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Research Report

The advent of a new trade governance after the omnibus law: Neraca Komoditas

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Policy Paper No. 47

The Advent of A New Trade Governance After The Omnibus Law Neraca Komoditas

by Krisna Gupta, Deasy Pane & Donny Pasaribu

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**The Advent of a New Trade Governance After the Omnibus Law:
Neraca Komoditas**

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Jakarta, Indonesia
January, 2022

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GLOSSARY

API:

Importer Identifier (*Angka Pengenal Impor*)

API-P:

Producer Importer Identifier (*Angka Pengenal Impor-Produsen*)

API-U:

General Importer Identifier (*Angka Pengenal Impor-Umum*)

ASW:

ASEAN Single Window

BPOM:

National Agency of Drug and Food Control

BPS:

Statistics Indonesia (*Badan Pusat Statistik*)

CEPAs :

Comprehensive Economic Partnership Agreement

CPI:

Consumer Price Index

FDI:

Foreign Direct Investment

FTA:

Free Trade Agreement

GR:

Government Regulation (*Peraturan Pemerintah*)

GVC:

Global Value Chain

HS:

Harmonized System

INATRADE:

Electronic trade licensing services

INSW:

Indonesia National Single Window

LNSW:

National Single Window Body

MFA:

Multi Fiber Arrangements

MoF:

Ministry of Finance

MoMAF:

Ministry of Marine Affairs and Fisheries

MoT:

Ministry of Trade

SI:

Manufacturing Industry Statistics (*Statistik Industri*)

SIINas:

Information System for National Industry (*Sistem Informasi Industri Nasional*)

SINSW:

Indonesian National Single Window System

SNI:

Indonesian National Standard

WTO:

World Trade Organization

EXECUTIVE SUMMARY

Indonesia's trade licensing practice has a lot of problems, including, among others, lengthy process, lack of transparency, and poor data quality. To address these issues, the Indonesian government introduced the concept of Neraca Komoditas (NK) as part of its implementation of the 2020 Omnibus Law of Job Creation. The aim of NK is to provide data and increase licensing process transparency.

Neraca Komoditas will be a series of integrated national databases of the supply and demand for traded goods available for use by Indonesian people and industries. Eventually, these databases will also be used for regulating international trade by tracking when domestic production shortfalls or surpluses suggest that new import permits and export licenses should be issued. To test the concept, the NK will be used to track five already regulated goods: rice, salt, sugar, beef, and fisheries products. By 2023 more products are expected to be included in NK.

A presidential regulation is expected to bring NK into effect. If the NK is implemented successfully, it will cut one step out of the licensing process and reduce opportunities for corruption. It will also increase transparency and reduce corruption through more public data reporting.

NK faces multiple challenges to implementation. Collecting consumption and production data at the firm, consumer, product, industry and national levels is a sweeping and complicated task, as is the estimation and mapping of the impact of these data on industry value chains and global production networks. The existing system is plagued not only by these difficulties but by disagreements between the ministries collecting data about which data should be used. Collected data are also simplified quantitative production and consumption quantities likely to disregard issues such as quality, serviceability, and deliverability. While data disputes between ministries might be mitigated, data disputes between firms are harder to address.

The intention of the NK is to improve transparency and efficiency in import and export licensing, so the government's intention to expand it to many goods currently not subject to export and import controls is cause for concern. Exporting and importing in Indonesia is already relatively difficult even for experienced traders. Too many regulations reduce incentives for firms to trade and invest. Expanding trade restrictions is against the spirit of Omnibus Law of Job Creation, as well as running afoul of various international commitments.

The government's piloting the NK with five relatively simple goods will be a good test of how much more efficient, accurate, and transparent the system will be. Evaluation of the system should be complemented by user surveys from exporting and importing firms and through observation of international reactions to the new system.

Before implementation, the government should improve its public communication about the NK. Until recently, various stakeholders, including government agencies, media, academics, and business, did not understand NK. This lack of public discussion may lead to uncertainty and a less business-friendly environment in Indonesia.

INTRODUCTION

In the decade to 2019, the Indonesian economy grew at an average of 5% annually, never having recovered the growth rates achieved before the Asian Financial Crisis in 1998. The economic recession caused by the COVID-19 pandemic prompted the government to introduce Law No. 11/2020 on Job Creation, dubbed the “Omnibus Law”. The law is supposed to fix the business environment by simplifying bureaucracy and creating job opportunities.

The Neraca Komoditas (NK) is planned as a series of integrated databases of quantities of supply and demand for various types of goods—including stocks of those products—as well as information about the time at which they will be needed and standard quality of the goods needed.

One of the most important aspects of Law No. 11/2020 is its effect on international trade. Regulations related to trade have been created in an effort to implement Law No. 11/2020.¹ The Neraca Komoditas (NK) is planned as a series of integrated databases of quantities of supply and demand for various types of goods—including stocks of those products—as well as information about the time at which they will be needed and standard quality of the goods needed. Collecting estimated production and consumption data is nothing new for Indonesian government ministries, but NK will aim to ensure consistency and reduce data disputes between ministries and regulatory bodies.

The government will implement NK through presidential regulations and ministerial regulations. So far, one Ministerial Regulation that has been issued: a regulation from the Ministry of Marine Affairs and Fisheries (MoMAF) on Neraca Komoditas on Fishery products. The relevant presidential regulation is being finalized (Wahyudi, 2021). Since most implementing regulations have not been issued, there are few details available. It is unclear how NK will benefit firms and consumers. This report hopes to encourage discussion of Neraca Komoditas and emphasize its potential importance for Indonesian trade and industry.

International trade is essential for businesses, especially businesses relying on global value chains. Global value chains encourage specialization, which enhances efficiency, improves firm-to-firm relationships, and improves access to capital, know-how, and inputs. Participation in the global market also boosts foreign direct investment and creates jobs (World Bank, 2020). The benefits of increasing international trade therefore aligns well with the goals of Law No. 11/2020.

¹ Neraca Komoditas (NK) is mentioned in Government Regulation No. 5/2021 on the Implementation of Risk-Based Business Licenses, Government Regulation No. 27/2021 on the Implementation of the Maritime and Fisheries Sector, Government Regulation No. 28/2021 on the Implementation of the Industry Sector, and Government Regulation No. 29/2021 on the Implementation of the Trade Sector.

Thus, NK will be used to speed up the existing import and export licensing process for regulated goods. Rather than relying on recommendation letters from related ministries (also known as import recommendations), NK will be act as a single data source to reference when granting export and import permits. Government Regulation No. 28/2021 on the Implementation of the Industry Sector stipulates that NK will also be used to improve access to raw materials and other industrial inputs, an identified problem facing businesses in Indonesia.

NK will be used to speed up the existing import and export licensing process for regulated goods.

NK is expected to be implemented in two stages. The first stage is to complete the NK of five pilot commodities (sugar, salt, fish, rice, and meat) in 2021 and shift to governing imports using the NK in 2022 (Bardan, 2021a). The second stage will be to expand the NK to cover other commodities requiring import recommendations beginning in 2022 and into 2023. Beginning in 2023, the intention is to shift to regulation of imports for those additional commodities based on the NK.

In this report, we discuss the existing regime of import licensing in Indonesia. Regulations governing Indonesian trade are discussed and contrasted with available information on the NK. Examples are drawn of business' experience in Indonesia's trade system from interviews with executives in the steel industry and electronics sector. We offer explanations for how NK would change Indonesian trade and whether NK may improve the licensing system and improve access to raw materials and industrial inputs. We discuss potential problems with the NK. Policy discussion can be found at the end of the report.

NERACA KOMODITAS AND TRADE LICENSING PRACTICES IN INDONESIA

Indonesia uses quotas and import licensing for many of its goods. Indonesia has increased the scope of import licensing from 30 to over 40 product groups since 2013, which translates to 3,308 ten-digit Harmonized System (HS) lines² and 30.6% of all HS lines (WTO, 2020). The typical import licensing process involves technical ministries and the Ministry of Trade (Amanta, 2021; WTO, 2020). For example, importers of beef should get a recommendation letter from first the Ministry of Agriculture, then use the letter to apply for the import permit from the Ministry of Trade.

