

THE ROLE OF SERVICES IN PROMOTING GREATER EFFICIENCY OF ENERGY SECTOR



SONDANG ANGGRAINI
ADVISOR TO MINISTER FOR TRADE
DIPLOMACY
MINISTRY OF TRADE RI

OUTLINE



- **THE ROLE OF SERVICES IN ECONOMY**
- **CLASSIFICATION OF SERVICES SECTORS**
- **SERVICES IN GVC**
- **HOW SERVICES MIGHT INCREASE EFFICIENCY IN ENERGY SECTOR**
- **WHAT THE GOVERNMENT SHOULD DO**



THE ROLE OF SERVICES IN ECONOMY

SERVICES SECTORS IN THE WORLD'S ECONOMY

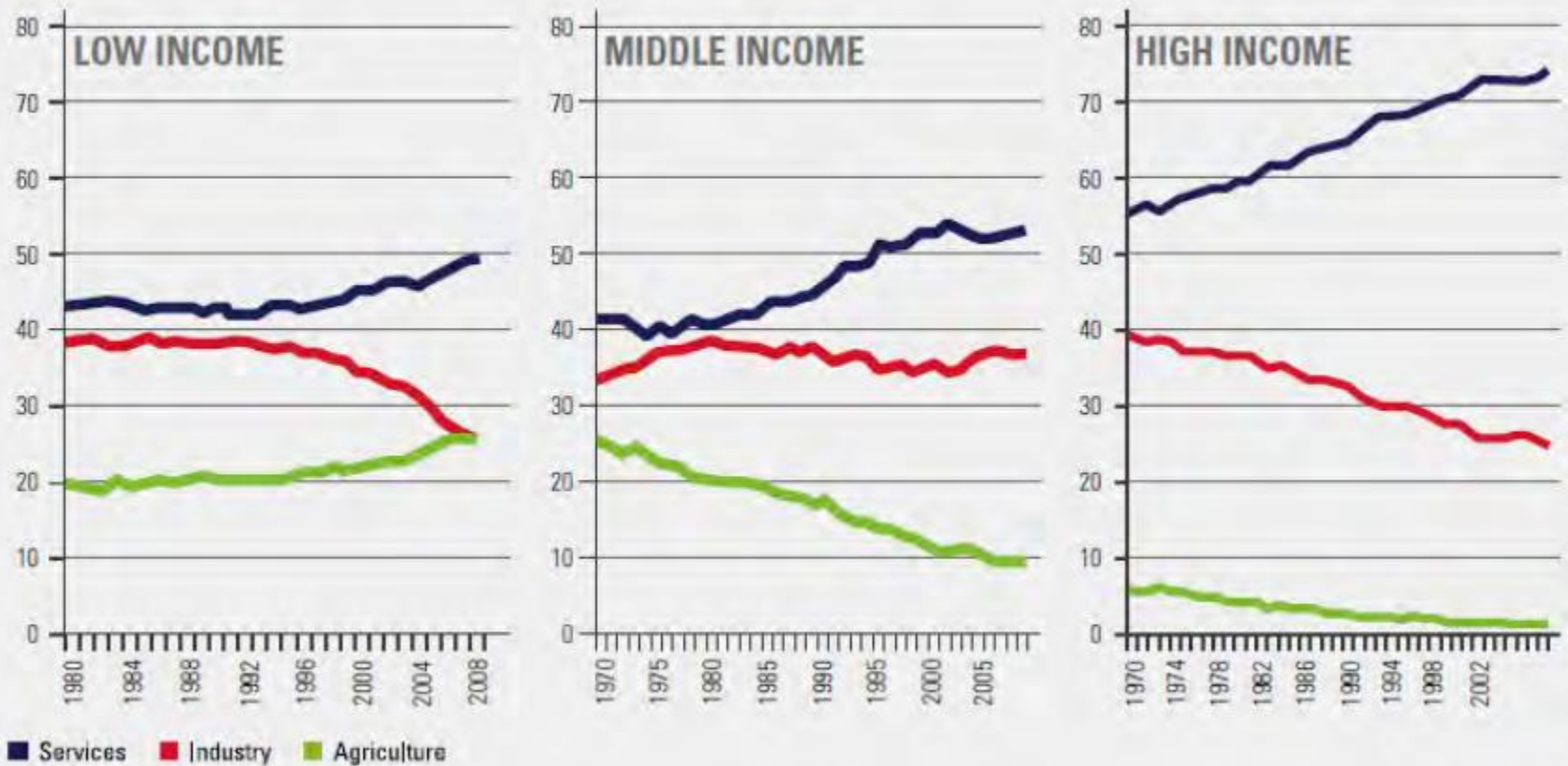


- In the world's economy, services sector is the fastest growing sector.
- Today, services sectors contribute to the economy in many ways:
 - 2/3 (66%) of world's production
 - 2/3 (66%) of labours that work in services sectors
 - Almost 50% of world's trade
 - 3/5 (60%) of Foreign Direct Investment

SERVICES CONTRIBUTE TO THE GROWTH OF DEVELOPING COUNTRIES



Figure 03 Services Sector Growth (% of GDP) through Economic Evolution



Source: Yi (2011)

INDONESIA: GDP Growth Over the Past Decade Has Been Dependent on Services

Contribution to GDP growth in percentage point



Source: BPS-DATA

INDONESIA: Services is the engine of job creation

7

- ▶ According to SAKERNAS data, between 2000 and 2010, services created far more jobs than other sectors:
 - ❖ Services: 21.7 million jobs
 - ❖ Manufacturing: 2.2 million jobs
 - ❖ Mining: 750,000 jobs
 - ❖ Agriculture, Hunting & Forestry: 650,000 jobs
 - ❖ Public Administration: 600,000 jobs
 - ❖ Others: 400,000 jobs
 - ❖ Fishing: 300,000 jobs

- ▶ Since the start of the 21st century, **3 out of every 4** new jobs that were created In Indonesia were in services and service related sectors



CLASSIFICATION OF SERVICES SECTORS

12 SERVICES SECTORS



- *Business Services*
- *Communication Services*
- *Construction and Related Engineering Services*
- *Distribution Services*
- *Educational Services*
- *Environmental Services*

- *Financial Services*
- *Health Related and Social Services*
- *Tourism and Travel related Services*
- *Recreational, cultural and sporting services*
- *Transport Services*
- *Other Services not includes elsewhere*

ENERGY-RELATED SECTORS



- Engineering services 8672
- Integrated engineering services 8673
- Interdisciplinary R&D services 853
- Services related to man. consulting 866
- Technical testing and analysis serv. 8676
- Services incidental to mining 883+5115
- Services incidental to energy distribution 887
- Transportation of fuels 7131

