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DEVELOPING EASTERN INDONESIA: INDONESIAN CUSTOMS PRE-INSPECTION FACILITY IN DARWIN, A FAILED STORY?

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ABSTRAK

This study will describe the background of Indonesian Customs Pre-Inspection Facility in Darwin (ICPIF), the implementation of the tasks carried out by the officials from time to time and try to identify the causes resulted in the ICPIF break-off. The research conducted by field research and literature study. The objective of ICPIF was to facilitate preinspection on goods to be exported from port or airport at Darwin to any port in Indonesia except those located in islands of Java and Sumatera. Customs officials had carried this facility since August 2002. Since then, it is recorded that the exporters and exportations utilize the facility is up and down. After the deferral period, which lasted more than one year (October 2013 until December 2014), the facility is now no longer established. The shut-up happened due to slackening the used of the facility. The study recommend the Ministry of Finance and Directorate General of Customs and Excise to further study the possibility of commencing preinspection cooperation with neighboring countries to expedite the flow of import goods in the port of destination. This activity will also reduce the dwell time of import goods.

Penelitian ini mencoba untuk menggambarkan latar belakang dari Indonesian Customs Pre-Inspection Facility di Darwin (ICPIF), pelaksanaan tugas para Pejabat Bea dan Cukai, dan mencoba untuk mengidentifikasi alasan terhentinya ICPIF. Penelitian dilaksanakan dengan metode penelitian lapangan dan studi literatur. Tujuan dari ICPIF adalah untuk memfasilitasi pelaksanaan pemeriksaan pendahuluan atas barang yang akan diekspor dari Darwin ke pelabuhan di Indonesia, selain yang berlokasi di Jawa dan Sumatera. Pejabat Bea dan Cukai telah melaksanakan tugas ini sejak Agustus 2002. Semenjak itu jumlah eksportir dan eksportasi yang menggunakan fasilitas ini telah naik dan turun. Setelah masa penundaan selama lebih dari setahun (dari Oktober 2013 sampai dengan Desember 2014) akhirnya fasilitas ini dihentikan. Penghentian diakibatkan oleh semakin sedikitnya pemanfaatan atas fasilitas ini. Penelitian merekomendasikan kepada Kementerian Keuangan dan Direktorat Jenderal Bea dan Cukai untuk melakukan penelitian lebih lanjut tentang kemungkinan kerja sama pemeriksaan pendahuluan dengan negara-negara tetangga untuk memperlancar arus barang impor di pelabuhan tujuan. Aktivitas ini juga dapat digunakan untuk mengurangi waktu tunggu kontainer di pelabuhan tujuan.

1. INTRODUCTION

1.1. Background of Study

Developing Eastern Indonesia has always been the sexiest political commodity in every general election. Each and every political party and presidential candidate always gives promise to develop Eastern Indonesia, once they are given the mandate to rule. Even current President, Joko Widodo, symbolicly began his presidency campaign from Papua.

Nevertheless, there is no significance change to raise the economic development of the mentioned area. Data from Biro Pusat Statistik (BPS) figures out the distribution of gross regional domestic products, on the basis of current prices, during 2000 until 2013 is not significantly change.

Whereas during those periods, Indonesia had undergone four turns of the government, which are the government of Abdurrahman Wahid-Megawati Soekarnoputri (1999-2001), Megawati Soekarnoputri-Hamzah Haz (2001-2004), Susilo Bambang Yudhoyono-Jusuf Kalla (2004-2009), and Susilo Bambang Yudhoyono-Boediono (2009-2014).

Below is the table of Gross Regional Domestic Products (GRDP) on The Basis of Current Prices per Province, on the year of government changing, during the period of 2000 until 2013 (in billion rupiahs).

Province	2000	2001	2004	2009	2013
DKI Jakarta	227861.24	263691.92	375561.52	757696.59	1255925.78
Jawa Timur	203236.96	235829.75	342706.06	686847.56	1136326.87
Jawa Barat	195943.00	218525.22	305703.40	689841.31	1070177.14
Jawa Tengah	114701.30	133227.56	193435.26	397903.94	623749.62
Riau	69576.97	79979.08	114246.37	297173.03	522241.43
Kalimantan Timur	82447.05	91890.40	133704.07	285590.82	425429.38
Sumatera Utara	69154.11	79331.34	118100.51	236353.62	403933.05
Banten	52927.54	60871.67	84824.75	152556.22	244548.14
Sumatera Selatan	41317.80	47100.29	64319.38	137331.85	231683.04
Sulawesi Selatan	28258.97	31936.14	44744.53	99954.59	184783.06
Lampung	23245.98	25739.79	36015.54	88934.86	164393.43
Sumatera Barat	22889.61	26154.13	37358.65	76752.94	127099.95
Aceh	39501.35	37654.64	50357.26	71986.95	103045.56
Kepulauan Riau	--	--	36736.62	63892.94	100310.42
Bali	17969.82	20998.66	30121.47	60292.24	94555.77
Papua	18409.76	21590.32	24842.90	76886.68	93136.60
Jambi	9569.24	11531.78	18487.94	44127.01	85558.31
Kalimantan Barat	19378.78	21359.19	29750.23	54281.17	84956.23
Kalimantan Selatan	18706.95	20858.42	28028.04	51460.18	83361.79
DI Yogyakarta	13480.60	15228.67	22023.88	41407.05	63690.32
Kalimantan Tengah	11039.68	12436.87	18299.98	37161.80	63515.47
Sulawesi Tengah	8824.46	10590.60	14956.04	32461.33	58641.18
Nusa Tenggara Barat	12192.58	15238.26	22145.67	44014.62	56277.97
Sulawesi Utara	10655.73	11918.03	16143.45	33033.61	53401.10
Papua Barat	--	--	6576.54	18144.49	50908.73
Sulawesi Tenggara	5774.65	6864.34	10267.96	25655.94	40773.20
Nusa Tenggara Timur	7873.14	9188.86	13004.16	24179.41	40465.30
Kep. Bangka Belitung	6451.09	7513.98	11796.55	22997.90	38934.84
Bengkulu	4868.10	5508.26	8104.89	16385.36	27388.25
Sulawesi Barat	--	--	--	9403.38	16184.01
Maluku	2769.26	3006.47	4048.28	7069.64	13245.35
Gorontalo	1473.27	1822.82	2801.54	7069.05	11752.20
Maluku Utara	1879.63	1952.87	2368.87	4691.16	7725.42
Total 33 Provinces	**1374048.62**	**1564471.65**	**2225418.05**	**4653539.25**	**7578118.87**

