging from survey results, the improvements are tangible, albeit starting from a low base. And Indonesia has not yet signed the

Revised Kyoto Convention on the simplification and harmonization of customs procedures, although it intends to do so. But significantly, the government appears to be broadly committed to continuing the reforms and indeed to making Customs a model for other economies at Indonesia's level of development. The progress so far is encouraging, and with sustained attention it is likely to lead to a highly efficient trade interface, well within the Bogor deadline.

7. INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights is also under reform. Indonesia is signatory to several international IP conventions and the older version of IPR Law has been revised over the last few years, e.g. the enactment of design protection, the Copyright Law amendments in 2003 and the implementation of the Optical Disc Regulations in April 2005. A new set of IPR laws is in place to provide better legal foundation for IPR protection and government enforcement. Currently, Indonesia has seven IPR laws. Six of them administered by Directorate General of Intellectual Property Rights (DGIPR), Ministry of Law and Human Rights and one law that administered by Ministry of Agriculture is Law number 29 of 2000 regarding Plant Variety.

In terms of law enforcement, a minister-level National Intellectual Property Task Force is in place to coordinate government actions and Indonesia also passed a new Customs Law that clarifies the authority for Customs officers to seize goods that constitute intellectual property rights violation. Commercial Courts is designated by law as the judicial authorities in handling IPR civil cases, including provisional decision (injunction) and the time period to settle IPR civil cases. DGIPR has the right of investigation and DGIPR investigators are given the rights of police in cases where detention of goods is involved.

IPR infringements in Indonesia include mainly copyright piracy, counterfeiting of trademarks, and patent infringement. Government recognizes the seriousness of these violations. Actions have advanced IPR protection in Indonesia and the effort is recognized. Indonesia was on the Office of the United States Trade Representative's Special 301 Priority Watch List for violations of intellectual property rights since 2001 but improved its position one notch, now being on the Watch List since 2006.

Capacity Building is an on-going process of Indonesia's IPR protection efforts. Indonesia is a regular participant of APEC IPR activities and participates in other international cooperation of training of police, prosecutors and judges to strengthen the necessary human resource in protecting

IPR. APEC process provides Indonesia an opportunity to exchange information and experience of IPR protection with other member economies.

The major challenges of IPR protection, according to the authorities, lies in how to raise the public awareness of IPR.

According to the authorities, currently there is a process of drafting the revision of IPR laws which contains among others:

- The improvement of the administrative aspects of the IPR registration systems in order to comply with the new international standards of IPR such as the Amendment of TRIPS Agreement (Article 31(f) regarding public health), and to ensure that IPR are granted expeditiously, simple, and cost-effective procedure as well.
- The improvement of the scope of IPR by introducing the three dimensional trademark as a new type of trademark and the partial design application in industrial design registration system.
- The improvement of the function of the patent appeal commission to ensure the adequate and effective administrative of the patent appeal procedures.
- The improvement of the function of the civil servant investigator in order to ensure the effective enforcement of IP rights.

As IPR protection requires long term efforts, continuous input of resources will be required. As indicated by the authorities, the next step to eradicate IPR infringements from the root will be to educate the public and to convince the people of Indonesia that protecting IPR will not constitute an unnecessary hurdle to economic development and the benefits of IPR protection can be shared by all. It is therefore the conclusion of this report that the Indonesian government has initiated the IPR protection mechanism in terms of the institutional requirements, i.e. laws and resources and has achieved tangible results. Further progress of IPR protection is only more challenging for the next step involves communicating with the general public. Monitoring of further progress should focus on the actual programs the government will take in facilitating the communication and the effectiveness of such programs.

8. COMPETITION POLICY

The government agency in charge of competition policy at the central level is KPPU (Komisi Pengawas Persaingan Usaha) or Commission for the Supervision of Business Competition. KPPU is created as an independent authority to supervise the implementation of competition policy related

laws, namely Law Number 5 of 1999 Concerning Prohibition of Monopolistic Practices and Unfair Business Competition. It is important to note that state own enterprises played a significant role in the Indonesian economy for a rather long period of time until the 1970s when economic reforms began. Therefore, when assessing the progress of Indonesia's competition policy, that historical background will have to taken into account.

In terms of laws enforcement, Law Number 5 of 1999 governs types of agreements and activities that are prohibited; abuse of dominant position as well as merger and acquisition. In maintaining fair competition, KPPU has a market surveillance unit that monitors the irregularity of the market. When a firm's behavior is deemed a violation the law for the first time, KPPU may impose an administrative sanction as the punishment. To ensure due process of law, the firm is able to file an objection against KPPU's decision to the District Court and the Supreme Court.

KPPU has so far made 68 90 decisions and more than half of them are tender conspiracy cases. Others include price fixing, abuse of dominant position, exclusive agreements and activities that may lead to cartel or monopolistic practice.

The Implementation of Competition policy is encouraged through advocating the utilization of competition law in the economic policy that have the potentially to create market distortion and unfair business practices. Until now, there are more than 60 policy advices provided in several sectors, namely telecommunication, oil and gas, transportation, retail, and other essential facilities.

Also, as indicated earlier, government participation in the economy is large. This can be clearly seen in the context of Indonesia's competition policy. In fact, Article 51 of Law No. 5 of 1999 stipulates that "Monopoly and or concentration of activities related to the production and or marketing of goods and or services affecting the livelihood of society at large and branches of production of a strategic nature for the state shall be stipulated in a law and shall be implemented by State-Owned Enterprises and or institutions formed or appointed by the government." It is therefore important to see how SOEs interact with the private sector under the competition policy framework.

Competition policy is an emerging issue on Indonesia's reform agenda. With KPPU's capacity, fair competition will be better maintained. However, maintaining market competition with a strong presence of SOEs may be especially challenging and complicated as the interaction among economies intensifies. This is may be one area Indonesia will eventually have to look into.

9. GOVERNMENT PROCUREMENT

The Presidential Decree No. 80 of 2003 establishes the legal foundation of the current government procurement practice. In practice, National Agency for Government Procurement Policy currently assumes the responsibility of coordination.

The basic formats of procurement methods are not too different from the practices around the world. According to information submitted to APEC by Indonesia, there are four types of procurement processes. "Public tenders" is the open invitation to all qualified bidders. The purpose is to solicit the maximal number of capable bidders to compete. Announcements are made through national newspapers and government procurement websites. However, qualified bidders must be either listed on the List of Capable Contractors or pre-qualified by the Tender Committee. "Limited tenders" must have at least five qualified bidders solicited through public announcements. For smaller contracts between Rp. 15 million and 50 million, "direct selection" can be used. The process includes comparing price and technical offers of three or more bidders listed on the List of Capable Contractors. The final price can be reached by negotiations. Procurements under Rp. 15 million are reserved for small, economically weak group of contractors and cooperatives. Only SMEs can bid on this type of projects. For this type of procurement, the procurement team may then directly award the tender after determining that the bid is fair and reasonable.

Recent reforms have revised the Presidential Decree No. 80 of 2003, Presidential Decree No. 8 of 2006 being the fourth, to strengthen efficiency, transparency, accountability, fair competition, non-discrimination and anti-corruption capability of the government procurement procedure. A certification of professional procurement personnel mechanism is also in place to enhance the competence of officials handling government procurement projects. Officials who pass the examination will be assigned a procurement ID number for accountability purpose and officials have to retain training hours after passing the certification examination to remain eligible.

As of the time of this study, the National Agency for Government Procurement Policy is just established by expanding the scale of its predecessor and is still in the process of recruiting and training staff members while at the same time taking over the responsibility as the coordinating agency. According to the authorities, the staffing process is expected to be completed in the coming months. However, the procurement reform process continues. Presidential Decree No. 8 of 2006 also includes e-procurement and green procurement related works.

Government procurement practices in the past have seen manipulations. Negative news about procurement flaws suggest that bid-rigging does exist and KPPU has ruled against many cases. Indonesia recognizes the problem and appears to be active in preventing future violation of the law by revising laws/regulations and training of professionals.

As other chapters in Indonesia's IAP, government procurement is progressing in a very positive way. The results of this wave of reform are yet to be seen as the new policies and agency is still in the process of establishment.

11. WTO OBLIGATIONS

The government is committed to the “full and effective implementation of the Uruguay Round outcomes within the agreed timeframe and in a manner consistent with the letter and the spirit of the WTO Agreement.” It is introducing legislation, where needed, to align national laws with WTO practices and is participating actively in training programs to implement WTO requirements. For example, since the last IAP review, Indonesia has bound additional service commitments under GATS and has ratified the GATS protocols in financial services and telecommunications. It has also drafted and submitted to Parliament an ambitious new law on Intellectual Property Rights (IPR) to provide legal foundations for more effective enforcement methods.

Overall, Indonesia has already implemented wide-ranging reforms to meet its Uruguay Round obligations. Since 1996, it has bound 95% of its tariff lines, reduced simple average tariffs to 8%, removed an extensive import surcharges, eliminated local content requirements in the automotive sector, discontinued non-tariff barriers on various agricultural products, modernized the legal foundations of its IPR regime, and expanded access to foreign participation in its financial, telecommunications and transport sectors.

Indonesia's efforts to streamline its trade policies continue. The current phase of the Tariff Harmonization Program, to be completed by 2010, will shift many tariff lines into fewer, lower bands. By 2020, virtually all Indonesian MFN tariffs lines will be subject to rates no higher 10%, broadly in line with the Bogor Declaration's commitment to free and open trade in the region.

12. DISPUTE MEDIATION

The framework for Indonesia's dispute mediation mechanism is a 1999 Law on Arbitration and Alternative Dispute Resolution. The system is facilitated by the Indonesian National Board of Arbitration (BANI), which has assembled a panel of accredited arbitrators and signed cooperation agreements with similar centers in other Asia Pacific economies. Several other institutions are also available to facilitate mediation. Mediation processes may be governed by the rules of BANI or by internationally accepted norms such as the UNCITRAL Arbitration Rules of 1976.

With respect to international disputes, Indonesia has been a complainant in a WTO case brought against Korea on antidumping duties applied to Indonesian paper exports, and was one of several complainants in a case against the United States on the Continued Dumping and Subsidy Act of 2000, usually referred to as the Byrd Amendment. These cases continue; although the United States took steps to repeal the Byrd Amendment, the complainants are not yet satisfied that the steps bring US policy in line with the Dispute Settlement Body's (DSB/WTO) recommendations.

Indonesia was the defendant in a dispute concerning the automobile case before the DSB/WTO brought by United States, European Union and Japan in 1996. The DSB decided that Indonesia's automobile policy should be removed. Indonesia was also a party in one dispute involving a Japanese claim on the customs classification of digital cameras in 2006, but the claim was resolved by Indonesia's decision to remove duties before the case was to be sent to the DSB/WTO for settlement.

14. INFORMATION GATHERING AND ANALYSIS

The transparency of rules and regulations is widely recognized as an important dimension of good governance. It serves several objectives—it lowers the costs of gathering information necessary for business decisions, it reduces uncertainty about the time and costs involved in implementing a project, and it removes the scope for illegal or unethical discretion by those involved in implementing government policy. The Internet has greatly reduced the costs of transparency and is increasingly used by governments, in Indonesia and elsewhere, to improve the climate for doing business. At the same time the wide availability of online information has created new, high standards for judging the transparency of government policies. Indonesia has substantially increased the amount of information it publishes online but, like other governments, it too faces rapidly rising expectations for the extent and quality of information available.

An overview of websites that Indonesia uses to make its policies known is provided in the Appendix. There is no doubt a large amount of information is available now online, but judging from the questions of some economies to Indonesia's IAP submission, there are still opportunities for improving the "user friendliness" of sources.

17. FTAS AND RTAS

Disappointments in the Doha Round have led to an acceleration of regional trade agreements involving Asian economies, including Indonesia. Indonesia's regional trade policy has been anchored on its participation in AFTA, but Indonesia has also pursued separate bilateral agreements as well as participating in agreements concluded by ASEAN with other trading partners. In the context of Indonesia's relatively liberal trade regime, these agreements have generated new opportunities for Indonesian exporters while helping to provide additional motivation for an open trade policy.

The reduction of tariff protection within AFTA is now almost complete; Indonesia has reduced 11,034 tariff lines facing other ASEAN economies to under 5% and has no products on the temporary exclusion list. NTMs are being eliminated through three annual work programs beginning with 2008, and Indonesia reports meeting the schedule so far (WTO, 2007).

As Annex 4 shows, Indonesia is a party to 14 FTA or Framework agreements and is in negotiations on two others, with Europe (as part of ASEAN) and with the United States. Most of Indonesia's agreements have been concluded in the ASEAN context, but in an important recent case Indonesia signed an Economic Partnership Agreement directly with Japan. This is an innovative agreement: in return for conventional concessions on market access, Indonesia was able to obtain Japan support for measures to transfer technology to Indonesia, which in turn could help to attract Japanese and other foreign investment (see Box 4). These measures will benefit both Japanese investors and Indonesian companies, and represent a new way to achieve bilateral gains from economic cooperation.

BOX 4. BEYOND THE WTO: COOPERATION IN EPAS

The Japan-Indonesia Economic Partnership Agreement (JIEPA) concluded in July 2008 aims to promote trade, stimulate Japanese investment in Indonesia, and enhance Indonesian economic and technological capacity. This last element is novel and important—from Indonesia’s viewpoint it will enhance Indonesia’s competitive edge in attracting Japanese investment and competing in third markets, and from Japan’s viewpoint it will raise the productivity of Japan’s investment outflows. Since Indonesian MFN trade barriers are higher than those in Japan, lowering bilateral barriers will benefit Japan through the conventional channel of increased exports. But since Japanese trade barriers are already low in many areas, the benefits associated with technological cooperation represent an especially important rationale for Indonesian participation. Such an exchange of different types of benefits would not have been possible within the conventional WTO negotiations.

The JIEPA identifies priority areas for cooperation in manufacturing, agriculture, forestry and fisheries, trade and investment promotion, human resource development, tourism, information and communication technology, financial services, government procurement, environment, energy and mineral resources. It even includes provisions for training Indonesian nurses to work in Japan.

Cooperative activities will include a new “Manufacturing Industry Development Center” in Indonesia to enhance Indonesian manufacturing capabilities. Its projects might include the provision of experts and equipment, visits to Japanese companies, and various types of training, including basic study, seminars and workshops.

Manufacturing sectors to be emphasized will include metal working; tooling (mold and die) techniques; welding techniques; energy conservation; small and medium enterprise promotion; export and investment promotion; automotive and auto parts; electric and electronic equipment; steel and steel products; textiles; petrochemicals; oleo-chemicals; non ferrous metals; food and beverages.

In agriculture, forestry and fisheries, Indonesia and Japan will work on the improvement of post-harvest handling and marketing; standardization and quality control, including thermal treatment against fruit flies on fresh mangoes; technical assistance to small and medium enterprises in the Indonesian fish and shrimp industry; sustainable fisheries; mangrove management; and the development of small diameter log processing.

A key goal of cooperation is to upgrade the qualifications of Indonesian suppliers so that they can participate more effectively in regional production networks. Such improved supplier capabilities, in turn, will also benefit Japan, since they will make Japanese companies that invest in Indonesia more productive and competitive.

In the short period since the collapse of the Doha negotiations at the July 2008 WTO Ministerial, ASEAN has quickly concluded trade agreements with India, Japan and Australia and New Zealand. As a result of these agreements and those completed earlier with China and Korea, much of

Indonesia's trade is now under an FTA. Because of its generally open markets and the availability of a wide range of factors of production, Indonesia could become an especially attractive destination for investments designed to serve the emerging ASEAN-based trade hub.

If the agreements with Europe and the United States were also concluded, the share of Indonesia trade under FTAs would rise by a further 23%. President Yudhoyono recently called for a new strategic partnership with the United States, perhaps as a first step in reinvigorating the FTA negotiations between these economies. These developments have far-reaching implications for Indonesia—with the full hub complete, Indonesia would enjoy free access to nearly all of its important export markets, many of which are in APEC.

The economics of trade agreements does raise the concern that the proliferation of Indonesia's FTAs will lead to trade diversion and impede the development of an efficient pattern of global trade. In Indonesia's case these threats are likely to be limited; Indonesia's liberal trade regime limits the margin of preference offered to regional partners. In addition, as already noted, the Indonesia has tended to follow up on preferential tariff reductions by also reducing MFN rates.

Indonesian trade policy trends—which have been sustained in the face of a difficult political and economic environment in 1997-98 and beyond—suggest steady liberalization and continued progress toward open markets. These trends are likely to be challenged again, at least for a while, by the economic downturn taking shape in 2008. But by maintaining the clear strategy Indonesia followed in recent years, it is on track to meet the Bogor targets by 2020. Indonesia will have additional incentive to continue its liberalization in the context of the new wave of trade agreements that have been recently concluded or are underway in Asia. Just protection fell in the 1990s as a result of commitments it made in the Uruguay Round, so protection should decline further in the next decade as a result of commitments undertaken in ASEAN and with other partners in the emerging ASEAN-based free trade hub. The government's statement that "Indonesia is on track in its efforts to achieve free and open trade in 2010/2020 by progressively reducing its tariffs and enhancing the transparency of the tariff regimes" is consistent with the evidence and appears well justified.

