

# **The Policy Making Consultations of APEC Early Voluntary Sectoral Liberalization: The Case of Indonesia**

A Research Report for the Institute of Developing Economies  
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**By**  
**Hanafi Sofyan**  
**A. Syafi'i**  
**Yasmi Adriansyah**  
**and**  
**Lynda Kurnia Wardhani**

**Institute for International Finance & Commodities**

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**APEC STUDY CENTER  
INSTITUTE OF DEVELOPING ECONOMIES**

# Contents

## Foreward

## Executive Summary

### **I. Introduction**

1. *Back ground*
2. *Research Questions*
3. *Objective of the Study*
4. *Scope and Methodology*

### **II. EVSL Policy in Indonesia**

1. *Policy Making Process*
2. *Constraints of the Policy Making Process*
3. *Indonesian Policy towards EVSL*

### **III. The Stance of the Indonesia Business Community towards Certain Sectors in EVSL**

1. *The Perspective of Indonesian Chamber of Commerce and Industry(KADIN)*
2. *The Perspective of Indonesian Wood Panel Association(APKINDO)*
3. *The Perspective of the Indonesian Fishery Entrepreneurs Association(GAPPINDO)*
4. *The Perspective of Food Sector*
5. *The Perspective of the Indonesian Rubber Entrepreneurs Association(GAPPINDO)*

### **IV. Indonesia's Commitment and Stance towards Economic Liberalization and WTO**

1. *Macro-economic policy*
2. *Structural Reform Policy*
3. *Economic Policy in Real Sector*
4. *Indonesia's Interest in APEC*

### **V. The Analysis of Indonesia's Stance towards The WTO's New Round**

### **VI. Epilogue**

## Appendices

## Biographical Notes of the Researchers

**Note: This document contains the executive summary of the report only. For obtaining the whole report, please contact:**

**[apec@ide.go.jp](mailto:apec@ide.go.jp)**

## **Executive Summary**

APEC-EVSL (Asia Pacific Economic Cooperation – Early Voluntary Sectoral Liberalization) has become a focal issue among APEC member countries (in the period of 1998-1999). Based on the Agreement of APEC Economic Leaders on November 1997 in Vancouver, Canada; the discussions on EVSL were focused on 15 sectors. The sectors comprise of fish and fish product, forest products, toys, environmental goods and services, gems and jewellery, medical equipment and instruments, chemicals, energy, telecommunication MRA, food sector, natural and synthetic rubber, fertilizers, automotive, oilseeds & oilseed products and civil aircraft. When the deadlock occurred during the consultation process of the first 9 sectors, the APEC member countries decided to forward all sectors to be negotiated in the WTO (World Trade Organization) New Round.

This research paper attempts to reveal *first*, the background of EVSL, *second*, the Indonesian position on EVSL, *third*, the political process of EVSL in Indonesia, and *lastly*, the Indonesian position on the economic liberalization. The objectives are to describe the EVSL Policy in Indonesia, to explore EVSL Policy-Making Consultations which will be focused on the domestic sphere particularly the business community's position, to trace the commitment of Indonesia during economic crisis towards economic liberalization and WTO, and to examine Indonesia's position towards WTO's New Round.

The Department of Industry and Trade of the Republic of Indonesia is the focal point of APEC-EVSL in Indonesia. The Department of Industry and Trade is actively involved in the APEC process, whereas the Department of Foreign Affairs takes part in the terms of cooperation and other collective activities. The EVSL policy-making

process in Indonesia started from the Department of Industry and Trade when the Ministry offered textile, plywood, shoes and rubber (4 sectors) to be liberalized. When Indonesia had to run the 15 sectors, which was divided into two tracks comprising of first track (9 sectors) and second track (6 sectors); Indonesia enthusiastically supported fishery and forestry. During the process, the Department of Industry and Trade consulted with related governmental institutions & associations and the Indonesian Chamber of Commerce and Industry. The associations related to fishery and forestry sectors are very optimistic with EVSL, whereas other associations related to rubber and food sectors are quite pessimistic. But Indonesia had to continue its commitment with the 15 sectors. The diplomacy of APEC-EVSL itself is performed by the Department of Industry and Trade as well as the Department of Foreign Affairs. The Indonesia's stance is basically excerpted from the written statements by the concerned associations or related institutions based on the agreement with the representatives of the business circle. In the APEC forum, it was stated that the participation of Indonesia in EVSL depends on the equilibrium between sectors to which Indonesia has interest in and those to which other economies are interested in.

But, there are constraints in the EVSL policy-making process. The *main* constraint is that the country lacks its own industrial resources. Furthermore, Indonesia doesn't have a clear vision. Indonesia also doesn't have a comprehensive study about the situation in the international market. And Indonesia has no preparation to conduct study and to do some negotiations.

Having experienced a turbulent monetary crisis, Indonesia has gone through a gloomy period in the last two years. However, to improve the economic condition, economic reform and structural adjustment were introduced comprising of macro economic policy covering fiscal and monetary policies, banking sector restructuring,

foreign debt restructuring, structural reform (including foreign trade and investment, deregulation and privatisation, environment and social safety net), and other policies in the real sector. Even during the economic crisis, there is actually no significant change in Indonesia's policy towards economic liberalization.

It could be said that the result of EVSL consultation, whether at the regional or national level, is still vacant. The dynamism of APEC in year 2000 particularly regarding EVSL is yet to be seen. In Indonesia, APEC discussion has been neglected for the last two years due to the economic problems.

However, Indonesia has been showing an optimistic policy direction with the new Government lead by Mr. Abdurrahman Wahid. The current government takes initiatives to draw its policy direction focused on economic cooperation in the Asia Pacific region. Knowing that the economic crisis will be over soon, the commitment towards the economic liberalization seems getting strong. Even with the failure of the negotiation process in the WTO apparently doesn't affect the domestic economic and political constellation in Indonesia, and APEC is still one of the strong elements in the Indonesian economy.