CLASSIFICATION OF INDONESIA'S ENERGY SECTOR

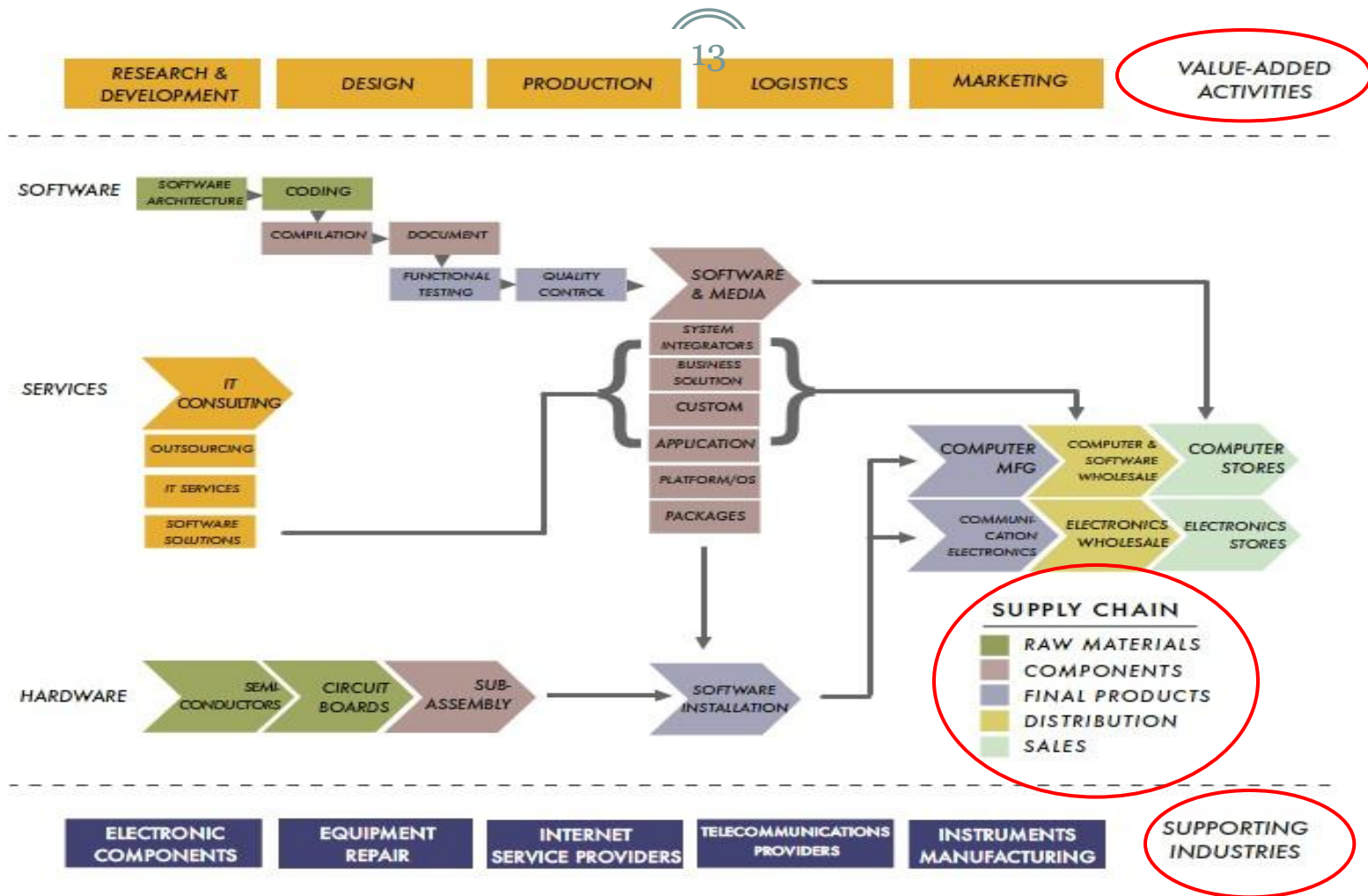


- CONSISTS OF 6 DIGIT (NUMBERING) AND STILL POSSIBLE FOR FURTHER DETAILS
- REFLECT INTERNATIONAL COMMERCIAL REALITY
- ENCOMPASS ALL AVAILABLE ENERGY RESOURCES
- CONSIDER ALL ASPECTS THAT INVOLVE IN ENERGY SECTOR
- MAKE THE NEGOTIATION PROCESS EASIER



SERVICES IN GVC

A value chain describes the full range of activities that firms and workers carry out to bring a product from its conception to its end use and beyond.

