

BASIC DESIGN STUDY REPORT
ON
THE PROJECT FOR ESTABLISHING
THE HUMANISM EXPORT TRAINING CENTER
IN
THE REPUBLIC OF INDONESIA

NOVEMBER 1987

JAPAN INTERNATIONAL COOPERATION AGENCY

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PREFACE

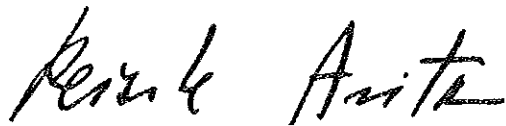
In response to the request of the Government of the Republic of Indonesia, the Government of Japan has decided to conduct a basic design study on the Project for Establishing the Indonesia Export Training Center and entrusted the study to the Japan International Cooperation Agency (JICA). JICA sent to Indonesia a study team headed by Mr. Kiyoshi Suwa, Assistant Director, Grant Aid Division, Bureau of Economic Cooperation, Ministry of Foreign Affairs from June 11 to June 28, 1987.

The team had discussions on the Project with the officials concerned of the Government of Indonesia and conducted a field survey in the Jakarta area. After the team returned to Japan, further studies were made, a draft report was prepared and a mission to explain and discuss it was dispatched to Indonesia. As a result, the present report has been prepared.

I hope that this report will serve for the development of the project and contribute to the promotion of friendly relations between our two countries.

I wish to express my deep appreciation to the officials concerned of the Government of the Republic of Indonesia for their close cooperation extended to the team.

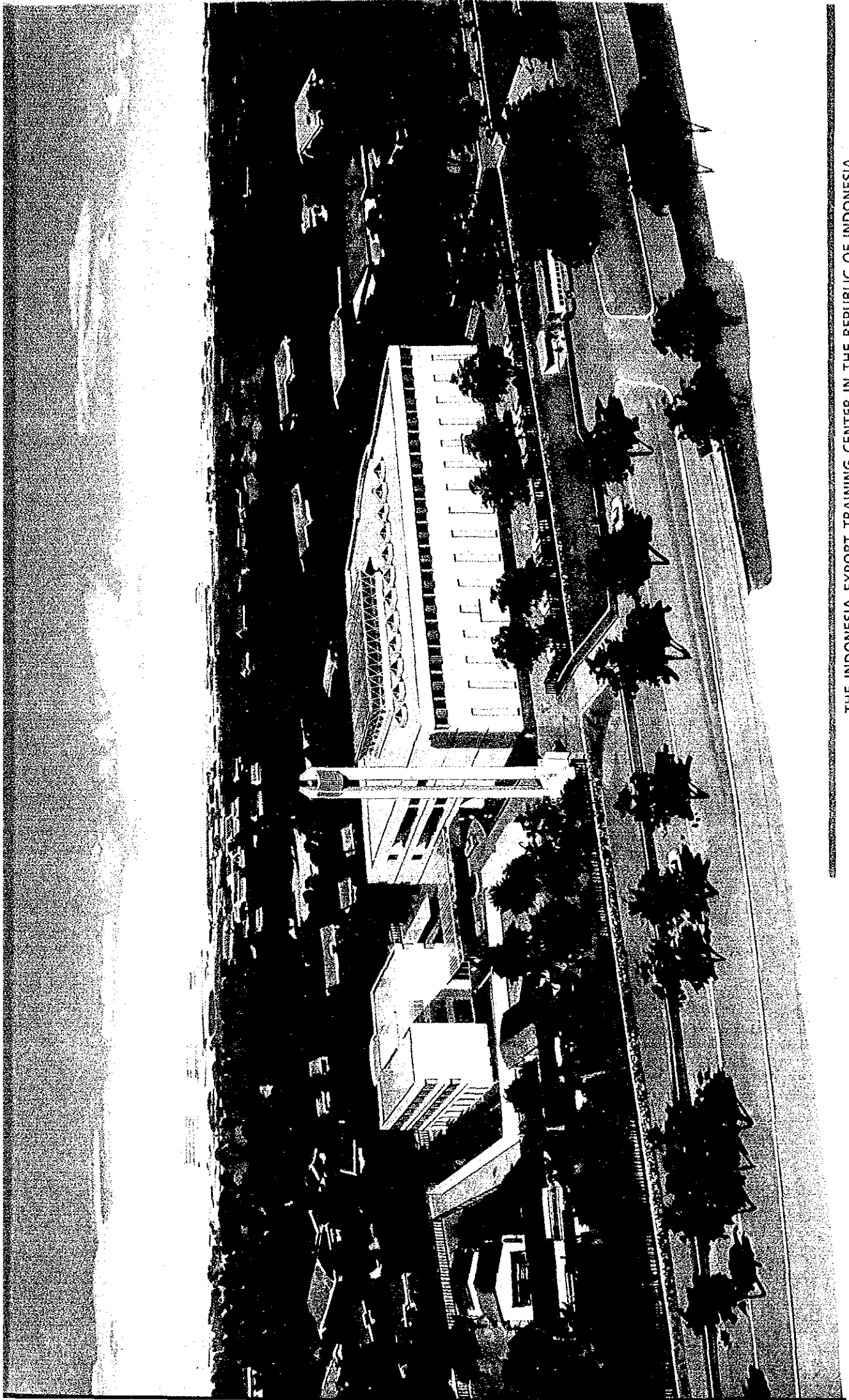
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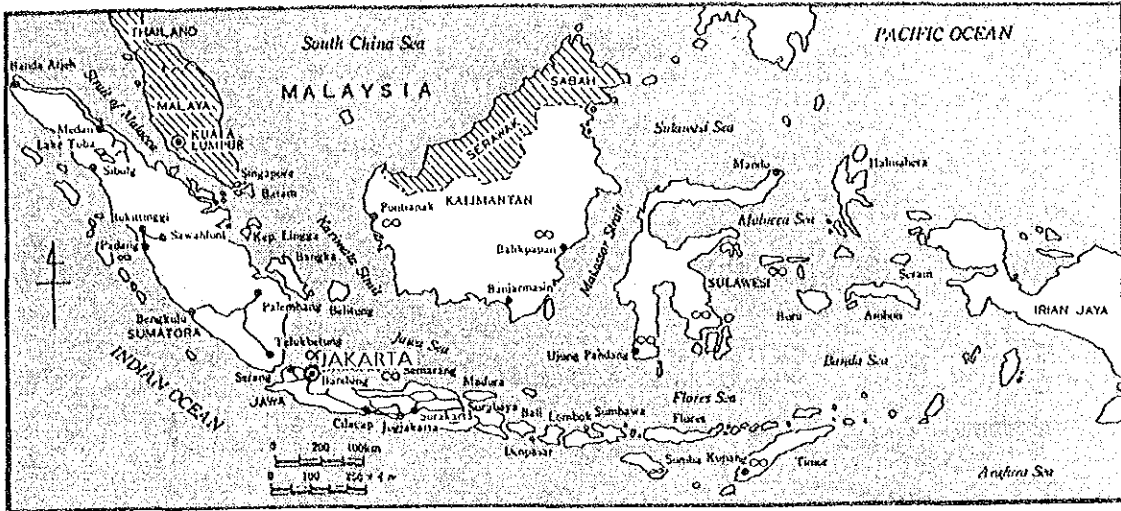
Keisuke Arita