The rationale behind this licensing system varies widely between products but can include public health and safety, public security, achieving food security and self-sufficiency, supporting domestic producers, and sovereignty, among other reasons.³ In some cases, such as fishery products, cement, and plastic, no rationale is provided.

The quota licensing process has two stages. Stage one happens in the year before implementation: technical ministries collect planned estimated imports from firms that fall under their scope of regulation. For example, in the case of the steel industry, firms must upload import plans and production capacity through a web application called Sistem Informasi Industri Nasional (SIINas), a platform maintained by the Ministry of Industry (Interview 1). To make sure that firms provide a “proper” import plan that does not over-import and is aimed at production and not resale of imported goods, technical ministries can send a surveyor to audit their capacity to use the imports they’re requesting.

Data from firms are aggregated to calculate the overall quantity of imports required. When goods fall under the jurisdiction of multiple ministries, the data is brought to a coordination meeting between ministries. For example, the quotas for rice, salt, and sugar are decided under the Coordinating Ministry of Economic Affairs.

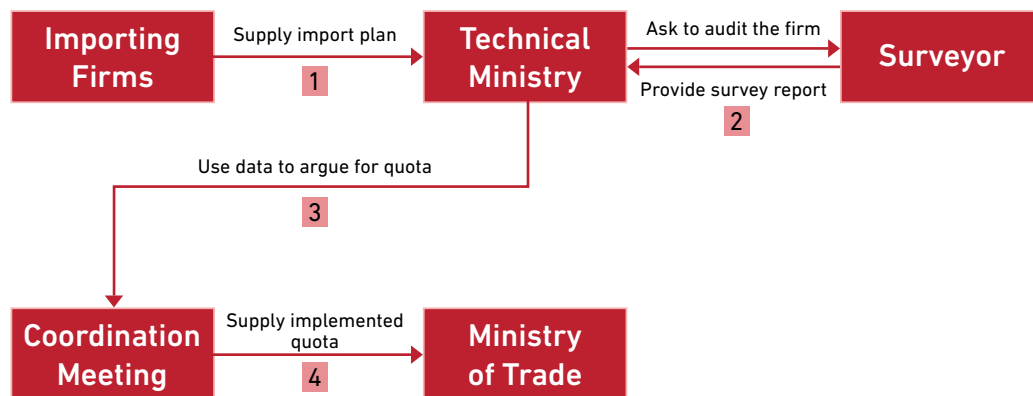
During the coordination process, government ministries may disagree because they represent the interests of different groups. When setting the salt import quota, the Ministry of Marine Affairs and Fisheries (MoMAF), defends the interest of salt farmers who want to limit salt imports, while the Ministry of Industry seeks a higher import quota because salt is an important production input. The MoMAF provides data on the production capacity of salt farmers, while the Ministry of Industry provides data on how much salt was needed for manufacturing. The meeting would conclude with a quota to be implemented the following year, submitted to the Ministry of Trade.

² The Harmonized Commodity Description and Coding System—commonly known as the Harmonized System or HS—is an internationally standardized nomenclature for the description, classification, and coding of goods (Yu, 2008).

³ The rationale and procedures for products subject to import licensing are included in the appendix (based on WTO Indonesia TPR, Secretariat Report Table A3.4).

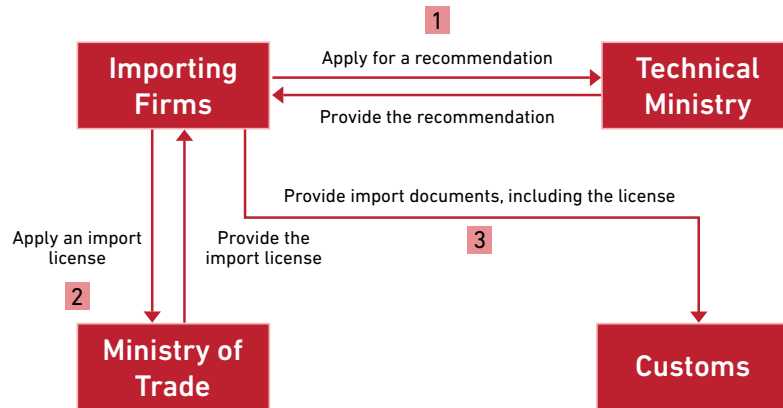
The second stage in the quota licensing system takes place during the year the quota is implemented. A firm that wants to import a regulated product needs a “license to import” attached to its customs documents. Production firms must register as importer-producers and to obtain a Producer Importer Identifier (API-P). Then, the firm needs to apply to its respective technical ministry for a recommendation letter. The ministry provides them with a letter specifying their allocated quota. The letter is used to apply for a license from the Ministry of Trade. The firm receives from the Ministry of Trade a license, which again specifies the quota granted to them. The quotas granted are not always for the amount a firm applied for initially (Interview 1). This license is attached as a part of the firm’s import documents.

Figure 1.
First Step Implementation



Source: Authors' interpretation based on interview 1

Figure 2.
Second Step Implementation



Source: Authors' interpretation based on interview 1

Neraca Komoditas is not mentioned in the Omnibus Law of Job Creation, but instead enters the framework through business permits.

Neraca Komoditas is not mentioned in the Omnibus Law of Job Creation, but instead enters the framework through business permits. According to Article 559 in Government Regulation No. 5/2021 on the Implementation of Risk-Based Business Licenses, a business that needs to export or import goods needs a special permit granted based on the NK.

Government Regulation No. 27/2021 on the Implementation of the Maritime and Fisheries Sector, Government Regulation No. 28/2021 on the Implementation of the Industry Sector, and Government Regulation No. 29/2021 on the Implementation of the Trade Sector define NK:

"What it means by "neraca komoditas" is data and information that contain, among others, the consumption and production situation of certain commodities for the need of the population and the need of industries within a certain range of time that has been set and applied nationally."⁴

In other words, Neraca Komoditas⁵ will be a national database of the supply and demand of certain commodities, both for domestic consumption and industrial inputs, over a certain range of time. NK is designed to capture information about the quantity and quality of listed commodities, and their consumption by both firms and households. Data will be collected by the responsible Ministries and further consolidated in a coordination meeting.

⁴ Direct translation from: "Yang dimaksud dengan "neraca komoditas" adalah data dan informasi yang memuat antara lain situasi konsumsi dan produksi komoditas tertentu untuk kebutuhan penduduk dan keperluan industri dalam kurun waktu tertentu yang ditetapkan dan berlaku secara nasional."

⁵ It is important to differentiate NK as a system with NK as per-good database. This report uses this term interchangeably.

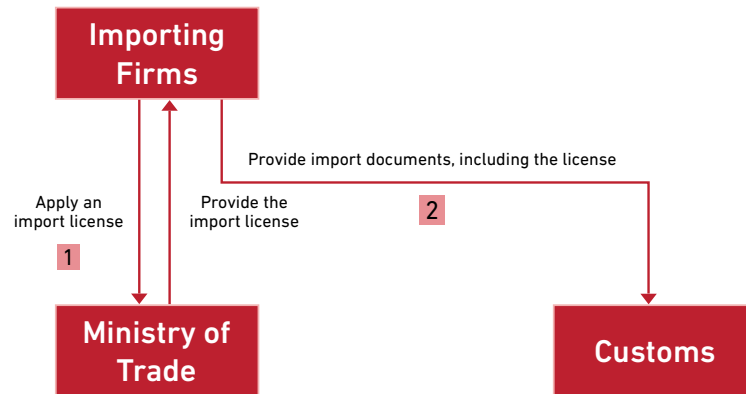
Assuming it has perfect information on how much of a commodity is produced and consumed at a certain range of time, Neraca Komoditas can estimate the difference between consumption and production to identify surpluses and shortfalls that deviate from the market-clearing quantity. This estimate can be used to set the quota levels and issue licenses for both exporters and importers—import quotas would be set to equal the shortfall of estimated domestic production compared to estimated domestic consumption, while export quotas would be set based on estimated surplus production. In theory, if domestic production of a certain good is higher than its domestic consumption, there could be no import quotas granted based on the assumption that domestic production will be able to satisfy domestic demand.

