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INDONESIA

Statement by H.E. Mr. Jusuf Kalla Minister of Industry and Trade

Introduction

1. It is indeed a great honour and privilege to address the Third Session of the WTO Ministerial Conference, which takes place in Seattle. Let me at the outset extend my profound gratitude to the Government and people of the United States for their warm hospitality and for the excellent arrangement. I would also like to congratulate H.E. Ms. Charlene Barshefsky as chairperson of this Ministerial Conference and I am fully confident that under her able leadership and with the cooperation of all Members, our deliberation will come to a fruitful conclusion. May I also take this opportunity to express my appreciation to the WTO Secretariat for their hard work in assisting with the substantive preparation.

2. Our world today, which is characterized by globalization and liberalization, has become much even integrated and interdependent. This situation has created enormous changes on the global economic scene, which have positive as well as negative influence to the international trade. Although some have been able to withstand the negative impact and have obtained benefits from the broad opportunities offered, many developing countries are still facing enormous difficulties and tremendous challenges and uncertainties. As we embark on a new millennium, the foremost challenge of globalization and liberalization is how to ensure that their fruits and benefits are extended to and shared equitably by all.

3. Indonesia recognizes that the Uruguay Round Agreements resulted in increased trade opportunities to all Members. Nevertheless, these Agreements have also resulted in greater responsibilities for developing countries as they assumed their commitments. Like many other developing countries, Indonesia has taken on unprecedented obligations, not only to reduce trade barriers but also to implement significant reforms both with regard to trade procedures and in many areas of regulations with the intention to establish a sound and conducive business environment in the domestic economy. Although being severely affected by the financial crisis, we have not reneged on our commitments in the WTO and have unilaterally and consistently pursued trade liberalization, in some cases even beyond our existing WTO commitments. In so doing, we put high expectations that our participation in a rules-based multilateral trading system would result in securing a fair share in the growth in international trade, commensurate with the needs of our economic development.

Special and differential (S&D) treatment

4. We are all aware that the benefits of trade liberalization would be more equitably shared if all countries have more or less similar level of economic development. However, it is a known fact that the WTO consists of Members with various degrees and levels of development and due to this differing level of economic development among the WTO Members, inequities exist in their capacities to utilise opportunities offered by trade liberalization. Many developing country Members

of the WTO have yet to build their economic capacity to be strong enough to compete in the international market in order to gain benefit from trade liberalization. Against this background, it is the position of my country that the WTO has to ensure that trade liberalization should be made an instrument for achieving economic development objectives of the developing countries so as to enable them to improve their abilities to utilise opportunities offered by free trade and to compete in the world market. In this regard, Indonesia believes that it is imperative that relevant WTO provisions on special and differential (S&D) treatment for developing countries be reviewed and updated in order to make it more applicable, operational and effective. It is also our view that developing countries' rights for S&D treatment in the WTO context should be preserved while, if necessary, adapted to current realities and development needs. Hence, if we are to create a balanced benefit of all WTO Agreements the principle of special and differential treatment should be an integral part of all WTO negotiations and agreements.

Implementation of the Uruguay Round Agreements.

5. Like many developing countries, Indonesia is of the view that full and faithful implementation of the existing WTO Agreements and Decisions is imperative to the credibility of the multilateral trading system. The fact clearly shows that the Uruguay Round Agreements have not yet been fully implemented, and therefore it is important to ensure that the problems be sufficiently addressed and resolved before embarking on new commitments. We are of the view that the problems of implementation not only involve the inability of Members to fulfil their obligations, but also relate to measures which may not violate the letter of the Agreements but clearly are in contravention with their spirit. As an example, Indonesia is quite concerned of the way the Agreement on Textiles and Clothing is implemented by major importing countries. So far, the integration programmes implemented by importing developed countries contributed very little to progressive liberalization envisaged by developing exporting countries. This in the end raises misgivings over the general trading conditions for developing countries.

6. Another notable problem related to implementation is the inability of developing countries to comply with their obligations, partly due to the fact that the existing substantive and procedural obligation often go beyond their capacity. While we do not deny that technical assistance is helpful to developing countries in order to improve their human resources and technical capabilities, so they can fulfil their obligations and take advantage of their rights – it should be realized, however, that the other serious cause of the problems is the shortcomings of the Agreements itself. These kinds of problems could not be addressed simply by providing technical assistance to developing countries. I believe that developing countries that are faced with various problems in implementing certain WTO Agreements are not insisting on an overhaul of the whole Agreement but simply proposing amendments with a view to improving them. And we believe Ministers at Seattle could resolve some of the problems, while some others could be dealt with during the mandated reviews. It would be very difficult for Indonesia to assume new obligations before the problems relating to the implementation of the existing Agreements are meaningfully addressed.