President

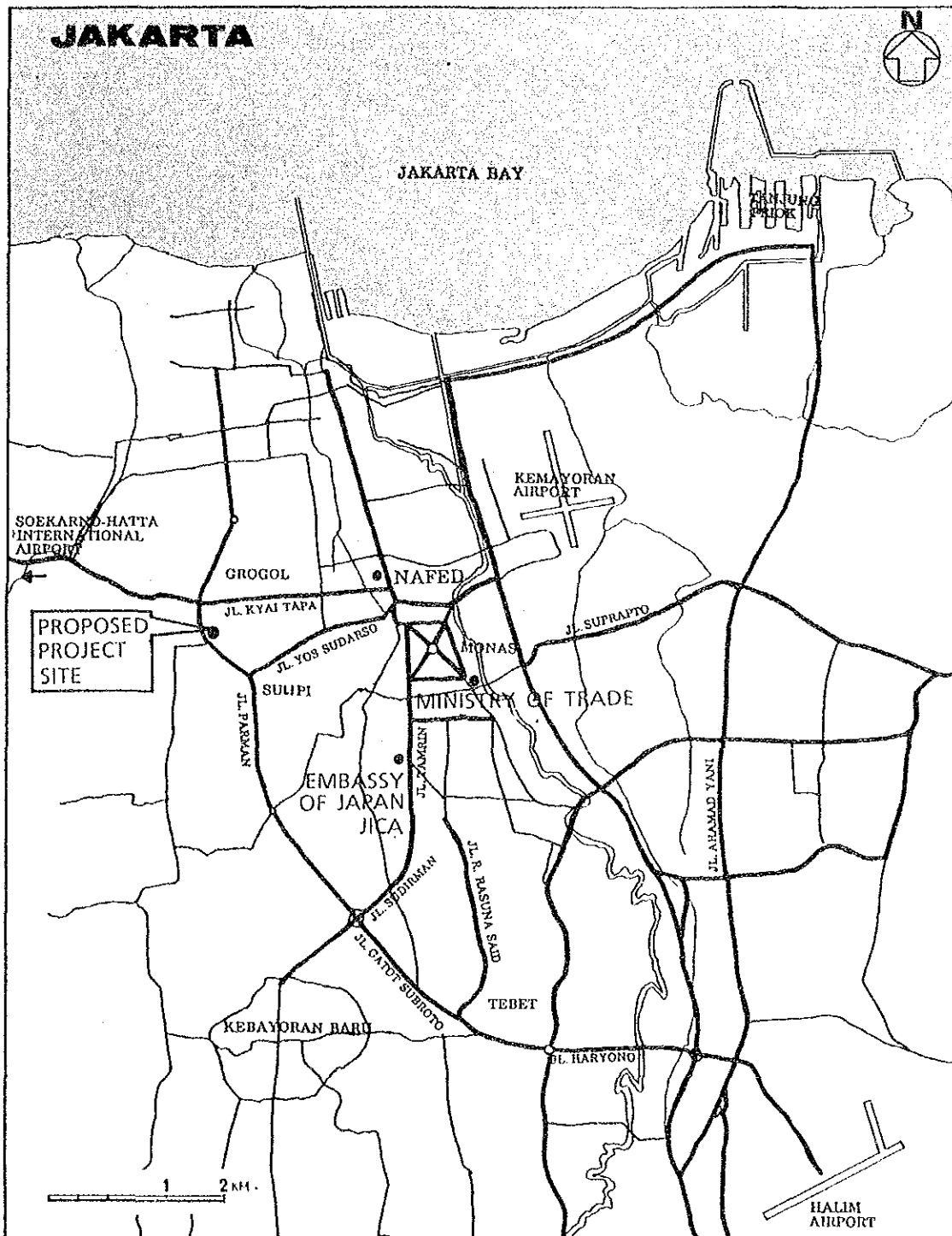
Japan International Cooperation Agency



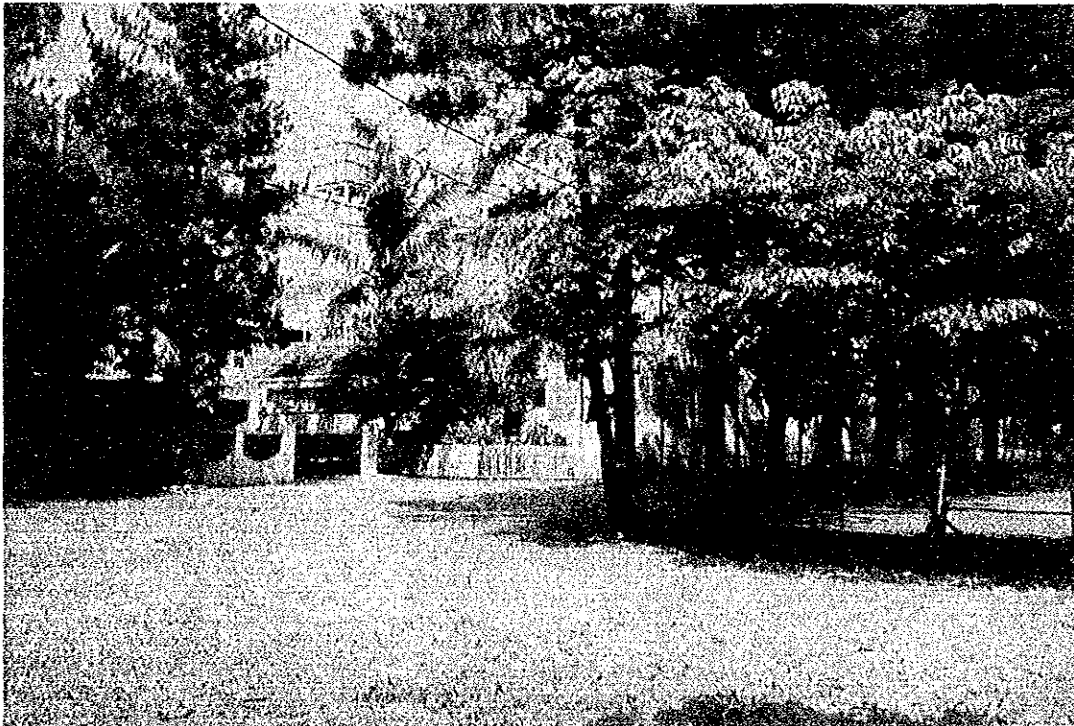
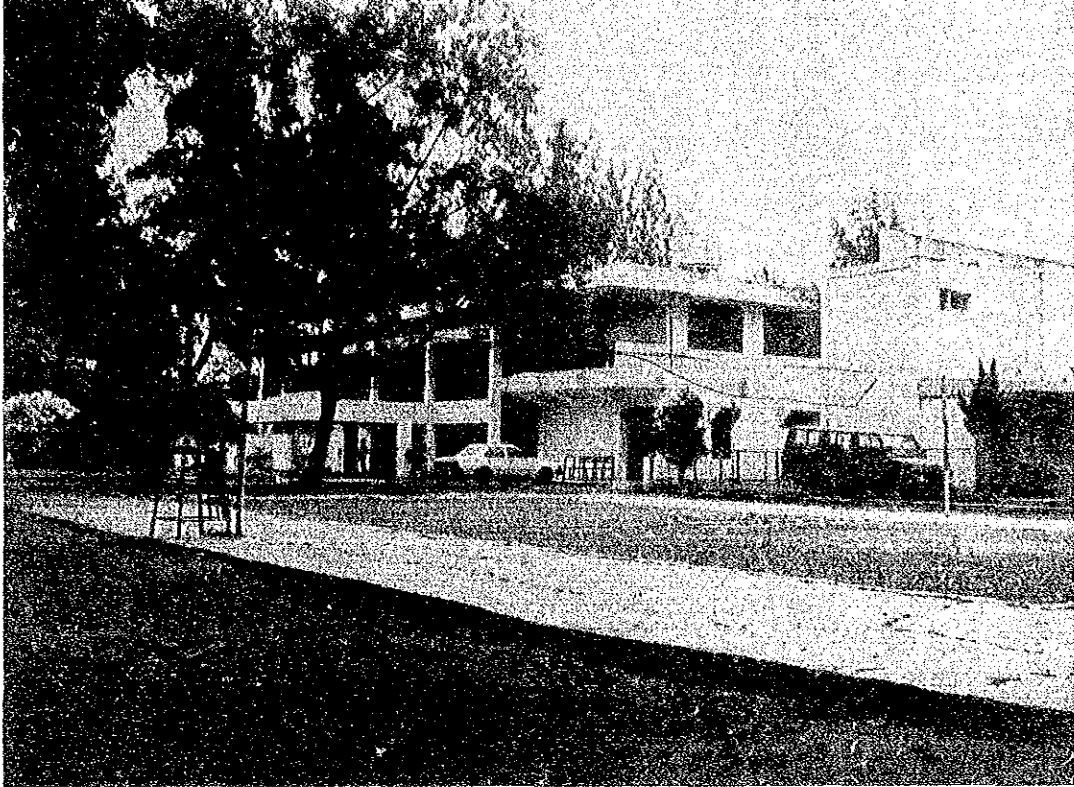
THE INDONESIA EXPORT TRAINING CENTER IN THE REPUBLIC OF INDONESIA