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APPENDIX: INDONESIA'S ONLINE INFORMATION SYSTEM

	Organization	Address	Information
1.	Government of Indonesia	http://www.indonesia.go.id	Main portal to various government websites, information on government procurement
2.	Ministry of Trade	http://www.depdag.go.id http://dtjenkpi.depdag.go.id	Trade statistics, trade laws and regulations
3.	Investment Coordinating Board (BKPM)	http://www.bkpm.go.id	Information on one-stop service on investing in Indonesia, including statistics and policies, potential investment partners, and available investment opportunities
4.	Ministry of Industry	http://www.depperin.go.id	Industrial and trade policies
5.	Bureau of Statistics	http://www.bps.go.id	Regular statistical surveys on many areas of macro and microeconomic activity; monthly summaries
6.	Department of Foreign Affairs	http://www.deplu.go.id	Information on economic relations between Indonesia and other economies and groupings such as APEC
7.	Coordinating Ministry of Economic Affairs	http://www.ekon.go.id	News and information on economic affairs
8.	Department of Finance	http://www.depkeu.go.id http://www.customs.go.id (customs)	Information on laws, regulations and statistics in finance, including in areas such as customs
9.	Supervisory Body of the Capital Market	http://www.bapepam.go.id	Information on the latest regulation and news related to Capital Markets. Currently only available in Bahasa Indonesia
10.	National Standardization Agency	http://www.bsn.go.id	Information on standards, standardization guidelines, technical regulations, conformity assessment, including lists of laboratories
11.	National Agency for Export Development	http://www.nafed.or.id http://inatrade.depdag.go.id	Trade fairs, trade related activities and events
12.	Directorate General of Immigration	http://www.imigrasi.go.id	Visas, downloadable forms, APEC Business Travel
13.	Indonesia National Single Window	http://www.nsw.go.id	Official website of Indonesia NSW, online regulation, registration and latest information on implementation of the NSW.
14.	Commission for the Supervision of Business Competition	http://www.kppu.go.id	Regulations and activities and cases handled by KPPU.
15.	Financial Transactions Report and Analysis Centre	http://www.ppatk.go.id	Focal point in anti money laundering regime of Indonesia. Information on latest cases, results of cases, regulations as well as enforcement money laundering, and terrorism financing.
16.	Department of Law and Human Rights	http://www.depkuham.go.id	Information on Indonesia laws, regulations, and other international laws

17.	Intellectual Property Rights	http://www.dgip.go.id	Under the Department of Law and Human Rights, the Directorate General for IPR maybe found. Information on regulations pertaining to Patent, trademark, Copy Right and Industrial Design may be found on the site.
18.	Corruption Eradication Commission	http://www.kpk.go.id	Regulations, reports, donor database for anticorruption projects
19.	Department of Energy and Mineral Resources	http://www.esdm.go.id	Regulations, reports, update and information on energy and mineral resources
20.	Department of Agriculture	http://www.deptan.go.id	Information on the developments of agriculture programs, donors and regulations
21.	Department of Forestry	http://www.dephut.go.id	Information on Indonesia's forestry regulations, publications and developments related to agriculture in Indonesia.
22.	Department of Marine Resources and Fisheries	http://www.dkp.go.id	Regulations, development and Programs related to Marine Fisheries
23.	Department of Transportation	http://www.dephub.go.id	Information on news and updates on Indonesia transportation issues.
24.	Department of Public Works	http://www.pu.go.id	Information on infrastructure, national standard and regulations related to public works
25.	Department of Health	http://www.depkes.go.id	Information on health promotion and crisis management
26.	Department of Manpower and Transmigration	http://www.depakertrans.go.id	Statistics on manpower and transmigration, research information on manpower and transmigration, and regulations related to manpower
27.	Department of National Education	http://www.depdiknas.go.id	Information on Indonesia education system, education strategic plan, statistics on education, and education services
28.	Department of Culture and Tourism	http://www.budpar.go.id	Information on tourism and culture statistics, tourism programs, and regulations related to culture and tourism
29.	Department of Environment	http://www.menlh.go.id	Information on Indonesia's program in preserving environment, regulations related to environment.
30.	Ministry of State for Research and Technology	http://www.ristek.go.id	Information on Indonesia's program on information and technology, which also includes links to information and technology-related Non Departmental Institution websites.
31.	Department of Communications and Information	http://www.depkominfo.go.id	Information on communication services, regulations, and links to Indonesia's agencies and institutions
32.	National Agency for Government Procurement	http://www.lkpp.go.id	Information on procurement
33.	Indonesia National Arbitration Agency	http://www.bani-arb.org	Indonesia National Board of Arbitration (BANI) is an arbitral

			institution, providing a range of services in relation to arbitration, mediation, binding opinion and other forms of dispute resolution. The site provides information on the agency's cooperation agreement, arbitral procedures, list of arbitrators, and cost of arbitration.
34.	Indonesian Chamber of Commerce	http://www.kadin-indonesia.or.id	Information on Indonesia's economy profile, business prospects, economic relations, and investment
35.	Centre for Strategic and International Studies	http://www.csis.or.id	The Centre for Strategic and International Studies (CSIS) in Jakarta is an independent, non-profit organisation focusing on policy-oriented studies on domestic and international issues. CSIS undertakes research in economics, politics and social change, and international relations, with topics selected on the basis of their relevance to public policy. intergovernmental activities.
36.	Independent observation on the economy	http://www.yosefardi.com	Indonesia's foremost provider of people, industry, corporation, and management analysis. Founded in 2005, Yosefardi.com is a leading research and advisory firm with clients in more than 23 countries and major financial centers.
37.	Independent observation on oil, mining	http://www.jatam.org	JATAM (Mining Advocacy Network) is a network of non-governmental organizations (NGO) and community-based organizations (CBO) working on issues concerning human rights, gender, the environment, indigenous people and social justice in relation to the mining, oil, and gas industries.

Source: Government of Indonesia 2008, "Pointers: Information Gathering and Analysis.

ANNEX 2-1. PEER REVIEW TEAM

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ANNEX 2-2. ANSWERS TO QUESTIONS FROM MEMBER ECONOMIES AND REVIEW TEAM EXPERTS

Compiled by Indonesia IAP Peer Review Team

QUESTIONS	ANSWERS
GENERAL POLICY ENVIRONMENT	
<p>1. Indonesia is experiencing its most robust economic expansion in over a decade. It has pursued strong macroeconomic policies and adopted important reforms, especially related to investment. Does Indonesia have a view as to what extent these improvements in performance are due to policy, on one hand, and to favorable export price developments, on the other? (IAP Review Team Experts)</p>	<p>The Government of Indonesia is implementing a comprehensive reform agenda to strengthen public institutions, to improve the business and investment climate as well as boosting infrastructural development. These reform are conducted in a timely manner together with removing some of the main obstacles which contribute to a more flexible labor market and a reduced of uncertainties in trade policy.</p> <p>Taking into account to the global economic challenge, government placed emphasize on investment and exports as the two main drivers for growth. According to the World Bank Figures, investment has been growing at 7–8% per year on average since the second quarter of 2006. Measured in terms of grow fixed capital formation, data from Investment Coordinating Board (BKPM) shows that domestic investment had sharply risen in 2007, after relatively sluggish in 2006.</p> <p>Exports, meanwhile, have also been strong. The primary non-oil and gas export in 2007 were animal and vegetable oils, which stood at \$ 8.49 billion for the January-November 2007 period.</p> <p>Some of this boost is due to global trends in commodity and agricultural prices, which have seen substantial growth in one or two months.</p> <p>The Government has been conducting a series of economic reform after the crisis in 1997. At the same time, the Government also made a commitment to combat corruption and advance economic reform, including a major effort to make the country more attractive to foreign investors. The enactment of Law No 25/2007 on Investment and a series of policy packages for the Improvement of the Investment Climate are parts of the reform that contribute</p>

QUESTIONS	ANSWERS
	<p>to the improvement of Indonesia's performance.</p> <p>For further information on law no. 25/2007 please refer to chapter 4:Investment</p>
<p>2. Manufactured exports have also begun to accelerate, but remain short of the considerable potential estimated in recent studies. What strategies is the government using to strengthen manufactured exports and to help Indonesian producers develop deeper links with East Asian production networks? (IAP Review Team Experts)</p>	<p>To improve the competitiveness of the manufactured products, some strategies are implemented as follows:</p> <ul style="list-style-type: none"> ➤ Creating product diversification with higher added value and having competitiveness based on the comparative advantage; ➤ Maintaining and increasing export to traditional and non traditional markets; ➤ Increasing market access by benefiting the existence of FTAs, both at regional and bilateral level; ➤ Capturing market potential by sending trade missions and promoting export; ➤ Negotiating, including international lobbying in order to eliminate tariff and non-tariff barriers in export country, and maintaining price stability for the main commodities; ➤ Trade facilitation through NATIONAL SINGLE WINDOW implementation; ➤ Increasing the role of trade supporting institutions, e.g. trade financing for export; ➤ Developing the Indonesian Brand Image by developing the Economic Creative Corridor through INDONESIA DESIGN POWER 2006-2010. <p>Indonesia-Japan Economic Partnership Agreement is one of the steps taken to help Indonesian producers developing deeper links with East Asian production networks. The objective of this agreement is to increase market access and investment, the movement of natural persons, and complementary capacity building.</p>

QUESTIONS	ANSWERS
<p>3. By some measures, Indonesia's real effective exchange rate has climbed back to pre-1997 levels. Moreover, as elsewhere, inflation is rising, and efforts to control it might further strengthen the rupiah. How would this affect Indonesia's trade and trade policies? What steps could Indonesia take, perhaps together with other countries, to prevent the erosion of its competitive position? (IAP Review Team Experts)</p>	<p>Inflation has been higher in Indonesia since the crisis than in regional peers. This is due to the large nominal depreciation of the rupiah during the crisis. The Indonesian currency depreciated in nominal terms by far more than any other currency in the region. The ensuing rise in inflation, which reached about 80% on an annualized basis during the first half of 1998, eroded most of the initial boost to competitiveness arising from a weaker currency. The result is the change in the pattern of international comparative advantage and trade flows.</p> <p>Following those efforts, the Government of Indonesia has secured the National Policy Reform to integrate into regional and multilateral trading system, with the emphasize on strengthening the relationship with its trade partners and implementing commitment on bilateral and regional arenas.</p> <p>At this juncture, the activities undertaken during 2005-2008 among others are:</p> <ul style="list-style-type: none"> - Establishing bilateral free trade agreement between Indonesia and Japan as an attempt to raise Indonesia's competitive position in the international market, in this case, Japan. One of the impacts of IJEPA (Indonesia-Japan Economic Partnership), an FTA established between Indonesia and Japan, is a push for Indonesia to enhance its competitiveness in order to be accepted in Japanese market - As a member of ASEAN, Indonesia also takes part in the efforts to boost the competitiveness of ASEAN through: <ol style="list-style-type: none"> 1. ASEAN Framework Agreement on Services (AFAS), ASEAN Trade in Goods Agreement (ATIGA) and ASEAN Comprehensive Investment Agreement (ACIA), which aim to increase the competitiveness of ASEAN. 2. The roadmap of ASEAN Economic Community, which covers a series of actions in trade in goods, trade in services, investment, labor movement, skilled labor movement, etc, is designed to enhance the competitiveness of ASEAN. 3. Regional trade agreements (RTAs) between ASEAN and its dialogue

QUESTIONS	ANSWERS
	partners are also intended to elevate Indonesia's competitiveness.
<p>4. Rankings of the Indonesian business environment, as for example in the World Bank's "Doing Business 2008" report, often show disappointing results. Please comment on how the government is addressing three areas that appear especially problematic: (a) the process of starting a business, (b) labor market rigidities, and (c) the enforcement of contracts. (IAP Review Team Experts)</p>	<p>(a) The process of starting a business</p> <p>In the World Bank's "Doing Business 2008" report, Indonesia's rank as a whole is improved by 10 points to reach the rank of 123 from 133 in 2007. Even though there is a decrease of rank in the indicator of starting business, Indonesia has improved in most of other indicators, such as tax paying, cross border trade and licensing process.</p> <p>Several difficulties are still found in the process of starting a business: (i) the company name online search engine system is still limited and cannot be accessed by the public; (ii) the standard form of the basic budget are only provided through the Notaries, which as well cannot be easily accessed by the public; (iii) Domicile Letter is still required by the local government; (iv) the increase of minimum capital required to establish a limited liability company.</p> <p>To improve the process of starting business, Indonesia has conducted a number of measures as follows:</p> <ol style="list-style-type: none"> 1. Improvement in the company's name clearance process (Department of Law and Human Rights). 2. Improvement in the processing of company's establishment act. 3. Improvement in the payment process of non-tax state revenue. 4. Improvement in the legalization of company's establishment act (Department of Law and Human Rights). 5. Improvement in the processing of domicile letter, business license, company registration and corporate tax payer number. 6. Improvement in the citation in the official Government Gazette. 7. Improvement in the registration of workers (Department of Manpower and Transmigration). 8. Improvement in the processing of Workers' Social Security document.

QUESTIONS	ANSWERS
	<p>9. Enactment of law and human rights regulations regarding procedures to apply for legalization of legal entity and approval of basic budget revision.</p> <p>10. Enactment of governor act regarding guidelines for implementing one-stop service in investment.</p> <p>b. Labor market rigidities</p> <p>Indonesia's labor code is considered to be rigid. According to the World Bank's "Doing Business 2008" report, Indonesia's employing worker ranks 153. In this regard, numerous problems in the case of labor in Indonesia are still encountered, namely:</p> <ol style="list-style-type: none"> 1. A more restrictive labor market as a result of the enactment of Manpower Law of 2003. 2. A need to strengthen Indonesia's social safety programme. 3. Exhaustive procedures for dismissal in the case of regular contract. 4. The burden of severance pay. 5. Long-term service compensation. 6. Work arrangements especially in terms of duration of temporary work and in fixed-term contracts. 7. A relatively high minimum wage. <p>Indonesia plans to address the above problems by the following measures:</p> <ol style="list-style-type: none"> 1. Reviewing the 2003 Manpower Law. 2. Creating formal safety nets for vulnerable and poor individuals. 3. Simplifying the procedure for dismissal in the case of regular contracts. 4. Maintaining generous severance compensation entitlement, since employment insurance is not yet available in Indonesia. 5. Reducing the cap on compensation from the current level and

QUESTIONS	ANSWERS
	<p>tightening the compensation.</p> <ol style="list-style-type: none"> 6. Making work arrangements more flexible. 7. Avoiding further increases in the real value of the minimum wage. <p>c. The enforcement of contract</p> <p>Indonesia still faces two main predicaments in the enforcement of contract:</p> <ol style="list-style-type: none"> 1. Indonesian court still adheres to the civil procedural law (<i>Staatsblad</i> 1847) which does not set the time limit. However, the Supreme Court seeks to establish a time limit based on Supreme Court Notification No.6/1992 in which the civil procedural law process in the District Court shall take six months at the longest. 2. The high cost of contract enforcement through the court, especially in the settlement of trade dispute among private sectors in Indonesia. <p>In improving the enforcement of business contracts, Indonesia has undertaken several steps which include: information openness through the use of information technology, the availability of mediators, and the convention of the judges to accelerate the making of verdict.</p>
CHAPTER 1: TARIFFS	
<p>5. While happy to see progress on reducing tariffs in Indonesia, Canada would note that there remain many unbound tariffs. What are Indonesia's plans to bind the remaining unbound tariffs? (Canada)</p>	<p>In 2007, under the WTO obligations, Indonesia is committed to bind 96.6 % of all products while the average simple average of bond 37.1% and MFN Applied 6.9%. This binding coverage is the highest among a few of the developing countries and even very close to the binding coverage of some developed countries. If we compare to the simple average MFN applied, Indonesian trade weighted average is only 4.0% or almost lowest among the developing countries.</p> <p>The remaining unbound of around 4.5% of all products, which are mostly in</p>

QUESTIONS	ANSWERS
	<p>non agricultural products such as automobile, iron, steel, some chemical products, plastics products, steel weapons, and art products will be kept until the modalities of Non-Agricultural Market Access (NAMA) in the DDA-WTO are agreed. Indonesia is very concerned to retain the degree of flexibility for the domestic manufacturing sector. Indonesia believes that its moderate tariff can help development of outward oriented industrial products and could become internationally competitive in the longer term.</p>
<p>6. From July 2008 on, Indonesia increased export duties on palm oil to 20%, which may further push the global price increasing of palm oil and impose negative influence on downstream industries of other countries. Please elaborate on the rationales for such a policy and the methodologies to determine the rate. Is there a specific plan to bring the export duties back and finally eliminate these duties? (China)</p>	<p>Palm oil consuming across the country is high that makes this commodity is considered to be one of staple food. To maintain the supply and demand of this commodity, export duties on a limited number of commodities, as well as the mechanism to determine the nominal value of the duties, are stipulated based on Government Decree No. 35 of 2005.</p> <p>The objectives of establishing price determinants for the application of export duties on certain commodities are to:</p> <ul style="list-style-type: none"> - guarantee the sufficient supply for domestic demand; - maintain the sustainability of natural resources; - prevent price volatility on domestically important commodities; - increase the competitiveness of certain export commodities. <p>The determination of export duties and their amount are based on the average world prices. The increase of export commodities to 20% which was implemented by the Government in July 2008 was mainly caused by the increase of the international average price of CPO.</p> <p>Export Determinant Price decreased to 15% in August 2008 and to 10% in September 2008 which led to a decrease of export duties imposed by the Government of Indonesia. Therefore, export duties have been brought back to a lower level.</p> <p>In December of 2008, due to the global financial crisis, the price of palm oil and palm oil-based products decreased significantly from above US\$ 1100 /MT to below US\$ 500. According to Minister of Finance's Decree No. 9/2008, the</p>

