Application of Trade Facilitation Agreement at Sei Kolak Kijang Port, Bintan Regency, Riau Islands Province

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A B S T R A C T

This study aims to analyze the implementation of the Trade Facilitation Agreement (TFA) at Sei Kolak Port, Kijang, Bintan Regency, Riau Islands Province. TFA is an international agreement that aims to accelerate the movement, release, and settlement of goods, and reduce trade costs between countries. Sei Kolak Port as one of the strategic ports in Riau Islands Province has an important role in supporting international trade in the region. This study uses a qualitative descriptive method with data collection techniques through interviews, observations, and documentation studies. The results of the study indicate that the implementation of TFA at Sei Kolak Port has had a positive impact, such as increasing the efficiency of the export and import process, reducing ship waiting times, and reducing logistics costs. However, there are still several obstacles in its implementation, such as the lack of supporting infrastructure and limited human resources who are competent in managing customs procedures. Therefore, efforts are needed to improve port infrastructure, training for related officers, and synergy between stakeholders to optimize the application of TFA at this port.

Kayword: Trade Facilitation Agreement, ports, international trade, logistics efficiency, Riau Islands

Acknowledgment

Introduction

In the context of global economic instability, the government continues to make efforts to improve the operational efficiency of national logistics to enhance the investment climate and increase the competitiveness of the national economy, through the organization of the national logistics ecosystem. Logistics can determine the growth or decline of a country's economy. Due to its critical role, logistics can be considered a vital element of a nation's economy. Countries with high logistics performance indices have greater opportunities for achieving high economic growth and quality development. Moreover, the culture, standard of living, and well-being of a country's population can improve due to the high operational

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efficiency of the country's logistics. In short, the role of logistics is not only contributing to macroeconomic factors such as national income, economic growth, the expansion and creation of employment, and the rapid flow of capital, investment, and trade, but also stimulating and advancing the production curve to the right, as well as enhancing the competitiveness of companies at the micro-level.

The Council of Supply Chain Management Professionals (CSCMP) states that logistics encompasses the planning, implementation, and control of products, labor, and related information from the point of origin to the point of destination in an efficient manner[1]. This means that logistics covers a structure related to the movement and distribution of all forms of infrastructure required with various accessories, including finance, resources, and information flows within a country.

Unfortunately, Indonesia's logistics performance is still unsatisfactory. If measured by the Logistics Performance Index (LPI), Indonesia had an LPI of 3.15 in 2018. This LPI placed Indonesia fifth among ASEAN countries, behind Singapore (4.00), Thailand (3.41), Vietnam (3.27), and Malaysia (3.22). If Indonesia's LPI was compared with the LPI of the 160 countries that are members of the World Bank, it ranks 46th. While Indonesia's LPI improved in 2018 compared to 2014 (when it ranked 63rd with a score of 2.98), it should not be complacent. Indonesia's performance is still far behind the ASEAN countries and, moreover, the 160 countries globally.

The factors used by the World Bank to determine the LPI include the effectiveness of border inspection (customs clearance efficiency), quality of infrastructure, ease of conducting transportation, quality and capacity of logistics services, ability to track and trace shipments, and timely delivery. Among these LPI components, Indonesia performed worst in the border processing efficiency component, with an index of 2.67. This indicates that the customs clearance process is still complicated. The second worst component is the quality of transport infrastructure, such as railways, ports, and roads, with an index of 2.90 out of 5.00.

These issues are not surprising, partly due to Indonesia's geographical location as an archipelago with 17,504 islands as of December 2019. With thousands of islands, efforts to bring supply chains closer require extensive planning, strategies, and funding. At the same time, Indonesia's ability to finance logistics development still contributes one-fifth of its GDP.

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For instance, in 2016, the cost of developing logistics in Indonesia reached 26.64% of GDP, which decreased to 24% of GDP in 2019. However, the logistics costs in Indonesia are relatively higher than those of countries like Thailand (15%), Malaysia (13%), Japan, and Singapore (both 8%). In fact, logistics costs in Indonesia are among the highest in the world.

