

**FACILITATION (FAL) DIVISION — TWELFTH SESSION****Cairo, Egypt, 22 March to 2 April 2004**

- Agenda Item 3: Implementing modernized provisions for facilitation and security in air cargo service operations**
3.1: Facilitation of cargo clearance

STRATEGIC INITIATIVES FOR TRADE FACILITATION IN INDONESIA

(Presented by Indonesia)

SUMMARY

This paper provides brief accounts of main strategic initiatives in the area of trade facilitation in Indonesia.

1. TRADE FACILITATION

1.1 In accordance with its tasks, currently Indonesian customs (Directorate General of Customs and Excise) has carried out its customs reform programme. Four initiatives are contained in this programme, namely, trade facilitation, combatting smuggling and under valuation, improvement of cooperation with stakeholders and improvement of integrity. The initiative of trade facilitation is in line with Agenda item 3.1 of the 12th Meeting of the Facilitation Division.

1.2 Indonesian customs realizes that a conducive environment for legal trade and investment should be created. In facilitating trade, several initiatives are taken, such as:

- a) simplification of customs clearance procedures;
- b) implementation of priority channel;
- c) the use of automation and implementation of risk based management control have been put into practice since 1 April 2003.

1.3 For that purpose, customs introduce several measures directed to eliminate high cost economy due to the complexities of the procedure and to create fair competition in trade simultaneously.

1.4 The main strategic initiatives in the area of trade facilitation are the introduction of priority channel, the establishment of new release procedures, the improvement of customs duty payment systems,

the improvement of valuation database, the improvement of new release systems of imported goods and the modernization of systems.

1.5 Priority channel

1.5.1 This scheme of customs release procedure is for importers with high compliance and outstanding reputation. By receiving this facility, importers have privileges during the import clearance process. The facilities that are available in the priority channel are the opportunity to import goods and there is no need to check the documents physically anymore, deferred import duty payment, etc.

1.5.2 The main objective of this scheme is to promote efficiency of high compliance importers. These importers are usually big trading companies or industries. Through priority channel, eligible importers will be able to save time and costs for customs clearance process. Furthermore, the implementation of the priority channel encourages the improvement of compliance levels.

1.6 New release procedures

1.6.1 Basically, the new release procedure, which is the adjustment of existing import clearance procedures, has been introduced to improve customs performance in the area of import clearance services and control.

1.6.2 In the area of import clearance services, the new release procedure has been formulated to speed up the process as well as to reduce the significant intervention of officers. From customs control's point of view, the new release procedure has been created to prevent the existence of illegal/fictitious traders by implementing the risk based management control.

1.6.3 The main characteristics of the new release procedure are the use of risk parameter in determining the types of customs service and control, and provision of privilege for particular importers.

1.6.4 The use of risk parameters such as importers profile, commodity profiles and other risk-based parameters including random checks as a basic instrument in determining types of customs service and control, allows customs to separate the high- and low-risks importance from the beginning of customs clearance process to direct types of service and control accordingly. High-risk importance will be treated and controlled through a red channel while low-risk importance through a green channel. Particular eligible companies will be directed through the priority channel provided with several clearance facilities (privilege) which allow the importers to save time and costs.

1.7 Modernization of customs automation

1.7.1 Modernization of customs automation is highly required to support the implementation of new release procedures including other procedures in the enforcement area. Besides automation, there is also the reduction of personal contact between importers and officer(s) and to accelerate the speed of the process. Modernization of automation is required to eliminate unnecessary intervention of customs officer(s) during the clearance process. In the absence of such intervention, customs will be able to avoid problems of potential collusion, corruption and uncertainties.

1.7.2 Together with other measures, modernization of customs automation aims at eliminating high cost economy due to the complexities of the customs clearance procedure. Such other measures are:

- a) simplified customs duty payment systems respectively; and
- b) improvement of quality of valuation database and quality of release system of imported goods.

1.7.3 To optimize customs performance in combatting the existence of illegal/fictitious traders, other initiatives that will be elaborated in the area of enforcement have already been taken.

2. ENFORCEMENT MEASURES

2.1 To some extent, critics on inefficiency and ineffectiveness of customs in controlling imports and exports will always come up. Customs control systems create costs for the economy and fail to prevent the flow of illegal commodities to domestic market.

2.2 To encounter that condition, customs, complemented with other initiatives in trade facilitation program, has introduced several comprehensive measures in the enforcement area such as importer registration; improvement of the role of the intelligence unit in controlling flow of imported and exported goods; anti-smuggling campaign; optimizing the use of hi-co scan X-ray systems; improvement of physical technique; spot checks; providing inspection space; simplification of verification procedures; etc.

2.3 Importers registration

2.3.1 Importers registration is the most significant initiative to prevent the existence of illegal/fictitious traders. Prior to introduction of customs reform, there was no reliable data concerning importers available in the customs database besides importers licenses issued by the Ministry of Industry and Trade. The lack of information concerning the importers derived from a previous customs policy which ignores the reliability of importer profile for the service.

2.3.2 To face this problem, customs has introduced an importer registration programme. Through this programme, customs collects data concerning the existence of a particular importer, management, nature of business and book-keeping. Furthermore, the use of data from the registration programme if for customs service and control.

2.3.3 Importers registration, therefore, is not only relevant to enforcement purposes but also to trade facilitation measures. Based on data collected from the registration programme, customs sets up types of services and control. Better quality customs services will be provided for importers with better performances, high degree of compliance and good reputation, while better quality customs control will target importers with bad performance, compliance and reputation.

2.4 Improvement of the intelligence unit role

2.4.1 Improvement of the intelligence unit role in controlling the flow of imported and exported goods is the most important measure to combat the operation of illegal traders. Due to implementation of several customs facilities, including relaxation of direct physical inspection for particular importance, the roles of the intelligence unit need to be improved.

2.4.2 There are two important measures to improve the role of the intelligence unit in controlling the flow of imports and exports. Firstly, in the absence of the intelligence notes in determining lane of customs inspection, the intelligence unit may intercept the imports clearance in every step of the process.

2.4.3 Secondly, the intelligence unit is responsible for development of importers and commodity profiles that, furthermore, are used to determine the lane of customs inspection.

2.5 Anti-smuggling campaign

2.5.1 The anti-smuggling campaign is one of the comprehensive measures in combatting smuggling through the involvement of other government agencies and the society. We realize that smuggling is a national problem. On the other hand, customs, which has the responsibility to control flow of imports

and exports, has limitation in infrastructure. To optimize effort in combatting smuggling, particularly the one that happens outside the customs territory, the customs has encouraged participation and cooperation with other government institutions and society.

2.5.2 In addition to the measures mentioned above, customs, in order to improve performance in combatting the existence of illegal/fictitious traders, implement other significant initiatives such as optimizing the use of the ho-co scan X-ray systems, the improvement of physical inspection techniques, spot checks, providing inspection space, simplification of verification procedures, etc.

3. **INDONESIAN CUSTOMS' ROLE IN REVISED KYOTO CONVENTION**

3.1 Concerning the Revised Kyoto Convention, the Indonesian customs currently has studied that convention. What Indonesian customs has done in this framework is translating the convention into Indonesian National Language and making comparisons between this convention and Indonesian Law No. 10 on Customs and its derivative stipulations and provisions. Indonesian customs is always supporting all efforts toward the implementation of the Convention, as recommended by the World Customs Organization (WCO) and as stated in the mission and vision of the Indonesian customs.

4. The Division is invited to review these activities.

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