MAP OF INDONESIA



MAP OF JAKARTA



PROPOSED CONSTRUCTION SITE

SUMMARY

SUMMARY

The Republic of Indonesia achieved high economic growth during the early 1980s, having earned large revenues from its abundant oil and natural gas. However, due to the sustained depression in the international price of oil since 1984, the Republic, which fears a deterioration of its international balance of payments position and depletion of its oil resources, has decided to depart from its dependency on oil, and to establish the promotion of industry and the expansion of non-oil product exports as its basis for economic development.

The largest task envisaged in Indonesia's fourth five year national development plan is to raise its exports of non-oil/LNG products to a level roughly equivalent to one-third of the Country's total exports. In order to achieve this goal, it is necessary to take immediate measures to promote exports by increasing their production, strengthening their competitiveness in world markets both in terms of price and quality, stepping up marketing efforts and improving the export system.

While advocating a policy of promoting exports, however, Indonesia has failed to make adequate efforts to develop personnel among trade-related government officials and export-related private enterprises, with the knowledge and experience necessary for promoting actual export dealings with the result that product competitiveness in the international market has tended to fall due to inconsistent quality control arising from the lack of competence and experience of engineers engaged in the inspection of export products. Also, Indonesia has no facility for information exchange and the provision of guidance which are necessary for exploring new markets both at home and abroad.

In view of the above circumstances, the Government of the Republic of Indonesia has formulated a project to establish the Indonesia Export Training Center as a base for promoting exports by offering systematic training in actual export practices to government and private sector personnel in order to quickly develop a talented work force, improve inspection techniques and quality control techniques related to export products, and to accelerate market expansion and information exchange by offering training courses on product exhibitions, and consequently, the Government of Indonesia has requested the Government of Japan for its cooperation in constructing the necessary facilities and in providing materials and equipment.

This study intends to confirm the details of the cooperation included in the Project requested by the Government of the Republic of Indonesia, to survey the site proposed for construction of the Center and the conditions of related infrastructure facilities, to plan the layout and the scale of the facilities to conform with the various activities of the Center and to develop an appropriate basic design, including the selection of the necessary equipment to be provided.

As a result of the survey, the Center is envisaged as an integrated facilities complex to be composed of respective divisions for trade training activities, export product inspection and

quality control training activities, exhibition training activities, administration, and trainees' lodging on the basis of which an optimum plan necessary for the implementation of the Project has been formulated.

Through implementation of this Project, the Trade Training Division will be able to offer basic training in actual trade practices, advanced training in matters related to the marketing, distribution and handling of selected products, and training in management practices and Japanese language (business related) to a maximum of 1,125 persons per year, including government officials engaged in commercial affairs and leaders of private trade-related enterprises.

The Export Product Inspection and Quality Control Training Division will be able to provide a maximum of 320 government and private export product inspectors per year with training and knowledge on inspection and quality control related to industrial and agricultural products and techniques thereof in order to strengthen the competitiveness of Indonesian products on the international market in terms of quality.

The Exhibition Training Division is expected to contribute to export promotion by offering training in exhibition of export products, advertising and publicity skills to a maximum of 160 trainees per year from both government and private sectors and also by making available a place for providing domestic and foreign information.

The proposed construction site for the Center is located at Grogol which is about 4 km west of the center of Jakarta, the Capital of Indonesia, and faces Parman Street which leads to the center of the city. At the center of this site are presently located the inhouse training center, staff houses and tennis court of the Ministry of Trade, but these are scheduled to be dismantled by the Indonesian side prior to starting construction of the Center as their presence would seriously hamper construction. The main lines of the various infrastructure facilities necessary for the construction of this Center are laid along the arterial road in front of the site and can be easily connected to the facilities of this Center.

The project facilities of this Center will consist of the Training Building which accommodates the Trade Training Division, Inspection and Quality Control Training Division and Exhibition Training Division, and the Dormitory Building for the benefit of trainees from other provinces. The Training Building will be a three-story reinforced concrete building with a floor area of 7,792m², the Dormitory Building, a three-story reinforced concrete building with a floor area of 1,716m² and total floor area of both building is 9,508m².

The building facilities will accommodate the following principal rooms.

Training Building : Various office rooms for training, operation and maintenance, seminar rooms of varying sizes, language laboratory, instructors' offices, various laboratory rooms for inspection and quality control, multi-purpose hall for exhibition training, library, printing room, etc.

Dormitory Building : Dormitory rooms (accommodating of total 72 persons), study rooms, dining room.

