Encouraging ToD CIF Use, the Ministry of Trade Holds A Dissemination And Technical Guidance Event on The Use of ToD CIF

Jakarta, 8 May 2014 – The Directorate General of National Export Development of the Ministry of Trade organized a dissemination and technical guidance event on the use of Term of Delivery (TOD) Cost Insurance Freight (CIF) on 7 May 2014, at the Manhattan Hotel, Jakarta.

"This event is an effort by the government to encourage the use of CIF as ToD for Indonesian exports," said Director General of National Export Development, Nus Nuzulia Ishak. "This event also aims to raise awareness among entrepreneurs about the importance of improving the quality of export data, especially freight and insurance data," she added.

Director General Nus assessed the importance of the dissemination and technical guidance for ToD CIF as currently the government is aggressively pushing the use of CIF as ToD on Indonesian exports.

In relation to this, she explained that the Ministry of Trade and Ministry of Finance has issued a ministerial level regulation, namely Minister of Trade Regulation No. 01/M-DAG/PER/1/2014 on Procedures for Determining the Value of Freight and Insurance in Export Declaration (PEB) related to use of the Terms of Delivery (ToD) Cost, Insurance, and Freight (CIF) on Export Implementation; Minister of Trade Regulation No. 07/M-DAG/PER/1/2014 on the Determination of Value of Freight and Insurance in Export Declaration (PEB) related to the use of ToD CIF on Export Implementation; Minister of Trade Regulation No. 13/M-DAG/PER/3/2014 on Amendment of the Minister of Trade Regulation No. 07/M-DAG/PER/1/2014 on the Determination of the Value of Freight and Insurance in Export Declaration (PEB); and Minister of Finance Regulation No. 41/PMK.4/1/2014 on Filling Procedures for Export Transactions Value in the form of CIF in Export Declaration (PEB).

Through this event, it is expected that entrepreneurs have the same perception as the Government about the importance of collecting accurate information about freight and insurance data of export activities. "Accurate information is expected to describe the economic potential in the transport and insurance sector that had been largely benefited by foreigners. It is expected to stimulate growth in the transportation/shipping and insurance industry domestically," said the Director General.

This dissemination is one of a series of activities that will be implemented in relay in several port cities in Indonesia (i.e. Semarang, Medan, Jakarta, Balikpapan and Makassar) in June 2014.

Indonesia's Balance of Payments (BOP) Performance in Brief

Cumulatively, the total trade balance in January - March 2014 was a surplus of USD 1.1 billion, composed of a non-oil/gas balance surplus of USD 4.2 billion and an oil/gas balance deficit of USD
3.1 billion. Although the Indonesian non-oil/gas trade balance is always a surplus, it is inversely proportionate with the condition of the balance of payments of services, particularly transport and insurance.

Based on Indonesia's balance of payments (BOP) data in 2013, Bank Indonesia stated that the deficit of the services balance was USD 11.42 billion. The biggest contributors of the deficit include the transport sector with USD 8.69 billion and the insurance sector with USD 1.02 billion. This deficit is caused by the use of foreign transport and insurance services.

The steps that need to be taken in order to overcome this, is by encouraging the use of ToD CIF by utilizing Indonesian owned freight and insurance.

Meanwhile, based on data from Bank Indonesia (Jan-July 2013) on Export Declaration (PEB), it is recorded that 80% of Indonesia's exports are carried out by ToD Free On Board (FOB), 12% by Cost and Freight (CFR), and only 8% by CIF.

In responding to the development of Indonesia’s BOP and exports, the Government needs to take appropriate measures to address the trade deficit, particularly in the services sector. The first step is to improve the quality of export data. Good data quality is expected to describe the business potential of freight and insurance that has been mostly "benefited" by foreign service providers. In the long term, it is expected to promote the development of freight and insurance domestically.

In connection with this, the Government is working with the Indonesian Chamber of Commerce and Industry (Kadin), the Indonesian Employers Association (APINDO), Indonesia Exim Bank / Indonesian Export Financing Agency, PT. Asuransi Eksport Indonesia (ASEI), Indonesian Exporters Association (GPEI), Indonesian National Shipowners Association (INSA), and the Indonesian Logistics and Forwarding Companies Association (ALFI) on efforts to encourage the use of ToD CIF in export activities. Through this cooperation, it is expected that freight and shipping companies, as well as Indonesian export insurance companies can be more involved in Indonesian export activities.

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