The global logistics industry has grown significantly, with logistics becoming an essential part of the corporate economic system and a key factor in global economic activities in recent years. Logistics activities drive economic growth and productivity. Achieving the highest performance in logistics is considered crucial for profitability and economic efficiency both nationally and globally. Moreover, a competitive global logistics network serves as the backbone of international trade. Improving logistics performance has become an important goal of development policies in recent years due to the significant impact of logistics on economic activities. Unfortunately, many developing countries have not benefited from the productivity of modern logistics and internationalization implemented by developed countries over the past 20 years. Developing countries need to make maximum investments in trade logistics to emerge in a stronger and more competitive position.

PT. Pelabuhan Indonesia (Persero) Tanjungpinang Branch manages three ports: Sri Bintan Pura Port, Sri Payung Port (UBM), and the Sei Kolak Kijang Passenger and Container Port. Sei Kolak Kijang Port is a public port that handles various goods, such as containers. Additionally, this port has a passenger terminal that serves up to 4 Pelni shipping routes every week: KM Kelud, KM Sabuk Nusantara, and KM Bukit Raya. During the loading and unloading process, each ship is expected to take one day, but it can sometimes take longer, up to two days, due to delays in shipment. The officers will dock the ship conducting loading and unloading operations. The busy shipping routes will interfere with the docking process, and factors like weather and operational inefficiencies currently affect the management.

The waiting time for a ship is based on the Decision of the Director-General of the Ministry of Maritime Affairs No. UM.002/38/18/DJPL-11 of 2011 regarding Port Service Standards, particularly the elapsed time, berthing requirements, the time to dock the ship, and the time until the ship is moved again. This can be understood as the waiting time for a ship to operate in port waters and obtain berthing services at the port or dock, to conduct loading and unloading operations. For example, a ship waiting at the Bintan waters sends a berthing request to PT. Pelindo I Tanjungpinang Branch at 10:30 AM, and the pilot arrives at 11:30 AM, resulting in a waiting time of 1 hour. A delay of one hour can be considered wasting time (non-

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productive), which must be borne by the ship owner, shipping company, or shipper, as a port facility user, due to certain factors at the port.

Sei Kolak Kijang Port has great potential for future development, as it is one of the entry points for essential goods in Bintan Island, which are then distributed to the rest of the world, Bintan Regency, and Tanjungpinang. During the loading and unloading process, each ship is expected to take one day, but it can sometimes take longer, up to two days, due to shipment delays. The service of ships docked for loading and unloading will be disrupted by busy shipping lanes, and factors like weather and performance of employees currently hinder the management of operations. This raises concerns that volume growth without adequate improvements to facilities and infrastructure quality, as well as suboptimal port performance, will lead to increased waiting times.

The complexity of Indonesia's logistics process is certainly not solely reliant on the efforts or compression of the State Budget (APBN), especially for the development of traditional infrastructure such as toll roads, seaports, airports, railways, and other physical infrastructure. Although it is true that traditional physical infrastructure (hard infrastructure) serves as a connector for linking industrial zones, established industrial areas, or islands with unconnected industrial zones, improving connectivity and enhancing mobility of people and distribution of goods and services can drive optimal economic development in Indonesia.

In response to global economic instability, the government continues to make efforts to enhance the operational efficiency of national logistics to improve the investment climate and boost the competitiveness of the national economy by organizing the national logistics ecosystem.

This step was taken by the President of Indonesia by issuing Presidential Instruction No. 5 of 2020 regarding the National Logistics Ecosystem Organization. Through the Indonesia National Single Window (INSW) mechanism, the national logistics ecosystem represents the "face of the government" in providing services in the logistics sector, including export, import, and domestic market activities managed by various ministries/agencies. The government will gradually launch the national logistics ecosystem across Indonesia. According to Presidential Instruction No. 5 of 2020, the NLE agreement discusses four pillars: simplification of government business processes, cooperation between logistics platforms, payment utilities and facilities, accounting, and port development. The NLE is expected to drive competitiveness,

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reduce logistics costs, and increase transparency in logistics services, as a form of government presence aimed at improving efficiency and simplifying services to the business world to create a better logistics environment and support national and international economic recovery. This paper further examines the application of the Trade Facilitation Agreement at Sei Kolak Kijang Port.

Discussion

Indonesia Ratifies *Trade Facilitation Agreement*

International trade has become a necessity for every country to enhance their economy, thus requiring trade support to facilitate the international trade system. Trade facilitation aims to streamline the trade process by simplifying information, procedures, permits, and aligning documents related to international trade. Trade support is a legal framework in international trade that arises from negotiations within international trade organizations to reduce tariff and non-tariff barriers. On the other hand, trade support is a way to reduce potential trade conflicts among World Trade Organization (WTO) members[2].