Principal equipment that will be provided under the Project consist of audio-visual aids, film projecting facilities, language training equipment, printing and book binding facilities, teaching materials for the physical and chemical inspection of export products, booths for training in exhibition management, vehicles for transporting teaching materials and inspection samples, etc.

Of the estimated cost of this Project, the portion to be borne by the Indonesian side will be about ¥ 61.5 million (dismantling of existing buildings, leveling of site, connecting work of electricity, waterworks and telephone lines, construction of outdoor structures, vegetation and landscaping, procurement of furniture and furnishings).

The executing agency of the Government of the Republic of Indonesia for this Project is the Ministry of Trade, and the Secretary General of the Ministry of Trade will assume overall responsibility for the Project. Administration, maintenance and operation of the facilities upon their completion will be executed under the guidance of the Steering Committee organized by the staff appointed from among various organizations within the Ministry of Trade.

The training objectives of this Center are to let the operators and managers of private export enterprises and officials of relevant government agencies acquire knowledge on actual trade practices, specialized knowledge and know-how on selected subjects and products, to have them gain skills in foreign languages used in economic and business conversations and to acquire knowledge and skills regarding inspection and quality control of export products, marketing, product exhibition, advertising and publicity for export promotion. Since it is to be the only facility of its kind in Indonesia and is indispensable for implementing the country's export promotion policy and for the training and development of government and private trade personnel, the early realization of the Project for the construction of this Center is earnestly desired.

The commitment to make this Center widely available to concerned government agencies, private enterprises, ordinary citizens and even to of foreign traders is anticipated to increase the willingness to promote trade. The significance of promoting and realizing this Project with grant aid assistance from Japan is therefore quite large, and the Project is sure to bear many fruitful results.

As Japan's project type technical cooperation, including the dispatching the experts for training in trading practices and improving inspection and quality control and exhibition techniques, is also scheduled to be implemented, the Center can be expected to its function very effectively.

Abbreviations

Abbreviations (In alphabetical order)	Name in Full
AFRADOT	Agency for Research and Development of Trade
BAPPENAS	Badan Perencanaan Pembangunan Nasional (National Development Planning Board)
DGFDT	Directorate General for Domestic Trade
DGFFT	Directorate General for Foreign Trade
DISTAND	Directorate of Standardization and Quality Control
DKI	Daerah Khusus Ibukota (Capital City Special Region-Metropolitan Jakarta)
ETCC	Educational and Training Centre for Commerce
IECB (BAPEBTI)	Indonesian Commodity Exchange Board
IETC	The Indonesia Export Training Centre
KANWIL	Regional Office for Trade
MOT	The Ministry of Trade
NAFED	National Agency for Export Development
PAM	Perusahaan Air Minum Jaya
PANJATAP	Permanent Working Committee for Export Development
PERUHTEL	Perusahaan Telekomunikasi
PLN	Perusahaan Listrik Negara
SEKAB	Sekretariat Kabinet (Secretary Cabinet)
SEKNEG	Sekretariat Negara (State Secretariat)
TQC	Testing and Quality Control Center

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CHAPTER 1. INTRODUCTION

CHAPTER 1. INTRODUCTION

The fundamental factor behind Indonesia's economic growth has been the abundance of oil and natural gas reserves. Exports of these energy resources have accounted for the majority of Indonesia's annual revenues and, therefore, have assumed an important role as a source of funds for financing government expenditures for development.

However, the top priority economic development goals of the Government of the Republic of Indonesia, which now fears a deterioration of its international balance of payments position as a result of the recent decline in the international price of oil and the depletion of its oil reserves, are to depart from its dependency on oil and to promote industry and expand exports of non-oil products.

The Government of the Republic of Indonesia, which has been implementing a series of five year national development plans ever since 1969, has established in its fourth development plan (April 1984~March 1989), which went into effect in 1984, an annual average growth rate target of 5.0% with the aim of realizing the following development goals:

- (a) to secure stable revenues from energy,
- (b) to secure investment funds and promote development investment,
- (c) to promote non-oil/LNG product exports and develop export industries,
- (d) to develop manpower resources and upgrade the quality of manpower.

The fourth development plan, which aims at attainment of the above-mentioned objectives, seeks to build a sound economic structure, which has been the nation's goal from the outset, by animating the private sector.

In implementing its national development plan, the Government has shown a particularly strong determination to emerge from its dependency on oil which is manifest in the emphasis that it places on the further promotion of exports as its priority development goal. The foreign aid that it actively seeks is also used to support sectors related to the promotion of exports.

The Ministry of Trade, which oversees Indonesia's trade, offers training in trading practices and export product inspection techniques for officials engaged in trade administration, with the cooperation of the National Agency for Export Development (NAFED), a trade promotion organization under the said Ministry and the Testing and Quality Control Center (TQC), an export product inspection organization. However due to the complexity of the Government's organizational structure, there is no organization especially for training private traders. The establishment of such an organization is of crucial importance.

It is against such a backdrop that the Government of the Republic of Indonesia has decided to establish the Indonesia Export Training Center (IETC) to mainly offer training in trading practices, inspection and quality control and exhibition of export products to export-related personnel of the private sector and to government officials with the aim of developing and

promoting trade, and has requested the Government of Japan to extend project type technical cooperation and grant aid for the Project.

In response to this request, the Government of Japan dispatched a Technical Cooperation Contact Mission in June, 1986 and a Joint Preliminary Survey Team on technical cooperation and grant aid cooperation to Indonesia in January, 1987 to examine the feasibility of implementing the proposed Project and the propriety of extending Japan's cooperation for said Project.

The Preliminary Survey Team has thoroughly discussed and confirmed each item of Indonesia's request, including the basic conceptual scheme for the Center, its functions, contents of training activities and the organizational system for its operation and maintenance, with the officials concerned of the Government of the Republic of Indonesia.

The Team has also inspected similar public and private facilities in Indonesia in order to acquire a grasp of the actual state of quality control, standards and specifications, inspection of export products, training in trading practices and exhibition activities of that country. Also, prior to dispatching the Basic Design Study Team, it has explained the Japanese Government's policy on technical cooperation programs and its grant aid system, discussed how the project costs, in approximate figures, should be shared between the two governments, and conducted surveys in order to come up with recommendations on the basic design study and to determine the direction toward which the technical cooperation of the Government of Japan should be oriented.

Based on the results of the preliminary survey, the Government of Japan dispatched the Basic Design Study Team through the Japan International Cooperation Agency (hereinafter referred to as JICA) to Indonesia for a period of 18 days between June 11 and June 28, 1987. Prior to dispatching of this Team, the Japanese experts survey team on long term technical cooperation was dispatched from June 1, 1987 through June 16, 1987. The Japanese experts survey team held discussions on the training programs and the equipment that would be required with the officials concerned of the Government of the Republic of Indonesia, the results of which were relayed to the Basic Design Study Team which conducted the basic design study based on those results.

The Basic Design Study Team has mainly conducted studies on the following items.