In replacing the system of recommendation letters, the NK-based system could streamline the system by cutting one bureaucratic step. But it remains to be seen how much Neraca Komoditas will change the status quo. So far, of all the enacting regulations needed to implement NK, only MoMAF Regulation No. 24/2021 on the Establishment of Fishery Commodity Balance (Neraca Komoditas) and Import Allocation Distribution of Fishery Commodities has been passed. However, we expect other ministerial regulations for Neraca Komoditas to be similar to this regulation.

According to MoMAF Regulation No. 24/2021, the ministry is responsible for calculating the estimated production and consumption of fish products. Fish product consumption considers not only household consumption but also the import plans of fish-using industries. In its estimation of production and consumption, the ministry uses data from the previous year and estimates for the current year data as a guide to estimate next year's production. The ministry will use the discrepancy between production and consumption to set the quota level for next year.

Data from Neraca Komoditas will still be brought to the Coordinating Ministry of Economic Affairs, and the data can still be debated in the coordination meeting. Feedback from industries will still be considered along with requirements for companies to upload import and production plans, which means the bureaucracy involved in the first stage of import licensing will not be eliminated. Only the second stage may be affected by the elimination of recommendation letters from technical ministries.

Figure 3.
The Second Step After the Neraca Komoditas Available



Source: Authors' interpretation of GR No. 27/2021, GR No. 28/2021 and GR No. 29/2021

In the existing licensing system, the Ministry of Trade uses the quota given by technical ministries to set the quota in a license. Technical ministries are also responsible for distributing the quota to each importing firm. In the new system, the Ministry of Trade will use the quota set by estimations in the NK as their main guidance and the NK will include information on import allocations for each firm, so the Ministry of Trade will not need to refer to technical ministries.

The elimination of steps in the import licensing process could be a small boon for firms. Securing recommendation letters often takes valuable time (Interview 1), especially for newer firms. Recommendation letters are often not transparent about why quotas are cut (Interview 1). By making this information public, NK could improve transparency. More importantly, recommendation letters are often a source of rent-seeking behavior that has resulted in convictions for corruption (CIPS, 2020).

The use of NK attempts to streamline the process through which industries procure raw materials and intermediate goods. However, it seeks to do this by replacing the market mechanism with government planning. Instead of relying on decentralized information and decision making from the market, the government tries to improve their centralized sets of information on supply and demand. This plan relies heavily on an assumption of accurate information in the NK.

Additionally, MoT Regulation No. 19/2021 and 20/2021 introduces "silence is consent" approach (Coordinating Ministry of Economic Affairs, 2021). That is, if firms' documents are complete, they will automatically grant the license with quota they are applying if the Government has not attended to the application in 5 days. This will potentially improve the issuance timing of the license.

Improving efficiency by bypassing the messiness of the market is a perennially enticing idea. However, there should be significant concerns about the government's ability to improve distribution through centralization based on past experience with web platform integration, based on the integrity of the data itself, and based on the economic argument for using prices rather than their alternatives. We discuss these concerns in the next three sections.

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THE CURRENT PLATFORM FOR THE LICENSING SYSTEM

The process for firms to procure import licenses will be conducted fully online. At the moment, there are several website applications (web-app) currently in place to conduct trade in Indonesia. These systems are overseen by various government ministries, such as the Indonesia National Single Window (INSW, www.insw.go.id) by the Ministry of Finance, INATRADE by the Ministry of Trade and Information System for National Industry (SIINas) by the Ministry of Industry. Moreover, there are other web applications that firms need to navigate depending on their goods, such as quarantine requirements, health certificates, and food-and-drug related trade measures.

INSW is managed by the Ministry of Finance but links information and processes from 15 ministries. It is a single submission electronic platform of customs documents, quarantine documents, trade licenses application, port documents, duties payment, and other documents related to export and import. The system aims to increase transparency, accelerate the process of issuing paperless documents and customs clearances (WTO, 2020). Our interviews with businesspeople that use the system confirm that INSW is well-established and useful.

Another electronic system to streamline the process of import licensing is INATRADE (<http://inatrade.kemendag.go.id/>), managed by the Ministry of Trade. It connects with INSW but focuses on managing export and import licensing across different ministries. If the export or import of a product requires licensing, the importing or exporting firms need to apply for a permit through INATRADE. It facilitates document tracking for applicants, so it increases transparency and reduces bureaucracy. While it reduces face-to-face human interactions, the system relies on manual processing of documents and human decisions in granting licenses. Meanwhile, the requirements of import or export licensing vary depending on product types and their regulations. Licenses for some products only require certain types of firm identification documents, but licenses for other products may require various documents, such as SNI (Indonesian National Standard). For some product categories, such as textile and apparel, firms also need to submit their plans of importation for the next year. So, firms need to project their import plan one year ahead regardless of their actual need. Also, these regulations can change over time, increasing regulatory uncertainty for firms. Importers and exporters need to keep track of these changes and follow the latest regulations. This uncertainty is a significant barrier to trade, especially for new importers and exporters that might find these processes difficult to understand.

Even though INATRADE provides licenses to applicants, the decisions to approve the permits are mostly controlled by other ministries that connect their system to INATRADE. For example, if a firm needs to import certain intermediate products for its productions or those categorized as industrial products, it needs to have an “importer identification” (Angka Pengenal Impor - API). The firm also has to input information about their production in SIINas (Information System for National Industry), managed by the Ministry of Industry⁶. If the product is categorized as food or

⁶ According to MoMAF Regulation No. 24/2021, information about fisheries product will be supplied directly to SINSW, while GR No. 28/2021 stated that all information will be supplied through SIINas. Unless SINSW and SIINas are interconnected and the difference is semantic, the implication of this regulatory inconsistency is not known by the authors.

medicines, importing firms need to input information to application E-BPOM, managed by the National Agency of Drug and Food Control (BPOM). Similarly, if firms need to export certain agricultural or mining products, they also have to apply for licenses that need to be approved by related government ministries.

“Even though most electronic systems managed by various ministries are already connected with INSW and INATRADE, the overall system is still complicated.”

Even though most electronic systems managed by various ministries are already connected with INSW and INATRADE, the overall system is still complicated. Firms need to input similar information several times in different applications. They also need to understand various regulations in different ministries. To get a license approved, a firm needs to report to at least two government institutions: the Ministry of Trade and a sectoral ministry. An interview with a firm revealed that when an application is rejected by the system, there is no way for the firm to know the reason for the application's rejection. Furthermore, the processing time to get a license can vary from only a few days to weeks.

Navigating these online systems is difficult and may be subject to sudden maintenance or overcapacity. If it is indeed integrated into one (i.e., firms only need to use one, and it automatically exports information to other systems), then it will be a boon in cutting the red tape. The government is heading in the right direction by improving the organisation of INSW.

The establishment of INSW dates back to the early 2000s when the ASEAN Free Trade Agreement required its member countries to have a single portal to integrate with the ASEAN Single Window (ASW). During the early stage of INSW, it was maintained by an ad hoc team consists of civil servants from the Ministry of Trade and the customs. Only in 2015, a permanent body was mandated to maintain the INSW as an ad hoc body, often occupied by their main responsibilities in their main ministries. The adoption of the integrated system was quite slow. In 2018, this permanent body was legalized under the name National Single Window Body (LNSW) by the Ministry of Finance (MoF) Regulation No. 180/PMK.01/2018 on the Organisation and Administration of the National Single Window Body.

On December 17th 2020, the Ministry of Finance issued MoF Regulation No. 199/PMK.012/2020 on the Management of Indonesian National Single Window and the Implementation of Indonesian National Single Window System. This regulation will not only give more power to LNSW but also new responsibility as the main actor behind the integration of all other web apps maintained by other Ministries and other regulatory bodies. While it seems that firms still need to deal with many ministries depending on their goods, the end goal of the Indonesian National Single Window System (SINSW) is to streamline the business process of applying export and import documents.

“INSW needed years until it becomes well operated and has a permanent body to maintain it. The introduction of the new system to all stakeholders is also an issue since communication and public consultation are still problematic for the government.”