Meanwhile, if we subsume the GRDP to Western and Eastern Indonesia, based on the grouping used in Australia Indonesia Development Area (AIDA) cooperation, where the provinces in the islands of Java and Sumatera categorized as Western Indonesia and the provinces in the islands of Kalimantan, Sulawesi, Papua, Maluku, and Nusa Tenggara and Bali categorized as Eastern Indonesia, the Eastern Indonesia GRDP is amounted only more or less 18% of total GRDP, not significantly changed during the period of 2000 until 2013, as shown in below table:

Province	2000	2001	2004	2009	2013
DKI Jakarta	16.58	16.86	16.88	16.28	16.57
Jawa Timur	14.79	15.07	15.40	14.76	14.99
Jawa Barat	14.26	13.97	13.74	14.82	14.12
Jawa Tengah	8.35	8.52	8.69	8.55	8.23
Riau	5.06	5.11	5.13	6.39	6.89
Sumatera Utara	5.03	5.07	5.31	5.08	5.33
Banten	3.85	3.89	3.81	3.28	3.23
Sumatera Selatan	3.01	3.01	2.89	2.95	3.06
Lampung	1.69	1.65	1.62	1.91	2.17
Sumatera Barat	1.67	1.67	1.68	1.65	1.68
Aceh	2.87	2.41	2.26	1.55	1.36
Kepulauan Riau	--	--	1.65	1.37	1.32
Jambi	0.70	0.74	0.83	0.95	1.13
DI Yogyakarta	0.98	0.97	0.99	0.89	0.84
Kep. Bangka Belitung	0.47	0.48	0.53	0.49	0.51
Bengkulu	0.35	0.35	0.36	0.35	0.36
Total, Western	**79.66**	**79.76**	**81.77**	**81.28**	**81.80**
Kalimantan Timur	6.00	5.87	6.01	6.14	5.61
Sulawesi Selatan	2.06	2.04	2.01	2.15	2.44
Bali	1.31	1.34	1.35	1.30	1.25
Papua	1.34	1.38	1.12	1.65	1.23
Kalimantan Barat	1.41	1.37	1.34	1.17	1.12
Kalimantan Selatan	1.36	1.33	1.26	1.11	1.10
Kalimantan Tengah	0.80	0.79	0.82	0.80	0.84
Sulawesi Tengah	0.64	0.68	0.67	0.70	0.77
Nusa Tenggara Barat	0.89	0.97	1.00	0.95	0.74
Sulawesi Utara	0.78	0.76	0.73	0.71	0.70
Papua Barat	--	--	0.30	0.39	0.67
Sulawesi Tenggara	0.42	0.44	0.46	0.55	0.54
Nusa Tenggara Timur	0.57	0.59	0.58	0.52	0.53
Sulawesi Barat	--	--	--	0.20	0.21
Maluku	0.20	0.19	0.18	0.15	0.17
Gorontalo	0.11	0.12	0.13	0.15	0.16
Maluku Utara	0.14	0.12	0.11	0.10	0.10
Total, Eastern	**18.03**	**18.00**	**18.06**	**18.72**	**18.20**
Total	**97.69**	**97.76**	**99.83**	**100.0**	**100.0**

(the total is less than 100% in 2000, 2001, and 2004 due to numbers round off)

The issue of equitable economic development, which always be expressed on every election, meets its meaning when we face the data on above table. Four governments who received the mandate to govern this country during 2000 until 2013 had failed to address this issue. The real issue in this matter is the disparity between Java and outer Java, so it's actually unfair to include Sumatera in the same group as Java, because the portion of Sumatera provinces in total GRDP is not better than other outer-Java provinces. Provinces in Java cumulatively seize the portion of GRDP as much as 58.81% (2000), 59.28% (2001), 59.51% (2004), 58.58% (2009), and 57.98% (2013) respectively. Although Java is only 6.37% of Indonesia in term of geographic area. Nevertheless, since the study in this paper specialized on Eastern Indonesia, so we have to ruled Sumatera out.