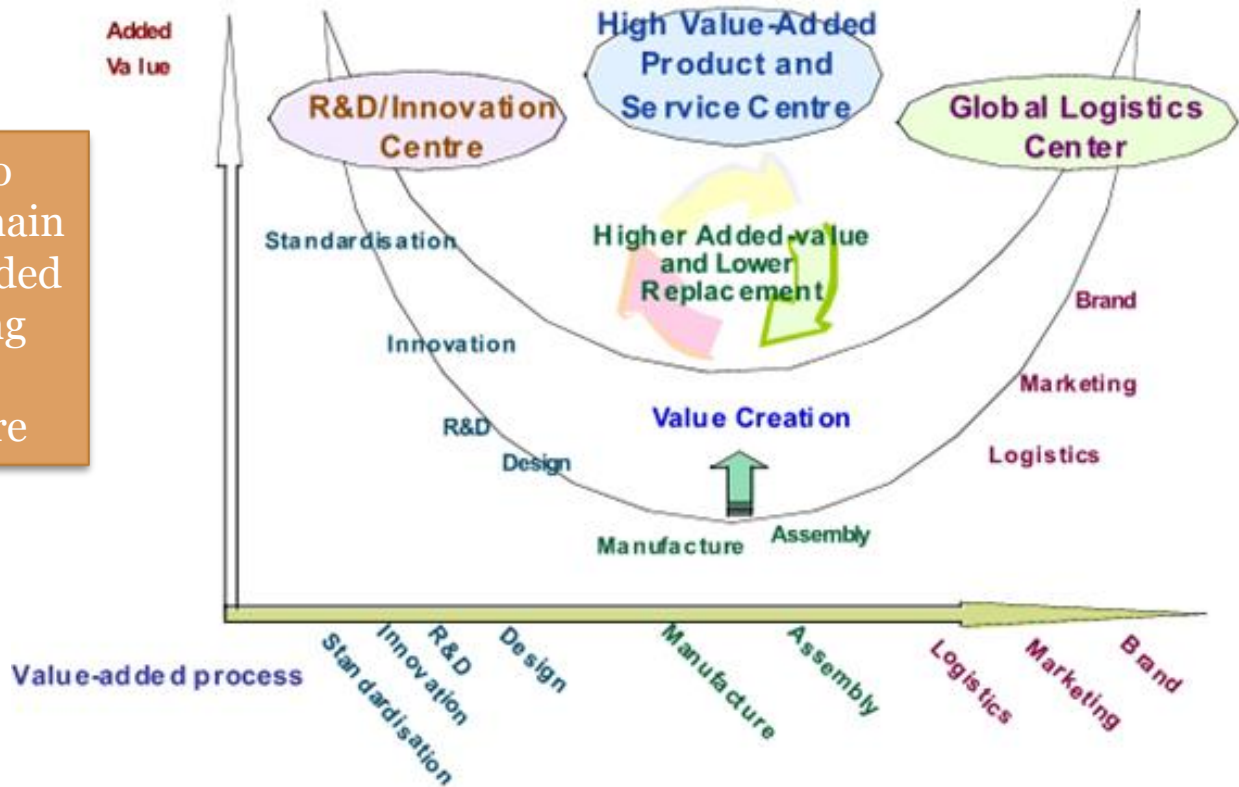


Services add Value in Global Value Chains



"Smiley Face": conceptual model of the shift to a high value added, globally integrated, services economy

The challenge is to move up the value chain into higher value-added tasks while deciding which activity to outsource / offshore