QUESTIONS	ANSWERS
	<p>export duty is exempted when the price is \leq <u>US\$ 550</u>.</p> <p>There is no plan as yet to eliminate the export duty on CPO mainly due to the price sensitivity of the CPO and its downstream products</p>
<p>7. We commend Indonesia's efforts in bringing down its applied tariffs from 13% in 1996 to around 7.7% in 2008. We also appreciate Indonesia's commitment to progressively reduce its tariff rates as well as to enhance the transparency of its tariff regimes with a view to achieving the APEC goal of free and open trade no later than 2020. (Hong Kong, China)</p>	<p>Indonesia appreciates the comment by Hong Kong, China.</p> <p>Indonesia has implemented Tariff Harmonization Program for the period of 2005-2010 by reducing the tariff gradually in order to achieve harmonized, low and uniform tariff rate in 2010. There are two approaches of tariff reduction used which are across the board and sectoral approach.</p> <p>On the global approach, tariff is reduced across the board with the same interval (e.g. 5%) per year. On the sectoral approach, products are classified into upstream, middle stream and downstream industries and tariff of a certain product is lowered based on industrial competitiveness of the industry where the product classified. Special patterns are set for special products that are considered to be strategic and still needs to be developed.</p>
<p>8. Indonesia's impressive "Tariff Harmonization Program" is scheduled to achieve "low and uniform" tariffs (under 10%) for 94% of all tariff lines by 2010. This will be an important step in reducing protection in general and tariff escalation in particular. Please comment on the outlook for the success of this initiative and on the exceptions that are likely to remain when the project is completed. (IAP Review Team Experts)</p>	<p>The main objective of Tariff Harmonization Program is to achieve 2010 tariffs which are:</p> <ol style="list-style-type: none"> 1. Low with most of rate \leq 10%; 2. Uniform with most of rate = 5%, and; 3. Harmonized from upstream to downstream industry. <p>With these targets, hopefully in 2010, simple average of applied MFN tariff will be around 7.5%. Should it is fully implemented, this will ensure that 94% of the tariff schedule will include rates in the range 0-10% by 2010. The other 6% of tariff lines have been designated as special products, and are scheduled to be reduced in a similar rate range by 2020.</p>

QUESTIONS	ANSWERS
<p>9. Has there been a significant correlation in recent years between tariff reductions adopted in the context of the AFTA/CEPT scheme and tariff reductions adopted on an MFN basis? In other words, is ASEAN integration also helping to accelerate Indonesia's progress on the more general Bogor goals? (IAP Review Team Experts)</p>	<p>Indonesia's priority agenda is to enhance the competitiveness of the economy by harmonizing its tariff structure. In other words, tariff reduction and tariff elimination that have been implemented in recent years are not only for liberalization <i>per se</i>; but also for certain policy objectives at the national, regional as well as multilateral basis.</p> <p>Tariff reduction adopted on an MFN basis is different from tariff reductions adopted in the context of the AFTA/CEPT scheme. CEPT rates are substantially lower than MFN tariffs. Tariff based on AFTA/CEPT, which is currently applied in Indonesia, has already achieved the CEPT obligation, with 80% of the total tariff posts (equal to 8,744 total tariff posts) are zero tariffs. The rest of tariff posts (1700 tariff posts) will be reduced to zero tariffs by 2010.</p> <p>The spread between MFN and CEPT Tariffs is quite high. Based on sectors, manufacturing goods have wider spread than agricultural commodities. While based on stage of processing, the highest differences between MFN rates and CEPT rates occur for final goods.</p> <p>There has been no study or analysis on a correlation between Indonesia's reduction under CEPT-AFTA and achieving the Bogor Goals. However, the process of achieving the CEPT-AFTA targets in 2010 and the implementation of the ASEAN Economic Community (AEC) by 2015 have accelerated Indonesia in achieving the Bogor Goals.</p>
<p>CHAPTER 2: NON-TARIFF MEASURES</p>	
<p>10. Noting that Indonesia has undertaken unilateral actions to remove or reduce non-tariff barriers in four areas that were not included in the Uruguay Round commitments, what is the status for this initiative and when is it expected to be fully implemented? (Canada)</p>	<p>With regard to the unilateral actions to remove or reduce non-tariff barriers in the four areas, Indonesia has notified these actions/policies to the Committee of Import Licensing-WTO.</p>
<p>11. We note that Indonesia's NTMs are applied for cases related to health, safety, security and environment, and that it has unilaterally removed or reduced NTMs in various</p>	<p>Indonesia appreciates the comment by Hong Kong, China. The purpose of Indonesian import licensing system is to protect health, safety, security, environment and public moral as stipulated under the WTO Articles, as well as</p>

QUESTIONS	ANSWERS
<p>areas. We also appreciate that Indonesia will keep up with its efforts in reducing the application of unjustifiable NTMs. (Hong Kong, China)</p>	<p>to meet certain socio-economic objectives including to enhance domestic competitiveness and to prevent smuggling.</p> <p>Indonesian Government is continuously reducing the number of products that are subject to import restrictions, prohibitions, and special licensing requirements. Currently, 141 tariff lines are subject to import licensing restrictions--down from 1,112 tariff lines in 1990. Alcoholic beverages, lubricants, explosives, and certain dangerous chemical compounds, ozone depleting substances, and rough diamonds are among items that are also subject to such requirements. In the effort to better fight the infringements of IPRs, the Government has controlled over the importation of video tapes, laser discs and other entertainment products for exhibition and private use.</p>
<p>12. The process of issuing import permits by the Indonesian Ministry of Agriculture's Director General of Livestock Services for meat and livestock products appears to be non-transparent. Specifically, exporters have noted that their contracted distributors/importers in Indonesia for these products frequently have difficulty in receiving the required import permits in a timely and transparent fashion. Please explain how Indonesia is endeavoring to issue import permits in a more transparent, timely, and consistent manner for the aforementioned products. (USA)</p>	<p>The Ministry of Agriculture guarantees that the process of import of livestock products would be managed properly as long as it fulfills the prevailing rules of procedures. The process is based on the Decree of the Minister of Agriculture no. 64/ 2006, amended by that of no. 27/ 2007 and that of no. 61/ 2007, concerning import and distribution control of carcass, meat and edible offal from foreign countries. It is stipulated in decree that import of such products requires two main steps of formalities, those are countries' approval and approved importer's license.</p> <p>Due to the discovery of LPAI H7N3 on 7 June 2008 in Arkansas, the Directorate General (DG) of Livestock issued Decree No. 01004/KPTS/HK.340/ F/07/2008 on 1 July 2008, regarding the temporary revocation of import permits for poultry and poultry-related products from the USA. Not long after issuing the Decree, Indonesia's DG of Livestock received a letter from the Department of Agriculture of the USA regarding "Information about the H7N3 Low Pathogenic Avian Influenza (LPAI) Incident in the State of Arkansas." The letter informed that the virus had been isolated and depopulated on 3 June 2008 and disinfection process had been done as per 21 June 2008. Pursuant to that information, Indonesia's DG of Livestock issued the Decree No. 11034/KPTS/HK.340/F/07/2008 on July 2008 annulling the previous decree on temporary revocation.</p>

QUESTIONS	ANSWERS
<p>13. Textile import permits are apparently issued only to enterprises that manufacture final products using imported fabrics (and are justified by the need to prevent smuggling). Since this mechanism may restrict imports, does Indonesia have a plan to widen the distribution of permits, say, also to reputable distributors of textile products? (IAP Review Team Experts)</p>	<p>The Minister of Industry and Trade issued a decree concerning Textile Import Arrangements on 23 October 2002. Only companies that have production facilities using imported fabrics as inputs for finished products such as garments and furniture may obtain licenses to import textiles.</p> <p>All authorized importers must seek approval from the Ministry for the amount and time schedule of their imports, and regularly report to the Ministry. Trading partners have raised concerns that the import licensing requirements restrict and distort trade.¹ Indonesia has a view that the regulations are designed and implemented to help curb smuggling, and there has been no plan to grant the permits to distributors of textile products.</p>
<p>CHAPTER 3 (A:2): BUSINESS SERVICES: ACCOUNTING</p>	
<p>14. How can foreigners obtain the certificate of Certified Public Accountant of Indonesia? (China)</p>	<p>In line with the Minister of Finance Regulation no. 17/PMK.01/2008 Article 60 (1) on Public Accountant Examination, the Indonesian Institute of Certified Public Accountant is authorized to carry out the examination and to issue certificates to accountants who successfully pass the exam.</p> <p>If someone, however, is eager to serve as a Public Accountant, he/she, after passing the CPA exam mentioned above, must apply to the Ministry of Finance and meet the requirements provided in the Minister of Finance Regulation No. 17/PMK.01/2008 Article 5 to get the license.</p> <p>Although foreigners can obtain the certificate of Certified Public Accountant of Indonesia as locals do, they are not allowed to sign audit report. The procedures which apply on both locals and foreigners are as follows:</p> <p>Step 1: Have Bachelor Degree of Accountancy</p> <p>Step 2: Pass Accountancy Profession Education Program</p> <p>Step 3: Register to the Ministry of Finance in order to have the State</p>

¹ See, for example WTO oddment G/LIC/Q/IDN/7/Add.1 of 8 January 2007.

QUESTIONS	ANSWERS
	Registered Number of Accountant Step 4: Pass Certified Public Accountant Examination
CHAPTER 3 (B:1): COMMUNICATION SERVICES: POSTAL	
<p>15. Canada notes that courier services can be provided by operators who have obtained a license from the Director General of Posts and Telecommunications providing they meet certain criteria. Among these criteria are that these operators must be an Indonesian legal entity and, they must have a corporate tax payer number.</p> <ul style="list-style-type: none"> - Can Indonesia clarify what the definition of an Indonesian legal entity is and, how a corporate tax payer number can be obtained? - What is meant by standardized courier service equipment in Indonesia? - In what way does Indonesia see Express Delivery Services differing from Courier Services? (Canada) 	<p>The definition of Indonesian legal entity is a business entity formed and established under Indonesian jurisdiction. In order to operate in Indonesia both domestic and foreign business are subject to comply with Law No. 40/2007 on Limited Liability Company and Law No. 25/2007 on Investment.</p> <p>In addition to the obligation to comply with Law No. 40/2007 on Limited Liability Company and Law No. 25/2007 on Investment, courier service providers are also required to comply with the Government Regulation Number 38/2007, which stipulates:</p> <ol style="list-style-type: none"> 1. Expertise in postal affairs. 2. If the establishment of headquarter is located outside Jakarta, the license issued by the Directorate General of Posts and Telecommunications must have recommendation from the Regional Government. 3. The branch office's or the agent's license is issued by the Regional Government. <p>The company is required to obtain a corporate payer number from KPP (Tax Service Office) by submitting the following documents:</p> <ul style="list-style-type: none"> - Identification Card of the Board. - Act/Statute of Incorporation. - Letter of Statement of their business activity. <p>A standardized courier service equipment in Indonesia is defined as a Courier Service Provider having at least one weighing-machine with minimum specification 0-30 kg in a 100 gram accuracy.</p>

QUESTIONS	ANSWERS
	Indonesia is of the view that Express Delivery Services is one of the services provided by courier services providers.
CHAPTER 3 (B:3): COMMUNICATION SERVICES: TELECOMMUNICATIONS	
<p>16. The section "Foreign Entry" (page 3 of the "Indonesia_Communication_Services_Telecommunications" file) mentions that "Indonesia allows foreign equity participation for telecommunications services up to 35% under GATS Schedule". We would like to know if Indonesia plans to relax this limitation. (Chinese Taipei)</p>	Indonesia is currently considered to relax the limitation for foreign equity participation for telecommunications services up to 40% under GATS Schedule.
CHAPTER 3 (B:4): COMMUNICATION SERVICES: AUDIO-VISUAL	
<p>17. How does Indonesia promote the shift from the existing cable TV system to the digitized cable TV system? Does the authority have any specific policy to encourage or guide the cable TV industry to make the shift? (Chinese Taipei)</p>	Indonesia has adopted DVB-T standard for Digital Television Terrestrial Broadcasting. On 13 August 2008, TVRI (Indonesian Television Broadcasting) conducted field trial of DVB-T using a small DVB-T transmitter (250 Watt). Next year, TVRI will operate 10 kW DVB-T transmitter as a pilot project for digital TV

QUESTIONS	ANSWERS
	broadcasting in Jakarta. Since the digital broadcasting is a new technology, the formulation of related regulation is still in process.
<p>18. Would Indonesia please provide us with information on the principles of setting rates and tiers of the cable TV (and/or IP-TV) system service in both the analog and digital systems? Does the authority have any standard or formula for inspecting (or surveying) rates of basic tiers in Indonesia? Is there any information available on websites regarding this matter? (Chinese Taipei)</p>	<p>The rates and tiers of the cable TV are determined by operators. Considering that cable TV has limited consumers, the authority has not yet developed any standard or formula for inspecting (or surveying) rates of basic tiers.</p>
<p>19. We note from Chapter 3 (b:4) of Indonesia's IAP that a film company could cooperate with foreign film company in terms of film production, including certain services in film engineering services, and the use of foreign artists or foreign film crew. However, Indonesia has not made any commitments for the sector in its existing schedule of specific commitments under the WTO General Agreement on Trade in Services (GATS) or in its services offers tabled for the current round of WTO services negotiations. Would Indonesia consider narrowing the gap between its existing regime and GATS commitments in the AV services sector by making commitments for the sector in its next services offers, so as to enhance the predictability of its services regime? (Hong Kong, China)</p>	<p>Indonesia is planning to submit an initial offer in an audio-visual services sector to the WTO in connection to modes 1, 2, and 4. Indonesia has expressed this intention during 2007–2008 meetings of the Committee on Trade in Services – Special Sessions (CTS-SS). The existing regulation, namely Film Act No.8 of 1992, clearly prohibits foreigners to establish or to share equities in film industry. As a matter of fact, Indonesia would undertake further domestic consultation due to the result of the latest WTO Ministers' Signaling Conference. In addition, Indonesia is looking for possibilities to revise the current Film Act.</p>
<p>CHAPTER 3 (F): ENVIRONMENT SERVICES</p>	
<p>20. For Indonesia, whether indoor environmental services are included in environmental services, such as indoor air cleaning, water cleaning, waste collection, etc.? What are the conditions or restrictions on environmental services</p>	<p>So far, Indonesia regulated environmental services through its Law no. 23/1997. Management of hazardous waste is specifically regulated under Government Regulation no. 18/1999. Indonesia has yet issued regulations on the indoor environmental services specifically.</p>

QUESTIONS	ANSWERS
provide by a foreign service supplier? (China)	Based on Ministerial Regulation No. 06/2006 issued by State Minister of Environment, the same standards are applicable for both foreign and local Environmental Service Providers (ESPs). The implementing regulations are still in process.
<p>21. On "Operational Requirements" and "Licensing and Qualification Requirements of Service Providers", it is not sure whether the same standards / requirements are applicable to both the foreign and local Environmental Service Providers (ESPs)? If not, we would like to have more information on requirements / standards which are established specifically for the Foreign ESP. (Hong Kong, China)</p>	Please refer to the answer of question number 20.
<p>22. On "Foreign Entry", Indonesia's IAP reported that Indonesia currently does not allow Foreign ESP to enter the country's market. We encourage Indonesia to open up the market for foreign ESPs. It is noted that Indonesia has put in the IAP that, "In the future, Indonesia intends to open the opportunity for foreign participation" under "Further Improvements Planned". We should be grateful if Indonesia could provide more information on the plan with a schedule of implementation for other APEC member economies' reference on Indonesia's commitment. (Hong Kong, China)</p>	Indonesia has opened the market access for ESPs in ASEAN through ASEAN Framework Agreement on Services (AFAS). Indonesia will evaluate the result before considering to further open the environmental services sector.

QUESTIONS	ANSWERS
<p>23. To facilitate APEC member economies' understanding of the policies/regulations of Indonesia, we would suggest Indonesia to provide more information through the website provided (http://www.menlh.go.id). (Hong Kong, China)</p>	<p>Indonesia is currently developing a website (http://kompetensilingkungan.menlh.go.id) in order to give detailed information, which can be accessed from www.menlh.go.id. However, for the time being, the information is only available in Bahasa Indonesia.</p>
CHAPTER 3 (G): FINANCIAL SERVICES	
<p>24. The new regulation promulgated by Indonesia Central Bank in June 2007 allows foreigners to be employed only for some top management positions, which brings more restrictions for the employment policies of banks. It is wondered whether the positions that foreigners can serve in a bank could be extended at least to department chiefs of banks? (China)</p>	<p>The provision concerning foreign workers in Banking sector is stipulated in Bank Indonesia Regulation Number 9/8/PBI/2007 concerning the Employment of Expatriates and the Transfer of Knowledge Program in the Banking Sector.</p> <p>According to Bank Indonesia Regulation, in principle, a bank may employ expatriates in conducting its activities. Certain positions that can be assumed by expatriates are: commissioner, director, executive, and/or expert/consultant. Only in very few positions i.e. human resources and compliance division that bank is not allowed to employ expatriates.</p> <p>In addition to those positions, Bank Indonesia regulation also provides exception for the bank to employ foreign workers, subject to the following conditions:</p> <ol style="list-style-type: none"> 1. Prior approval from Bank Indonesia; 2. Case by case basis considering the necessity and condition of the bank; and 3. Temporary period. <p>Moreover, there are four kinds of bank that are able to employ foreign workers as follows:</p> <ol style="list-style-type: none"> 1. A bank which has shares amounting to 25% or more owned by a foreigner (natural and or legal person) may employ expatriates for the position of commissioner, director, executive, and/or expert/consultant. 2. A bank which has shares for less than 25% owned by a foreigner (natural and or legal person) may only employ expatriates for the position of expert/consultant.

