

Indonesia's Proposal on Discussion of the Technical Matters of the D-8 PTA Implementation

Concept Note

Introduction

Preferential Trade Agreement Among D-8 Countries (D-8 PTA) has entered into force in 2011, when the D-8 Executive Director had received the instruments of ratification by at least four Member States, as mandated in Article 34 D-8 PTA. Until now, almost all Member States have ratified the D-8 PTA and majority of those Contracting Members are ready to implement the D-8 PTA.

In this regard, it is important to have a common understanding about some provisions in the D-8 PTA and to get the information about the operationalization of D-8 PTA in other Contracting Members, so that the D-8 PTA implementation can run smoothly and it can provide maximum benefits for intra-trade of D-8 Contracting Members in the future.

In order to reach that common understanding and clarity, it is considered necessary to have a more technical discussion in the meeting under the D-8 PTA, which will be attended by representatives or delegations of D-8 Member States, so the discussion of the issues will be more productive. Indonesia has raised some concerns about technical issue related to the implementation of D-8 PTA in the 2nd Customs Officials Meeting on 23rd March 2021. However, the Meeting viewed that those issues would be discussed in other technical meeting. In this opportunity, Indonesia is in the view that those concerns are appropriate to be discussed in 3rd Customs Officials Meeting that will be held on 24th May 2022.

Matters to be discussed

Indonesia would like to propose a discussion to seek clarification on some technical matters in the D-8 PTA:

1. Importation by Installment Mechanism (Article 8 OCP)

Indonesia would like to discuss the mechanism of Importation by Installment, regarding:

- a. Time period of the importation by installment;
- b. Documentary requirements in submitting the request for the importation by installment;
- c. Number of installments that can be requested by importer in importation by installment;

Indonesia is of the view that it is necessary to know the practice of the importation by installment in Contracting Members, regarding:

- a. Application procedures for importation by installment;
- b. Import declaration for importation by installment mechanism, whether there is a specific import declaration which is different with normal import declaration; and
- c. Verification process to issuing authority in exporting country when customs authorities have reasonable doubt related to Importation by Installment mechanism;

2. Specimen of Certificate of Origin

Indonesia would like to discuss the possibility to amend the specimen of D-8 Certificate of Origin since the simple format that is agreed in 2006 might provide less information and might not be relevant to some trade practices.

Indonesia views that Box 7 for the description of goods is quite small and Box 4 for origin criteria only contains 2 options for the origin criteria. It is possible that one consignment /



shipment from exporting country contains more than 1 item with different origin criteria (multiple items). Indonesia suggests that it must be agreed among D-8 Contracting Members for that situation to reach the same implementation and to avoid rejection from customs authorities in the importing country.

3. HS Transposition in other Contracting Members of D-8 PTA

Indonesia would like to discuss about the HS transposition done by other Contracting Members since there is WCO periodical update on HS edition every 5 years and the methodologies used in the HS transposition under D-8 PTA.

4. Rule 14 Prohibitions of ROO D-8 PTA

Rule 14 states *“Any Contracting Member may, subject to notification to the D-8 Secretariat, prohibit importation of products containing any inputs originating from any non – Contracting Members territory with which it does not want to have economic and commercial relations.”*

Indonesia would like to seek clarifications about Rule 14 regarding:

- a. notification mechanism carried out by the D-8 Secretariat to other Contracting Members about the information related to the prohibitions of importation in any Contracting Member;
- b. The meaning of "prohibition" in this rule.
There are 2 possible meanings:
 - 1) Goods are allowed to be imported into Contracting Member's territory but it's not subject to preferential tariffs (subject to MFN tariffs); or
 - 2) Goods are not permitted to be imported into the Contracting Member's territory at all.

5. Electronic Certificate of Origin (E-CoO)

With concern of our experience of the recent situation of COVID-19 pandemic and advancement of technology, the use of E-CoO will facilitate the trade among D-8 Contracting Members and will reduce time and cost for the stakeholder in issuing the Certificate of Origin. It will also ensure the validity of the CoO as the CoO will be issued electronically by the issuing authorities of the exporting countries' systems and directly transmitted to importing countries' systems. Therefore, it would possibly cut down the number of verification request to the exporting countries. It also supports the statistical data collection of the utilization of the D-8 CoO which will be useful for the policy-making process.