To be able to catched up with the Western Indonesia, Eastern Indonesia needs a much higher economic growth compare to the Western. Presume that the growth of Western Indonesia is 5% per annum, with 2013 baseline, Eastern Indonesia will surpass the GRDP of Western Indonesia in 33 years time, on condition that the growth of Eastern Indonesia is doubled than the Western, which is 10% per annum. However it is not an easy job to heave the growth to 10% per annum. A very hard and smart work from all stakeholders, including the government, private sectors, and all people will be necessary.

Data gathered by BPS shows the average of GRDP growth of Eastern Indonesia during 2000 to 2013 is 6.0588% compare to 5.1150% reached by the Western. Newly established provinces, such as Papua Barat, Gorontalo, and Sulawesi Barat became the engine of growth in the Eastern, as shown in table below.

Province	Growth	Province	Growth
Jambi	6.61	Papua Barat	12.34
Kepulauan Riau	6.38	Sulawesi Barat	8.85
DKI Jakarta	5.85	Sulawesi Tengah	7.65
Jawa Timur	5.74	Sulawesi Tenggara	7.65
Bengkulu	5.74	Gorontalo	7.22
Sumatera Utara	5.72	Sulawesi Selatan	6.53
Sumatera Barat	5.63	Sulawesi Utara	6.08
Kep. Bangka Belitung	5.5	Kalimantan Tengah	5.81
Banten	5.48	Maluku Utara	5.26
Lampung	5.42	Bali	5.22
Jawa Barat	5.38	Kalimantan Selatan	5.21
Jawa Tengah	5.25	Nusa Tenggara Timur	4.95
Sumatera Selatan	4.85	Kalimantan Barat	4.9
DI Yogyakarta	4.73	Maluku	4.84
Riau	3.53	Nusa Tenggara Barat	4.11
Aceh	0.03	Papua	3.31
		Kalimantan Timur	3.07
Average, West	**5.1150**	**Average, East**	**6.0588**

If the condition of growth continues as it shown during 2000 until 2013, the Eastern needs 159 years to catch up with Western Indonesia!!

1.2. Objective of Study

Based on the description in previous chapter, effort to boost economic growth in Eastern Indonesia is very essential. Various efforts should be delivered in order to reach economic growth twice faster than the West, so that in 33 years time equitable development will become reality.

Directorate General of Customs and Excise of the Ministry of Finance of the Republic of Indonesia, a government institution responsible for controlling international trade flow, determined to support the acceleration of economic growth in Eastern Indonesia through the memorandum of cooperation with the Northern Territory Government of Australia on establishment of Indonesian Customs Pre-Inspection Facility in Darwin, aimed to expedite the flow of import goods in the East.

The facility, rolled out for the first time in 2002, was broke off in 2013. This study will describe the background of Indonesian Customs Pre-Inspection Facility in Darwin (ICPIF), the implementation of the tasks carried out by the officials from time to time and try to identify the causes resulted in the ICPIF break-off.

2. LITERATURE REVIEW AND HYPOTHESIS

International trade is inextricably linked to development. Most fast growing economies also have a dynamic trade sector. Trade involving developing countries has grown at a comparatively fast pace in the current decade. This has provided significant impulses for global growth and has led to measurable improvements in the current accounts of this group of countries. The whole trade expansion has contributed to economic growth, increased employment and poverty alleviation. (United Nations, 2008).

Customs administrations possess a very important role in international trade. The expedite of import and export goods' flow, in most cases, is associated with the ability of customs administration to perform its roles and functions.

On the other hand, in many developing countries, the revenues from import become one of budget's main source. To this end, the role of customs, an institution responsible for import duties and taxes collection, become prominent.

Customs central role in international trade becomes more significant when adding its role of supervising import goods. Customs is mandated by other governmental agencies to oversee the entrance of prohibited and restricted goods, to protect stakeholders from the distribution of harmful goods. Harmful, in such terminology, not only harmful to individual, but also cover a more extensive meaning, such as endanger the sustainability of domestic industries.

Such roles trigger temptation to some customs officials to commit an offense and betray the trust delegated to him. These actions mostly happen in less developed and developing countries. The developed countries, equipped with good and prudent systems and procedures, will be able to avoid such misconducts.

The condition, subsequently brings out an alternative to ordinary customs inspection, which is an inspection conducted in the exporting countries territory by a private agencies. Practice known as pre-shipment inspection.

First introduced in Zaire in 1963 and adopted since then by over fifty countries worldwide, Pre-Shipment Inspection (PSI) requires imports to be inspected by a private surveillance company at embarkation ports or airports or in the exporter firms' premises, instead of just by the importing country's customs. The idea is for PSI companies to provide a parallel information system enabling client governments to control the tax collection functions of their own bureaucracies. Originally, PSI was intended to fight the use of over-invoiced imports to evade capital controls. As capital controls were progressively phased out, the attention of governments shifted to import-tariff evasion and, starting with Indonesia's program in 1985, the mission assigned to PSI accordingly changed to curbing underinvoicing. (see Anson, Cadot, Olarreaga (2006), p.1)

World Trade Organization (WTO) adopted the practice as one of the common practices in international trade. To provide a common understanding among member countries, WTO included the regulation of pre-shipment inspection into Annex 1A on Agreement Establishing the WTO.

Based on Agreement on Preshipment Inspection, Pre-shipment activities are all activities relating to the verification of the quality, the quantity, the price, including currency exchange rate and financial terms, and/or the customs classification of goods to be exported to the territory of the User Member. User member means a member (country) of which the government or any government body contracts for or mandates the use of pre-shipment inspection activities.