QUESTIONS	ANSWERS
	<p>However, there are some exceptions to this provision if the foreign owner of the bank acts as a controlling shareholder.</p> <p>3. Branch office of foreign bank may only employ expatriates for the position of head of branch office and or expert/consultant. With regard to other positions, Bank Indonesia still provides flexibility subject to approval on a case by case basis.</p> <p>4. Representative office of foreign bank may only employ the expatriates for the position: head of representative office and or expert/consultant. The exception provisions applied for branch office of foreign bank also exist for representative office of foreign bank.</p>
<p>25. Please introduce, if any, the open-up measures or actions to be taken in the next 3 years in insurance sector. (China)</p>	<p>Insurance Sector in Indonesia has been significantly opened to foreign entities since ownership by foreign party(s) in an insurance company may hold up to 80% of total shares. Since this is considered to be quite liberal, at this point there are no further plans to liberalize this sector.</p>
<p>26. Please elaborate on the interactions among Islamic Banking and financial services liberation under the APEC as well as other globalization processes. (IAP Review Team Experts)</p>	<p>Autonomously, foreign national(s) and/or foreign legal entity(s) may participate in <i>sharia</i> banking industry in Indonesia, as stipulated in Act Number 21 of 2008 concerning <i>sharia</i> banking. Foreign national(s) and/or foreign legal entity(s) are allowed to establish commercial <i>sharia</i> banks, in cooperation with Indonesian national(s) and/or foreign legal entity(s).</p>
<p>27. Please provide an overall assessment of Indonesia's financial services liberalization based upon the principle of national treatment. (IAP Review Team Experts)</p>	<p>Generally, Non Bank Financial Services (NBFS) that consist of Capital Market, Insurance Multi Finance business apply non-discriminatory treatment in market access and national treatment for foreign and domestic service suppliers. In addition, the commercial presence of NBFS must be in the form of joint venture by establishing a limited-liability Company. More information on foreign ownership requirement is stated as follows:</p> <ul style="list-style-type: none"> - The foreign ownership in the joint-venture insurance company, firstly shall not exceed 80% of the total capital and might be raised to more than 80%

QUESTIONS	ANSWERS
	<p>by keeping the amount of share owned by Indonesians.</p> <ul style="list-style-type: none"> - Foreign ownership in the joint venture finance company is set at the maximum of 85% of the paid up capital. - The share ownership can be owned by the foreign non-securities financial institution for 85% of paid in capital and foreign securities company for 99% of paid in capital. Foreign and local investors may own up to 100% shares of local or joint-venture securities companies that have conducted Initial Public Offering. - In terms of the limitation on national treatment for differences in paid-up capital has been eliminated since 1998.
CHAPTER 3 (I): TOURISM AND TRAVEL RELATED SERVICES	
<p>28. Indonesia's Annual Sectoral Report on Tourism and Travel-Related Services states that, in respect of foreign entry requirements, "Indonesia allows foreign equity participation for tourism and travel-related services sector up to 100% under GATS Schedule." Indonesia's initial GATS services offer of April 2005 shows that in respect of hotels and tourist resorts, "In eastern part of Indonesia, Kalimantan, Bengkulu, Jambi and Sulawesi, 100% of capital share can be owned by foreign investor". Please clarify our understanding that the 100 percent cap for foreign investors remains applicable only in respect of investments in specific parts of Indonesia and not all of Indonesia. (Canada)</p>	<p>Referring to Indonesia's schedule of specific commitments in the WTO, we would affirm that in terms of hotel and resorts, foreign equity participation are allowed up to 100% in Kalimantan, Bengkulu, Jambi, Sulawesi and the eastern part of Indonesia. Up to now, Indonesia maintains this level of commitment.</p>
CHAPTER 3 (K:1) : TRANSPORT SERVICES: MARITIME	
<p>29. Canada appreciates the opportunity to learn about Indonesia's efforts to liberalize and facilitate trade and</p>	<p>According to Article 29 Law No. 17 of 2008 on Shipping, particularly regarding the shipping services offered on GATS, foreign investment is allowed in the</p>

QUESTIONS	ANSWERS
<p>investment in recent years. Having gone through a similar exercise ourselves, we are interested in better understanding developments in Indonesia's transportation sector, particularly in maritime and air services. Canada would be grateful for clarification of joint venture requirements for foreign companies to provide shipping and port services. (Canada)</p>	<p>form of joint venture and registered as a national transportation company. The established company is required to own at least a GT 5000 ship of Indonesian flag carrier with Indonesian citizens as crew members. In addition, the maximum amount of capital allowed for foreign equity participation is 49%.</p> <p>Indonesia has yet to offer port service. However, according to Presidential Decree no. 77 of 2007, Indonesia has identified several port service activities, such as:</p> <ul style="list-style-type: none"> a. Providing port facilitation (port, building, the delay of delivery of containers, bulk terminal, Ro-Ro terminal) with a maximum of 49% foreign capital. b. Providing port facilitation in the form of reception facilities with a maximum of 49% foreign capital.
<p>30. It is noted from Chapter 3 (k:l) of Indonesia's IAP that services at ports are made available to International Maritime Transport Supplier on reasonable and non discriminatory terms and conditions, such as pilotage, towing and tug assistance, provisioning and water supply, anchorage and berthing services, emergency repair facilities, etc. However, none of the above services are featured in Indonesia's existing GATS schedule or services offers. Does Indonesia have any plan to improve its commitments for maritime transport services by including the above services in its next services offers? (Hong Kong, China)</p>	<p>In accordance to the answers above, Indonesia applies a non-discriminatory policy towards port services for foreign ships that enter the Indonesian territory, such as pilotage, towing and tug assistance, provisioning and water supply, anchorage and berthing services and emergency repair facilities. Indonesia has no further intention to improve its commitment for maritime transport services.</p>
<p>CHAPTER 3 (K:2) : TRANSPORT SERVICES: AIR</p>	
<p>31. Canada would like to better understand foreign entry and MFN provisions regarding international scheduled services and traffic rights (Chapter 3 (k:2) that are "determined through sub-regional and regional cooperation." Would</p>	<p>Market entry for the scheduled international air services in Indonesia is determined through bilateral and multilateral cooperation. Indonesia has joined regional and sub-regional cooperation, such as ASEAN, BIMP-EAGA (Brunei, Indonesia, Malaysia, and Philippines East Asian Growth Area) and IMT-GT</p>

QUESTIONS	ANSWERS
Indonesia be able to further explain the sub-regional and regional cooperation referred to and be able to provide an example? (Canada)	(Indonesia, Malaysia, and Thailand Growth Triangle).—Market entry requirements at sub–regional level are more liberal than those at regional one. However, with the ASEAN Multilateral Agreement on Full Liberalization of Air/Freight Services scheduled to be signed on November 2008, market entry for the scheduled international air services in ASEAN will be more liberal.
<p>32. Please provide an overall assessment of the impacts of the 2004 bilateral agreement between Indonesia and USA to treat non-schedule as scheduled competitor. (IAP Review Team Experts)</p>	<p>The bilateral air transport agreement between Indonesia and U.S. was signed on 26 July 2004. In the agreement, the scheduled and non-scheduled international air services were regulated separately. In most bilateral Air Transport Agreements which have been concluded by Indonesia and its dialogue partners, charter flights (non-scheduled air services) should be treated as a supplement of the scheduled services, whereas in the bilateral air transport agreement between Indonesia and U.S., the arrangement is more liberal in which the more frequent implementation of non-scheduled air services could become competitor for scheduled air services.</p> <p>However, the bilateral air transport agreement between Indonesia and U.S. could not be implemented yet, since Indonesia has not ratified the agreement. Ratification of the agreement is currently in process.</p>
CHAPTER 3 (L) : ENERGY SERVICES	
<p>33. As indicated in the Annual Sectoral Report, Law number 22 of 2001 concerning oil and gas stipulates that foreign companies conducting business on oil and gas in Indonesia shall obtain a business license for trading (p.1) and the Permanent Establishment is not allowed to conduct oil and gas downstream business activity (p.2). What is the difference between these two provisions? (Chinese Taipei)</p>	<p>Based on the Oil and Gas Law No. 22 of 2001, Chapter III (article 9) regarding the Permanent Establishment (legal entity) is intended to conduct the Upstream Business Activities, while For the Downstream Business Activities (trading), foreign companies shall only obtain business license from the Government (Chapter V, article 23.1). The latter are not required to establish a legal entity (Permanent Establishment) since the trading involves merely a common business such as purchasing, selling, exporting, importing Crude Oil and/or its processed products (Chapter 1, article 1.14).</p>

QUESTIONS	ANSWERS
<p>34. As indicated in the Annual Sectoral Report, Law number 22 of 2001 concerning oil and gas stipulates that monopoly of state-owned oil and gas company (Pertamina) on upstream and downstream business activity has been removed. In this regard, after the Law went into effect, what has been Pertamina's market share? (Chinese Taipei)</p>	<p>After the implementation of Law No. 22 of 2001, Pertamina no longer monopolizes the downstream as well as upstream oil and gas markets. Since the entry into force of the regulation, several international companies such as Petronas, Shell, and ConocoPhillips, have entered into the Indonesian market. Further information please refer to www.pertamina.com</p>
<p>CHAPTER 4: INVESTMENT</p>	
<p>General Policy Framework</p>	
<p>35. Canada would appreciate an explanation for what is essentially AIA-minus position with respect to treatment accorded to non-ASEAN investors. Will Indonesian legislation be explicit on more favorable treatment to ASEAN investors? (Canada)</p>	<p>Indonesia legislation has not explicitly stated more favorable treatment to ASEAN investors. Article 6 paragraph 2 of the Investment Law No. 25 of 2007, as stated below, implicitly states the privilege for ASEAN Investors.</p> <p style="text-align: center;">Article 6</p> <p>(1) The Government shall provide the same treatment to any investors originating from any countries making investment in Indonesia pursuant to the rules of law.</p> <p>(2) Treatment set forth in paragraph (1) shall not apply to investor of certain countries that have received privilege by virtue of an agreement with Indonesia.</p>
<p>36. Are there plans to further expand your Investment Law to cover more business sectors, e.g. mining? (Canada)</p>	<p>The Investment Law No. 25 of 2007 covers all direct investment in all sectors, including mining, within the territory of Indonesia except indirect or portfolio investment.</p>
<p>37. Could Indonesia elaborate on the impact of the March 2007 Investment Law on existing and future bilateral investment treaties? (Canada)</p>	<p>The impact of the Investment Law on the existing and future bilateral investment treaties is stipulated in Articles related to the transitional provision as follows :</p> <p style="text-align: center;">CHAPTER XVII</p>

QUESTIONS	ANSWERS
	<p style="text-align: center;">TRANSITIONAL PROVISIONS</p> <p style="text-align: center;">Article 35</p> <p>Any international agreement, whether bilateral, regional or multilateral, in investment sector having been approved by Indonesian Government prior to the issuance of this law shall remain effective until the termination of such agreement.</p> <p style="text-align: center;">Article 36</p> <p>Draft of any international agreement, whether bilateral, regional or multilateral, in investment sector not having been approved by Indonesian Government at the time of the issuance of this law shall be adjusted to this law.</p> <p style="text-align: center;">Article 37</p> <p>(1) When this law is effective, any provisions of law in form of implementation rules of the Law Number: 1 of 1967 concerning Foreign Investment, as amended with the Law Number: 11 of 1970 concerning Amendment and Supplement to the Law Number: 1 of 1967 concerning Foreign Investment, as well as the Law Number: 6 of 1968 concerning Domestic Investment, as amended with the Law Number: 12 of 1970 concerning Amendment and Supplement to the Law Number: 6 of 1968 concerning Domestic Investment shall remain effective so long as they do not contradict those of this law and so long as the new implementation rules for this law have yet to be made.</p> <p>(2) Any investment approval and implementation permit granted by the Government based on the Law Number: 1 of 1967 concerning Foreign Investment, as amended with the Law Number: 11 of 1970 concerning Amendment and Supplement to the Law Number: 1 of 1967 concerning Foreign Investment, as well as the Law Number: 6 of 1968 concerning Domestic Investment, as amended with the Law Number: 12 of 1970 concerning Amendment and Supplement to the Law Number: 6 of 1968 concerning Domestic Investment shall remain effective until their termination.</p> <p>(3) Any investment request and other requests regarding investment submitted to the authorized agency prior to the issuance of this Law,</p>

QUESTIONS	ANSWERS
	<p>but up to the date this law is issued haven't been approved by the Government, shall be adjusted to the provisions of this Law.</p> <p>(4) Any investment companies received business permit from the Government based on the Law Number: 1 of 1967 concerning Foreign Investment, as amended with the Law Number: 11 of 1970 concerning Amendment and Supplement to the Law Number: 1 of 1967 concerning Foreign Investment, as well as the Law Number: 6 of 1968 concerning Domestic Investment, as amended with the Law Number: 12 of 1970 concerning Amendment and Supplement to the Law Number: 6 of 1968 concerning Domestic Investment may renew such business permit based on this law when it expires.</p>

QUESTIONS	ANSWERS										
<p>38. [Please introduce the master plan and project plans regarding infrastructure construction in Indonesia if there is any]. Could foreign investors involved in the above-mentioned fields enjoy any preferential treatment or facilitation policies? (China)</p>	<p>Indonesia has master plan and project plans on Roads, seaport, airports, railways, energy and clean water supply.</p> <p>Indonesia has a Presidential Regulation No. 67/2007 on Cooperation between government and business entities in the provision of infrastructure.</p> <p>In accordance with Decree of the Minister of Finance No. 135/KMK.05/2000 on Relief of Import Duty on Machines, Goods and Materials in the Framework of Building/Development of Industries/Service Industries, foreign investors involved in the infrastructure and construction sectors are able to benefit from investment facilitation.</p>										
<p>39. [Please provide an assessment of the state of implementation and overall efficacy of Law No. 25 of 2007 on investment. (IAP Review Team Experts)]</p>	<p>Since the Law no 25 of 2007 is relatively new, the full assessment of this Law has not been conducted.</p>										
<p>Transparency</p>											
<p>40. Grateful if Indonesia could provide detail on the nature of fiscal incentives available to foreign investors? (Canada)</p>	<p>The fiscal incentives which are applied for foreign investment as well as domestic investment are follows :</p> <p>a. Income tax facilities :</p> <ul style="list-style-type: none"> ▪ 30% (thirty percent) net tax deduction of the total investment, charged for 6 (six) years for 5% (five percent) annually. ▪ Accelerated depreciation and amortization shall be as follows : <table border="1" data-bbox="1100 1235 1965 1377" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th data-bbox="1100 1235 1352 1341" rowspan="2">Tangible Fixed Assets Group</th> <th data-bbox="1352 1235 1520 1341" rowspan="2">Benefit Period Becomes</th> <th colspan="2" data-bbox="1520 1235 1965 1341">Depreciation and Amortization Tariff Based on Method</th> </tr> <tr> <th data-bbox="1520 1341 1698 1377">Straight line</th> <th data-bbox="1698 1341 1965 1377">Decreasing</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Tangible Fixed Assets Group	Benefit Period Becomes	Depreciation and Amortization Tariff Based on Method		Straight line	Decreasing				
Tangible Fixed Assets Group	Benefit Period Becomes			Depreciation and Amortization Tariff Based on Method							
		Straight line	Decreasing								

QUESTIONS	ANSWERS			
			(%)	Balance (%)
	I. Non Building :			
	Group I	2 years	50%	100% (charged all at once)
	Group II	4 years	25%	50%
	Group III	8 years	12.5%	25%
	Group IV	10 years	10%	20%
	II. Building :			
	Permanent	10 years	10%	-
	Non-Permanent	5 years	20%	-
	<ul style="list-style-type: none"> ▪ Income tax charge for dividend paid to foreign tax subject shall be 10% (ten percent) or lower tariff according to effective double taxation avoid agreement. ▪ Loss compensation for more than 5 (five) years. <p>b. Investment activities for certain business sectors in certain region can be accorded to 50% property tax reduction.</p> <p>c. Import duty holiday or reduction for imported capital goods, machinery, or equipment domestically unavailable for production.</p> <p>d. Import duty holiday or reduction for raw materials or support materials for production within certain period and with certain conditions.</p> <p>e. Value added tax holiday or postponement for imported capital goods or machinery or equipment domestically unavailable for production within certain period.</p> <p>f. The local government may also provide investment incentives and facilities for investment located in their territory.</p>			

QUESTIONS	ANSWERS
<p>41. “Indonesia’s Approach to Investment in 2008” indicated that FDI could choose locations in accordance with local governments’ spatial plan. What does the “spatial plan” refer to? (China)</p>	<p>The “spatial plan” refers as follows:</p> <ul style="list-style-type: none"> • The Utilization Model and National Spatial Plan. • Criteria and Management model for Conservation Zone, Cultivation Zone, and Certain Zone.
<p>42. With respect to the non-discrimination policies, Indonesia indicated that a few business fields which are not open to FDI are listed in the Negative List. Where can we find the list? Has it been and is it going to be modified? (China)</p>	<p>The Negative List stipulated in the Presidential Decree No. 111 of 2007 which is an amendment to Presidential Decree No. 77 of 2007 concerning list of business fields closed and open with conditions to investment could be accessed at BKPM’s website http://www.bkpm.go.id. This list may be modified accordingly as stipulated in article 3 Presidential Decree No. 77 of 2007, as follows :</p> <ul style="list-style-type: none"> ➤ This Presidential Regulation shall be enforced for (3) years as of the enactment or if deemed necessary, it will may be subject to review in accordance with the demand and progress of the condition. ➤ In the event that the period of three (3) years elapsed and the new list has not been determined, the existing Presidential Regulation governing list shall remain in force.
<p>43. On “Non-discrimination”, we note that there is a Negative List to investment. We would like to know whether Indonesia has further plan to gradually liberalize those business sectors within the List like industrial and trading sector. (Hong Kong, China)</p>	<p>Indonesia regularly reviews the negative list of investment, including industrial and trading sectors.</p>
<p>Environmental Impacts of Investment Projects</p>	