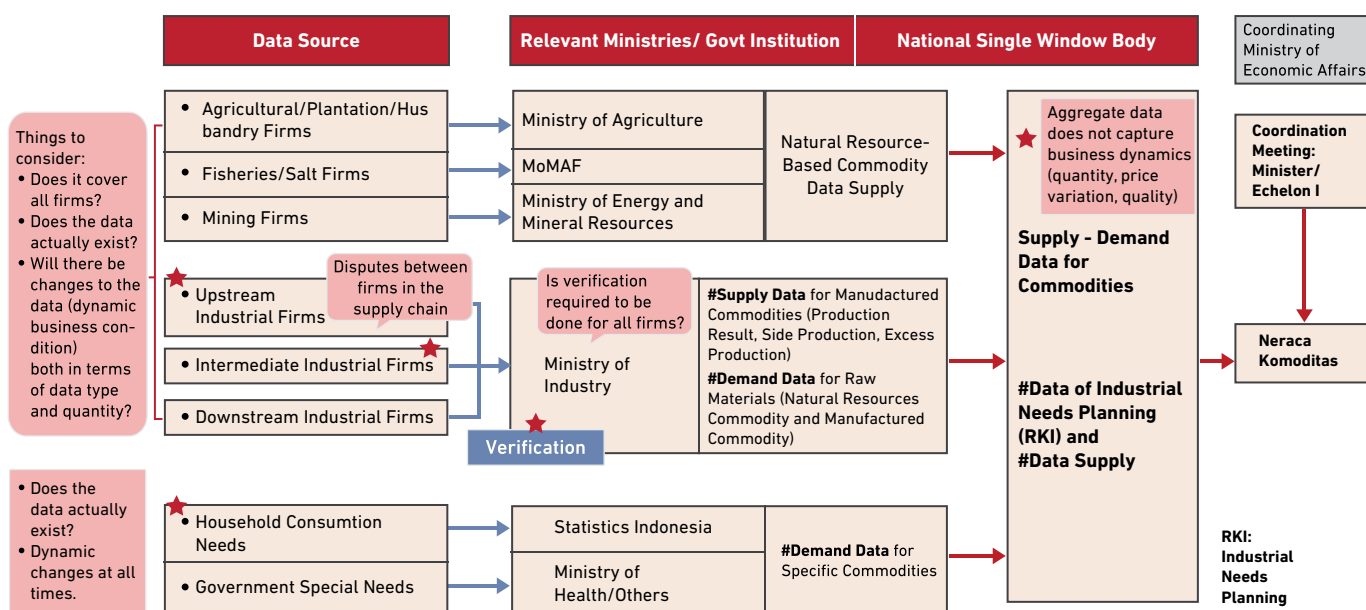
It remains to be seen how PMK No. 199/2020 improves the effectiveness of LNSW in its own business process and in integrating all other web-apps. Like other implemented systems, the complexity of integrating data and information from different ministries and sources would be a major problem. Technical and administration problems can also be potential issues (Timorria, 2021). For example, the INSW needed years until it becomes well operated and has a permanent body to maintain it. The introduction of the new system to all stakeholders is also an issue since communication and public consultation are still problematic for the government. The government needs to make sure firms understand and can adopt the system. It also needs to ensure that the process of import and export become easier with the new system, not more complicated.

CHALLENGES TO DATA INTEGRITY IN NERACA KOMODITAS

Despite the significant improvement in data collection in Indonesia in the last few decades, especially by the BPS (Indonesia Statistics), the availability and reliability of various types of data is still problematic. Data reliability would be central in planning and implementing Neraca Komoditas. To operate, the NK would need consistent and accurate data on production, consumption, exports, and imports of each product.

Figure 4.
The Flow of Information and Data in Neraca Komoditas

★ The aspect has not been considered at all: PRICE



Source: Adaptation based on the Coordinating Ministry of Economics Affair (2021) discussion material on NK⁷

⁷ The discussion material can be accessed from [http://appi.or.id/public/images/img/06.04.2021%20-%20Bahan%20Narsum%20NK%20giat%20Ditjen%20IKFT%20Bogor%20final2%20\(1\)%20\(1\).pdf](http://appi.or.id/public/images/img/06.04.2021%20-%20Bahan%20Narsum%20NK%20giat%20Ditjen%20IKFT%20Bogor%20final2%20(1)%20(1).pdf) (access date 8 November 2021)

Figure 4 illustrates the process of inputting data and information into Neraca Komoditas. Firms from sectors including agriculture, fisheries, mining, and industry, will provide production and consumption data to relevant government ministries. Data on household consumption is expected to be provided by the BPS, while government consumption will be provided by relevant government agencies. All information then will be collected and aggregated in the system. Based on this aggregate information, ministerial meetings will decide yearly allocations of import quotas or aggregate export plans. There are several potential problems in this data collection process.

Data Sources and Reliability

In order to estimate future supply and demand, reports of production and consumption data are based on the operational planning, capacity, and expectations of firms. Some of the reported data are likely based on operation and capacity in the previous year, but those data may be a poor representation of current or future market conditions. Firms adjust their plans according

“Reliance on the NK for business inputs creates an incentive for firms to report false estimates in order to influence their access to imports or ability to export when there are concerns about domestic supply, as well as their access to domestic markets when there are concerns about competition.”

to market fluctuations, which happen constantly, not annually. Inputting data into the NK annually may limit firms' performance. For example, if a firm finds it needs more inputs than it estimated based on the previous year, it may not have the flexibility to source more inputs if its access to inputs depends on the plans in the NK.

Reliance on the NK for business inputs creates an incentive for firms to report false estimates in order to influence their access to imports or ability to export when there are concerns about domestic supply, as well as their access to domestic markets when there are concerns about competition. This potential error would be compounded as the data are aggregated at the national level. Interviews with domestic producers in electronics and steel manufacturing suggest there has never been verification of the reported data since the data was

collected. This raises a concern that producers of domestic raw materials may have exaggerated their capacity to limit import competition.

Government Regulation No 28/2021 on the Implementation of the Industry Sector mentions mechanisms to verify production data provided by industrial firms through external surveyors if needed. However, the criteria for when this verification process would be needed are unclear and there exists no mechanism to check the accuracy of reported data in other sectors (agriculture, fisheries and mining). Furthermore, there are no consequences for firms if their actual consumption and production deviate from what they reported in the data—nor should there be, since forecasting is inherently uncertain. Firms are not required by law to report these data to the government and should not be required to.

Issues also occur in collecting consumption data from final consumers. At the moment, available consumption data is only based on BPS estimates. BPS reports information on aggregated household consumption for calculating GDP. However, accurate and detailed data on the consumption of specific products, based on the Harmonised System classification, is most likely impossible to collect.

Representativeness of Firms

Not all businesses will provide information to the NK. In particular, small firms with limited planning capability and management capacity are unlikely to contribute. This could bias the aggregate data towards the needs of larger firms.

Interviews with domestic producers in electronics and steel manufacturing support these concerns. In the steel industry, only large manufacturers report their installed capacity to SIINas. Many smaller manufacturers, which represent 25% to 30% of producers in the steel industry, do not have a SIINas account and do not report their production capacity.

“small firms with limited planning capability and management capacity are unlikely to contribute. This could bias the aggregate data towards the needs of larger firms.”

Disputes between Ministries

Discrepancies in the data collected from different sources often lead to disputes among Ministries (Nurmayanti, 2018; Idris, 2021) as well as firms (DP, 2019; Satyagraha, 2020; Permana, 2021). The introduction of Neraca Komoditas will not change much about data collection and verification from ministries and government agencies. Mechanisms for reconciling difference between ministries have not been detailed. Possible mechanisms that may be used to overcome disputes between ministries is through government meetings and mid-year revisions of NK. Meanwhile, there is no dispute mechanism for firms who feel the quota granted to them (or their competition) is not well justified. In this sense, NK may not improve the old system by much.

The Neraca Komoditas will need integrated data from several different government ministries with no history of data integration. It is unrealistic to expect data integration problems to suddenly disappear when NK is implemented. Data for many products are collected by various government ministries, and some by multiple government ministries, and the accuracy of the data has long been questioned (Ruslan, 2019), especially for data collected by the Ministry of Agriculture.