The agreement regulates the obligations of user members, obligations of exporter members, and independent review procedures, beside the administration provisions. According to the WTO document number G/PSI/N/1/Rev 2 dated 9 October 2014, there are 8 members putting the agreement on PSI into force, which are Argentina, Brazil, Ecuador, European Union, Liechtenstein, Republic of Moldove, Switzerland, and Uruguay.

Whereas countries such as Angola, Chad, Burkina Faso, Cambodia, Mauritania, Bangladesh, Benin, Democratic Republic of Congo, Congo, Central African Republic, Iran, Niger, and Uzbekistan obliged the goods to be imported to those countries to undergo a PSI in the exporting countries. Meanwhile many other countries in Africa hire PSI companies to support customs services, in the form of destination inspection and/or selective PSI.

In practice, the procedure of PSI is roughly describe as follows. The trader operating in the port of shipment must first provide the PSI company's local agent with a detailed description of the shipment, which will be inspected. Upon inspection, the PSI company issues a Report of Findings, which falls into two categories: a Clean Report of Finding (CRF) when the PSI company confirms the trader's declaration, or a

Discrepancy Report (DR) when it uplifts the trader's declared value. Either CRF or DR serves as the basis for the determination of applicable import-tax regime (tariff line, special regimes, exemptions etc.) and is sent to the destination port's customs and PSI company agent. In addition, it is also sent for reconciliation purposes to the client government's Ministry of Finance; the extent of reconciliation between customs data and the CRF/DR by the Ministry of Finance varies across countries, but reconciliation rates tend to be low.

At the destination port, the importer or a registered commissioner forwards one copy of the report to the appropriate customs office, together with a set of official customs documents on the basis of which duties payable are assessed. On the basis of these two set of documents (CRF/DR and customs documents) the PSI company calculates all taxes and duties, which are paid by the importer or commissioner to a designated bank account, from which they are transferred to the Customs' account at the Central Bank and then finally to the Treasury.

To these duties, the PSI company adds a fee paid by the importer, typically about 1%, with a minimum amount. (Anson, Cadot, and Olarreaga, 2006)

PSI industry dominated by a tight-knit group of five global 'competitors' that generates more than \$800 millions a year of revenue and \$150 to \$200 millions in profit annually from inspection contracts with more than 40 poor countries. The leading companies in this industry are Société Générale de Surveillance (SGS), Bureau Veritas (BIVAC), Cotecna, Intertek, and BSI Inspectorate.

The growth of PSI industry was backed by the World Bank and the IMF, whom in the early of 1980s started to insist that developing countries that received their financial assistance to hire outside PSI company, like SGS.

PSI programs, which are implemented in many developing countries to fight corruption, has had many other harmful side-effects, **in addition to all its direct costs**. After forty years, development specialists are finally realizing that PSI has probably actually discouraged bureaucratic reform, boosted trade barriers, and encouraged even more corruption than it has prevented.

They have also recently been convicted of bribing senior Third World officials to secure PSI contracts. For example, in the case of Pakistan, a recent Swiss magistrate's decision in a long-fought court case indicates that SGS and Cotecna Inspection SA really did bribe Benazir Bhutto, the former Prime Minister of Pakistan and leading members of her family throughout the 1990s, with the help of major Swiss, American, UK, and French banks and a coterie of Swiss lawyers. (James S. Henry, 2003)

A study by Dequiedt, Geourjon, and Greziosi (2009) concluded that entering a PSI program is not optimal for all countries. In particular, when the level of corruption in the customs administration is too high, it may be preferable to simply let underinvoicing occur. For those countries with high level of corruption, PSI programs are not the solution and it may be preferable to tackle the customs corruption problem more directly.

By contrast, under a critical level of corruption and above a customs' cost of control, the PSI programs are optimal and then justified. However, Dequiedt, Geourjon, and Greziosi have also established that the customs' modernization and corruption control are conflicting objectives and must not be assigned to the same private firm. An improvement for future programs concerning customs in developing countries would be to distinguish these two objectives and address them with two different contracts.

Meanwhile, study by Anson, et al. (2006) found an interesting result. The recommendation to use PSI services in some low-income countries grew largely out of frustration in the face of slow and ineffective customs reforms, on the expectation that efficient surveillance companies would do a better job than poorly trained and motivated customs administrations. However, the study's empirical results, based on a comparison of import values for three PSI-using countries at a highly disaggregated level, confirm that the effect of PSI was at best unspectacular and at worst perverse. PSI raised fraud in Argentina and Indonesia, and reduced it only –and not significantly– in The Philippines.

The customs pre-inspection conducted by Indonesian Customs in Darwin on the other hand is, by far, the only practice conducted by customs administration in the world. Pre-inspection in ICPIF is different significantly to PSI. In ICPIF, the pre-inspection is conducted by the importing countries' customs administration officers. The practice takes the goodnesses of PSI and minimizes the harmful side effects, such as high cost economies (PSI obliged importers to pay some percentage of import goods value for the operation).

Of course, to realize the activity, it needs a memorandum of cooperation between parties involved. It is uncommon for one's government institution to conduct its duties in the other country's territory.