QUESTIONS	ANSWERS
<p>44. It seems that Indonesia has made a significant reform on investment approval procedures by reducing the time required by BKPM for project consideration to just only 10 working days regardless of investment size, providing that all required documents are completed. Is this also applied to investment projects which might have impacts on environment, as well as large projects? Normally, it would take longer consideration time for mega or large projects as their impacts on environment or community surroundings need to be fully investigated. Could you please share with us your experiences in handling with projects having impacts on environment and large projects? (IEG Thailand)</p>	<p>Yes, this investment approval procedure also applies to all investment projects regardless the size of investment. However, every project still requires permits from related authorities.</p>
<p>Share Structure</p>	
<p>45. The Law No. 25/2007 requires that 100% foreign owned companies sell a small percentage of their shares to an Indonesian citizen and/or Indonesian entity or through capital market after 15 years of their commercial operation. (Please correct us if we are wrong.) Could you please clarify the benefits of this exercise? Only small amount of shares would not make much different. Please share with us your view on this. (IEG Thailand)</p>	
<p>Avoidance of Double Taxation</p>	
<p>46. Please provide an update of Indonesia's progress in negotiating tax treaties with APEC economies. (IAP Review Team Experts)</p>	<p>Indonesia has signed Avoidance of Double Taxation Agreement with 16 APEC economies as follows Australia, Brunei Darussalam, Canada, People Republic of China, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Philippines, Russia, Singapore, Taiwan, Thailand , Unites States of America, and Viet Nam.</p>
<p>CHAPTER 5: STANDARDS AND CONFORMANCE</p>	

QUESTIONS	ANSWERS
<p>47. Indonesia indicates that it is continuously improving its technical infrastructure in order to support trade activities in line with WTO-TBT requirements. Can Indonesia supply some specific examples of how it is improving its technical infrastructure and how these improvements will assist Indonesia in meeting its TBT requirements? (Canada)</p>	<p>To improve technical infrastructure in support of trade activities and in line with WTO-TBT requirements, Indonesia has taken several measures:</p> <ol style="list-style-type: none"> a. In cooperation with the European Commission, Indonesia has conducted trainings to improve the understanding on WTO TBT Agreement. The participants include officials of BSN as the Notification Body and Enquiry Point and other related ministries and industries. b. Developing a guide for implementing TBT Agreement. c. Established a Working Group on Notification which handles incoming notifications, notifications of draft of technical regulations, as well as enquiries. The Working Group which consists of representatives from related ministries and industries also performs as a communication forum between BSN and related ministries and industries. d. Developing an information system to disseminate information on notifications to all related institutions. e. Conducting a series of road shows to several ministries and industry associations in order to disseminate information on the implementation of WTO TBT Agreement. f. Improving the procedures for standards development in line with Annex 3 of the WTO TBT Agreement. g. Incorporated principles of standards development in the 2nd Triennial Review of WTO TBT into its national standards development process. h. Improved its structure of Technical Committees for Standards Development in line with ICS as well as reviewed the member of TCs/STCs. i. Signed MRAs with APLAC/ILAC for testing laboratories, calibration laboratories, and inspection bodies. j. Signed MRA with PAC/IAF for Quality Management System and Environmental Management System (Indonesia is now under PAC review for Product Certification Bodies).
<p>48. Indonesia projects that 70% of Indonesia's national standards will be harmonized with international standards by 2010. Could Indonesia explain when the balance of these standards will be harmonized and explain the</p>	<p>Up to now, there are 6820 SNIs (Indonesia's National Standard) that have been developed, some of which do not refer to international standards (national specific SNIs), and these include traditional delicacies. With regard to aligning the SNI with international standards, BSN has adopted some policies</p>

QUESTIONS	ANSWERS
reasons for this gap? (Canada)	including revising SNIs towards international harmonized SNI and encouraging TC's/SC's to develop newly international harmonized SNI except for those national specific SNI as well as those SNIs that are unique to Indonesia's specific climatic, geographic or geological factors. In 2008 fiscal year, there will be 150 SNIs facilitated by BSN to be harmonized with international standard. According to systematic review conducted during 2005-2007, there are 2739 SNIs to be revised and 1914 others to be withdrawn.
<p>49. It is very encouraging to see in the IAP that Indonesia targeted 70% of national standards will be harmonized with international standards up to 2010, especially taking into consideration that the current rate is approximately 30%. Please specify what are the concrete steps Indonesia would like to take in order to achieve the goal? (China)</p>	Indonesia is conducting intensive systematic review to revise standards and preferably harmonize them with international standard and to withdraw obsolete ones. By carrying out this review, it is expected that the number of aligned/harmonized standards will increase. In the mean time, new proposed standards are also encouraged to be harmonized with international standard (modification).
<p>50. To what extent has Indonesia endeavored to recognize international standards for phytosanitary guidelines regarding plant health, such as the IPPC? What steps has Indonesia taken to ensure that any trade restrictions or controls imposed on a product to achieve a science-based plant health or human safety goal are implemented in a scientific and transparent manner? (USA)</p>	<p>Indonesia has adopted international standards and regulations such as IPPC, OIE, and Codex in order to implement SPS actions on plant and animal health. This is in line with Article 3 on SPS Agreement which states that every parties, in implementing SPS actions, shall adopt international standards, guidance, and recommendations such as <i>Codex Alimentarius Commission</i> (CAC), <i>International Office of Epizootics</i> (OIE), and <i>International Plant Protection Convention</i> (IPPC).</p> <p>Regarding the IPPC international standard, Indonesia's Agricultural Quarantine Body, as regulated in Article IV of IPPC, has developed a guidance concept of registration of <i>wood packaging material</i> and implemented this registration program for appointed corporations to implement certification on wood packaging in accordance with ISPM #15 requirement, i.e. standard made by FAO-ICPM in order to develop a harmonized regulation. The concept has been notified to WTO Secretariat with notification number G/SPS/N/IDN/37 on 29 May 2006.</p> <p>Indonesia has adopted Codex standards to ensure a transparent and scientific control on trade of <i>Science-Based and Human Safety</i>- related products. This</p>

QUESTIONS	ANSWERS
	<p>step is taken since Indonesia has not yet been able to formulate her own standards based on risk analysis because of lack of monitoring and surveillance data. The Codex Standard has been applied only to imported carcass, offal, and meats. As for fresh food derived from plant, the testing has not been commenced pending the notification of the draft regulation to SPS/WTO Secretariat.</p>
<p>51. What steps has Indonesia taken towards recognizing international standards, particularly with respect to the Codex Alimentarius Commission's ad hoc Intergovernmental Task Force on Foods Derived from Biotechnology? This would include both the guidelines and the annexes to the guidelines related to the safety assessment of foods derived from biotechnology. (USA)</p>	<p>Indonesia has several institutions dealing with food safety, standards and regulations. In conducting Codex activities, Indonesia has established National Codex Committee and Mirror Codex Committee in each related ministry, based on their mandates. Directorate of Quality and Standardization, Ministry of Agriculture, is a Mirror Committee Coordinator for Ad hoc Intergovernmental Task Force on Food Derived from Biotechnology.</p> <p>In general, Codex standards and related texts are used a reference in the development of national legislation, standard and guidance related to food safety. With regard to the guidelines and the annexes to the guidelines related to the safety assessment of food derived from biotechnology, Indonesia follows the discussion in the Task Force. In developing national position, Mirror Committee involves relevant stakeholders such as universities and Indonesian Center for Research of Biotechnology and Genetic Resources. The main challenge faced in preparing national position is the lack of scientific data provided.</p> <p>Indonesia has not conducted surveillance of food safety which comes from biotechnology, because the regulatory framework of the said matter has not been finalized. Guidance of Testing for Food Safety of Genetic Modified Product has not yet been specified in accordance to the Government Regulation No. 28/2004 on Security, Quality and Nutrition of Food, and the Government Regulation No. 21/2005 on Biological Security of Genetic Modified Product.</p> <p>Survey on public perception on genetic engineered soy was conducted by Indonesian Center for Agricultural Biotechnology and Genetic Resources Research and Development (ICABIOGRAD) in 2003. The survey questioned a</p>

QUESTIONS	ANSWERS
	<p>total of 976 respondents. The result of survey shows that public understanding and knowledge on genetic engineered soy are generally low.</p> <p>A collaborative study between International Service for the Acquisition of Agri-biotech Applications (ISAAA) and the University of Illinois was also conducted in Indonesia in 2002.</p> <p>The result of the survey shows that:</p> <ul style="list-style-type: none"> • Interest in agricultural biotechnology among Indonesia's stakeholders is moderately high. Only policy makers (50%) seem to be unconcerned with the issue of agricultural biotechnology. • Indonesia's stakeholders do not really see biotechnology as posing high risk to public health and food safety. • Indonesia stakeholders give themselves moderate to low rating on their understanding of science and knowledge about agricultural biotechnology. <p>The situation suggests a need for more stepped up campaign to inform and educate the public about agricultural biotechnology.</p> <p>In 2008 the Government of Indonesia published "The Regulation Regarding the Guidance for Safety assessment for Genetically Modified Food". (<i>Peraturan Ka. Badan POM RI No. HK.00.05.23.3541 tentang Pedoman Pengkajian Keamanan PPRG</i>).</p>
<p>52. Indonesia requires that imported packaged food products for sale in the retail, hotel and restaurant sector must be registered to have an "ML number". This process maintained by the Badan Pengawas Obat dan Makanan (BPOM) requires extensive information to ascertain if a processed product is safe for consumption, prior to the ML number being issued. Given the low risk associated with processed products can Indonesia please explain the risk associated with packaged food products that necessitate the registration? (USA)</p>	<p>According to Government Regulation No. 28/2004 on Food safety, quality and nutrition, any processed food either produced domestically or imported into Indonesian territories for trade in retail packaging shall obtain the registration approval letter, prior to distribution. In the registration process, an assessment is conducted to the safety, quality and nutrition of product as well as to its label.</p> <p>Imported packaged foods that will be used as raw material or ingredients in food industries or in hotels/restaurants require import recommendation from Badan POM before released by the custom. These foods do not need to be registered and receive ML number from BPOM. Food product registration is</p>

QUESTIONS	ANSWERS
	part of pre-market control in Indonesia.
<p>53. It is not clear how Indonesia's <i>Halal</i> certification requirements recognize Codex <i>Halal</i> standards. What specific concerns, if any, does Indonesia have regarding the <i>Halal</i> certifications from its trading partners? Would Indonesia consider accepting certifications from a trading partner that is approved by another Islamic country that adheres to the <i>Shafri</i> School of Islamic Law? (USA)</p>	<p>Codex <i>halal</i> standard serves as a general guideline. The Indonesian agency responsible in assessing <i>halal</i> food and drugs, LP POM MUI (Indonesia Islamic Council), has developed a detailed requirement and procedure to be used for <i>halal</i> certification process.</p> <p>Indonesia will further develop a regulation concept to arrange <i>halal</i> certification. The plan is still being coordinated among relevant national institutions. In the mean time, National Standardization Agency of Indonesia (BSN) has some suggestions in developing the regulation concept, as follows:</p> <ul style="list-style-type: none"> - Assessment conducted by certification body which has been accredited by National Accreditation Committee (KAN), in accordance with Government Regulation No. 69 on Label and Advertisement of Food, should refer to Codex Standards. - Indonesia Islamic council (MUI) should further give "fatwa" (religious advices) to the certification as the result of the assessment process. <p>Set up of the regulation and the concept above, in this time is still in process of discussion by inter related department/institution in Indonesia.</p> <p><i>Halal</i> is more than just quality. In <i>halal</i> concept there are two components, first is Thoyyib and second is Halal itself. <i>Thoyyib</i> mean is fit and safe for human consumption, BPOM) has the authority over this issue. While <i>Halal</i> is lawful in Islamic <i>Syariah</i> and MUI has the authority of which <i>halal</i> is determined it also acts as the <i>halal</i> certification body in Indonesia. To obtain a <i>halal</i> certificate, MUI has two institutions which are:</p> <ol style="list-style-type: none"> a. LPPOM MUI has a responsible to investigate and to audit the ingredients or raw material directly to the factory. LPPOM MUI also gives the scientific judgment to the MUI Fatwa Commission. b. MUI Fatwa Commission has responsibility to decide whether a product is <i>halal</i> or <i>haram</i> under Islamic Law. <p>MUI has accepted and approved many <i>halal</i> certification bodies around the</p>

QUESTIONS	ANSWERS
	<p>world such as the US, several European countries, Australia, New Zealand, Asia as well as ASEAN countries. In order to set up a mutual recognition system for <i>halal</i> certification the standard of auditing and Islamic Law is required. We have particular procedure and requirement for approving <i>halal</i> certification bodies overseas.</p> <p>Based on the certificate from LPPOM MUI, NADFC will permit to use the word/logo of <i>Halal</i> in the food label. The inclusion of “<i>Halal</i>” on the label is voluntary. <i>Halal</i> certificate from other country could be accepted by the government of Indonesia if such certificate is approved by MUI.</p>
CHAPTER 6: CUSTOMS PROCEDURES	
<p>54. On “Paperless Trading”, regarding the officially launched National Single Window, we would like to know more about the implementation, for example, the role of Customs in developing National Single Window and if there is any centralized risk assessment mechanism? (Hong Kong, China)</p>	<p>In 2006, the Coordinating Minister of Economic Affairs issued a decree establishing the National Single Window Preparatory Team, led by Minister of Finance.</p> <p>The team has developed an Indonesia’s National Single Window based on National Single Window’s Blueprint which refers to ASEAN Technical Guidance on Single Window.</p> <p>To date, National Single Window System is implemented in Tanjung Priok and planned to be mandatory implemented in five other major ports in Indonesia by the end of 2008, namely Port of Tanjung Priok, Soekarno – Hatta International Airport, Port of Tanjung Emas, Port of Tanjung Perak, and Port of Belawan.</p> <p>The role of customs in developing National Single Window is on the development of Information Technology. However, on the implementation, Customs’ role is similar with the role of other related agencies which manage their own activities related to the implementation of National Single Window.</p> <p>There is no centralized risk assessment mechanism in the system, for the entities holding their own authority including risk assessment mechanism.</p>
<p>55. The “APEC Leaders’ Transparency Standards on Market Access” encourages “publication of the following measures: (i) tariff schedules, with current applied tariff</p>	<p>Indonesian customs does not publish database of prices used for verification of transactional value. When there is a concern over a transactional value, Customs officers use market prices to determine whether the transactional</p>

QUESTIONS	ANSWERS
<p>rates, on the Internet; (ii) details of preferential tariff programs; (iii) tariff rates applicable under Free Trade Agreements and Regional Trade Agreements; and (iv) {non-tariff measures} maintained by member economies.” According to Indonesian law, if a Customs officer has concerns over a transaction value, he/she will consult a database of prices and use the price in the database to determine the duty to be applied. <u>Please explain under what circumstances the representativeness of a transactional value is questioned.</u> Moreover, per the guidelines set forth in the APEC Leaders’ Transparency Standards on Market Access, <u>has Indonesian published the database of prices used for verification of transactional values and, ultimately, the application of tariffs?</u> If not, please indicate when Indonesia plans to make this document/database publicly available in an effort to further transparency? (USA)</p>	<p>value is a reasonable value. If not, the duty is calculated based on the current market prices.</p> <p>Due to that practice, Indonesia has no plans on publishing the database, because the database consists of market prices of commodities which could be changed in a short period of time.</p>
<p>56. There remain concerns in the business community—despite recent policy reforms—that Indonesian customs procedures are complex, slow and lacking in transparency. Has the government been able to measure the effect of the reforms that have been completed so far, and has it planned further reforms in this area? (IAP Review Team Experts)</p>	<p>Reforms have been measured based on the survey conducted by Independent Institution (Hay Group) on stakeholders’ perception of the implementation of reforms in Customs Administration in 2007. The results of the survey are as follows:</p> <ul style="list-style-type: none"> a. Reforms have an impact on the decrease of unofficial costs and the increase of among stakeholders’ satisfaction. b. There is an increase of revenue compared to the era before reforms. <p>For further measurements of reform, Indonesia’s Customs has a plan to measure reforms comprehensively by developing Key Performance Indicators, which will be used to review all units under the Customs Administration.</p>
<p>57. Could you please discuss the consistency of the planned National Single Window system in Indonesia with the ASEAN Single Window Initiative and the APEC Single Window Initiative? (IAP Review Team Experts)</p>	<p>Indonesia has taken preparatory steps to join ASEAN Single Window System together with other ASEAN member countries by developing its national single window system. The system development refers to ASEAN Technical Guidance on Single Window and is monitored by ASEAN Single Window</p>