- 1) Confirmation of the contents of the request made by the Indonesian Government and the background of said request.
- 2) Study on the executing agency of the Indonesian Government and related organizations.
- 3) Confirmation of the objectives of the Center's activities.
- 4) Execution of survey and reconnaissance of the proposed construction site and survey of development conditions of related infrastructure facilities.
- 5) Examination of the functions and scale of facilities and various technical matters relevant to construction.
- 6) Study on the related facilities and equipment
- 7) Consultation with construction-related government agencies

- 8) Anticipated schedule for project execution.
- 9) Collection of data necessary for estimating project costs.

The Study Team has compiled the basic matters which were agreed upon between the two parties concerned with respect to the objectives of the Project, training activities of the Center, scope of work for which each government will respectively bear the costs, boundaries of the site for the construction of the Center into the Minutes of Discussions on the basis of the various surveys that were necessary for preparing the basic design and the series of discussions held with the officials concerned of the Government of the Republic of Indonesia. The Minutes of Discussions was signed and exchanged by and between Mr. Arifin Lumban Gaol, the leader of the Indonesian Team for implementation of the Project (Secretary of NAFED) and Mr. Kiyoshi Suwa, the leader of the Basic Design Study Team of Japan (Assistant Director, Grant Aid Division, Economic Cooperation Bureau, Ministry of Foreign Affairs) on June 18, 1987 as confirmation of the matters agreed upon by the two parties.

Based on the results of the basic design survey and analysis performed in Japan, the Government of Japan compiled the Basic Design and dispatched the Draft Final Report of Basic Design Study Team (hereinafter the Draft Final Report Team) through JICA to Indonesia for a period of 9 days between September 28 and October 6, 1987.

The Draft Final Report Team has confirmed the contents of Basic Design such as demolishing of the existing facilities on the proposed construction site etc. and has compiled into the Minutes of Discussions on the Draft Final Report of the Basic Design Study on the basis of confirmation held with the officials concerned of the Government of the Republic of Indonesia.

The Minutes of Discussions on the Draft Final Report of the Basic Design Study was signed and exchanged by and between Mr. Arifin Lumban Gaol, the leader of the Indonesian Team for implementation of the Project (Secretary of NAFED) and Mr. Kiyoshi Suwa, the leader of the Draft Final Report Team of Japan (Assistant Director, Grant Aid Division, Economic Cooperation Bureau, Ministry of Foreign Affairs) on October 4, 1987 as confirmation of the matters agreed upon by the two parties

Minutes of Discussions, Member of Japanese Study Team and List of Persons Interviewed are attached on appendixes.

This report compiled the results of the aforementioned studies.

CHAPTER 2. BACKGROUND OF THE PROJECT

CHAPTER 2. PROJECT BACKGROUND

2-1. Indonesian Economic Development Plan and Its Tasks

The Republic of Indonesia succeeded in achieving high economic growth over the years until the early 1980s. The driving force that prompted its economic growth was the abundance of its oil revenues.

Ever since the decline in the international price of oil in 1984, however, the most urgent task for the nation has been to restructure its economy in order to emerge from a state of excessive dependency on oil. In order to realize this goal, the Government in its fourth five-year national development plan (April 1984~March 1989) has established the development of heavy and light industries as one of its targets, and is now tackling with the task of drastically improving its domestic economic structure, and emphasizing as its basic economic policies the steady progress of economic development and promotion of industries, especially processing type industries that effectively utilize domestic resources.

What the Government of the Republic of Indonesia positions as top priority tasks to promote economic development and expand revenue sources other than from oil are the promotion of industry and increase of non-oil product exports.

The fourth development plan sets its target average annual growth rate at 5% in real terms and plans to provide employment opportunities to the new entrants of its labor force by primarily promoting labor-intensive industries, and it points out that the attainment of the following conditions, namely, (a) securing stable energy revenues, (b) securing funds for investment and promoting developmental investments, (c) promoting non-oil/LNG product exports and developing export industries, and (d) developing and upgrading manpower resources is essential in order to realize its economic growth target. Additionally, inefficiency of economic mechanism was pointed out caused by the Government controlled development recently, so that in order to formulate efficient and flexible economic organization, private sector's remarkable activities are strongly expected.

Table 2-1.

■ ECONOMIC GROWTH OF REPELITA III

ECONOMIC GROWTH TARGET OF REPELITA IV

REPELITA III (79/4~84/3)		Section	REPELITA IV (84/4~89/3)	
Growth Rate	Product Composition		Growth Rate % p.a.	Product Composition
3.4%	29.2%	Agriculture	3.0%	26.4%
9.6%	15.8%	Industry	9.5%	19.4%
△1.8%	7.4%	Minerals	2.4%	6.6%
8.6%	6.3%	Construction	5.0%	6.3%
7.8%	6.0%	Transport and Communications	5.2%	6.0%
7.4%	35.3%	Others	5.0%	35.3%
5.7%	100.0%	Total	5.0%	100.0%

* Initial target of REPELITA III was :

Agriculture : 3.5%, Industry : 11.0%, Minerals : 4.0%,
 Construction : 9.0%, Transport and Communications : 10.0%,
 Others : 8.1%, Total : 6.5%

As the trade-related targets, the fourth development plan sets the following targets for exports and imports, respectively.

1) Exports :

The most important strategy of the fourth development plan for improving the nation's balance of trade and its balance of international payments position is to establish industry as the solid foundation of its economy by changing the export pattern, that is, by expanding exports of primarily industrial products of the non-oil/LNG sector and raising the export ratio of this sector.

In order to achieve this objective, the fourth development plan aims to increase exports of particularly industrial products of the non-oil/LNG sector by 23.1% per year to raise the ratio of industrial product exports, which was 37.2% in the third development plan, to 50.5% by FY 1988 which is the last year of the fourth plan. Incidentally, the plan evaluates the import-substitution industries as having made only a small degree of contribution to the nation's balance of trade as they entailed mass imports of raw materials and capital goods.

The fourth development plan's target is to increase exports of the oil and natural gas sector at an average annual rate of 7.6%, of which the target growth for crude oil and petroleum product exports is a relatively low 5.9% per annum, whereas for LNG which is being developed and increased in production, it hopes to attain an ambitious 16.5% growth per annum in exports.

2) Imports :

The growth of imports during the period covered by the fourth development plan is estimated to be 9.5% per year on average. The Government's intention is to raise the production efficiency of import substitution industries in order to improve their trade balance and to adopt export promotion measures that would allow them to contribute to exports. The Government also intends to direct its policy measures toward raising the usage rate of locally produced parts, expanding employment opportunities, improving the ratio of value-added and saving foreign exchange.

Import of food is estimated to decrease by 9.1% a year on average due to attainment of self-sufficiency in food during the period of the fourth development plan. The reduction in food imports by Indonesia, which was once the world's largest importer of rice, is expected to greatly contribute to the improvement of its balance of trade and economic structure.

2-2. Indonesian Export Promotion Policy

The largest task of the fourth five-year national development plan (Repelita IV) is to raise the non-oil/LNG product exports to a level of roughly one-third of total export products. For this, it would be necessary to raise production, and to make the items offered competitive on the world markets both in terms of price and quality. Marketing skills would have to be developed to ensure that even in items where Indonesian products are competitive, the country does succeed in entering markets.