“The Neraca Komoditas will need integrated data from several different government ministries with no history of data integration. It is unrealistic to expect data integration problems to suddenly disappear when NK is implemented.”

Aggregation Masks Product Variation

Collected data generalize commodities based on their international Harmonised System classification that can be detailed into eight-digit HS code. Although this classification is beneficial

While domestic producers may be able to produce enough quantity of a category of good to meet annual demand, consumers and downstream industries might still want to import due to considerations of quality, serviceability, or deliverability.

for streamlining the trade process, it obscures variations within each HS code. This adds to the potential for a mismatch between supply and demand as estimated in the NK, since either supply or demand may be for a specific product within an HS code and not for the category generally.⁸

Qualitative attributes such as variations in quality and time of delivery are also obscured by the way the NK uses HS code data. While domestic producers may be able to produce enough quantity of a category of good to meet annual demand, consumers and downstream industries might still want to import due to considerations of quality, serviceability, or deliverability.

Frequency of Data Updates

Even if the NK is able to overcome potential problems with its data, its ability to respond quickly to market forces is questionable. Realistically, production, consumption, capacity, and trade data can only be collected once a year. Annual data collection is the norm for firm-level data collected by the BPS in Indonesia, such as Statistik Industri (SI). Some trade and aggregate level data for production, consumption, and prices are released monthly by the BPS.

The more data are collected, the more involved a task data collection becomes. Neraca Komoditas' reliance on data collected by ministries based on reports from firms means the frequency depends on the ability of multiple ministries to collect data in a timely manner—something ministries have not demonstrated an ability to do.

MoMAF Regulation No. 24/2021 on the Establishment of Fishery Commodity Balance mentions the ability to revise the Neraca Komoditas on fishery products. In article 17, a change in NK on fishery products can be proposed to the Coordinating Ministry of Economic Affairs through the national single window system, SINSW. This may be the model for all products to which the NK is applied. Although the ability to update the NK could help address problems as they arise, it would also complicate data collection and updates by introducing the need to track, account for, and predict NK revisions.

⁸ For example, steel producer can alter their specification, such as thickness. Even if Neraca Komoditas also controls detailed specification, firms can easily alter their thickness using the same machinery. Controlling this too much costs flexibility by firms to adjust to market conditions.

The ability of Neraca Komoditas to keep up with the dynamics of the domestic market is highly questionable. It is improbable that it can track and predict the global market with the degree of precision needed. In contrast, a market-based approach of free trade relies on prices to allocate resources. While price fluctuations can signal shortages and abundance of any commodity rapidly, a planned system like Neraca Komoditas will inevitably lag in responding to market signals because it must do so based on the past, not real-time information. This lag may cause inefficiency in firms and the economy as a whole in addition to discouraging businesses, investment, and consumption.

The ability of Neraca Komoditas to keep up with the dynamics of the domestic market is highly questionable. It is improbable that it can track and predict the global market with the degree of precision needed.

THE POWER OF PRICES

The Neraca Komoditas was designed to ensure domestic access to commodities by focusing on regulating trade to match domestic supply and imports with domestic demand. The problem lies in how the system estimates demand and the level of supply needed to satisfy it as NK does not consider prices in its concept.

Indonesia has a long history of regulating food imports based on estimates of domestic demand and supply. Unfortunately, this process has not been successful in ensuring domestic supply at affordable prices.

In a market-based system, prices are the medium through which producers and consumers communicate their levels of supply and demand. Higher prices, holding everything else constant, indicate that there may be excess demand and provide an incentive for producers to increase production or enter the market to boost supply. Dynamic prices contain information about availability and demand without needing to specify the actual quantities or reasons for demand and supply shifts. For these reasons, the government's policy of arguing that quantity supplied is sufficient is misplaced if domestic prices are higher compared to past and foreign prices.⁹ Indonesia has a long history of regulating food imports based on estimates of domestic demand and supply. Unfortunately, this process has not been successful in ensuring domestic supply at affordable prices.¹⁰

In combination with the data integrity issues detailed in the previous section, targeting quantities when granting import licenses has contributed to high domestic food prices compared to prices in neighboring countries. According to Indeks Bu RT, a food price comparison index compiled by the Center for Indonesian Policy Studies (CIPS), the average domestic prices of chicken, shallot, and garlic in November 2020 were 34%, 138%, and 68% higher, respectively, than in Malaysia (CIPS, 2020). In these cases, domestic production and consumption estimates were used to support restrictions on imports. Indonesia's food consumer price index (CPI) inflation between January 2010 and December 2019 was a staggering 258%—far higher than the 38% experienced in Malaysia and 24% in Singapore over the same period (Pasaribu et al., 2021).

Focusing on only quantity also obscures the variations within each commodity, which are often reflected in price variations within a category of good. Regulating trade under a uniformity assumption is likely to lower consumer welfare by depriving consumers of options and lower producer productivity by limiting their options for raw materials. In many cases, especially in highly technical manufacturing processes, raw materials with certain specifications are not substitutes for other products of the same commodity group. NK risks ignoring these intricacies in favor of the simplified assumption of uniform domestic supply.

⁹ For example, in 2018, official figures showed a surplus of national rice production surpassing 10 million tons. Despite the estimated surplus, domestic prices remained high, and Indonesia had to import 2.25 million tons of rice. Similarly, 731,000 tons of corn were imported in the same year to stabilize prices despite official statistics recorded a surplus of 14.6 million tons (Ruslan, 2019).

¹⁰ See Basri & Patunru (2012) and Marks & Rahardja (2012) for rice and Saputri & Respatiadi (2018) for sugar.

An example can be found in the steel industry. An interview revealed that 02-variant steel sheets, a raw material, are not produced in Indonesia but available only through imports from China (Interview 1). Domestically produced 07-variant steel sheets are inappropriate substitutes for 02-variant sheets due to differences in thickness. However, these products share a Harmonized System code and so the supply reported by domestic producers can make it appear as though there would be no shortfall of raw materials if the government required the steel industry to rely on domestic inputs. Steel imports of the 02-variant were limited due to the misleading way in which these commodities are reported. This limitation hampers the efficiency of the steel industry.

POSSIBILITY OF CONTROLS ON NEW GOODS

Discussions so far have concerned how Neraca Komoditas may affect the trade of already regulated goods. To the extent that it is meant to act as a basis for quota licensing, there is no need for the government to compile NK for non-regulated goods. However, Government Regulation No. 28/2021 on the Implementation of the Industry Sector suggests that there may be more to NK than simplifying processes around already-controlled goods.

Government Regulation No. 28/2021 includes an intention to use Neraca Komoditas to ensure access to raw materials and industrial inputs. Defining “raw materials and industrial inputs” takes place in the regulation’s attachment, which lists goods based on their Harmonized System (HS) 8-digit classification codes¹¹ (also called “tariff lines”).

From thousands of tariff lines listed, we sampled 622 tariff lines, of which 323 are not controlled under the current licensing system. We aggregate these 323 tariff lines to HS-2-digit, collect their export and import performance in 2019, and rank them based on the biggest tariff lines newly covered by Neraca Komoditas. The result is displayed in Table 1.

Box 1.

The Harmonized System (HS) Code

The Harmonized Commodity Description and Coding System, also known as the Harmonized System (HS) of tariff nomenclature is an internationally standardized system of names and numbers to classify traded products. The HS is organized logically by economic activity or component material. For example, animals and animal products are found in one section of the HS, while machinery and mechanical appliances are found in another. The HS is organized into 21 sections, which are subdivided into 99 chapters. The 99 HS chapters are further subdivided into 1,244 headings and 5224 subheadings.

The HS code consists of 8-digits. The first two digits designate the HS Chapter. The second two digits designate the HS heading. The third two digits designate the HS subheading. HS code 1006.30, for example indicates Chapter 10 (*Cereals*), Heading 06 (*Rice*), and Subheading 30 (*Semi-milled or wholly milled rice, whether or not polished or glazed*). The last two digits denote the tariff lines level that varies between countries.

¹¹ See Box 1 for explanation.