The Trade Facilitation Agreement (TFA) is a legal instrument related to global trade, born from the 9th Ministerial Conference (MC9) of the WTO in Bali in 2013. This agreement became a significant moment for the WTO. The TFA is the result of nearly 10 years of intense negotiations and was approved by WTO members. WTO members embraced the TFA as it aligned with the evolving times, as we are now in an era of free trade. The TFA enables easier access and distribution of goods in international trade.

The TFA came into effect on February 22, 2017, and since then, it has received support from 2/3 of the participants in the official WTO forum, with 118 out of 164 WTO member countries ratifying the agreement. With the TFA, it is expected to facilitate international trade as a whole. According to a WTO report, the primary goal of trade facilitation is to develop international trade by simplifying the movement, release, and clearance of goods entering and exiting (including in transit).

Indonesia's Ministry of Trade explained that trade facilitation aims to manage the smooth flow of goods in and out of ports quickly, cost-effectively, and simply, to boost international trade and create favorable prices for consumers. If the situation is proportionate,

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trade facilitation in international trade could lead to a reduction in global trade costs between 13.2 percent and 15.5 percent, according to various studies. For businesses or producers, lower trade costs mean lower unit costs when goods reach the market, which also indicates an increase in the competitiveness of goods in international markets.

However, being bound by an international trade agreement such as trade facilitation is not without challenges. Changes in the direction of exports in a country's economy bring various consequences, requiring adjustments to export policies and strengthening infrastructure and export support facilities. One essential service to support the implementation of trade facilitation is the National Single Window, which is an integrated public service that provides a facility for submitting and processing standard information electronically to prepare all processes related to handling the flow of export, import, and transit goods, aimed at improving national competitiveness. This system is expected to accelerate the management of goods flow and customs documentation. In Indonesia, it is referred to as the Indonesia National Single Window (INSW).

In general, for Indonesia, the Trade Facilitation Agreement has become a national policy in recent years. For example, there are reductions in costs and improvements in port facilities, simplification of procedures and permits, implementation of the National Single Window, and increased transparency. This is also indirectly mentioned in the work program of President Joko Widodo's Nawa Cita. One of the goals of improving trade facilitation is to increase productivity and the competitiveness of products in international markets. To achieve this, the government needs to build various infrastructures such as ports, airports, roads, and transportation systems, as well as manage the flow of goods. To improve product quality, product standards must be established and strictly enforced. Furthermore, standardizing trade procedures, which is a crucial part of trade facilitation, is also important. The main objective of standardization, harmonization, and modernization of trade procedures is to reduce transaction costs in international trade, especially between businesses and governments, such as customs at national entry/exit points.

Indonesia Government Minimizes Tariff and Non-Tariff Barriers

The Indonesian government aims to make changes in the economy so that Indonesia's economy can compete at the international level. Some of the concrete actions taken by the Indonesian government to reduce tariff and non-tariff barriers include:

1. Implementation of the National Logistics Ecosystem (NLE)

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NLE is a logistics system designed to streamline the flow of goods in line with international documents, starting from when goods arrive during the transportation process by air or sea until they leave the port and reach the warehouse. The implementation of NLE has accelerated the order (DO) processing online, as well as speeding up export and import activities, as NLE is connected with the relevant parties. NLE supports export and import activities, which can be monitored 24/7 without obstacles, as they are integrated within the NLE system.

2. Implementation of Mandiri Digital Bank

   Bank Mandiri contributes to accelerating global trade, especially in the port sector, through Mandiri Port Solutions, which provides transaction and payment solutions for port activities, particularly for Shipping Lines. Mandiri Port Solutions is designed to support Shipping Lines in making automatic payments to Port Operators via fund transfers based on billing.

3. Implementation of the Online Single Submission (OSS)

   OSS is a system launched by the Indonesian government to register businesses and business activities online, integrated with the central OSS authority. The implementation of OSS will ease the business environment in Indonesia. This system is adjusted based on the type of business, ranging from low to high risk, and requires only a Business Identification Number (NIB) for permits. As a result, the business environment in Indonesia will be more accessible for SMEs and foreign investors, with faster processes.