The idea is in line with the spirit of D-8 Trade Facilitation Strategy which had been discussed vigorously during the 2021 and the mandate of Istanbul Declaration adopted at the 9th Summit of the D-8 in Istanbul on 20th October 2017, which directed Trade/Economy Ministers to explore other trade facilitation mechanisms to promote intra-trade among the D-8 Member States.

Proposal on Wayforward

In this regard, Indonesia would like to propose following wayforward on these matters:

1. Importation by Installment Mechanism

a. Time period of the importation by installment

Since there is no specific time period of the importation by installment set out in the D-8 PTA, Indonesia suggests that the time period of the importation of the dismantled or non-assembled imported goods that shipped by installment is 3 months from the date of

issuance of the written importation by installment approval by customs authority in the importing country. The importer may request to extend the time period for a maximum of 3 months from the date of expiry of the previous time period.

Indonesia is of the view that a maximum 6-month period is considered trade facilitative to both exporter and importer in conducting the importation by installments.

b. Documentary requirements in the submission of the request for the importation by installment

Indonesia proposes some documents needed in the submission of the request for importation by installment:

- 1) List of products, including quantity, type, classification in HS, technical specifications and transaction value in detail for each installment;
- 2) Plan of the importation by installment, including the estimated date of each installment and the number of installment;
- 3) Document containing the information about the port of discharge in the importing country;
- 4) A brief description concerning the reason of importation by installment;
- 5) Sales and purchase agreement/contract; and
- 6) Other related complementary customs document.

Those documents will provide enough information for customs authorities in examining the request of the importer for importation by installment pursuant to Article 8 OCP and will be the basis for the issuance of the written approval as well.

c. Number of installments that can be requested by importer in importation by installment scheme

Indonesia is of the view that the number of installments that can be requested by importer in importation by installment scheme is flexible, subject to the domestic law and regulation of the importing country.

2. Specimen of Certificate of Origin

Indonesia seeks other Contracting Members' views on the possibility and plan to modify the D-8 Certificate of Origin with the format of Certificate of Origin which is commonly used in other FTAs since the common format of Certificate of Origin has bigger box for description of goods and allow the origin criteria for each good to be indicated.

3. HS Transposition

a. HS transposition in Contracting Members

Indonesia is of the opinion that the classification of goods in trade between Contracting Members shall be in conformity with the HS and its amendments. In this regard, according to the WCO periodical update on HS edition every 5 years, Indonesia has done the HS transposition from HS 2017 to HS 2022, including Indonesia's offer list of goods under the D-8 PTA. Therefore, Indonesia encourages other Contracting Members to convey the offer list of goods transposed to HS 2022.

The conformity of the classification of the goods in trade between Contracting Members will make it easier for the exporter and importer in the transaction or trade process under D-8 PTA, thus it will enhance the utilization of the advantages offered by the D-8 PTA.

b. Methodologies for HS transposition

In terms of the HS transposition under D-8 PTA, Indonesia proposes that the transposition is conducted based on methodologies determined by WTO, as followed:

- 1) applying the lowest rate of any previous tariff line to the whole of the new tariff line;
- 2) applying the rate previously applied to the tariff line with the majority of trade;

- 3) applying the trade weighted average rate of duty for the new line; or
- 4) applying the arithmetic average of the previous rates of duty where no basis exists for establishing reasonably accurate trade allocations.

4. Rule 14 – Prohibitions ROO D-8 PTA

- a. Pursuant to Rule 14, Indonesia encourages Contracting Members whom implement this Rule to regularly send the updated information related to the prohibition of importation to D-8 Secretariat
- b. Taking into consideration that other Contracting Members should be aware of the the prohibition, Indonesia proposes that D-8 Secretariat to circulate the information related to the prohibition to the Contracting Members, containing following minimum information:
 - 1) List of Contracting Members that implement Rule 14 Prohibition;
 - 2) List of countries that Contracting Members don't want to have economic and commercial relations with;
 - 3) List of prohibited materials/goods, including the name of the materials/goods and the HS code; and
 - 4) Validity period of the prohibition.

5. Electronic Certificate of Origin (E-CoO)

Indonesia suggests having an initial discussion, subject to other Contracting Members' approval, on the possibility of using E-CoO that can be scheduled to hear opinions from Contracting Members.

With a view of the importance of these matters in the implementation of D-8 PTA, Indonesia would like to seek opinions from Contracting Members and to propose the discussion of these matters to be included in the agenda of the 3rd Customs Officials Meeting on the Agenda Item 6: Any Other Business.