Table 1.
Top 10 HS-2-digit that are included in Government Regulation No. 28/2021

HS-2-digit	Number of products covered by Neraca Komoditas	Commodity description	Export Value (million USD)	Import Value (million USD)	Net Trade (Million USD)
84	42	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	5,542.61	26,817.44	-21,274.83
28	30	Inorganic chemicals; organic and inorganic compounds of precious metals; of rare earth metals, of radio-active elements and of isotopes	1,078.57	1,898.32	-819.75
39	21	Plastics and articles thereof	2,453.18	8,784.62	-6,331.44
25	19	Salt; sulphur; earths, stone; plastering materials, lime and cement	361.46	887.54	-526.08
38	17	Chemical products n.e.c.	4,109.95	2,601.36	1,508.59
68	15	Stone, plaster, cement, asbestos, mica or similar materials; articles thereof	153.47	499.74	-346.27
26	14	Ores, slag and ash	3,126.60	598.20	2,528.39
27	13	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	34,105.45	23,480.06	10,625.39
32	11	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other colouring matter; paints, varnishes; putty, other mastics; inks	530.34	1,493.29	-962.96
55	10	Man-made staple fibres	2,263.08	1,193.45	1,069.63

Source: UNCOMTRADE, authors' calculation

Under each tariff line, some goods are traded more heavily than others, which is not reflected well at the HS-2-digit level. We try to capture tariff lines that contain the highest net trade and lowest net trade using HS-6-digit level identification from the UNCOMTRADE web portal (UNCOMTRADE). The result is available in Table 2 on highest net exports and Table 3 on highest net imports.

Table 2.
Top 10 net-export goods that are included in Government Regulation No. 28/2021

HS-6-digit	Commodity Description	Export Value (million USD)	Import Value (million USD)	Net Trade (Million USD)
151190	Vegetable oils; palm oil and its fractions, other than crude, whether or not refined, but not chemically modified	11,074.59	43.20	11,031.38
151321	Vegetable oils; palm kernel or babassu oil and their fractions, crude, not chemically modified	399.72	0.13	399.58
152000	Glycerol, crude; glycerol waters and glycerol lyes	123.27	0.88	122.39
281410	Ammonia; anhydrous	443.90	4.04	439.86
380610	Rosin and resin acids	84.00	1.45	82.55
390410	Vinyl chloride, other halogenated olefin polymers; poly(vinyl chloride), not mixed with any other substances, in primary forms	157.89	65.16	92.73
440290	Wood; charcoal of wood other than bamboo (including shell or nut charcoal), whether or not agglomerated	268.99	0.34	268.65
550410	Fibres; artificial staple fibres, of viscose, not carded, combed or otherwise processed for spinning	522.04	86.20	435.84
550921	Yarn; (not sewing thread), single, of synthetic staple fibres, containing 85% or more by weight of polyester, not put up for retail sale	281.01	10.98	270.03
740811	Copper; wire, of refined copper, of which the maximum cross-sectional dimension exceeds 6mm	150.96	37.07	113.90

Source: UNCOMTRADE, authors' calculation

Table 3.
Top 10 net-import goods that are included in Government Regulation No. 28/2021

HS-6-digit	Commodity Description	Export Value (million USD)	Import Value (million USD)	Net Trade (Million USD)
270400	Coke and semi-coke; of coal, lignite or peat, whether or not agglomerated; retort carbon	54.52	144.17	-89.65
290511	Alcohols; saturated monohydric, methanol (methyl alcohol)	63.40	279.73	-216.33
320611	Colouring matter; pigments and preparations based on titanium dioxide, containing 80% or more by weight of titanium dioxide calculated on the dry matter	0.06	226.00	-225.94
390810	Polyamides; polyamide-6, -11, -12, -6,6, -6,9, -6,10 or -6,12, in primary forms	19.34	221.55	-202.21
481910	Paper and paperboard; cartons, boxes and cases, of corrugated paper or paperboard	12.30	107.18	-94.89
550210	Fibres; artificial filament tow of cellulose acetate	0.66	150.11	-149.45
741110	Copper; tubes and pipes, of refined copper	2.26	72.14	-69.88
550410	Zinc; unwrought, (not alloyed), containing by weight 99.99% or more of zinc	0.00	287.03	-287.03
842290	Machinery; parts of machinery of heading no. 8422	4.55	94.23	-89.69
848210	Ball bearings	143.14	245.62	-102.48

Source: UNCOMTRADE, authors' calculation

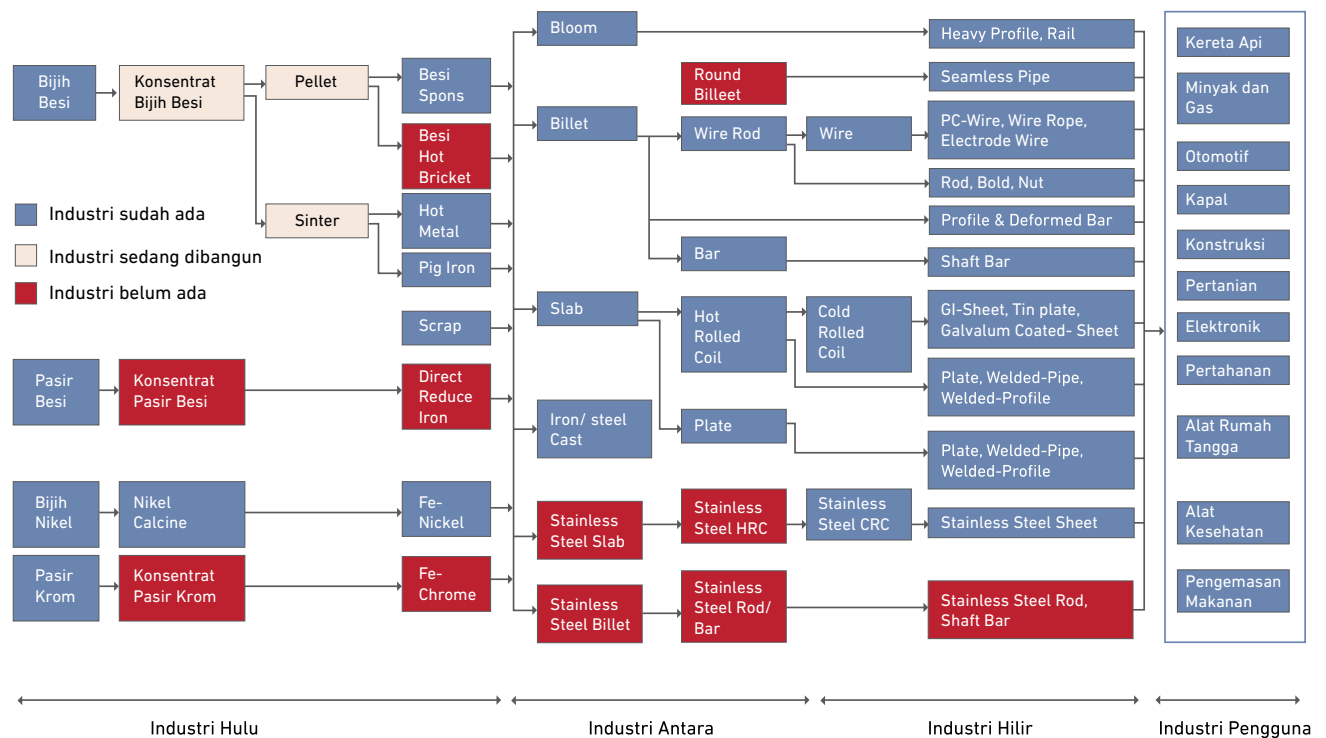
In short, around half of the sample of regulated tariff lines in this regulation do not fall under a licensing system. If this sampling is representative, then half of the list in Government Regulation No. 28/2021 attachments are not included in the licensing system. Goods listed in the Government Regulation No. 28/2021 attachments are by no means guaranteed to be restricted. The NK would likely be targeting goods currently restricted by the old system. However, the regulation sends mixed message to industries that these goods may be restricted too in the future. For example, some industry association mentioned how Neraca Komoditas is needed to limit import competition (Bardan, 2021b).

Table 2 and Table 3 illustrate that Government Regulation No. 28/2021 mainly targets raw materials, intermediate industrial inputs, and capital goods centered around industrial production. Industrial production is often complex, highly specialized and tied much closer to global value chains. The fact that the new list consists of many industry-related goods tied into global value chains risks adding further complications to production processes and makes regulating these goods a challenging task.

