Ensuring Effective Implementation of Indonesia National Single Window (INSW)

According to Presidential Regulation No. 10/2008 about the Indonesia National Single Window (INSW), the INSW is defined as the national system that allows three main aspects of logistics services: (1) single submission of data and information; (2) single and synchronous processing of data and information; (3) single decision-making for customs release and clearance of cargoes. The implementation of the INSW can be accessed through its official web address, http://www.insw.go.id. The development and implementation of the INSW is to increase the flow of goods and services in the export-import processes. The INSW is also seen as Indonesia’s commitment in carrying out trade agreements and cooperation at both regional and international levels. Until today, there are a combination of 15 Ministries and ministerial-level Agencies and three licensing agencies that have been incorporated in the INSW.

In the near future, it is hoped that there will be more Ministries and ministerial-level Agencies incorporated in the INSW to further integrate the licensing system and managed through a "single window." In terms of logistics issues, the INSW has a great potential in helping the related stakeholders in accelerating various port handling processes, such as:

- Faster customs notice by importers/companies (Pengusaha Pengurusan Jasa Kepabeanan (PPJK) that give services in customs services for payment, documentation, etc.
- Faster notice of licenses/authorization given by related Ministries/Agencies.
- Automatic processes in customs release and cargo clearance.
- Easier to track any documents related to customs clearance and licencing/authorization notices.

ISD Views

The optimization of the INSW services could, to some extent, reduce some inefficiencies in ports services especially in reducing bureaucratic processes. In addition to that, there are several other things that could be done
to accelerate port handling processes and dwelling time in the INSW:

1. *Accelerate the integration processes of all related Ministries and Agencies in the INSW.* In addition to the 18 Ministries and Agencies already in integrated in the INSW, any other government institutions that are involved with customs clearance processes (including pre-clearance, custom clearance, and post-clearance) should be incorporated in the INSW system as soon and clearly as possible. This is to ensure that any information about required documents and licences with related government agencies during customs clearance processes could be clearly and easily identified, and therefore make customs processes more efficient.

2. *Improve technological capability.* Develop technology system to support recording processes, data and information reports on export/import goods/services, cargo storage time length, and any other related information that could be tracked in real time and online.

3. *Increase the collaboration between all related stakeholders and regulatory ministries/agencies.* To handle logistics issues, there is a need of better collaboration and active participation from all related stakeholders and regulators in order to strengthen regulation and improve ports management.

4. *Ensure effective logistics reforms.* The regulating bodies should be able to identify the existing problems in the logistics sector, anticipated results of non-intervention, and desired outcome of the reform. In addition to that, the regulating bodies should set the timeline of the reforms that includes preconditions, first interventions, and expected triggers for future interventions. And lastly, the regulating bodies should communicate clearly to the public and related stakeholders about on-going interventions/reforms, and be able to monitor the implementation and evaluation of the impact of the interventions/reforms.
ASEAN Connectivity 2025 Agenda: Consolidating the Single Market Through Maritime Logistics

Based on Indonesia Services Dialogue Council’s (ISD) Outreach Event on Maritime Logistics, with a collaboration with The Habibie Center, the Coordinating Ministry of Economic Affairs of the Republic of Indonesia, the AEC Center of the Ministry of Trade of the Republic of Indonesia, and BINUS University on Tuesday, 22 August 2017 the Le Meridien Hotel, Jakarta.

Overview

The ASEAN Connectivity agenda is an ambitious plan that strives to integrate a region with a population of over 600 million and a total GDP of more than USD 2.3 trillion. To build the physical connectivity, ASEAN has identified several projects, which include improvements on 120,000 km of roads and the promotion of the ASEAN Highway Network (AHN). Maritime activities in Southeast Asia are indeed expanding. By 2015, for instance, more than 9 percent of freight around the world was registered in ASEAN Member States (AMS), with almost 20 percent of the ships coming from ASEAN itself. The region, furthermore, also contributes to around 7.5 percent of world bulk carrier ships, 25 percent of general cargo worldwide, 15 percent of world container ships, and almost 21 percent of other types of ship in the world. Furthermore, the expansion of intra-regional and international trade, the former of which accounts for about 25 percent of ASEAN’s total trade, also enhances the role that the maritime logistics sector plays in boosting the economic growth of the region through shipping and port services, as well as a myriad of ancillary activities.