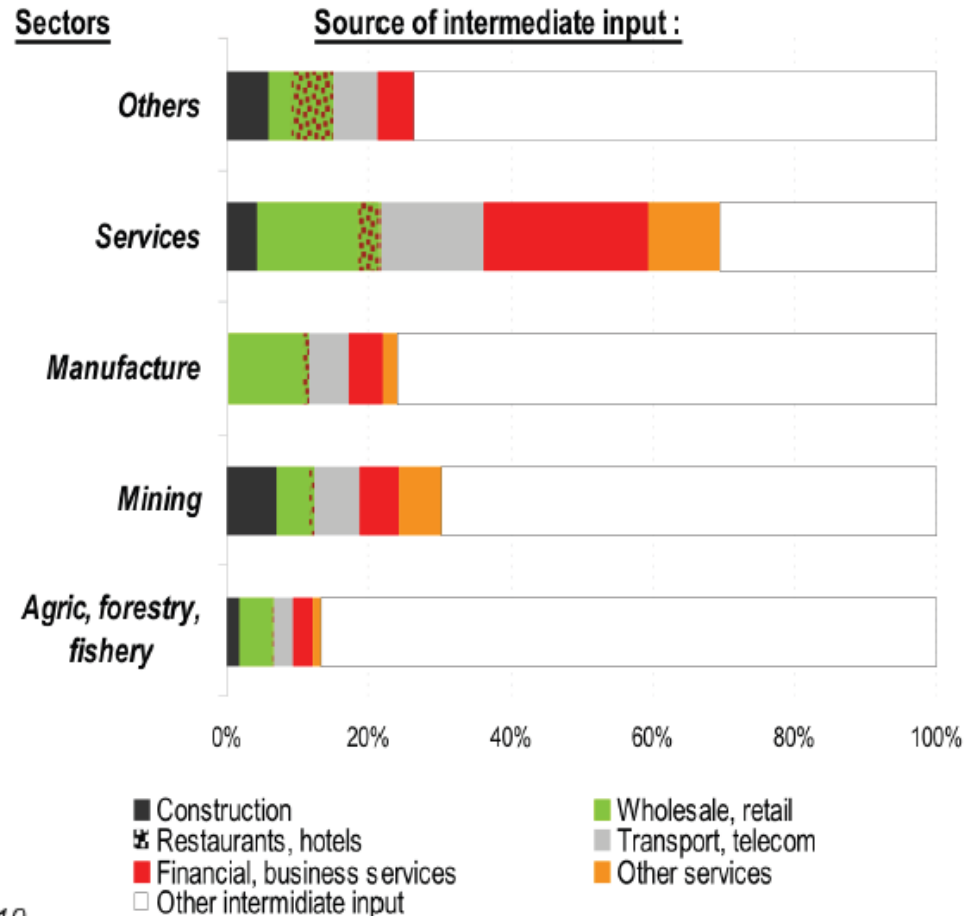




HOW SERVICES MIGHT INCREASE EFFICIENCY IN ENERGY SECTOR