The fourth Indonesian five-year national development plan, Repelita IV, sets forth in detail the national goals in relation to trade generally and export specifically which is to establish industry as the solid foundation of the national economy by expanding non-oil/LNG product exports and raising their export ratios and changing the nation's export pattern. Indonesia's non-oil export products are given high priority by Repelita IV in order to maintain economic growth. As part of efforts to promote exports of non-oil products, the government intends to upgrade the quality of its export products, not only to eliminate price discounts on world markets, but also to provide the foundation from which Indonesian products can penetrate new markets.

Export promotion measures stated in the fourth development plan (Repelita IV) are as follows.

- Promote the efficiency of foreign and domestic trade.
- Smooth the flow of goods and services to create competitive prices and increase export and related production.
- Improve trade and marketing institutions and trade procedural systems.
- Stimulate export and production of non-oil/LNG commodities.
- Improve efficiency of production and the quality of commodities.
- Intensify promotion of exports; improve transport; make available credit at reasonable rates and tax concessions.

The difference between the fourth development plan and previous plans is a change in emphasis from export of agricultural products to export of industrial products. In order to realise the above aims of the fourth development plan (Repelita IV), it will become necessary to concentrate all the efforts on the following.

- Assistance to the "economically weak businessmen" in the trade sector.
- Guidance to enable these "businessmen" to become "good entrepreneurs".
- Cooperation between privately and state-owned big and medium size companies and the economically weak businessmen.
- Guidance to and development of other sectors of the economy related to the trade sector.
- Improvement in management practice.

- Administration and procedures to be improved in order to become more efficient and effective.
- Improving the quality of production and marketing surveys.

Specific export promotion subjects are as follows.

- ① Exports of coffee, rubber, palm oil, tea, cocoa, plywood, sawn timber, shrimp, bonito, textile goods, industrial products, leather goods, non-oil minerals, etc. must be promoted.
- ② Various licensing systems must be abolished or simplified. Commodity gathering, purchasing and distributing systems must be rationalized. Also, export expenses must be reduced, loading methods improved, and the export certificate issuing procedures simplified.
- ③ Export missions must be actively dispatched in order to diversify export markets.
- ④ Production must be diversified in order to expand commodity exports of the non-oil sector.
- ⑤ In order to improve the quality of export products, quality standards shall be determined for 70 types of export items. As a method for achieving this, the auction system shall be induced on rubber, textile and coffee to have the producers and exporters participate in quality inspection. Also, the regional quality testing centers (quality testing centers were set up at Jakarta, Lhok Seumawe, Medan, Pekanbaru, Padang, Jambi, Palembang, Pangkal Pinang, Bengkulu, Bandar Lampung, Surakarta, Jember, Singaraja, Pontianak, Palangkaraya, Banjarbaru, Samarinda, Ujung Pandang and Ternate under Repelita III) shall be effectively utilized. Also, cooperation with international organizations shall be established.
- ⑥ In order to promote trade internationally, efforts shall be made, with the cooperation of multi-national enterprises, to eliminate various tariff barriers through international organizations, and to expand the number of export items with the regional cooperation of ASEAN countries. Also, exports to the Middle East, Africa, Latin America and East European countries shall be expanded by consummating bilateral cooperation agreements.
- ⑦ Indonesia shall participate in foreign trade fairs, dispatch export missions, establish new trade promotion offices and aggressively promote their activities.
- ⑧ Information and data necessary for export development shall be collected and propagated among export traders and entrepreneurs.
- ⑨ Training and guidance shall be offered to develop export businesses.

Table 2-2.

MAIN EXPORTS ITEMS

(million US\$, FOB)

	1984	1985	1986 Jan. ~ Nov.	Annual rate of growth (%)
Oil · LNG	15,944	12,718	7,404	-37.3
Crude Oil	10,966	8,251	4,115	-46.7
Oil Products	1,436	832	706	-4.2
LNG	3,543	3,635	2,583	-22.7
Non-oil/ Gas products	5,872	5,869	5,916	11.8
Food	1,669	1,469	1,692	36.8
Coffee	604	556	776	71.4
Shrimps	197	202	271	40.4
Tea	229	149	92	-30.6
Pepper and Other Spices	109	126	179	57.3
Raw Material	1,763	1,403	1,432	11.1
Rubber	936	718	632	-4.7
Timber	368	244	250	11.8
Metal	284	266	289	19.4
Frying Oil	192	414	146	-55.0
Vegetable Oil	129	353	112	-65.7
Chemical Products	170	210	243	31.1
Manufactured Goods by Raw Material	1,522	1,804	1,773	8.0
Plywood	795	941	982	15.1
Fabric	151	175	213	40.1
Aluminum Products	196	260	187	-20.1
Tin Products	238	241	141	-39.4
Machine	212	98	54	-42.0
The Other Products	366	437	624	58.7
Cloth	290	339	730	45.8
Total	21,817	18,587	13,320	-22.1

2-3. Organizations in Foreign Trade Operations

(1) Organizations in foreign trade operations

Organizations involved in foreign trade operations may broadly be classified into the following three categories :

- a. Government agencies concerned with formulation and implementation of trade policies and measures ;
- b. Export product producers and merchant exporters, including large sized trading houses and Government-owned Trading corporation;
- c. Support service organizations, such as banks, finance companies, insurance companies, shipping companies other transportation and customs clearance service operators and forwarding agents.

It is important that broad characteristics and functions of organizations in each of the above-mentioned categories are taken into account in this Project. Particularly in the case of Government agencies involved in this Project, a distinction may first be drawn between agencies that are directly concerned with foreign trade and those that are only indirectly involved. In the first category is the Ministry of Trade (MOT), and in the second would be included a number of agencies and ministries, starting with the National Planning Agency (BAPPENAS) concerned with over-all planning and resource allocation at the macro level, then a number of ministries and agencies concerned with development and production in areas such as foreign affairs, finance, agriculture, industry, forestry, mining, etc. and finally agencies concerned with export financing, customs administration, transportation, export logistics, etc.

With a view to ensuring effective consultation and coordination among all these agencies, a Permanent Working Committee for Export Development (PANJATAP) has been created, chaired by the Ministry of Trade, to review the following.

(2) Organization of the Ministry of Trade

The MOT as the Government agency directly responsible for foreign trade performs both regulatory and developmental functions concerning trade administration.

Another important function that this office performs is that of exercising administrative control on the functioning of regional offices of the MOT - known as KANWIL. Each province has a KANWIL whose responsibilities inter alia include :

- Implementation of government trade policies at the regional level, including administrative works such as issuance of licenses and certificates of origin.