Despite plans and significant progresses towards connectivity, much still needs to be done in order for ASEAN to be fully connected. To that end, the Association needs to take into account some of the emerging trends that will influence its connectivity projects, such as the increasing need for infrastructure funding, the emergence of disruptive technologies, and the challenges of environmental degradation and climate change. Equally important is the emerging inter-regional infrastructure development initiatives that may intersect with its own vision and plans. And more crucially, however, ASEAN should carefully take into account the geopolitical interests that underpin all the initiatives, and work on a partnership scheme that best serves the region’s political, economic, and socio-cultural interests.

Issues and Challenges

1. Lacking presence of infrastructure for logistics. Today, the 10 economies in ASEAN still face high costs of trading with one another, not only because of traditional barriers such as tariffs, or bureaucracy but also because of physical connectivity challenges, i.e. ports are not deep enough, railways not
swift enough, and not enough airports (both in quantity and quality).

2. **Lacking resources in the region.** The needs for appropriate financing, massive amounts of manpower, sophisticated machinery, knowledge and multitude of regulations required to build and corporations of branches of government – private affiliates, foreign donors, and so on and so forth.

3. **Environmental concerns.** Each AMS and ASEAN as a whole should ensure implementing the right for Maritime Logistics project in a sustainable way, in which the large investments required in the logistics projects should take into account the responsibility to prevent environmental damage and climate change.

4. **Lacking quality and quantity in some of ASEAN’s logistics services.** In Indonesia for example, challenges in logistics services includes poor congestion management, inefficient handling of equipment, lots of regulations, fragmented port operation hours, disconnection of port services, and non-sterile ports.

**ISD Views and Recommendation**

1. **Increase investment and improve investment policies.** The ASEAN’s logistics sector requires a strong investment in ASEAN fully absorbs ASEAN’s true potential in its ability to connect both within the region itself and as well as integrating with the outside world. Investor policies need to be relaxed to secure the money abroad. Furthermore, there is a need to restate the importance of seeing the differences in ASEAN member states and the different procedures and requirements when setting up operations there. Lastly, there is a need for a greater reliability and accountability of policies that would protect investments.

2. **Increase logistics’ economies of scale.** Improving ASEAN member states’ domestic connectivity or at least between sub-regions should be a priority. International hubs can then be designed to reach economies of scale and connect with the most effective international ports outside the country.

3. **Regulation reforms particularly in reviewing cabotage.** There is still a need for the coherence of the policies and regulations and make sure that they are not conflicting with one another, but support one another, which means better integrated policy and coordination between related Ministries is the key component in overcoming these challenges. In terms of regional connectivity in ASEAN, each member state should establish a networked economy in sub-regions, review cabotage to build more added value, modernize and invest in human resources, and as well as linking with major shipping lines in the ASEAN region.

4. **Focus on building domestic strengths in order to increase logistics’ connectivity.** In Indonesia, for instance, this means increasing the country’s industry and manufacturing, building up cargo base from Indonesia's strengths and not from that of its neighboring countries. This way, the logistics services’ connectivity could grow and further attract FDI.

5. **Improve efficiency of State-owned Enterprises (SOEs) and Increase private participation.** There is a need to attract investors to invest in state-owned enterprise (SOE), which will eventually grow to leading international and foreign investment. This, of course, will depend on to what extent logistics reforms have been made to allow greater ownership of private companies in logistics’ SOEs.

6. **Increase global value chain.** The key determinant for participating in the global value chain is the domestic policy. Most countries should be able to identify what kind of support structures, particularly infrastructure, they need to be able to support in this global value chain. If the government allows support, then the country in the global value chain, the private companies will be able to do its job and grow to align itself with standards of the regional level, thus being able to overcome problems which currently has yet to be solved.
Overview

The current economic conditions both domestically and internationally has been quite dynamic that it has affected the government and including the central bank in trying to adopt appropriate policies. Bank of Indonesia is expected to understand the behavior of the Real Sector (private businesses and household expenditures), financial sector, public sector, and as well as other external sector in responding to the development of the economy. At this particular discussion, related stakeholders from government agencies, policy experts, private businesses and associations are invited to have a dialogue on the Real sector in response to macrofinancial linkages and its linkages to the behaviors of economic agents, including households, businesses, and the banking sector during the current transition from consolidation phase to recovery period.