QUESTIONS	ANSWERS
	<p>Working Group.</p> <p>The system related to the portal of Indonesian National Single Window (INSW) also applies international standards as references such as the latest data model of WCO, best practices and international standard such as ASEAN Data Set, UNeDocs, UNTDED and UN-EDIFACT.</p>
Adoption of Kyoto Convention	
<p>58. We would like to know how is Customs Administration in Indonesia preparing in order to raise the public awareness on Kyoto Convention; is there an induction plan? What is your experience in this matter? (Peru)</p>	<p>Indonesia has not ratified the revised Kyoto Convention. However, Indonesia always refers to this convention when formulating customs regulations. Indonesia's Customs Regulations comply with Customs International Convention.</p>
Integrity	
<p>59. Regarding to the provision of information in order to improve the integrity and capabilities of the person in charge of customs procedures, how do your policy regarding rewards and punishments works? Has this matter been considered by phases, type of actions? (Peru)</p>	<p>In accordance to Indonesia's Customs regulations, there are three levels of punishments or penalties. The level of penalty is given in commensurate with the level of violations committed. These punishments are stipulated in Regulation No. 30 on Civil Servant Discipline. Three levels of punishments include light, medium, and heavy punishments. The reward system is based on customs policy, while awards to the customs officers are based upon performance.</p> <p>Rewards and punishments are given both on phase and type basis. There are also codes of conduct that regulate how the officers conduct their job which at the end could promote integrity within the institution.</p>
<p>60. We would like to know your experiences on the work in cooperation with the Ombudsman Committee in order to address Customs Integrity matters and what are the considered criteria for taking into account a relevant official with a different fair pay structure (pilot plan in ports of Tanjung Priok and Batam Island) (Peru)</p>	<p>In order to address Customs Integrity Matters, Indonesia has signed an MoU with the Ombudsman Committee (OC).</p> <p>With regard to the different pay structure in the pilot plan for ports in Tanjung Priok and Batam Island, the officials will go through a selection process entailing several phases of test. Currently, Customs has already made an agreement with Corruption Eradication Commission of Indonesia, the authority</p>

QUESTIONS	ANSWERS
	in charge of Corruption and integrity, by the signing of integrity pact by all officers.
Implementation of the TRIPS Agreement	
<p>61. Regarding to your experience in Customs and Border Enforcement on the Intellectual Property Agreement, it means that Customs have control powers. Would you comment on the regulation and provisions that you have for this process? (Peru)</p>	<p>Customs regulations pay special attention to matters relating to Intellectual Property Rights, which are copyright and trademark. Based on the appeal of rights holder, chief of the commercial court is able to instruct Customs officials to postpone the release of goods by virtue of <i>prima facie</i> evidence. The postponement could also be done ex officio by the Customs officials when there is adequate evidence.</p>
Adoption of Systematic Risk Management Techniques	
<p>62. Do all import goods go through X Ray? (Peru)</p>	<p>Not all imported goods have to go through X Ray. Only homogenous and refrigerated containers and the following goods need to go through X Ray:</p> <ol style="list-style-type: none"> 1, Randomly checked goods. 2. Goods that are requested to be investigated 3. Exceptional import goods 4. Transited goods.
<p>63. Is there a profiling and scanning according to risk level? If so, how are containers chosen to be scanned (models, filters)? (Peru)</p>	<p>Yes, profiling and scanning is done according to the risk level. According to Indonesia's regulations, Hi-co Scan procedure is applied to:</p> <ol style="list-style-type: none"> a. Green Channel's Import Notification by random inspection b. Red Channel's Import Notification with one item to declare. c. Refrigerated Container loaded with more than one item import goods d. High Risk Import Goods by Intelligence Analysis. e. Sensitive and Dangerous goods.
<p>64. What are the facilitation characteristics on the priority channel? (Peru)</p>	<p>According to the Director General Customs & Excise Regulation No. 11/2005, facilities on Priority Channel are provided to producers and general importers who have excellent record or reputation. The facilities include:</p> <ol style="list-style-type: none"> a. Non Document and physical assessment, except :

QUESTIONS	ANSWERS
	<ol style="list-style-type: none"> 1. Temporary imported goods; 2. Re-imported goods; 3. Imported goods struck by Intelligence Notice; 4. Certain goods that are stipulated by Director General Customs. <ol style="list-style-type: none"> b. Physical inspection as mentioned above could be carried out in an importer warehouse; c. Imported goods can be released by truck-losing; d. Hardcopy document of the Import Notification can be submitted within 5 days after the issue date of the Goods Released Approval Letter e. Pre-notification of Imported Goods; f. Periodical payment especially for Importer-Producers.
<p>65. What are the facilitation characteristics and/or control on the yellow channel? Is it currently applied? (Peru)</p>	<p>According to the Director General Customs & Excise Regulation No. 25/2007, the yellow channel mechanism is applied to Import Clearance examination before Goods Released Approval Letter issued. The yellow channel requires documents inspection without physical inspection.. This said mechanism, has been applied since 2007.</p>
<p>66. If there is a prior importers register, what kind of information is required for potential importer registration? How is the risk managed regarding the first clearances? (Peru)</p>	<p>According to Indonesia's regulations, importer registration requires the following documents :</p> <ol style="list-style-type: none"> a. proof of the importer's existences; b. description of importer's management and responsibility; c. explanation of the nature of business; d. certainty of finance report accountability <p>The result of the importer registration will determine the importer's risk level high risk, medium risk, and low risk.</p>
<p>67. What are the main frauds to be prioritized in the selection? (Peru)</p>	<p>The main frauds to be prioritized in the selection procedures are prohibited and restricted imported goods.</p>
<p>68. How is selectivity system which selects and has goods examined before customs clearance (previous control) comprised? (Peru)</p>	<p>Selection of goods is conducted through risk management system by analyzing point system which provides pre-notification and initial analyses of Imported Goods Declaration Documents submitted by importer to Customs. Based on the Analyzing Point System, Customs will determine the line document as well as inspection details in order to clarify whether the items are</p>

QUESTIONS	ANSWERS
	<p>considered as prohibited or restricted commodities.</p> <p>The analysis mentioned above will cover the following matters:</p> <ol style="list-style-type: none"> Prohibited and restricted commodities' profile; HS Code parameter to show prohibited and restricted commodities; Regulation concerning prohibited and restricted commodities; Profile of the importer or exporter; Details of imported or exported goods; HS Code of imported or exported goods; Certificate or permission for imported or exported restriction goods. <p>If the commodities are not considered as prohibited or restricted, the authorized agencies are able to grant licenses or permits. Based on the granted licenses or Customs may proceed with further procedures for customs clearance.</p>
<p>69. Time for physical inspection? (Peru)</p>	<p>The length of time taken in a physical inspection depends on the quantity of items and type of goods.</p> <p>There are two ways of physical inspection which are manual inspection and hi-co scan x-ray inspection.</p>
<p>70. How have importer profiles and goods profiles been implemented? (Peru)</p>	<p>Importer profiles as well as goods profiles have been implemented through a risk management system, in particular by applying the Analyzing Point System. For details, please refer to No. 68.</p>
<p>71. Are Data Mining Models used for selection of risk declaration to Fraud Commission? (Peru)</p>	<p>Yes, Data Mining Models are used for selection of risk declaration to Fraud Commission.</p>
<p>72. Regarding to Customs Broker, do you mean customs brokers or those involved in unloading, handling, removal, customs procedures, warehousing and other, in the import country such as Indonesia? (Peru)</p>	<p>According to Indonesia's Customs regulations, a Customs Broker should be certified by the Customs Office. This allows the Customs Broker to act as a custom broker representing importers as well as exporters and to perform unloading, handling, removal, customs procedures, warehousing and other activities.</p>

QUESTIONS	ANSWERS
Other Issues	
<p>73. Would you inform us regarding the participation and actions carried out with trade operators in Indonesia for improving the validity and precision of provided data regarding to export and import processes? (Peru)</p>	<p>All data and documents related to import and export are sent to the Bank of Indonesia and the Central Bureau of Statistics. This information is used as input to formulate the balance of trade which will then be used to determine general trade policy by the government.</p> <p>The validity and precision of data provided by importers are usually conducted through cross-checking by the authority agency. The authority agency will then give clarification on the requested data.</p>
CHAPTER 7: INTELLECTUAL PROPERTY RIGHTS	
Effective Enforcement of IP Rights	
<p>74. Indonesia notes that it has established the National Coordination to Combat IPR Infringements. Canada would be grateful to receive more details regarding the National Coordination including: when the group was developed, details on its actions since implementation, and the effects on the levels of IPR infringements in Indonesia since its development. (Canada)</p>	<p>The National Task Force (NTF) on the Tackling of IPR Infringement was established on March 27, 2006 based on the Presidential Decree No. 4/2006, with the following duties:</p> <ul style="list-style-type: none"> a. to formulate national policies on tackling IPR infringements; b. to set up necessary steps on the tackling of IPR infringements; c. to determine and evaluate disputes resolution steps and strategic issues in tackling IPR infringement, including the prevention and the law enforcement activities to be undertaken; d. to provide guidance and direction as well as priorities of IPR socialization and education to the related agencies as well as to the public; e. to perform and enhance bilateral, regional, and multilateral co-operations in the effort to combat IPR infringements. <p>In order to implement its duties and functions, the NTF has established three working groups for pre-emptive, preventive and repressive measures.</p> <p>The NTF conducts regular meetings to coordinate related agencies responsible for the implementation and enforcement of the IP system.</p>

QUESTIONS	ANSWERS
Public Education and Awareness of IP	
<p>75. Indonesia notes that it “continues to participate and develop activities of capacity building program, which are designed to reach all IP stakeholders.” Canada would be appreciative to receive further information on the content of the capacity building program and its effectiveness in relating this content to IP stakeholders. (Canada)</p>	<p>In the implementation of the IP system, the Government has set up strategic policies which include capacity building and public awareness campaigns.</p> <p>The capacity building of IP is aimed at improving the knowledge and skills of relevant stakeholders of IP through various programs and activities such as training and education. Each activity is designed with specific curricula for specific target participants in order to maximize the efficiency and the effectiveness of the program for the beneficiaries.</p> <p>The capacity building programs on IP covers the following subjects:</p> <ol style="list-style-type: none"> 1. Regulation. This program is important for—conducting study on IPR’s Operational Implementation level as a reference for the completion of National IPR Regulation that covers copyright, trademark, patent, industrial design and geographical indication. 2. Law Enforcement. This skill is needed in conducting monitoring and inspection in private companies, updating database of company profile, and giving law consultation for companies which allegedly committed an illegal act. 3. Human Resources. This subject is needed for conducting assistance to implement patent, industrial design, and trademark; facilitating government official with IPR related issues; as well as providing trainings on drafting legal documents related to IPR for government officials. 4. Dissemination. This activity is used to transfer information on IP to all of the IP Stakeholders. 5. Administration and Coordination. This program is important to provide the necessary skills in monitoring IPR implementation.
TRIPS Implementation	
<p>76. Indonesia notes that it is improving its automated IP administration system, and that the system is “designed to</p>	<p>The Directorate General of IPR (“DGIPR”) as the national authority IPR administration is still in the process of developing an integrated information</p>

QUESTIONS	ANSWERS
<p>support the administration process as well as serve as a tool for law enforcement institutions.” Canada would be grateful for details on the effective utilization of the system by law enforcement agencies, and how the system has helped them to better enforce IPRs. (Canada)</p>	<p>technology (IT) system. Last year, the DGIPR launched an “Intellectual Property Digital Library – IPDL” which was developed with the support of the Government of Japan. IPDL can be used and accessed by all relevant stakeholders including law enforcement agencies.</p>
<p>77. Indonesia states that it continues its efforts to implement TRIPS by passing new laws in various areas, but not on patents. Canada would appreciate hearing Indonesia’s views on whether its current patent legislation is compliant with the TRIPS Agreement. (Canada)</p>	<p>Indonesia has a complete set of laws in the field of intellectual property rights which include copyright, patent, trademark, industrial design, lay-out design of integrated circuit, trade secret and new plant variety. These laws consist of provisions which are in compliance with the TRIPS Agreement.</p> <p>Indonesia is currently in the process of revising the laws on copyright, patent, trademark and industrial design.</p>
<p>APEC Cooperation on IP Issues</p>	
<p>78. Please elaborate on the benefits Indonesia is able to harvest through APEC cooperation in IPR issue and also area(s) that Indonesia expects to gain from future APEC IPR cooperation. (IAP Review Team Experts)</p>	<p>Indonesia has been in the process of developing resources in administering and managing the IP system. Through the APEC cooperation in IPR issues, Indonesia has the opportunity to learn the experience and exchange information with other APEC economies. Indonesia has also benefited from the technical assistance including capacity building to support the development of the national IP system.</p>
<p>Other Issues</p>	
<p>79. Please provide a brief discussion on how Indonesia protects indigenous intellectual properties such as traditional medicine and other cultural heritages. (IAP Review Team Experts)</p>	<ul style="list-style-type: none"> - Products made based on the formulation or recipes, such as traditional medicines and curing techniques are protected under the Law on Trade Secret (Law no. 30/2000). - The Copyright Law (Law No. 19/2002) protects works of which the authors are unknown . Further, the law regulates that the copyright for works from prehistoric remains, historical and other national cultural object shall be

QUESTIONS	ANSWERS
	<p>held by the government. The government shall also hold the copyright for folklores and works of popular culture that are commonly owned, such as stories, legends, folk tales, epics, songs, handicrafts, choreography, dances, calligraphies and other artistic works whose authors are also unknown.</p> <ul style="list-style-type: none"> - The Government of Indonesia is currently preparing a draft law on the protection of Traditional Cultural Expressions.
CHAPTER 8: COMPETITION POLICY	
<p>80. Apart from Law No.5 of 1999, are there any other competition regulations on specific sectors such as energy or communication sectors? Are there any sectors could be exempted from Law No.5 of 1999? (China)</p>	<p>Yes, there are sectoral regulations that deal with technical implementation and supervision of particular sectors. One of the scopes of supervision involves competition issue within the respective sector.</p> <p>There are no sectors exempted from the application of the Law No. 5/1999.</p> <p>An exemption is only provided to certain market structure and agreement, and not to certain behavior or to any sector in Indonesia.</p>
<p>81. Indonesia has publicly indicated an intention to adopt merger control rules for several years. Is there any draft proposal and, if so, what is the status of its progress and timeframe for adoption? (USA)</p>	<p>To date, mergers and acquisitions are regulated under Law No 5/1999, particularly articles 28 and 29. The regulations prohibit mergers and acquisitions that result in a monopolistic practices and/or unfair business competition.</p> <p>With regard to specific regulation on Mergers and acquisitions, the Commission for the Supervision of Business Competition has drafted and submitted the legal draft to Ministry of Law and Human Rights.</p>
<p>82. Please briefly discuss, at the general policy level, the actions taken and those that will be taken by Indonesia to enhance the competitive environment through better</p>	<p>Indonesia has continuously developed the content on the Commission for the Supervision of Business Competition website (www.kppu.go.id). The website serves as an effective outreach mechanism for competition issues. The</p>

QUESTIONS	ANSWERS
<p>access to information and communication technology (ICT). (IPR Review Team Experts)</p>	<p>website contains information on activities, recent news on competition law and policy, commission's position paper on competition in certain sector, e-magazine, guidelines, and commission's decision on every competition case. The website also provides an online community, which enables the interested parties to interact with each other and receive regular newsletter.</p> <p>The website has proven to be an effective tool to disseminate information on competition policy to the public.</p> <p>It is expected that this effort will enhance competitive environment as well as harmonizing competition policy on the national and international levels.</p>
<p>83. Please briefly discuss, at the general policy level, the applicability of competition policy, laws and regulation to state owned enterprises (SOEs). (IAP Review Team Experts)</p>	<p>Competition law and policy can be applied to State-Owned Enterprises as Indonesian competition law does not exclude State-Owned Enterprises under Law No 5/1999. There are several competition cases which involve the State-Owned Enterprises, in the sector of oil and gas, telecommunication, and banking sector. These cases vary from bid-rigging, discriminatory practices, cross ownership, to interlocking directorate.</p>
<p>84. Several Cases brought to Commission for the Supervision of Business Competition (KPPU) involve tender conspiracy. What actions has Indonesia been taking to prevent future tender conspiracy cases in addition to KPPU decisions? (IAP Review Team Experts)</p>	<p>Since the establishment of the Commission, 65% of Competition Decisions are related to bid-rigging behavior. These violations are due to weak enforcement of government regulations on procurement. Indonesia consistently disseminates information on competition law and regulations as well as guidelines on government procurement</p> <p>In addition, there are 2(two) regulations implemented to prevent tender conspiracy, those are:</p> <ul style="list-style-type: none"> - Presidential Decree No. 80/2003 on Guidelines for Procurement of Government Goods and Services. - Presidential Decree No. 106/2007 on the Establishment of National Public Procurement Agency (NPPA).

QUESTIONS	ANSWERS
	The Commission for the Supervision of Business Competition has also developed an agreement with Commission for the Eradication of Corruption to help prevent and eradicate future tender conspiracy that involves government officials.
CHAPTER 9: GOVERNMENT PROCUREMENT	
General Policy Framework	
<p>85. We note that Indonesia's GP system is based on internationally accepted principles. We are also glad to note that Indonesia has established procedures and undergone a series of reforms to enhance the transparency. However, we note that Indonesia has no further improvements planned in different areas. We encourage Indonesia to consider ways to keep up the efforts in moving towards a more open and non-discriminatory GP regime. (Hong Kong, China)</p>	<p>Indonesia appreciates Hong Kong-China for the suggestion to keep up the efforts in moving towards a more open and non-discriminatory GP regime. Indonesia has developed action plans to improve the government procurement system related to goods and services, such as:</p> <ol style="list-style-type: none"> a. To revise the Presidential Decree No. 80/2003. This is to improve the writing system and inappropriate procurement provisions. b. To draft Law on Public Procurement. This law will cover a broader scope which is expected to face the challenges of procurement in the future. c. To develop Electronic Procurement system. To ensure a more transparent, effective, efficient, and accountable implementation of the procurement, the government will continue to develop and update the e-procurement system. Some main priorities during 2008-2009 include improvement of the application, clustering, data aggregation, certification of authority development, audit trail, and capacity building of e-procurement authorities, as well as increasing public awareness on e-procurement. It is planned that in the next five to ten years, e-procurement will gradually replace manual procurement system. d. To prepare a concept and a set of regulations on procurement monitoring-evaluation. The government will arrange a mechanism and a set of regulations on procurement monitoring-evaluation. e. To prepare a Procurement Plan concept related to the Public Financial Management System. The two systems should be closely linked and will keep on complementing each other for supervising the effectiveness of expenditure and a more cost-effective state-budget. The government will arrange a procurement plan concept which is integrated within the state-budget management system.