As a source for data and information, NK provides opportunities for the government and the general public to study Indonesian trade and industry and policies related to trade and industry. However, the creation of this database may also encourage the government to expand the licensing system to any goods for which it has data and information.

In the case of an industry with a complex value chain, such as the steel industry (shown in Figure 5), incorrect information in the NK could cascade through different production streams, prompting the government to intervene further, again with incorrect information. As an intervention in a subindustry stream could negatively impact other streams, the government might need to choose which subindustries to intervene in. The decision can be made based on the size of domestic capacities and employment but may also be influenced by interest groups. This could lead to government intervention massively disrupting overall efficiency, affecting competitiveness and consumer welfare.

Figure 5.
Supply Chain of Steel Industry



Source: Ministry of Industry (2014)

While Government Regulation No. 29/2021 on the Implementation of the Trade Sector does not mention control of new goods, Article 7 of Government Regulation No. 28/2021 grants the central government the power to restrict exports and relax imports to ensure access to materials for industries. However, these regulations do not mention the power to relax exports or restrict imports. This suggests that the goods listed in Government Regulation No. 28/2021 can either be export-restricted or import-relaxed but cannot be import-restricted. The practice remains to be seen.

The Indonesian government has already been tightening its grip on international trade. The existence of NK, either through data collection or its estimations, may give the government the illusion of control that has inspired it to expand its control over more trade in goods. We hope this is not the case.

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MATERIAL CENTER

“Material centers are entities set up to import raw materials and sell them to businesses domestically.”

The establishment of material centers is specified in Article 19 of Government Regulation No. 28/2021 to ensure access to raw materials for small businesses, which often lack access to imported materials. Material centers are entities set up to import raw materials and sell them to businesses domestically.

The concept of material centers is not new—they have a similarity to the mandate to Bulog, a state-owned enterprise in charge of ensuring food availability and price stability for eleven food commodities. The objective is laudable, responding to a real problem experienced by many small businesses.

However, how these centers will operate is still unknown. As with the NK, implementing regulations for these centers have not been released.

Government Regulation No. 28/2021 indicates that there will be multiple material centers, but the number of centers and their mandates are unclear. Information about their institutional setting is also missing: whether or not they will be state-owned, how they will be funded, their objectives and the tools they will be granted to achieve them, and their independence from political processes.

Although Bulog has provided a degree of stability and food availability, it has several problems, including the windfall losses for the rice industry, the structural imbalances and market distortions inherent to a state-owned monopoly, and lost consumer surplus from cheaper food imports that were not allowed (Arshad, Arifin, & Tey, 2019). If these material centers operate like Bulog, they may have the same problems as Bulog, but extended to the wider manufacturing sector.

“If these material centers operate like Bulog, they may have the same problems as Bulog, but extended to the wider manufacturing sector.”

OTHER POTENTIAL PROBLEMS

There could be some side effects of the Neraca Komoditas that should be anticipated by the government, especially if they intend to expand import licensing through its implementation.

Firms that secure larger quotas than they actually need may have an incentive to transfer or sell the quotas to other firms with higher prices. Although selling quotas could help address misallocation, it is prohibited by Government Regulation No. 28/2021. The mechanism of quota distribution as well as data on quota allocations and realization should be released and can be accessed by the public. Lessons should also be drawn from past experiences when the government quotas led to inefficiencies.¹²

An expanded import licensing system under the NK may also provoke retaliatory trade measures by other countries. Indonesia has several implemented FTAs/CEPAs and various ongoing trade negotiations to increase access to export markets, all of which may be in conflict with expanded import restrictions. This may also reduce investment in Indonesia, since it limits the flexibility of the global production network. Export-oriented companies tend to collaborate in global value chains that require easy access to exports and imports.

“Until recently, the majority of firms did not understand the concept of NK, nor do stakeholders including various government agencies, media, and academics.”

Poor public communication and discussion should also be addressed. Until recently, the majority of firms did not understand the concept of NK, nor do stakeholders including various government agencies, media, and academics. The introduction of MoT Regulations No. 18/2021, 19/2021 and 20/2021 are adding to the confusion to some firms (Timorria, 2021). With the Constitutional Court declared The Omnibus Law unconstitutional (Jakarta Globe, 2021) and the missing Presidential Regulation, the legal standing of those MoT Regulations can indeed be questioned¹³. Despite this, the government intends to implement the system as soon as possible. Unclear regulations and poor public consultations will lead to uncertainty and business climates downgrading.

“Unclear regulations and poor public consultations will lead to uncertainty and business climates downgrading.”

¹² Previous experiences in export quotas under Multi Fibre Arrangements (MFAs) provide lesson learn for governments that such mechanism was ineffective and inefficient (Krishna & Tan 1998). The productivity gains for firms also larger in competitive settings rather than intervened environment (Pane & Patunru 2020)

¹³ There is an article in the three MoTs which gives a discretion to Minister of Trade to make decision on an unclear situation, but the definition of unclear situation is unclear.

CONCLUSION AND POLICY DISCUSSIONS

To address the economic effects of the COVID-19 pandemic, Indonesia enacted the Omnibus Law of Job Creation and its 49 implementing regulations. One aspect of this law is Neraca Komoditas, a newly introduced measure to control international trade. The NK intends to create a database of integrated supply and demand data for thousands of goods in order to inform the government as it grants export and import permits. The intent of this system is to streamline and increase the transparency of the licensing process, as well as to ensure local producers can access inputs and domestic markets by controlling imports and exports. To this end, imports would be allowed if there are deficits in domestic production, while exports would be allowed in the case of surpluses. If NK can be implemented successfully, it has the potential to cut one step from the quota permit process and lessen the chance of corruption. The additional one-portal solution and the 'silence is consent' could potentially improve the speed of permit issuance. This study shows, however, this system may still face problems that plague the quota system at its core.

The first major problem is collecting data and that it is reliable. The system needs different types of information from many sources, such as firm-level production and consumption, and household and government consumption. These data are hard to collect and verify. Complications become more severe when the data concerns more complex goods that may constitute a variety of products captured by a single commodity code. It will be difficult for the NK to overcome these problems, and a system relying on NK populated with flawed data could be worse than the status quo.

Disputes over the accuracy of the data between different ministries is another problem plaguing the import licensing system. NK does not seem to alter the way ministries and other government agencies source data, and a dispute resolution mechanism has not been detailed. It is unclear how NK might resolve this issue.

Disputes may also arise between firms seeking quotas. The existing quota licensing regime lacks transparency about how quotas are granted. This creates an opportunity for corruption. The NK may address this problem by clearly publishing the data and processes for determining how quotas are granted, especially if the government publishes clearly and transparently when and how much quota is available. Evaluation tools such as firm survey and a mechanism to resolve disputes should also be added.

Neraca Komoditas introduces uncertainty with an additional list of tariff lines in Government Regulation No. 28/2021. This list includes commodities that are not regulated by the quota system, which suggests that these good may have quotas applied in the near future. Exports and imports are crucial for doing business in Indonesia, and controls on trade discourage efficiency and investment and may favor larger firms. These outcomes are at odds with the goals of the Omnibus Law of Job Creation. The government must act to ensure that the NK supports rather than undermines those goals.

It remains to be seen how NK will play out. The government will begin implementation of the NK by applying it to five goods: rice, salt, sugar, beef, and fisheries products. These sectors are

already subject to quota restrictions and are relatively simple. They have also faced the general problems discussed above, including data collection and integration issues, disputes between ministries and quota-related corruption cases. These test products will demonstrate how Neraca Komoditas will address these challenges.

At the time of writing, the Presidential Regulation on Neraca Komoditas has not been released. There is a suggestion that NK will be expanded to “all goods” in 2022, will be implemented in 2023 (Directorate General of National Export Development, 2021). We also have no information on the material centers, apparently intended to import materials for smaller producers. In short, much follow-up remains for the government if it intends to pursue the goal of ensuring access to raw materials and intermediate inputs and improving the efficiency of the trade bureaucracy.