Meanwhile, the cooperation between United States and Canada through Beyond the Border Initiative, is solely about pre-inspection of passengers and their luggages. Through this initiative, the US Customs and Border Protection (CBP) officers make passenger admissibility decisions abroad. The inspection of accompanying goods, baggages, and/or passenger vehicles takes place upon arrival in the United States. CBP Officers currently conduct pre-clearance operations at eight Canadian airports: Calgary, Edmonton, Halifax, Montreal, Ottawa, Toronto, Vancouver, and Winnipeg. The same operation has also taken place in Aruba, the Bahamas, Bermuda, Ireland, and United Arab Emirates.

The pre-inspection on import cargo, under the same initiative conducted by USCBP in Canada and Mexico, is still in the piloting phase. The U.S. and

Mexico are implementing cargo pre-inspection pilots at three locations, each of which will last 180 days and feature U.S. and Mexican officials working side-by-side. The first has begun in late August 2015 at Laredo International Airport and involved pre-inspection of air cargo from the automotive, electronics and aerospace industries destined to eight Mexican airports. The second, as scheduled, has begun in mid-September at Mesa de Otay, Baja California, Mexico, just across from the Otay Mesa port of entry in California. The third pilot is set to be launched in mid-2016 at the FOXCONN facility in Chihuahua, Mexico, near Santa Teresa, N.M. (Sandler, Travis & Rosenberg, 2015)

The piloting of cooperation on pre-inspection on import cargo between the US and Canada had concluded its two phases. CBP began Phase I of a truck cargo pre-inspection pilot on June 17, 2013 at the Pacific Highway crossing between Blaine, Wash., and Surrey, British Columbia. Phase I of the pilot was designed as a "proof of concept" to determine the viability of assigning CBP officers to Canadian border crossings to pre-inspect southbound trucks, drivers and cargo prior to arrival into the United States. Only trusted traders participating in CBP's Free and Secure Trade (FAST) program will be eligible to use the dedicated CBP pre-inspection commercial primary booth located on the Canadian side of the border. Participation is not mandatory. Pre-inspection in Canada will include radiation screening and basic primary processing. Secondary inspections, when required, will continue in the U.S. port of entry.

Phase II of the piloting began on February 24, 2014 at the Peace Bridge crossing in Buffalo, NY, opposite Fort Erie, Ontario. Phase II tested the impact of pre-inspection in Canada on wait times, border congestion and trade facilitation. The Buffalo-Fort Erie pilot continued for up to one year.

The piloting deemed to be successful according to the USCBP and followed by the agreement between the parties. In March 2015 the governments of Canada and of the United States announced the signature of the Agreement on Land, Rail, Marine and Air Transport Preclearance, which would formalize placement of customs inspectors from one country into the other's territory to facilitate the flow of goods and people. Eventhough, the agreement hasn't been implemented yet, because the domestic's legislative process in both countries is still on process.

3. METHODOLOGY AND DATA

Methodology deals with process and method used by the researchers to acquire knowledge about the world (Creswell, 2007; Edwards and Skinner 2009; Punch, 1998) which probably will be advantageous to answer the research questions and objectives. Research methodology helps researchers to acquire data from different resources.

Based on the objective of the research, which is to identify the causes resulted in the ICPIF break-off, the researcher determine to use qualitative research method. Qualitative research, through in-depth interview, was utilized to discover the perceptions of stakeholders using the facility. The open-ended format of researcher's questions allows participants to expand upon their experiences. (Edwards and Skinner, 2009)

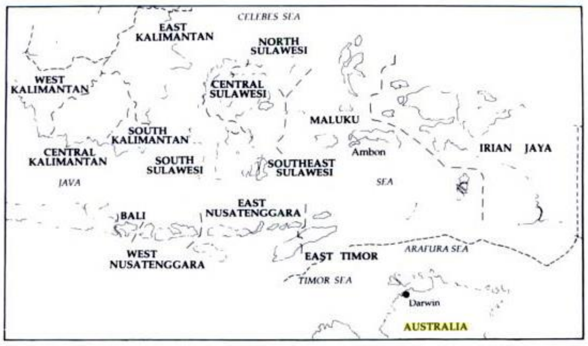
The researcher plays a very important role in qualitative-phenomenological research. The researcher acts as the human instrument in data collection and must maintain 'empathic neutrality' throughout all process (Patton, 1990). In phenomenology, the researcher's bias is essential to consider since it is the researcher that seeks to comprehend the human condition as much as the lived experience of the phenomena itself and attempts to uncover the meaning of the lived experience from the subjective perspectives of the persons who participate (Edwards and Skinner, 2009). Research for this paper conducted during researcher's assignment as Customs Officer at ICPIF for the period of April until October 2013 (the last period of ICPIF before its deferral period). In this case, researcher's bias must be taken into consideration. The researcher entered the research as a customs officer carrying out the facility with preconception that the facility was useful and worthy. But the researcher managed to limit such prior judgements and approached the research without considerable presuppositions on the issue.

Data of utilization of the facility, used in this study, compiled from monthly reports made by customs officers in ICPIF since its first implementation on 2002. The data is then, tabulated and simply analyzed to describe fluctuations of the utilization of this facility. Data from the interviews was used to strengthen the interpretation of data of utilization of the facility.