QUESTIONS	ANSWERS
	<p>f. To develop a certification concept on Procurement Expertise. This aims to ensure that the government procurement process is conducted by qualified procurement officials.</p> <p>g. To prepare a concept and a set of regulations on Complaints and Dispute Settlement. The government will arrange a concept and a set of regulations which govern the rights to receive and to answer complaints, dispute settlement, and appeals.</p>
Value for Money	
<p>86. Noting that Presidential Decree No. 80/2003 promotes efficiency for overall procurement, could Indonesia please explain the “post-qualification method” for open tenders? (Canada)</p>	<p>The initiative to apply post-qualification method is intended to eliminate potential problems and conflicting situations in the procurement process, which might occur in pre-qualification methods.</p> <p>Post-qualification method is also aimed to shorten the time of procurement process. The procurement process using pre-qualification methods takes up to 36 working days, while post-qualification process takes the maximum of 20 working days.</p> <p>Post-qualification is not advised to be applied for complex work (high technology, high risk, and/or require special designed equipment) and contract above 50 billion rupiah (equivalent with USD. 500.000). Post-qualification must not be applied for consulting services.</p>
<p>87. Presidential Decree No. 80/2003 promotes utilizing domestically produced goods and services. Please elaborate on the actual mechanism(s) during the procurement process in achieving this objective. (IAP Review Team Experts)</p>	<p>Presidential Decree No.80/2003 regulates the utilization of domestic goods and services in two different categories:</p> <ul style="list-style-type: none"> • Procurement of goods or services financed partly and/or fully by Foreign Loan or Grant - (Article 43). The government provides price preference for domestic product up to 15% above the price of the import goods, excluding import duty. For services, the government gives 7.5% price preference for domestic suppliers as above the lowest bid price of international contractor. • Procurement of goods or services financed partly and/or fully by

QUESTIONS	ANSWERS
	<p>National and/or Regional Budget (APBN/APBD) - (Article 40). Government institution shall be maximizing the utilization of domestic product, national providers, and work packages for SMEs and community. However, there are no price preferences for domestic products and/or domestic service providers.</p>
Open and Effective Competition	
<p>88. Noting that Keppres 80/2003 gives preference to domestic products so that local companies can compete fairly with international player, could Indonesia please explain the details of this preference program? (Canada)</p>	Please refer to no. 87
<p>89. Does Indonesia give any preferential treatment (price and others) to environmentally friendly products in the government procurement process? If yes, please elaborate. (IAP Review Team Experts)</p>	<p>Presidential Decree No. 80/2003 does not regulate any preferential treatment to environmentally friendly product in the government procurement process. However, the Government is currently working on a concept of Green Procurement to be included in the revision of Presidential Decree No. 80/2003 and/or Public Procurement Law.</p>
Fair Dealing	
<p>90. Given that Presidential Decree No. 80/2003 allows both bidders and employers to file their claims for specific reasons, could Indonesia please explain who receives these claims, and if there is a timeline for filing claims? (Canada)</p>	<p>Presidential Decree No. 80/2003, article 27 ensures that all participants of procurement process, individual and/or collective, who suffer from such a falsehood of provision or procedures set in bidding document, misuse or abuse of authority by tender committee and/or any other authorized officials, indication of corruption, collusion among bidders or bidders and employers are allowed to file their complaints.</p> <p>Complaints should be submitted to procuring entity (project managers). Project managers are required to respond to these complaints within 5 (five) working days after complaints letter is received.</p> <p>When bidder(s) are not satisfied with the response, they are encouraged to file</p>

QUESTIONS	ANSWERS
	<p>an appeal to the Minister or the leader of said procuring entity. The minister and/or the leader of the said procuring entity shall give a response within 15 (fifteen) working days as from receiving the appeal.</p> <p>The process of procurement itself shall continue without having to wait for the response letter from the procuring entity.</p> <p>When the reasons of complaint are proven, the procurement process will be reevaluated or repeated from the beginning or the contract shall be nullified.</p> <p>Based on the Presidential Decree No. 106/2007, the National Public Procurement Agency (NPPA) established in May 2008 handles, the procurement complaint mechanism.</p>
<p>Transparency: Implement APEC Leaders' Transparency Standards on Government Procurement</p>	
<p>91. Under the Presidential Decree No. 80/2003, "Owner Estimated" is listed as a key element of Transparency, could Indonesia please explain the meaning of "Owner Estimated"?</p> <p style="text-align: right;">(Canada)</p>	<p>Before 2000, the information related to Owner Estimated (OE) was closed to the participant. At that time, disqualification happens when bidders offered above 100% of OE or 80% below OE. In this case, potential corruption and collusion frequently took place among bidders and tender committee.</p> <p>Currently, the Presidential Decree No. 80/2003 emphasizes that Owner Estimated (OE) must be opened and clarified to participants in bid clarification conference (<i>Dutch: aanwijzing</i>).</p> <p>The Presidential Decree No. 80/2003 article 13 mentions that OE shall be used as a tool to assess reasonable and proper bid price and as reference in bid evaluation, clarification, and/or negotiation with selected candidates.</p> <p>OE should be carefully calculated and considered on the following aspects:</p> <ol style="list-style-type: none"> 1. The unit price analysis of related work; 2. The local market price at the time OE is formulated; 3. Information of contract price of previous similar work; 4. Information of unit price publicized officially by Center Bureau of Statistic; 5. The list of standard price issued by authorized institution. <p>OE should include value added tax (VAT) and reasonable overhead cost and</p>

QUESTIONS	ANSWERS
	profit.
Non-Discrimination	
<p>92. Given that the market categorization has changed from six segments in 1996, to two segments in 2003, could Indonesia please explain the standard distinctions between a small and non-small market, and explain the restrictions on foreign suppliers in such markets? (Canada)</p>	<p>Presidential Decree No. 80/2003 article 1, article 45 and article 46 bring up the issue of small enterprises and cooperatives and work packages for them.</p> <p>Small enterprises are enterprises with earning asset (net) of not more than 200 million rupiah or equivalent with USD 2,000, excluding property, fixed place of business or annual turn over up to the maximum of 1 billion Rupiahs or equivalent to USD 10,000.</p> <p>The procuring entity is requested to provide work packages with the value of work up to 1 billion Rupiahs or equivalent to USD 100,000 for small enterprises and cooperatives, except that the SME or cooperatives are not able to fulfill the required technical competences in the work packages. Medium and large enterprises are not allowed to participate in small enterprises work packages.</p> <p>Foreign companies/suppliers can only compete in a non-small market and can take part in the procurement of:</p> <ul style="list-style-type: none"> • Contracting services above 50 billion rupiahs equivalent with USD. 5,000,000; • Goods/services above 10 billion rupiahs equivalent with USD. 1,000,000; and • Consultancy above 5 billion rupiahs equivalent with USD. 500,000. <p>Foreign companies interested in the work packages mentioned above should enter into business cooperation's or partnerships with national companies.</p>
CHAPTER 10: DEREGULATION/ REGULATORY REVIEW	
Improvement in Investment Climate Policy	
<p>93. Could Indonesia please provide examples of the 'high-cost regulations' that were repealed to improve its investment climate? What procedures were used to identify and</p>	<p>Examples of "high-cost regulations" are local government regulations on retribution collected from companies. Usually the stakeholders or companies</p>

QUESTIONS	ANSWERS
<p>assess these regulations? Were other APEC economies able to provide input on these procedures? (Canada)</p>	<p>identify those kinds of regulations and propose the cancellation of regulations to Ministry of Home Affairs and Ministry of Finance.</p> <p>We are currently gathering more information on those matters.</p> <p>Inputs from APEC Economies on the procedures to identify and assess high cost regulations are welcome.</p> <p>There are several regulations especially local government regulations that can be seen as “high-cost regulations”, but we also have an independent body namely KPPUD which acts as a commission to monitor and evaluate all local government regulations. After the commission has identified such regulations, then they will report it to Ministry of Home Affairs, and if those regulations are proved not in line with the National regulations, those regulations will be terminated by Ministry of Home Affairs.</p>
<p>94. In addition to Indonesia’s unilateral efforts, what has Indonesia benefited from the APEC process in terms of identification, review and reform of policies? (IAP Review Team Experts)</p>	<p>The peer review process has helped Indonesia in evaluating and improving the public policy making through policy recommendations and guidelines as well as through learning and exchange of views with other economy’s experiences in terms of policy reform in order to attract foreign direct investment.</p> <p>In addition, Indonesia has gained benefits from APEC agenda on structural reform especially forward work program on Leaders Agenda to Implement Structural Reform (LAISR). Through this agenda, Indonesia’s agencies responsible for various structural reform actions have built their capacities in the five themes of structural reform, namely regulatory reform, competition policy, public sector governance, corporate governance, and economic legal infrastructure. Indonesia has a plan to do self-assessment using APEC/OECD Integrated Checklist on Regulatory Reform as a starting point for identification, review and reform of policies.</p>
<p>Empowerment of Micro, Small, Medium Enterprises (MSMES) Policy</p>	

QUESTIONS	ANSWERS
<p>95. Could Indonesia please provide additional information on the regulatory reform-related aspects of the MSMES Policy Package? What specific measures have been adopted to improve the regulatory system for MSMES, and increase Indonesia's receptivity to investment? Do these measures address new regulations as they are developed, or the existing regulatory stock? (Canada)</p>	<p>Regulatory reform-related aspects on the MSMES Policy includes: (i) restructuring MSMES roll-over fund program; (ii) accelerating the issuance of land certificate to guarantee MSMES credits; (iii) empowering micro-finance institutions; (iv) increasing the effectiveness of People's Business Credit Implementation (KUR); (v) establishing linkage program between commercial banks of KUR and financial services cooperatives; (vi) improving services for MSMES' exports of products; (vii) improving market access for MSMES; (viii) improving the utilization of technology; (ix) simplifying the issuance of license and registration for MSMES*; (x) preparing regulation to implement Law on MSMES*; and, (xi) developing creative economics.</p> <p>To support the Small and Medium Industries (SMIs) development, the Government of Indonesia has already issued :</p> <ul style="list-style-type: none"> a. Ministry of Industry Regulation No. 37/M-IND/PER/6/2006 on Development of Small and Medium Industries Consultation Services (Human Resources of SMIs development field). b. Government Regulation No. 44/1997 on Partnership (Entrepreneurship field). c. Presidential Regulation No. 112/2007 on Organization and Assistance of Traditional Market, Shopping Center and Modern Market (Marketing field). <p>To support the investment, the Government of Indonesia has already issues :</p> <ul style="list-style-type: none"> d. Presidential Decree No. 41/1996 Industrial Zone. e. Ministry of Industry Regulation No. 78/M-IND/PER/9/2007 on Effectiveness Improvement of SMIs Development through One Village One Product – OVOP approach. <p>*)These measures address new regulators as well as existing regulatory stock</p>
<p>96. We note that the MSMES (Micro, Small, Medium, Enterprises) Empowerment Policy Package covers 4</p>	<p>All of the measures stated in the Answer of No.95 above are designed to enhance the productivity of MSMES directly or indirectly.</p>

QUESTIONS	ANSWERS
<p>major aspects, including enhancement of MSMES access to financing, development of entrepreneurship and human resources, enlargement of possible market for MSMES products and regulatory reform. We would be grateful if Indonesia could provide more information on regulatory reform aimed at enhancing the productivity of MEMES. (Chinese Taipei)</p>	
<p>Package Policies for Improving the Investment Climate</p>	
<p>97. Could Indonesia please explain what is meant by ‘synchronization’? Further, what procedures and mechanisms were used to advance this agenda with regional authorities? What specific areas of regulation were targeted for synchronization? (Canada)</p>	<p>The meaning of synchronization of regional and central regulations actually refers to Harmonization and simplification of regional/local and central regulations that obstruct investment. This is conducted by establishing a Joint Team to oversee the drafting of regional regulations and to evaluate existing regional regulations. The regulations could include regulation on: (i) licensing procedures to start up a business operation; (ii) payment process of land and property tax; and, (iii) information service and land certification.</p>
<p>98. What problems is Indonesia referring to in the statement on page 8 of Chapter 10: “In addition, the government is also resolving problems faced by economic sectors (oil, mining industry, forestry, etc.) and reduce investment costs, including interest rates.” (Canada)</p>	<p>What we mean here is that in addition to taking measures to improve the investment climate in general, the government also pays attention on the problems faced by particular sectors, such as: (i) how to improve the business climate for oil and gas, and mining sectors; and (ii) how to improve electricity sector; (iii) how to improve good governance aspects of oil and gas management; (iv) energy diversification; and, (v) land rehabilitation.</p>
<p>CHAPTER 11: IMPLEMENTATION OF WTO OBLIGATIONS (INCLUDING ROOS)</p>	
<p>99. Since Indonesia does not have domestic regulations governing rules of origin for import and export, how will the government deal with the commercial fraud involving rules</p>	<p>Indonesia has a minister decree for Rules of Origin only for export and import activities for certain products and to fully comply with requirements of</p>

QUESTIONS	ANSWERS
of origin? (China)	<p>international agreement such as GSP or other preferences and regional trading arrangement such as ASEAN. However, for products other than those listed in the GSP or other trading arrangement, the custom office trading has the role to tightly control import and export products.</p> <p>Indonesia is currently undergoing the process of formulating a regulations governing rules of Origin for import and export, should an incident relating to commercial fraud take place Indonesian customs may inspect documents within the customs procedures such as reviewing the invoice, packing list, airway bill or bill of lading etc. The investigation is expected to result in finding the origins of the products.</p>
<p>100. We note from Indonesia's IAP that in terms of its implementation of WTO obligations on services, national treatment in the area of banking activities is qualified by a requirement that involves a capital investment requirement of a minimum of twenty-five years in order to establish a commercial presence. We however could not locate the relevant twenty-five-year capital investment requirement from Indonesia's Schedule of Specific Commitments under the WTO General Agreement on Trade in Services (GATS). Would Indonesia clarify whether and if so, where the requirement has been scheduled in the GATS context? If not, please advise how the requirement is considered to be consistent with Indonesia's existing GATS commitments. (Hong Kong, China)</p>	<p>Regarding the establishment of commercial bank in Indonesia, according to Bank Indonesia's regulation, there is no requirement that involves a capital investment of a minimum of twenty five years in order to establish a commercial presence.</p> <p>Due to that reasons, we propose to delete that substance from the column of current status of WTO obligations Implementation in Chapter 11 section Annex 1B, because:</p> <ol style="list-style-type: none"> 1. All description on banking sector formulated in IAP shall be complied and consistent with the existing regulation; 2. The description as listed in Chapter 11 section Annex 1B, explains the requirements for commercial bank in terms of employing expatriates, which is already listed in Chapter 3 (g): Financial Services.
<p>101. It is also noted that Indonesia has listed some measures on financial services, tourism and travel-related services, telecommunication services, as well as air and maritime transport services as cumulative improvements that it has implemented since 1996 in terms of its implementation of WTO obligations on services. While some of those measures could be translated into improved / new</p>	<p>In our perspective, WTO doesn't have the authority to directly force member countries to adjust their existing regulations in compliance with schedule of specific commitments. According to Article XIX (2) of the GATS, developing member countries have the flexibilities to open their market fewer than developed members in accordance with their development situation. It should be borne in mind that improvement measures are a part of Indonesia's good</p>

QUESTIONS	ANSWERS
<p>commitments compared with Indonesia's existing GATS commitments, we could not find the scheduling of any corresponding improvements in Indonesia's initial services offer tabled to the WTO in April 2005. We would thus be grateful for Indonesia's clarification of whether their listing of those measures in its IAP means that they are prepared to or will include these improvements in its next WTO services offer? (Hong Kong, China)</p>	<p>intention to further liberalize its market. However, it could not be automatically or easily interpreted into schedule of specific commitments since they should be submitted after a cost and benefit analysis has been done. Considering a huge long-term consequences of submitting a commitment and lack of capacity in conducting the cost and benefit analysis, up to now Indonesia could not fully adjust its national tourism regulations with the commitments in the WTO</p> <p>The IAP measures cannot be indicated as the level of preparedness for WTO cooperation, especially in air transport sector, since it has different indicator. In APEC, the APEC Transportation WG has given guidance that liberalization of air transport sectors in APEC should be based on 8(eight) options (highlighting on hard rights) and it will be done on step by step and voluntary basis, while in WTO / GATS, the liberalization indicator is based on soft-rights (sub-sectors that support the air transport services).</p>
<p>CHAPTER 15: APEC FOOD SYSTEM</p>	
<p>102. Please provide an update of Indonesia's participation in the APEC Food System Initiative. (IAP Review Team Experts)</p>	<p>On tariff measures, Indonesia applies tariff harmonization policy to simplify the procedure of export and import with the exception of some strategic products such as rice and sugar. Applied tariffs on agricultural commodities range between 0-20% and will be reduced to 5% in 2010. For agricultural products, from 8,749 total tariff lines, 1,205 (13.77%) tariff lines of agricultural products are bound.</p> <p>On non-tariff measures, Indonesia has appointed the Quarantine Agency to conduct food safety control of plants and animals. Other related regulations conducting food safety, among others Presidential Instruction Number 03/2007 on Rice; the Government Regulation Number 28/2004 on Food Safety, Quality and Nutrition;</p> <p>On Standards and Conformance, Indonesia applies food safety regulations which are consistent with: Codex Alimentarius standards; and the WTO Agreement on Technical Barriers to Trade and the Agreement on the Application of Sanitary and Phytosanitary Measures. Indonesia is a member and an active participant of FAO/WHO Codex Alimentarius Commission, SPS WTO, ASEAN Prepared Food Stuff Product Working Group, and APEC</p>