The ministry's main wings concerned with foreign trade are the following :

- Office of the Secretary-General
- Inspector for Foreign Trade under the Inspectorate General of Trade
- Directorate General for Foreign Trade (DGFFT)
- Agency for Trade Research and Development (AFRADOT)
- National Agency for Export Development (NAFED)
- Indonesian Commodity Exchange Board (ICEB)

a) Office of the Secretary General

The Office of the Secretary General is concerned firstly with trade policy areas - both domestic and foreign - and deals with such macro aspects as planning, finance, personnel, public relations, etc. It also supervises training of trade personnel, including the functioning as the Centre for Education and Training of the Ministry of Trade.

b) The Directorate General for Foreign Trade (DGFFT)

A main function of the Directorate General of Foreign Trade (DGFFT) is basically concerned with implementation of Regulatory and Administrative aspects of foreign trade policy and activities of Department of Trade of Republic of Indonesia, the main agencies under it being :

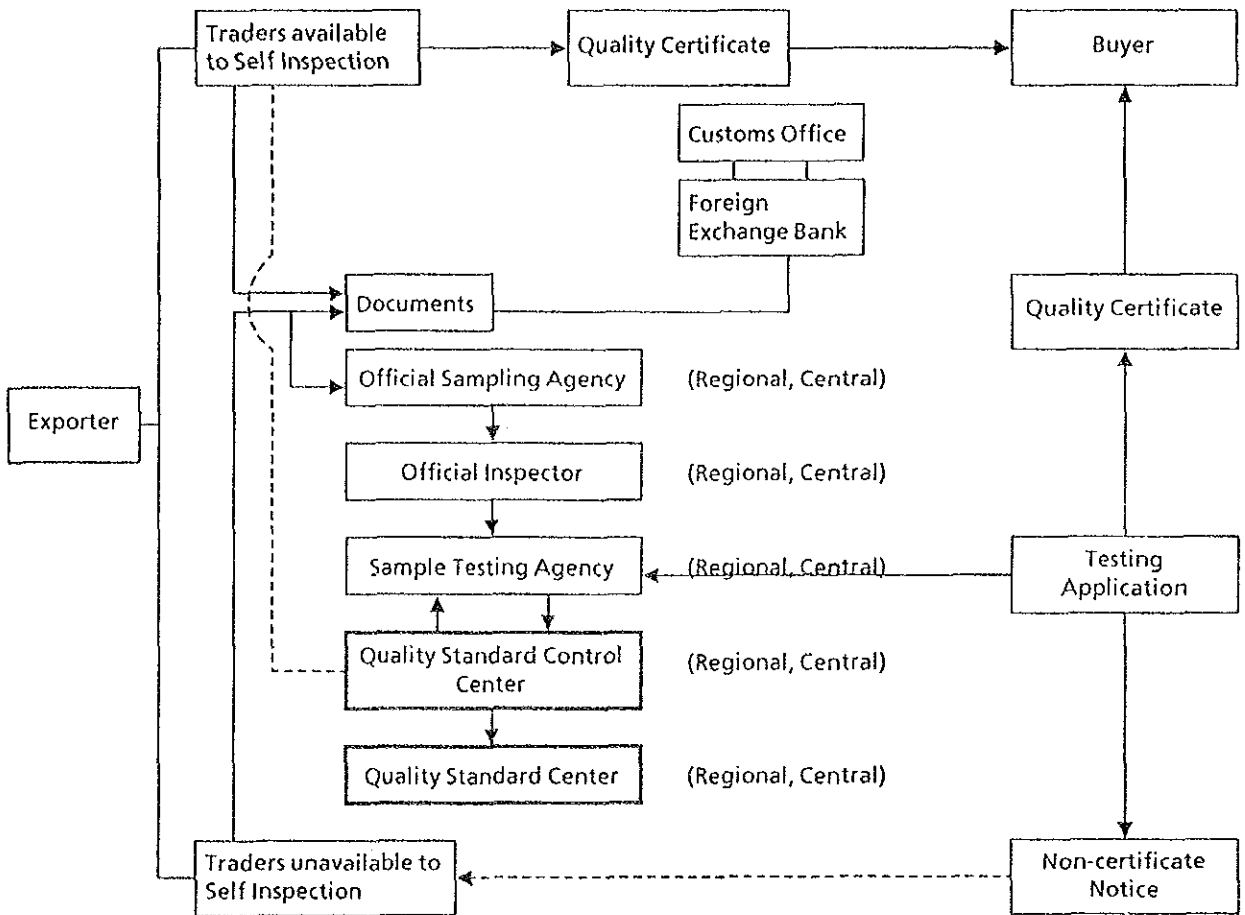
- Secretariate Directorate General for Foreign Trade
- Directorate of Export of Industrial Goods and Mining Products
- Directorate of Export of Agricultural and Forestry Products
- Directorate of Imports
- Directorate of Foreign Trade Relations
- Directorate of Standardization (Industrial Standards) and Quality Control (DISTAND)
- Testing and Quality Control Center (TQC)

The Directorate of Foreign Trade Relations looks after work relating to trade representation abroad. Commercial Attaches posted in foreign countries come under the administrative control of this Directorate.

The Directorate of Standardization and Quality Control (DISTAND) and the Testing and Quality Control Center (TQC) (and its network of regional and accredited laboratories) are responsible for quality and standardization aspects of export products. The export goods approval system is as follows.

Figure 2-1.

■ EXPORTS GOODS APPROVAL SYSTEM



c) National Agency for Export Development (NAFED)

NAFED is basically a trade promotion organization, its main function being to assist domestic producers and exporters in development of non-oil/LNG exports products. It also acts as a clearing house for enquiries from overseas business contacts and directs them to entrepreneurs within Indonesia. Indonesian producers and exporters receive advice and counsel that may help them in product development, identification of markets, improvement of quality, marketing problems, etc. With 350 persons in Jakarta and staffs in nine Trade Promotion Centers abroad, NAFED dispatches its personnel to engage in overseas business contact both inside and outside Indonesia to all sectors except those related to mining and petroleum. The Agency not only needs coordination with other ministry and agencies (Agriculture, Forestry, Communication, Finance) but must also upgrade education and training of its staff in foreign trade administration.

As stated above, the government agencies in charge of foreign trade of Indonesia include many ministries and agencies starting with the Ministry of Trade and its affiliated sub-organs, the AFRADOT and the NAFED, but the Educational and Training Center for Commerce (ETCC), an independent sub-organ of the MOT is the only institution for training in trade.

d) The Educational and Training Center for Commerce (ETCC)

The immediate objective of ETCC, which is a training institute to develop personnel for commercial service, is to train Ministry of Trade personnel. It also offers training to commercial attaches dispatched to overseas embassies. MOT personnel are under obligation to enrol in the training course each time they are promoted.

The contents of training include training in management and supervision, finance, data analysis, plan formulation, domestic trade, etc., from which it is easy to see that the function of ETCC differs from that of the new Center proposed under this Project which aims to develop manpower for export promotion. Accordingly, ETCC will continue to provide training to MOT personnel.