4. RESULTS AND DISCUSSIONS

To accelerate economic growth and development in Eastern Indonesia, The Government of Indonesia, together with Australia Government initiated an economic cooperation in the frame of Australia-Indonesia Development Area (AIDA). AIDA officially launched at Ministerial Meeting on 23-24 April 1997 took place in Ambon, Maluku. Indonesian delegation led by Coordinating Minister for Production and Distribution, Dr Hartarto, and Australian counterpart led by Minister for Foreign Affairs, Mr Alexander Downer.

The two Ministers agreed that the objective of AIDA was to develop closer economic relations between Australia and the Indonesian provinces of West Kalimantan, Central Kalimantan, East Kalimantan, South Kalimantan, Bali, North Sulawesi, Central Sulawesi, South Sulawesi, Southeast Sulawesi, West Nusatenggara, East Nusatenggara, East Timor, Maluku and Irian Jaya. They noted that Australia was already one of the major investors in AIDA and agreed that there were mutual benefits to be gained by expanding and further deepening the level of economic cooperation within the AIDA region. They agreed that the central aim of AIDA is to improve the enabling environment for private sector trade and investment between Australia and the above-mentioned provinces of Indonesia. They noted that the AIDA region needed to become as attractive to business activity as elsewhere in order to achieve long term results. (Joint Press Statement on The Launch of The AIDA, Ambon, Indonesia, 24 April 1997)



Australia-Indonesia Development Area

The Australian Government had pinpointed two key industries in AIDA regions, which were mining and tourism and determined to assist local governments to develop those industries. To assist further activities under AIDA, Australia (through AusAID) would be funding a major study of Eastern Indonesia. This study would focused on identifying the opportunities and challenges to trade and investment in the AIDA area. Australia would also initiated a technical and vocational education development assistance.

The Indonesia Government, in the other side, undertook to increase air services between Indonesia and Australia and, in particular, within AIDA and to explore the development of new air routes by airlines of Indonesia and Australia. Indonesia also welcomed Australian investors to take advantage of the fiscal incentives available for investment in Growth Node Areas (Kapet) located throughout the Provinces which are member areas of AIDA and had given its approval in principle to provide computerised customs services at certain AIDA ports which experience heavy international trade loads in order to improve efficiency of service. Indonesia had also decided to allow greater market access for commercially driven education and training activities.

Furthermore, six sectoral Working Groups had been established – in agriculture, fisheries and animal husbandry; education and training; mining and energy; tourism; transport; and trade and industry – in order to evaluate more specialized cooperation and development prospects.

However, a study by Dennis Rumley (2001) presumed that Indonesia's aims for pursuing the AIDA agreement was undoubtly political; that was, to reinforce support for GOLKAR (then, Indonesia's ruling party) in Indonesia's vast underdeveloped eastern region, Dr. Hartarto was also in charge of GOLKAR's election campaign. From an Australian perspective, on the other hand, AIDA was especially significant since it represented its first sub-regional economic arrangement with the Asia-Pacific region. In addition, AIDA was the fourth of a set of agreement connecting Indonesia more closely with Australia. The others were the Agreement on Maintaining Security, the Timor Gap Treaty, and the Agreement on Maritime Boundaries.

In contrary to Mr. Rumley statement, Manning and van Diermen (2000) concluded that The AIDA initiative would bring the business communities of each country together once Indonesia was on the path of economic recovery (after 1998 economic crisis). Until the onset of the crisis, bilateral trade and investment had been growing steadily. Potential areas of economic cooperation that had been already been identified, included agribusiness, mining and natural resources, tourism, infrastructure, education and health services, information technology, telecommunications, and financial and management services. In Eastern Indonesia there were additional areas of cooperation, such as fisheries, oil and gas, timber and rattan, and shipbuilding.

Long before the launch of AIDA, the Government of the Republic of Indonesia and the Government of the Northern Territory of Australia (known as the outback of Australia) had agreed to sign a memorandum of understanding on economic development cooperation on 21st of January 1992. The MoU acknowledged the strong cultural and social ties established between the Eastern Part of Indonesia and the Northern Territory of Australia and recognized the strategic and commercial importance of increasing economic cooperation between the two regions for mutually beneficial development and growth. The key areas of the cooperation were:

1. Manufacturing and processing industry;
2. Trade and trading infrastructure;
3. Transport services;
4. Physical infrastructure development;
5. Professional services, including health and education;
6. Technical and advisory expertise and technology transfer;
7. Primary and tertiary industry, including minerals and energy developments, rural sectors and the tourism industry.

Both governments recognized the importance of strong involvement from their respective private sectors and endorsed and supported private enterprise initiatives which will lead to the fulfillment of common economic development objectives.

Both AIDA and MoU on economic development cooperation need a strong government initiatives as well as the involvement of private sectors. Lack of participation from one of the entities will send the cooperation to failure. After the launch of AIDA, the cooperation under this MoU became an integral part of AIDA.