4. Implementation of Dwelling Time

   Dwelling Time is the waiting period calculated when a container is removed from a ship and unloaded until it leaves the port to be distributed to the receiving country. Ports in Indonesia have implemented dwelling time to support the smooth flow of global trade by carrying out 24/7 loading and unloading activities. This will reduce congestion in the port area.

5. Implementation of the Indonesia National Single Window (INSW)

   INSW is a digital system that is nationally integrated and can be accessed via the internet, providing information about the management of customs documents and other supporting documents related to export and import activities. The INSW application ensures the protection of data and information across customs systems, ports, airports, permits, and other related systems. Some positive impacts of the INSW implementation

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include: Accelerating administrative processes in international trade; Speeding up the supervision of the movement of goods, including import clearance at ports, unloading of goods, berthing of ships, container stacking, and goods clearance at ports.

Implementati of *Trade Facilitation Agreement* di Indonesia, especially at the Sei Kolak Port

Indonesia is one of the countries that is a member of the WTO and has ratified the TFA by passing Law No. 17 of 2017 regarding the Protocol Agreement Amending the Marrakesh Agreement Establishing the World Trade Organization. This protocol was officially approved by the Indonesian Parliament and the President on October 24, 2017. The agreement made by the Indonesian Government aims to reduce various policies that could hinder trade, such as the waiting time of goods at ports. This aligns with the instructions in the TFA. In other words, the TFA can serve as a legal framework to reduce the costs that businesses need to incur when exporting. According to information released by the Asian Development Bank (ADB) and the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), trade facilitation can increase and reduce trade costs by up to 9% through cooperation between WTO member countries and improvements in customs efficiency.

After Indonesia ratified the TFA, the country was able to increase export volumes and reduce the costs associated with trade. This is due to the fact that the TFA is a multilateral agreement involving WTO member countries and impacts the optimization and efficiency of trade and customs procedures. Therefore, the implementation of the TFA can provide an opportunity for SMEs to participate in international trade and reduce the trade costs borne by businesses. According to data released by the Organization for Economic Cooperation and Development (OECD), if the TFA is optimally implemented, it can reduce export costs for goods or international trade by 12.5% to 17.5%.

The effect of reduced trade costs due to the implementation of the TFA is that it provides benefits to consumers, as they will have access to a wider range of goods in the market, allowing them to choose from diverse products. From the perspective of business players or producers, lower export costs in global trade can boost exports from developing countries by 13.8% to 22.3%. If the TFA is implemented continuously and comprehensively, it could reduce export costs by up to 9%, or an equivalent of US $19,000,000,000 annually. In addition, digitalization and cooperation with authorities are effective ways to support the

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growth of international trade and significantly reduce the costs associated with international trade. With digital or paperless methods, trade costs can be reduced by up to 16%.

In general, the TFA provides access to improve transparency related to exports, imports, transit, administrative processes, tariffs, taxes, and other costs associated with international trade, restrictions, inspections of goods, penalties, and goods validation before shipment, as well as various specific provisions for countries wishing to engage in international trade, with transparency aiming to accelerate international trade. It is expected that with the TFA, customs clearance and trade processes will become faster and more efficient, thereby reducing trade costs and providing opportunities for Micro, Small, and Medium Enterprises (MSMEs) to participate in export activities.

Maritime transportation plays a crucial role in the national transportation system and national economic development, which in turn will increase foreign exchange earnings. In this context, port infrastructure is vital as a support for international trade activities, both for exports and imports. The quality of well-connected transportation infrastructure will affect the speed of goods circulation, which will positively impact the increase in trade volume and economic growth. Therefore, ports become a key point in this process.

Conclusion

Sei Kolak Port has made adjustments to Port standards in accordance with the trade facility agreement in order to create harmonization and standardization of procedures for the flow of goods and services at the Port. For example, Sei Kolak Port has experienced an expansion of container storage and the addition of cranes to facilitate access to loading and unloading goods and forklifts. Not only that, supporting agencies such as customs have harmonized procedures by holding the National Logistics Ecosystem (NLE) and KSOP as the Port authority through ina port net to reduce dwelling time at the Port. It is hoped that with the harmonization of procedures and standards, it can increase the competitiveness of Sei Kolak Port in the international arena and have a positive impact on the movement of logistics flows in Indonesia.

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