Contents of training activities at ETCC are as follows :

Training frequency : 12 times a year on average

Number of trainees : 30 trainees on average. Cumulative number of trainees during the 1980~1986 period : 2,496 persons

- Contents of training : Management training in trade administration ;
Financial training
Training in development of plans and programmes ;
Training in domestic trade
Training in foreign trade
- Training hours : 8:00~16:00 every day or six hours a day in net. the duration varies depending on the course but two to three months on average.
- Participants : Government personnel mainly from the Ministry of Trade. Trainees from the central offices of each ministry proper and from their regional offices account for approximately half and half.
- Instructors : Experts from relevant ministries and agencies, government institutions, universities and international organizations and also from private enterprises.
- Teaching materials : Developed by the instructors by themselves and copies are distributed to trainees.
- Training fees : Free of charge

Due to the reduction in the development budget by 60 to 80% lately, however, actual training performance has been less than 1/3 of the initial target.

2-4. Necessity of Trade Training

Major obstacles to and tasks yet to be accomplished in promoting exports of non-oil/LNG products are the following :

- Establishment of consistent government policy measures for export promotion ;
- Simplification of tax levies and complicated customs formalities ;
- Preparation of appropriate marketing programmes ;
- Amplification of training facilities for upgrading managerial and marketing skills;
- Realization of export product prices that are competitive in foreign markets.

Furthermore, more than 30% of the export-related enterprises cited, as actual examples, the following obstacles to export business in addition to those mentioned above and desired for their improvements :

a) Exporting formalities

- Obstacles arising from legal requirements ;
- Complicated formalities for domestic transaction and foreign trade ;
- Poor knowledge of foreign languages in the business community ;
- Inadequate development of the schemes for export credit guarantee and insurance ;
- Inadequate knowledge of exporters in matters relating to selection of agents and drawing up of agency agreements ;
- Inadequate development of marine insurance and other insurance facilities ;
- Inadequate expertise of exporters about drawing up of commercial contracts.

b) Marketing

- Absence of market adjustment (market survey) ;
- Inadequate knowledge of exporters on foreign markets (particularly on such factors as the distribution channels in the target countries) ;
- Inadequate overseas publicity of important export products ;
- Poor marketing expertise in the exporting community ;
- Difficulties in gathering information and data for international tenders.

c) Export-related organizations

- Inadequate assistance by the government trade organizations and commercial attaches abroad ;

- Inadequate support of exporting efforts by the financial institutions ;
- Inadequate development of customs clearance service.

d) Export products

- Poor quality control and inability of exporters to abide by the stipulated quality standards ;
- Insufficient expertise in regard to product adaptation and development.

Most of the problems set forth above are merely a reflection of the fact that the process of development of skills and expertise required for international trade skill has to be developed and that there is yet much to be done for developing an effective export tradition.

Under these present situation the Government of the Republic of Indonesia has examined carefully what further improvements in export system are needed to deal with problems such as above the Government set forth the following prime objects education and training for trade promotion:

To have the private export business operators and managers, ordinary staff and personnel working for export-related government agencies acquire knowledge on actual trade practice, expertise and knowhow on each selected subject and each selected product, foreign languages as used in economic and business conversations (business Japanese), improve technical methods for inspection of export products, acquire knowledge on quality control, knowledge on marketing, product exhibition, advertizing and publicity and skill thereof for export promotion.

While advocating the aforestated trade promotion policies, the current condition of education and training is that the Educational and Training Center for Commerce (ETCC) which is a sub-organ of the Ministry of Trade is offering training in trading works and procedures to the government personnel (of central and regional levels) of mainly the Ministry of Trade and personnel earmarked for overseas services only, in which participants from private enterprises are non-existent as of now.

2-5. Requested Contents of the Project

In the light of the foregoing background, the Government of the Republic of Indonesia has formulated a project for constructing a new Center to serve as the nucleus in developing human resources in the fields of international trade, specifications and standards, quality control, etc. by offering government officials and export-related private personnel training in actual trade practices, inspection methods, quality control and techniques for exhibition of export products to let them acquire knowledge on trade practice and improve quality control and technology on export products, and has requested the Government of Japan for its project-type technical cooperation and grant aid assistance for the implementation of said Project.

In response to this request, the Government of Japan dispatched a Contact Mission headed by Mr. Toshio Kitamura (Manager, Mining and Manufacturing Development Cooperation Department, the Japan International Cooperation Agency) for the period between June 23 and July 3, 1986, a Preliminary Survey Team on Technical Cooperation headed by the same Toshio Kitamura for the period between January 25 and February 1, 1987, and a Preliminary Survey Team on Grant Aid headed by Mr. Kiyoshi Suwa (Assistant Director, Grant Aid Division, Economic Cooperation Bureau, Ministry of Foreign Affairs) for the period between January 28 and February 5, 1987, respectively in order to acquire a grasp on the objectives, propriety, organizational setup for implementation, specific contents of request planned of the Project for which a request for cooperation was received from the Government of the Republic of Indonesia.

Based on the foregoing circumstances, the Government of Japan dispatched an Experts Survey Team on long term project type technical cooperation for the period between June 1 and June 16, 1987 and partly in conjunction with it, a Basic Design Study Team headed by Mr. Kiyoshi Suwa (who was the leader of the Preliminary Survey Team) for the period between June 11 and June 28, 1987 to let them investigate and confirm the contents and background of the request from the Indonesian Government project executing body, purpose of training, construction site, and facilities and equipment for the project.

The contents of the request of the Government of the Republic of Indonesia which were clarified through these surveys and the contents of the proposed project confirmed by these teams are outlined below.

Project Outline

- 1) Project Objective : Establishment of a training center for personnel of private enterprises and government agencies in order to develop human resources versed in trade practices in line with Indonesia's foreign trade promotion policy.
- 2) Project Executing Agency : Ministry of Trade
- 3) Name of Center : The Indonesia Export Training Center (IETC)
- 4) Persons Responsible for Operation :
 - Person responsible for implementation of the Project :
Secretary General, Ministry of Trade
 - Person responsible for operation of the Center :
Director of IETC
- 5) Proposed Construction Site : Within the compounds of ETTC
(the Educational Training Center for Commerce, Ministry of Trade) at Grogol District, Jakarta.
- 6) Contents of Planned Facilities :
 - Administration/ Common Facilities :
office rooms, meeting rooms, cafeteria, medical clinic, etc.
 - Trade Training Facilities : auditorium, seminar rooms, library, language laboratory, etc.
 - Inspection & Quality Control Training Facilities :
Inspection training rooms, etc.
 - Exhibition Training Facilities :
exhibition hall, storage etc.
 - Dormitory : dormitory rooms, dining room, etc.
 - Others : machine room, parking lot, etc.
- 7) Contents of Planned Equipment: General training equipment (office equipment, printing equipment, vehicles etc.)
Audio-visual equipment
Export inspection training equipment
Exhibition training equipment
- 8) Major Contents of Training :
 - 1) Trade training
 - Basic training
 - Advanced (specialized/product) training
 - Management training

- Business Japanese language training (basic, intermediate, advanced)
- 2) Export product inspection and quality control training
 - a) Industrial products :
 - Training in furniture and wood and rattan products
 - Training in textile and garment (basic and advanced training)
 - Training in rubber and rubber products (basic and advanced training)
 - b) Agricultural products :
 - Training in frozen and canned foods (Frozen food, Canned food)
 - c) Others, training in packaging and crating
- 3) Exhibition training
 - Basic training
 - Advanced training