Intermediate Services in Indonesia's Exports

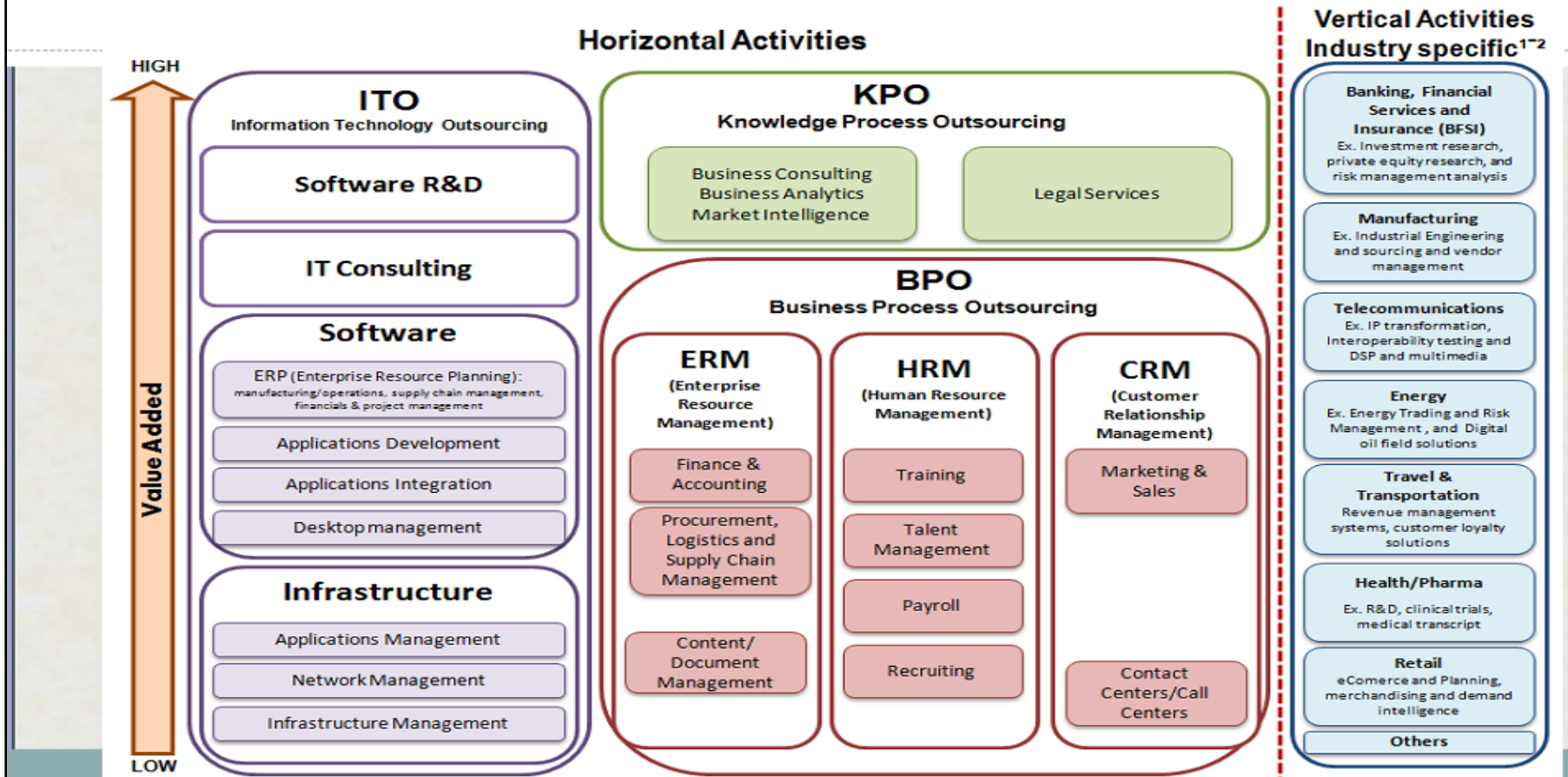
Embodied Services; Estimates for Indonesia