Issues and Challenges

1. **Contribution of productive sectors is low.** The utilization of resources is currently stagnant, employment in manufacturing and agricultural sector is declining, exports contribution is also in decline, the distribution of credit in export oriented sectors are slow. The shares of process manufacturing industry’s contribution to GDP continue to decline since 2014. This is a growing concern since process manufacturing sector plays quite a big role in the Indonesian economy.

2. **Gap in domestic investment (DDI) and foreign direct investment (FDI).** The share of DDI is a lot higher, while the infrastructure spending is on the rise despite limited availability of budget allocation. The Targeted Medium-term (2015-2019) Investment has not been met. For FDI, only 49.6% reached, while for DDI at 52% of the target.

3. **Better investment policies needed.** The DNI 2016 regulation is still considered “holding back” investment in some ways. It is still not that “forward looking” compared to neighboring ASEAN countries such as Vietnam.
4. **Supply Side Structural problems.** Credit and deposit performance is relatively not very good. Loan growth (yoy) was at 7.75% by June 2017, while deposit growth (yoy) was higher at 11.18%. These numbers are considered low seeing that load and deposit yoy growth in 2013 to 2014 reached 16% and 24% respectively. Both loan to deposit ratio (LDR) and loan to funding ration (LFR) were still below 90 in June 2017. And currently, there is a slow recovery of asset quality, where non-performing loans (NPL) and special mention (KOL2) are still high (at 8.1% in June 2017). This situation suggests that Indonesia may be entering a new equilibrium where the credit growth is low. Banks are still slow in responding to monetary policy loosening, as monetary transmission takes some time, and does not immediately promote credit growth.

5. **The end of commodity boom.** Commodity prices have come back to the normal level, and Indonesia’s economy is relatively very dependent on the commodity sector. This leads to low consumer and business confidence which results in lower consumption and lower purchasing power by businesses (investment, etc.).

6. **Positive effects of infrastructure building have not been realized.** The increase in infrastructure spending does not necessarily boost the economy in the short term. This is because positive effects of infrastructure will be realized in the long term. Also, the construction sector today is more capitalized in technological innovations which reduces the use of man power, i.e. less employment absorption. This lack of labor absorption in the construction sector has been made worse due to the sub-par growth in the construction of property sector, which employs more people than the construction of public infrastructures.

**ISD Views and Recommendation**

1. **Better regulations to attract investment.** Enable industries to stay competitive by simple, stable, predictable and transparent regulations. This includes further relaxation of DNI 2016 and it needs to have clear and measurable impact assessment. And lastly, increase tax incentives, especially for R&D (research and Development) area.

2. **Play competitive advantage further (labor wage is the current case for Indonesia).** Maximize Indonesia’s comparative advantage before it is eroded and become increasingly irrelevant.

3. **Create “clusterization of industries” with their own appropriate regulations.** For a country as diverse as Indonesia, the regulatory setting could be set based on comparative advantage of its particular regions of the country, in other words, the government could establish cluster of industries throughout the region with their own regulatory settings. For example, Yogyakarta and Bali could be established as a cluster of industry with a focus in creative economy, Surabaya and Sidoarjo a manufacturing cluster, Samarinda and Balikpapan as a cluster for oil and gas, and so on and so forth. This customization of industrial/business areas makes it possible to place appropriate regulations that deem effective in making a particular industry to grow and become competitive.

4. **Increase Indonesia’s digital economy, harness the fintech sector further.** Catching with the global economy means that we need to put a stronger focus on digital economy infrastructure. Global economic institutions such as the United Nations Conference on Trade and Development (UNCTAD) found that digital economy will be the key driver of the world’s economy, where in the past few years, the digital economy has absorbed the most investment.

5. **Accelerate the network sharing program.** The network sharing could quite significantly boost connectivity and increase the digital economy. Additionally, the network sharing program has been a common practice in many parts of the world.

6. **Zeroing Value-Added Tax (VAT) on services exports.** Eliminating the 10% VAT rate could increase In-
Indonesia’s exports’ competitiveness. Furthermore, a zero VAT rate would prevent opportunities lost from companies who otherwise would want to invest in Indonesia as a result to the 10% VAT imposed on services export.