Directorate General of Customs and Excise of the Ministry of Finance of the Republic of Indonesia (DGCE), as the government institution responsible to facilitate import and export, determined to support the goals of AIDA. In order to do so, DGCE agreed to sign a memorandum of cooperation with the Department of

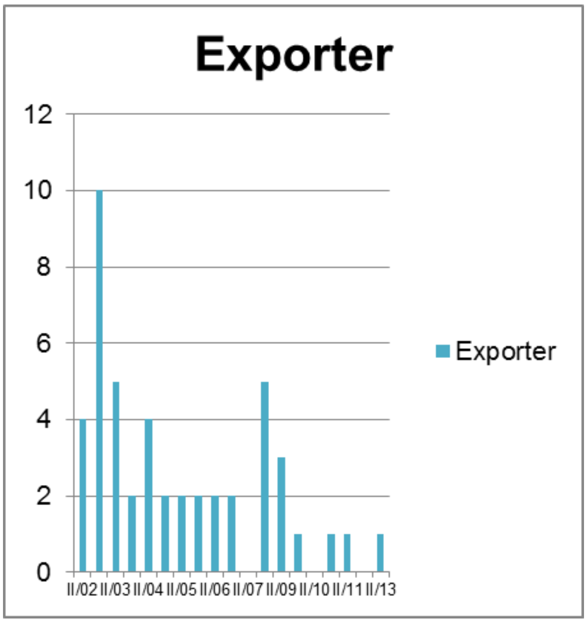
The Chief Minister of the Northern Territory of Australia concerning a customs preinspection facility in Darwin for goods shipped to Indonesian ports other than in Java and Sumatera on 8th of June 2001. Both parties should promote the existence of the facility to business community as well as local governments in both countries to ensure its optimal use.

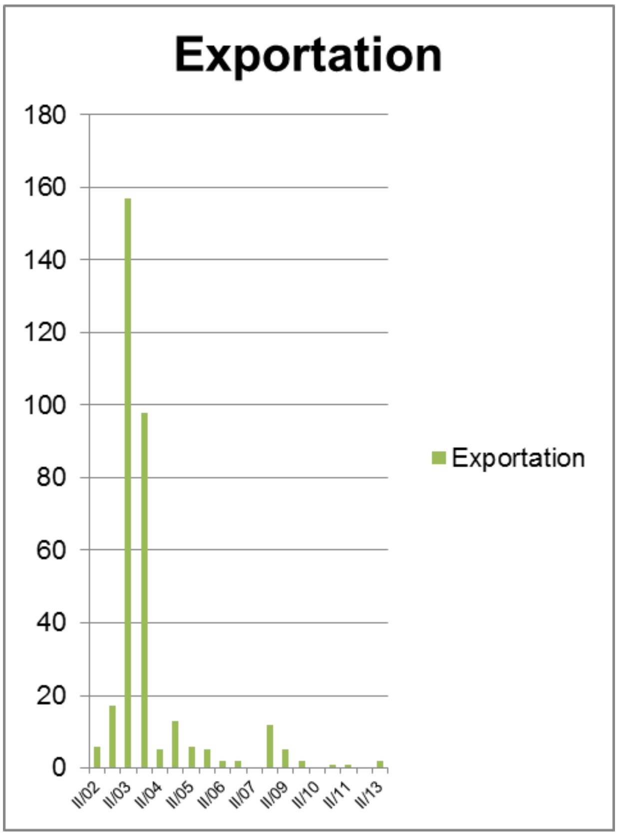
According to the memorandum, the DGCE would assign two officers, on six months period basis, to run the office of Indonesian Pre-Inspection Facility in Darwin. The researcher was fortunate to be able to assign for the facility for the period of April until October 2013.

ICPIF officers' duty at Darwin, according to the Memorandum of Cooperation between the Directorate General of Customs and Excise and the Department of The Chief Minister of the Northern Territory of Australia, the Minister of Finance of the Republic of Indonesia Decree Number 118/PMK.04/2013 (that replaces the previous decrees), and the Director General of Customs and Excise Decree, were to facilitate preinspection on goods to be exported from port or airport at Darwin to any port in Indonesia except those located in islands of Java and Sumatera. In the researcher's opinion, this facility provided certain benefits, as the following:

1. Expediting the flow of the goods in the port of destination because the imported goods were not requiring any physical inspection;
2. The physical inspection can be conducted more optimum and freely, because it conducted before loading the goods into containers;
3. The inspector receives a more comphrehensive and reliable information concerning the goods from the producer (the producer knowledge about their produced goods must be very much better than the informations possessed by the importer/forwarding agent in the port of destination);
4. Related to point 2 and 3 above, the classification and customs value determination by the officer will be more accurate accordingly;
5. Furthermore, with the full support from the regional government (through the simplification of business permit's procedures and massive socialization of business opportunities), the facility can help to improve the investment in Eastern Indonesia, because this facility provide convenience and certainty in investment costs; and
6. For the NTG, this facility is beneficial because it provides the ease of access for their industrial and agricultural products to penetrate Eastern Indonesian's market.

Customs officials had carried this facility since August 2002. Since then, it is recorded that the exporters and exportations utilize the facility is up and down, as shown in below chart:





Meanwhile, based on the export values, the data is shown below :

Term	Exportation Value	
Jul-Dec 2002	USD	4,200.00
Jan-Jun 2003	USD	136,740.00
Jul-Dec 2003	USD	141,570.00
Jan-Jun 2004	USD	18,470.00
Jul-Dec 2004	USD	1,216,440.00
Jan-Jun 2005	USD	37,580.00
Jul-Dec 2005	USD	908,780.00
Jan-Jun 2006	USD	940.00