Technical cooperation

7. With regard to WTO activities in the area of technical cooperation, Indonesia attaches great importance on the need to have immediate decision to reinforce technical cooperation to developing countries, taking into account the specific needs of recipient countries. Due to the fact that many developing countries lack the financial resources and administrative structures necessary to meet their WTO obligations, we believe that the basic concept of technical cooperation should be based on developed countries providing assistance to the developing countries in need, since they have the means to do so.

Built-in agenda (BIA)

8. My delegation believes that every Member undoubtedly has a great interest in the continued vitality of the WTO. Therefore, this Organization should not only be forward looking but also cognizant and sensitive to the conditions and concerns of the developing countries. It is our position that a key starting point for the WTO future activities should be on the built-in agenda (BIA). The BIA provides a significant platform for progress both in terms of continued trade liberalization as well as improvements to existing rules. Under the BIA, negotiations in the two sectors of agriculture and services will be started by the year 2000. It also entails major reviews of various Agreements such as on TRIMs, TRIPS, and the Dispute Settlement Understanding.

Agriculture

9. As has been previously decided, negotiations in the area of agriculture should begin on schedule with clear negotiating mandates and structures that would facilitate a timely conclusion. The negotiations should not be linked with other issues that are not of the same footing. In terms of scope, Indonesia considers that the negotiations should revolve around the three main themes of market access, domestic supports and export subsidies. In recognition of the unequal capacity and level of development of developed and developing countries, the special and differential treatment for developing countries should be an integral element of the negotiations. Although we agree to pursue an ambitious programme for trade liberalization of trade in agriculture, the reform programme should have regard to non-trade concerns of developing countries such as food security, rural development and poverty alleviation as well as the concerns of net-food importing developing countries.

Services

10. The post-Uruguay Round sectoral negotiations have clearly pointed to the imbalances in the negotiation dynamics that govern the operation of the General Agreement on Trade in Services (GATS). These negotiations have tended to focus on sectors of primary interest to developed country Members such as basic telecommunications and financial services at the expense of others and lacking in respect of other sectoral negotiations, including those of primary interest to developing countries. Indonesia is strongly of the opinion that future service negotiations should aim to achieve a fair and balanced package for the entire WTO membership. The negotiations should cover all issues and services sectors with no a priori exclusions. Moreover, as the GATS also recognizes the special status of developing countries *vis-à-vis* the asymmetry that exist in respect of their economic development and their competitiveness as services providers, the negotiations should also provide flexibility for individual developing countries to open fewer sectors and to liberalize less types of transactions, and to progressively extend market access in line with their development needs. In this case, the full integration of developing countries into the global trade in services requires a genuine effort and more definite programme for capacity building so as to enable them to compete in the even more fierce world market.

Non-agricultural products

11. Being an exporter of processed and manufactured products, Indonesia supports the proposal to negotiate market access on non-agricultural products which aims at substantially reducing or eliminating tariff peaks and tariff escalation, particularly for products of interest to developing countries, such as textiles and clothing, footwear, processed food, natural-based products and tropical products. Our experience confirm that the imposition of tariff peaks and tariff escalation by the developed countries Members has impeded and discouraged the achievement of industrial development objectives in our country. Modalities used for the conduct of the negotiations, among others, shall be considered to give credit for autonomous liberalization measures and shall be based on bound rates. The tariff negotiations in this area should respond to the interests of all WTO Members.

Least-developed countries

12. In the same vein, Indonesia recognizes the importance of integrating LDCs into the multilateral trading system and welcomes the developed countries' market-access commitments for products of interest to LDCs. The developed countries and relevant international organizations should also assist the LDCs to build up their supply capacities so that they can take advantage of market access opportunities. As a principle, we also support the speedy accession of the least-developed countries into the multilateral trading system and efforts in this regard should be seriously considered in order to make the multilateral trading system truly universal.

Issues initiated at Singapore Ministerial Conference

13. While recognizing the positive effects of foreign direct investment (FDI) on the development in the developing countries, its negative effects should also not be ignored. The WTO work on the relationship between trade and investment has shown that the issues thereof are very complex and multifaceted. Given the complexity of the issue, Indonesia is of the view that the study and analysis in this area should be continued. The Working Group should focus on issues of interest to developing countries, in particular, the positive and negative effects of foreign direct investment on the development objectives for host countries, the obligations of foreign investors to host countries, and the obligations of home countries in respect of disciplines on their investors. Noting that there are many issues still to be explored, Indonesia is not prepared to embark on negotiations in this area.