Source: Atje, Rahardja and Maidir, 2010

Offshore Services Value Chains

Offshore Services Value Chain





WHAT THE GOVERNMENT SHOULD DO

REGULATORY COMPETITIVENESS



- Uncertainty of law causes uncertainty of investment. Private sector would review rules/legal framework prior to doing investment in energy sector.
- Policies that become the central discussion in energy sectors are related to sustainable development issues such as linkage between environment and production, greenhouse gas emission, contamination of mercury, air, water, and soil pollution.
- Besides that, the other important thing is how the availability of efficient services support the export. Therefore, “targeted” policy is needed.
- One of the solutions will be attracting more Foreign Direct Investment in particular services sector through TIS negotiation, but the society haven’t had awareness that eradicating threat and discrimination toward foreign commercial services sectors would increase competitiveness in production (services embedded and embodied in manufacturing products). Indonesia is actually applies many domestic rules that affect the flow of trade.

Threats in Supply Chain are mostly domestic policies (*Behind the Border*)



- Threats faced by private sectors
 - Market access: policy's climate
 - Sectoral efficiency: special policy
- Threats faced across the supply chain
 - Import license and procedure
 - Logistical threats:
 - ✦ Transport services: air, land, rail, sea, goods delivery, and courier
 - ✦ Ability to trace the delivered goods—related to business services.
 - ✦ Distribution: related to standard
 - ✦ Cargo handling, storage, warehousing, and agency services.

PROBLEMS IN ENERGY SERVICES

1. Regulation of energy services
2. Gap in classification of energy services, classification of sector, and KBLI (Klasifikasi Baku Lapangan Usaha Indonesia)
3. Overlapping of energy sector with other sector such as EPC
4. Different offering in negotiation. For example, technical inspection services
5. The use of classification of energy services for negotiation like HS (Harmonized System) for goods
6. Negotiation team for energy services

Policies to be Synergized



- **Lower transportation cost**
- **Provide telecommunication network/infrastructure**
- **Increase innovation in technology (R&D)**
- **Education and competency/skill of labour**
- **Competitive cost of labour**
- **Political and socio-cultural situation**
- **Get closer to the source of supply**
- **Get closer to the market: delivery time**



THANK YOU