QUESTIONS	ANSWERS
	<p>Sectoral Food MRA Pathfinder Initiative.</p> <p>Information on standards and technical regulations regarding food safety, quality and nutrition (Government Regulation of the Republic of Indonesia Number 28/2004) is publicly available on its website http://www.pom.go.id;</p> <p>Indonesia has complied with International Hazard Analysis Critical Control Point as a modification of Codex and ISO 9000 (SNI 01-4852-1998). Indonesia has also amended food contaminant standardization in 1988 and infant formula standardization in 1996. Indonesia requires the inclusion of food additives information in food labeling and food advertisement. Regarding Integrated Food Safety System in Indonesia, National Agency for Drugs and Food Control is building and developing strong cooperation with related government institutions, including: Ministry of Agriculture, Ministry of Maritime and & Fishery, Ministry of Health, Ministry of Industry, Ministry of Trade, National Standardization Agency, Provincial and District Governments, and private sectors including producers, importers distributors, retailers, and food service institutions.</p> <p>Indonesia is of the view that AFS should focus on how to cooperate in the productivity of food sector through region-wide agenda through technology for advances and efficient resource uses. The component is bio-fuel and energy vs. food debate, the competing needs for the use of feedstock for energy or food.</p>
CHAPTER 16: TRANSPARENCY	
<p>103. In this review and in the World Trade Organization's 2007 trade policy review of Indonesia, some countries had trouble finding information on regulations affecting trade and investment on-line (such as negative lists and certain decision criteria). While we did find much information on the web, it was in some cases difficult to locate and interpret. Would it be possible to develop a short digest of the several websites that provide detailed information on Indonesia's principal trade and investment regulations? (IAP Review Team Experts)</p>	<p>Indonesia considers transparency as an important element and an integral part of democracy. To strengthen this aspect, Indonesia issued Law no. 14 year 2008 to guarantee access to information. Indonesia has been providing relevant information on its trade, investment, economy, and other related issues, which can be accessed publicly as follows:</p> <p>On economic affairs: http://www.ekon.go.id</p> <p>On investment: http://www.bkpm.go.id</p> <p>On standards and conformance: http://www.bsn.or.id</p>

QUESTIONS	ANSWERS
	<p>On IPR: http://www.dgip.go.id</p> <p>On market access: http://www.tarif.depkeu.go.id</p> <p>On customs: http://www.customs.go.id</p> <p>On Indonesian regulation: http://www.indonesia.go.id</p> <p>On government procurement: http://www.lkpp.go.id,</p> <p>On competition policy: www.kppu.go.id</p> <p>On services: http://www.depdag.go.id, http://ditjenkpi.depdag.go.id on http://www.pksi.depkeu.go.id/div04.asp</p>
CHAPTER 17: FTAs AND RTAs	
<p>104. Please explain the difference in scope and obligations between your FTAs negotiated bilaterally and the ones negotiated regionally through your membership in ASEAN: Indonesia-Japan and ASEAN-Japan (Canada)</p>	<p>Both ASEAN-Japan and Indonesia-Japan are based on 3 pillars, namely: trade and investment liberalization, trade and investment facilitation, and capacity building. Both also cover comprehensive subjects, including: movement of natural persons, IPR, competition policy and government procurement.</p> <p>The difference is Indonesia's concession on tariff reduction is around 93% of its tariff lines in the bilateral agreement while in the ASEAN-Japan. Indonesia's concession on tariff reduction is around 80% of its tariff lines.</p> <p>The scope of ASEAN-Japan Comprehensive Economic Partnership (AJCEP) is between the ASEAN Member Countries and Japan, while Indonesia-Japan Economic Partnership Agreement (IJEPA) is negotiated bilaterally between the Indonesia and Japan.</p>
<p>105. Under the framework of a free trade agreement, if the originating goods have been transshipped through a non-Party, what supporting documents are required by the</p>	<p>If the originating goods have been transshipped through a non-Party, supporting document(s) which are required by the Indonesian customs</p>

QUESTIONS	ANSWERS
Indonesia customs authorities to identify the origin of the goods? (China)	authorities to identify the origin of the goods is: a letter of reference from customs of the non-Party where it is transshipped, the letter of reference should state that there is no value-added process (no process criterion) on the particular goods, and the goods are restricted in the custom area during transshipment.
<p>106. To what extent are Indonesia's commitments under AFTA and other, bilateral FTA and CEP agreements consistent with APEC's Best Practices for RTAs/FTAs? (IAP Review Team Experts)</p>	<p>Indonesia always considers that its commitments under AFTA and other bilateral FTA and EPA agreements are consistent with multilateral trading system of WTO, including the enabling clause and GATS, which allowing it to deepen its integration more rapidly with its neighboring countries in the fast growing Asia-Pacific region.</p> <p>Indonesia has currently concluded one Economic Partnership Agreement with Japan, one plurilateral agreement of AFTA, and two FTAs under the framework of ASEAN, namely ASEAN-China FTA and ASEAN-Korea FTA.</p> <p>Although Indonesia has only concluded a few FTAs, the coverage of these FTAs has, to a certain extent, met with the APEC's Best Practices for RTAs/FTAs in terms of its Model Measures. Nevertheless, the depth of each Measures may vary quite significant. Indonesia is therefore keen on gain more experience from APEC's best practices for RTAs/FTAs.</p> <p>These days, Indonesia has already made changes in regulation in line with APEC's best practices for RTAs/FTAs including structural reformation, funding transparency, efficient regulation and others. For example: to against the corruption, Indonesia has issued UU No.20/2001 as amendment of UU No.31/1999 and UU No. 7/2006 on acknowledgement of United Nations Convention Against Corruption 2003. Meanwhile, to support the transparency of Government Procurement process, Indonesia has issued Presidential Decree No. 20/2003 on Guidance of Government Procurement Process on Goods and Services.</p>

QUESTIONS	ANSWERS
<p>107. To what extent do Indonesia's negotiations under AFTA and other bilateral FTA and CEP agreements yield measures that are applied to all countries (i.e. are MFN), or at least to all ASEAN countries? (IAP Review Team Experts)</p>	<p>By 2010, MFN tariff among ASEAN member countries would be 0%. Currently, all ASEAN member countries are in the process of implementation to achieve the goals.</p>
<p>108. How has Indonesia benefited, if at all, from negotiating as a part of ASEAN with partners such as China, India, Japan, and Korea? (IAP Review Team Experts)</p>	<p>Indonesia actively takes part in the FTA negotiation of the ASEAN plus one and it assumes an integral part of ASEAN being integrated within and with its dialogue partner.</p> <p>As part of ASEAN, Indonesia has benefited from negotiation between ASEAN and China, India, Japan and Korea. On tariff, Indonesia and other ASEAN countries have gained lower import tariffs in the non-ASEAN market which are at the same rate as for ASEAN for their products. The same applies for importation of products from those non-ASEAN country(s).</p> <p>In ASEAN Free Trade Agreement (AFTA), per January 1st 2007, all member countries should apply 0% tariff for 80% of Inclusion List (IL), including products with Priority Integration Sectors (PIS) category. And per January 1st 2010, all tariffs of products in IL should be 0%.</p> <p>Indonesia has also learned and benefited from the negotiation process between ASEAN and other non-ASEAN countries and may have utilized the opportunity to pursue certain objectives together with other ASEAN countries as it, as a group, has more leverage in negotiation.</p>
<p>109. How is ASEAN's initiative, as detailed in its Blueprint, to develop an ASEAN Economic Community affecting policy making within Indonesia? (IAP Review Team Experts)</p>	<p>ASEAN initiative as outline in the Blueprint has added the momentum for Indonesia to continue its reform process. The Blueprint can provide Indonesia with broader prospective as to how and where the regional process leads. The Blueprint is considered as regionalization of reform and it will provide Indonesia and all other member state with a stronger regional platform to integrate regionally and globally.</p> <p>To support the AEC, Indonesia has issued Presidential Instruction No. 5/2008</p>

QUESTIONS	ANSWERS
	on Economic Program Focuses in the Year 2008-2009; one of the programs is Implementation on AEC.
<p>110. Please provide a few examples of how Indonesia's participation in AFTA and bilateral FTA agreements has yielded "WTO plus" outcomes, in the sense of yielding mutual liberalization initiatives that have not been addressed by WTO negotiations. (IAP Review Team Experts)</p>	<p>Indonesia-Japan Economic Partnership Agreement is based on 3 pillars, namely: trade and investment liberalization, trade and investment facilitation, and capacity building. The Agreement covers 13 subjects, including technical cooperation, namely: (1) Trade in Goods, (2) Rules of Origins, (3) Trade in Services, (4) Technical Cooperation, (5) Investment, (6) Movement of Natural Person, (7) Intellectual Property Rights, (8) Government Procurement, (9) Competition Policy, (10) Improvement of Business and Promotion of Business Confidence, (11) Customs Procedures, (12) Energy and Mineral Resources. (13) General Provisions.</p>

ANNEX 2-3. PARTICIPANTS FROM THE INDONESIAN GOVERNMENT

Participants in Indonesia's Sectors Meetings with APEC Experts on IAP-APEC Indonesia 2008
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ANNEX 2-4. INDONESIA'S TRADE AGREEMENTS

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
ACFTA	Agreement on Trade in Goods of the Framework Agreement on Comprehensive Economic Co-operation between the Association of Southeast Asian Nations and the People's Republic of China	2004	In force since 2005	Tariff reduction or elimination programme under this Agreement shall include all tariff lines not covered by the Early Harvest Programme under Article 6 of the Framework Agreement (see ASEAN-China FA). Normal track (details in Annex 1) and Sensitive track (details in Annex 2). Tariff reduction and elimination undertaken by each party (subject to Annex 1 and Annex 2) shall be applied to all other parties.	The provisions of the WTO Multilateral Agreements on Trade in Goods, which are not specifically mentioned in or modified by the FTA, shall apply mutatis mutandis to the FTA unless the context otherwise requires.	Article 9 and Article 11 on safeguard the balance of payments. Article 9 refers to parties, members of WTO, retaining their rights and obligations under Art. XIX of the GATT 1994 and the WTO Agreement on Safeguards.	Article 5 or the FTA and Annex 3. Rules of origin applicable to the products covered under the FTA and the Early Harvest Programme of the Framework Agreement. Agreement uses the ASEAN rules of origin.
ACFTA-Services	Agreement on Trade in Services of the Framework Agreement on Comprehensive Economic Co-operation between ASEAN and the People's Republic Of China	2007	In force since 2007	Package 2 is still under negotiation			..

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
AJCEP	Agreement on Comprehensive Economics Partnership among Japan and the Member States of the ASEAN	2008	In force since 2008	Based on positive lists - schedules for each member is available at http://www.mofa.go.jp/policy/economy/fta/asean/annex1.html .	Anti-dumping or countervailing duty applied consistently with the provisions of article IV of GATT 1994, the agreement on implementation of Article VI of GATT 1994, and the agreement on Subsidies and Countervailing Measures in Annex 1A to the WTO Agreement	Article 20 of the agreement; BOP safeguard in Article 21	http://www.mofa.go.jp/policy/economy/fta/asean/annex2.pdf . Chapter 3 of the agreement. Minimum content 40% FOB of product value or tariff heading change at 4 digit level. Specific manufacturing process specified for Textile and Garment.
AKFTA	Agreement on Trade in Goods under the Framework Agreement on Comprehensive Economic Co-operation Among the Governments of the Member Countries of the Association of Southeast Asian Nations and the Republic of Korea	2006	In force since 2007	Negative List; Normal and sensitive list tracks of the tariff reduction or elimination programme; tariff elimination under normal track by 2010 (2016 for Vietnam, 2018 for Cambodia, Lao, PDR and Myanmar) - details in Annex1. No provisions for coverage of agricultural goods.		Article 9 stipulates this matter which is inline with Article XIX of GATT 1994	Minimum content 40% FOB of product value or tariff heading change at 4 digit level. Specific manufacturing process specified for Textile and Garment.

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
ASEAN - CER	ASEAN - ANZCERTA Free Trade Agreement	Negotiation started since 2005.		Joint Declaration of the Leaders ASEAN – ANZ Commemorative Summit, 30 Nov 2004, Vientiane, Laos PDR. Of which stipulated guiding principles for negotiation on AANZ FTA. This FTA is a single undertaking FTA, and planned to be signed during ASEAN Summit 24-26 February 2009 in Thailand.	Anti-dumping or countervailing duty applied consistently with the provisions of Article VI of GATT 1994, the <i>Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade 1994</i> , as may be amended, and the <i>Agreement on Subsidies and Countervailing Measures</i> in Annex 1A to the WTO Agreement, as may be amended;	n.a.	Minimum content 40% FOB of product value or tariff heading change at 4 digit level. Specific manufacturing process specified for Textile and Garment.

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
ASEAN - CHINA FA	Framework Agreement on Comprehensive Economic Co-operation between the Association of South-East Asian Nations and the People's Republic of China	2002	In force since 2003	Positive list.. Normal track - tariff elimination by 2010 for ASEAN-6 and China, 2015 for new ASEAN members. Protocol to Amend the Agreement on Trade in Goods of the Framework Agreement signed 8 Dec 2006; see http://www.aseansec.org/19219.htm	Follow WTO principles	Follow WTO, allowed within 5 years of liberalization for up to 3 (plus one-year extension)	Change in tariff classification is not an option. Minimum content: 40%. No specific manufacturing process required
ASEAN - EU	ASEAN-European Union Free Trade Agreement		Under negotiations since 2007	Tariff modalities are still being discussed			..
ASEAN - INDIA FA	ASEAN -India Framework Agreement on Comprehensive Economic Cooperation	2003	Trade in Goods Agreement to be effective by 1 June 2009	Planned to be signed during Summit 24-26 February 2009 in Thailand	n.a.	n.a.	n.a.
ASEAN - KOREA FA	Framework Agreement on Comprehensive Economic Co-operation Among the Governments	2005	In force since 2006	Liberalization of trade in goods is regulated with an additional Agreement on Trade in Goods (TIG) signed in August 2006 (http://www.aseansec.org/ak)	n.a.	n.a.	n.a.

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
	of the Members Countries of the Association of the Southeast Asian Nations and ROK			fta.htm)			
ASEAN Goods-AFTA	ASEAN Free Trade Area	1992	In force since 1993	Progressive reduction of tariffs based on mixture of positive list (CEPT Inclusion List) and negative list (Temporary Exclusion List, Sensitive List and Highly Sensitive List, General Exception List). Tariff reduction (to 0-5% level) implemented in ASEAN-6, under way in new ASEAN members; working towards the elimination of non-tariff barriers. Goal to completely eliminate tariffs on all except products covered by the Protocol on Sensitive and Highly Sensitive Products and products in the GEL by 2010 for ASEAN 6 and 2015/2018 for CLMV	n.a.	Emergency measures GATT consistent - Article 6 CEPT (1992)	Minimum content 40% FOB of product value or tariff heading change at 4 digit level. Specific manufacturing process specified for Textile and Garment.
ASEAN Services-AFAS	ASEAN Framework Agreement on Services	1995	In force since 1996	n.a.	na	Na	..

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
GSTP	Global System of Trade Preferences among Developing Countries	1988	In force since 1989	Positive list for tariff concessions. Three rounds of negotiations to exchange concessions, 3rd round in 2004. Article 17 stipulates Special treatment for LDCs.		Article 13 stipulates rules for use of safeguards. Article 14 refers to balance of payments measures.	Minimum value of content not less than 50% FOB value of the products produced or obtained, for LDC not less than 40%. Accumulation where aggregate content originating in the members is not less than 60% FOB value of the products produced or obtained.
INDO-NESIA-JAPAN	Indonesia-Japan Economic Partnership Agreement	2007	In force since 2008	Positive list http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex1.pdf . Some goods are excluded from any commitments. Immediate tariff elimination for goods under category "A". For "B" goods categories, tariff elimination spread over 4 to 16 annual installments. For other goods categories (P, Q, R) tariff elimination postponed.		Bilateral safeguards - Article 24. Restriction the safeguards for balance of payments purposes in Article 25	Laid out in Chapter 3 of the Agreement text.. Product specific rules http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex2.pdf . Minimum data requirements http://www.mofa.go.jp/region/asia-paci/indonesia/epa0708/annex3.pdf

Short Name	Title	Year Signed	Status	Tariffs	Anti-Dumping	Safeguards	Rules of Origin
PTA-D-8	Preferential Tariff Arrangement - Group of 8 Developing Countries	2006	Pending country ratification	Reduction covers 8 per cent of tariff lines with tariff rates above 10 per cent. Tariffs above 25 per cent to be reduced to 25 per cent; tariffs between 15-25 per cent to be reduced to 15 per cent, and those between 10-15 per cent to be reduced to 10 per cent. Tariff reduction to be implemented in four annual installments for developing countries and eight annual installments for the LDCs			..
US – INDO-NESIA	USA - Indonesia Trade and Investment Framework Agreement	1996	On-going	n.a.	n.a.	n.a.	. n.a
US - ASEAN	Trade and Investment Framework Arrangement between the United States of America and the Association of Southeast Asian Nations	2006		n.a	n.a	n.a	n.a