14. In the same token, it is still premature to negotiate a multilateral framework in the field of competition policy, given the fact that the discussion on this issue has not yet been exhausted. In this regard, the Working Group on Trade and Competition needs to further study the relationship between trade and competition, focusing on, among others, the obligations of foreign firms and their home countries regarding anti-competitive practices of the firms and the need for monitoring and consideration of mergers and take-overs which have an impact on international competition, and especially on the position of developing countries and their enterprises.

15. With regard to trade facilitation, my delegation is fully aware of the importance of the WTO work programme in this area since it has direct co-relation with improving trade flows among trading nations. At the present time, we do not see the need to develop a specific multilateral framework on trade facilitation. Instead, Members should continue the work addressing all issues related to formalities for importation and exportation aimed at improving and strengthening the relevant provisions in the existing WTO Agreements.

16. Indonesia, like most developing countries, spends a significant portion of its state budget to purchase a wide variety of goods and services for public consumption. My delegation shares the view that transparency in government procurement will best help to ensure that governments obtain the best value for the money they spend. For this reason, Indonesia supports the efforts to achieve greater transparency in this area and has participated constructively in the discussions of the elements to be covered by an appropriate agreement, with the understanding that it would not cover the issue of market access. However, not all of the elements of transparency have been worked out. Further considerations on the elements are still needed before a decision to reach an agreement could be taken. In view of this situation, Indonesia is of the position that the Working Group on Transparency in Government Procurement should continue its work on identification of elements, particularly those elements of key interest to developing countries. In the continued study process, particular emphasis should be on the problems relating to capacity of developing countries to implement such potential elements, as well as the implications for their development objectives. The elements should be worked out in such a manner that there is no excessive burden on the developing countries in implementing the obligations, due to their limited human and financial resources, and should not expose the developing countries to unnecessary long-winded litigation. The obligation to provide information should take this aspect fully into account.

Electronic commerce

17. Indonesia shares the views that the WTO should promote the efforts to reduce the cost of goods and services transmitted electronically in all Member economies. However, Indonesia would like to understand perfectly the implications of electronic commerce to its economic, financial and development needs. In this regard, we are of the view that a comprehensive examination under the WTO work programme in this area should be continued before a permanent non-application of custom duties on E-Com could be decided by consensus. At this stage, Indonesia could only agree on the temporary continuation of the current practice of not imposing customs duties on electronic transmissions and review it in the Fourth Ministerial Conference.

Transparency and coherence

18. As a principle, Indonesia fully supports the efforts to improve transparency and to enhance public understanding of the work in the WTO. While increasing public awareness of the WTO and improving access to information are applaudable objectives, given the contractual nature and the inter-governmental character of the WTO, Indonesia is of the view that it is the responsibility of individual governments to involve various sectors in their society before entering into agreements in the WTO.

19. Trade expansion is also an essential part for economic development of developing countries. However, the capacity of these countries to benefit market opportunities is still limited. To best help these countries in enhancing utilization of trade opportunities offered by the WTO Agreements, better collaboration between the secretariats of the WTO and the Bretton Woods institutions is desirable. The WTO Secretariat, in collaboration with the secretariats of the World Bank, IMF and UNCTAD, should design specific integrated programmes for human and institutional capacity which is critical to developing countries in their efforts to achieve their economic development objectives and to participate fuller in the world trading system. Such a programme should be designed in such a way as to enable developing countries to make gradual and sound structural changes in order to adapt to the market changes as well as to the new technologies.

Labour standards

20. On the question of labour standards, it was agreed in the Singapore Ministerial Conference that the ILO is the competent body to set the labour standards and deal with labour issues, and that the WTO and ILO Secretariats will continue their existing collaboration. In our interpretation, collaboration means only exchange of information and documents. It was also our position that the Ministers' decision on this issue in Singapore should not lead to the WTO to acquire a competence to undertake further work on labour standards. Indonesia has ratified all the core conventions of ILO and remains committed to their observance. Nevertheless, Indonesia has serious difficulties with the proposal that the WTO should pursue further work in this area. This, we believe, is inconsistent with the agreement reached at Singapore.

Conclusion

21. To conclude, I am convinced that this Ministerial Conference would provide a valuable opportunity to review and address the various concerns and challenges facing the international trading system as we enter into the new millennium. It is our earnest hope that the challenges of the future bring more prosperity and growth to us all.