Rather than fine-tuning how quotas are set, scrapping the quota system altogether may be the best option. Eliminating quota permits would eliminate their potential to aid corruption. Eliminating the entire permit system would streamline the process more effectively than cutting some of the existing red tape. Freer trade ensure access to inputs at the world market price, which enables better information for firms and competitiveness for Indonesian manufacturing industries. This need not eliminate the introduction of better data collection and a better database of Indonesian trade. Neraca Komoditas can be implemented without imposing additional trade barriers, and even while eliminating them.

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APPENDIX

Regulation	Law No 11/2020	Government Regulation No 5/2021	Government Regulation No 27/2021	Government Regulation No 28/2021	Government Regulation No 29/2021
	Job Creation	Risk Based Business License (Penyelenggaraan Perizinan Berusaha Berbasis Resiko)	Maritime and Fisheries (Penyelenggaraan Bidang Kelautan dan Perikanan)	Industries (Penyelenggaraan Bidang Perindustrian)	Trade (Penyelenggaraan Bidang Perdagangan)
Regulate export or import	Import only	Import and Export	Import	Import and Export	Import and Export
Mention NK	No	Yes	Yes	Yes	Yes
Regulations on business permits for import or export activities	<p>Article 46 Number 13 mentions general rules for importing activities. Importing activities for business needs to have business permits.</p> <p>The explanation of the chapter mention that import application can be directly applied to the Trade Ministry after getting approval and recommendation from related ministries if needed.</p>	<p>In Article 559 Paragraph 1, NK is mentioned for issuing business permits for import and export activities</p> <p>In Article 559 Paragraph 4: if NK is not available, business permits in the form of recommendations of import and export are regulated in sectoral regulation, and this regulation is not applied.</p>	Article 276 Paragraph 1: The approval of import License of fisheries products is based on NK.	Import and Export	<p>Article 5 Paragraph 1, 3 and 4: Exporters for business activities must have NIB. To export specific products need business licenses from the Ministry. Business licenses include Exporters Registry and Export Permits.</p> <p>Article 6 Paragraph 1-5: Importers for business activities need to have NIB and Import Identifier (API). API includes General API and Producer API. To import specific products need Business Licenses from the Minister that include Importer Registry, Producer Importers and Import Permits.</p>
		In Article 559 Paragraph 3: if NK is available, issuing business permits in the form of recommendations of import and export are conducted based on government regulation and data			Article 5 Paragraph 8 and Article 6 Paragraph 9: Further regulation on NIB and API, non-business exporters and importers, and Business Licenses is determined by Ministerial Regulation.
					Article 7: The application of Business License can be conducted through electronic system.
Definition of NK	No	No	Yes	Yes	Yes

			Article 276 Paragraph 2: NK for fisheries is arranged by the data of production and last year stocks, the data of needs for domestic consumption and export and the data of needs for industries.	Article 11 Paragraph 2.a and 2.b: NK consists of comprehensive, detail and correct data on the need and supplies of raw and intermediate inputs for domestic industries	
			Article 284: NK is used for salts products is arranged based on last year stocks, the production plan on next year and the needs of next year.	Article 12 Clause 5, NK can be accessed through an integrated information system.	
NK arrangements	No	Article 559 Paragraph 2: To arrange NK, ministries need to provide data on needs of export and import and supporting data to be integrated in electronic system	<p>Article 277 Paragraph 1-2: The Minister arranges the recommendation of NK on fisheries to The Minister on Economic Affairs and will be discuss in coordination meetings between ministries to determine the NK for the next year.</p> <p>Article 277 Paragraph 3-5 and Article 278-282: Ministerial meetings determine the allocation of import that include the location, types of fisheries products, volume and times of import, compulsory standard qualities and the use of importation. This information will be uploaded in the integrated electronic system to be used for the issuances of import permits.</p> <p>Article 286-290: The government arranged the import allocation for importation of salts that include location of importation, types of salts, volume and period of importation, and standard qualities that are uploaded in integrated electronic system.</p>	<p>Article 11 Paragraph 1: The government arrange NK to ensure the availability of raw materials and intermediate goods.</p> <p>Article 12 Paragraph 2, 3 and 4, and Article 13: the NK is determined by coordination meeting between ministries in previous year based on the Industrial Needs Planning, but can be evaluated in anytime.</p>	<p>Article 5 Paragraph 5-6: Export Permits by the Ministry are based on NK. If NK is not available, Export Permits are based on other available regulations.</p> <p>Article 6 Paragraph 6-7: Import Permits by the Ministry are based on NK. If NK is not available, Import Permits are based other available regulations.</p>

Data for NK	No	Article 559 Paragraph 2: To arrange NK, ministries need to provide data on needs of export and import and supporting data to be integrated in electronic system	<p>Article 276 Paragraph 3-5: NK is arranged based on business plans that include general information of firms (production capacity/ warehouse capacity, employees), information on the need of fisheries, market orientation and distribution plan of imported fisheries. This business plan is provided to the ministry.</p> <p>Article 283: The firms need to report the realisation of importation and distribution of import products through electronic system under Ministry of Trade.</p>	<p>Article 11 Paragraph 3 and Paragraph 4: the data on needs and supplies of raw materials and intermediate goods includes types (based on HS tariffs classifications), volume or quantities, time needed, and standard and quality.</p> <p>Article 14 Paragraph 2 and Article 15 Paragraph 1 and 3: The Industrial Needs Planning is based on needs and provided from all firms through SIINas to the Ministry.</p> <p>Article 15 Paragraph 2: The data can be verified by other parties that determined by the Ministry.</p>	<p>Article 13 Paragraph 1: For the need of NK, ministries provide data on export and import and other data to the integrated information system.</p> <p>Article 13 Paragraph 2: Ministry of Finance provides data on export and import realisation through integrated information system.</p>
Regulations about the supply of industries	No	No	No	<p>Yes</p> <p>Article 14 Paragraph 1 and 3: the Industrial Needs Planning will be used for 1 year and will be determined by the Ministry.</p>	No
Regulations on domestic supplies	No	No	No	<p>Article 5: Industrial firms must prefer to use raw materials and intermediate goods from domestic supplies.</p> <p>Article 7: Governments guaranties the availability of raw materials and intermediate goods, so that the government can forbid or limit export and ease import for those goods.</p>	No

				Article 8: The government, in order to guaranty the availability of raw materials and intermediate goods, maps and determines the region of supplies of those goods, introduces the use of alternatives goods, develops the upstreams and intermediate resource-based industries.	
Regulations on export	No	No	No	Article 9: Ministry prepare recommendation of export restriction or limitation. The export restrictions of raw materials and intermediate goods based on consideration of they are strategic and limited products, they are buffers to ensure the availability of domestic industries use, the domestic production is limited to procure the need of domestic industries, they have higher value added, price stabilities and other national interest.	Article 10: Exports are not allowed for some products based consideration of health, safety and environment, national security and interest, endangered creatures, and other regulations.
Regulations on import	No	No	Article 291: Importers of salts must prioritize the absorption of domestic production of salts for domestics use. Article 292-294: Fisheries controllers and special police in certain areas will control the process of importation with coordination with other institutions. Importation that is not allowed will get various administrative penalties.	Article 10: Ease of importation of raw materials and intermediate goods is based on the consideration of the availability of domestic supply (quantity, volumes, standard qualities) by using fiscal and non fiscal facilities and to fulfill the need of import. Article 19: Import can be conducted by industrial firms that have Producer-Importer Identifiers (API-P) or General Importer Identifiers (API-U) for the use of SMEs with order contracts.	Article 9: Importers need to import new products, except in certain condition based on other regulations. Importers are not allowed to import certain products based on consideration of other regulation, to ensure the national security and interest, as well as health and safety consideration.

				Article 20-29: Firms are not allowed to transfer or sell the importation of raw materials and intermediate goods that they obtained. The regulation can be nullified under certain circumstances.	
Others	No	In Article 559 Paragraph 5: Other matters about NK will be arranged in Presidential Regulation	Article 276 Paragraph 3: NK is arranged for 1 year	Article 11 Paragraph 5: NK is arranged for 1 year	Article 5 Paragraph 7 and Article 6 Paragraph 8: Other matters about NK is arranged in Presidential Regulation.

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