Jul-Dec 2006	USD	7,230.00
Jan-Jun 2007	USD	96,440.00
Jul-Dec 2007	**USD**	**0.00**
Jan-Jun 2009	USD	123,884.10
Jul-Dec 2009	AUD	519,253.80
Jan-Jun 2010	AUD	131.50
Jul-Dec 2010	**AUD**	**0.00**
Jan-Jun 2011	AUD	640,000.00
Jul-Dec 2011	AUD	1,838,949.00
Jan-Jun 2012	**AUD**	**0.00**
May-Oct 2013	AUD	6,265.00

In the beginning of the facility, as shown above, the number of exportation was numerous but in term of value, it was not big, mostly the exportations used air transpotation (there was a chartered-flight served Darwin-Timika route in the early stages of this facility and until April 22nd, 2009, Garuda Indonesia flew from Denpasar to Darwin). After Darwin-Timika chartered-flight and Garuda Indonesia closed theirs route, automatically the exporters could only used marine transportation to export their goods and the situation resulted in slackening the used of the facility.
Indonesia AirAsia's decision to fly Denpasar-Darwin starting July 2013 was expected to be able to provide shipping alternative modas to the business community in Darwin. Therefrom, export's passion from Darwin to Eastern Indonesia would grow. Related to the circumstances, communication and socialization continually carried out by Customs officials in Darwin to the business community so they could seize the opportunity to start exporting and utilize the facility.

As saying, only few big companies utilized the facility because no regular shipping lane served the route from Darwin directly to Eastern Indonesia. Exporter must chartered a ship to do export. The latest two big exportations carried out by GOS Drilling (March 2011) and Blackwoods (September 2011) were big scale exportations and involved a very big value as well. Both were sent on ship to Balikpapan.

No shipping carrier dares to start a lane from Darwin to any port in Eastern Indonesia directly because the demand for import is unformed. This problem is unsolved until this very day. Which party should start the cycle to generate the economic development? Indonesian National Government in Jakarta, local/regional government in Eastern Indonesia, business community/investor, the Federal Government of Australia or the Northern Territory Government of Australia (NTG).

In the cycle below, researcher tries to describe the situation. In the surface, the main problem identified is there's no shipping lane serve the route, in a word the problem is transportation, so less companies utilize this facility. This is because the importation from Darwin to Eastern Indonesia can be counted with fingers. Why is it happen? Because no demand for goods, neither consumer goods nor capital goods. The income per capita in Eastern Indonesia is not as high as those in Java or Sumatera. And the income per capita is low because the transportation problem, consequently, the area is remoted. So it forms a cycle similar to Ragnar Nurkse's Vicious Circle of Poverty.

The only solution is Investment. Eastern Indonesia needs massive investment in every area and field to accelerate its economic growth and development. The Master Plan for The Acceleration and Expansion of Indonesia's Economic Development (MP3EI) announced by the previous government (Susilo Bambang Yudhoyono-Boediono) on May 2011 could be seen as an effort from the Indonesian government to break the cycle. Nevertheless, Strategic Asia on its paper 'Implementing Indonesia's Economic Master Plan (MP3EI): Challenges, Limitations, and Corridor Specific Diffrences' indicates nine major barriers to the implementation of the MP3EI, which are:

1. a lack of socialisation and awareness;
2. unclear synergy with the RPJMN (Indonesia's long term development plan);
3. needs for both regulatory and institutional reform;
4. underdeveloped infrastructure;
5. regional disparities;
6. a need for human resource development;
7. a lack of available national financing:
8. disincentives to private investment:
9. a perceived clash with committing to environmental sustainability.

So, it's clear that Indonesia needs to boost investment for Eastern Indonesia. The basic/priority fields, in researcher's opinion, are investment in infrastructure (to support connectivity) and at the same time, human resource development. In fact, the MP3EI has dedicated the first phase of the implementation process from 2011 to 2015 as solely in infrastructure investment.

In the case related with the Indonesian Customs Pre-Inspection Facility in Darwin, if the development in Eastern Indonesia attract the investors from Australian's business community, it will be a good news. It has become a public knowledge that investors have a preference on using products produced by their own country. So if Australians decide to invest in Eastern Indonesia, more or less, products exported from Australia in general and especially from Darwin will increase. Australia has lots of high quality capital goods to offer. But it seems that the infrastructure development phase draw no attention from Australians.

The fact is that the Northern Territory itself still need investment, with enormous opportunities in not less than 50 oil, gas, and mining fields awaiting further exploration and/or exploitation. As I mentioned earlier, NT is outback Australia. The latest Liquid Natural Gas (LNG) projects in NT draw an investment worth USD 34 billion from Japan energy giant INPEX. And the local government still expect another investment from China, US, France, and other countries.

The latest news confirmed that INPEX had also won the oil field exploration project of Blok Masela in Maluku. It is widely expected that this move by INPEX would generate export of capital goods from Darwin to Maluku. Unfortunately, the regulation from SKK Migas prevents it from happening. It is said that the capital goods mustn't be supplied from overseas.

However, in the long terms, if the development in Eastern Indonesia grows, the demand will follow and the facility will enlive. In the end, there will be no problem with the transportation, once the shipping companies see an opportunity, they will invest on this route and a lane will be established.

To enliven the facility, the Northern Territory Government of Australia at several times proposes short cuts, such as expanding the facility to cover both Java and Sumatera and furthermore allowing the exported goods to undergo a transhipment outside Indonesia (Singapore or Dili). The researcher finds that such proposal should be rejected because deviated from the main goal of the existence of the facility, which are to develop Eastern Indonesian's economy and initiate direct transportation (especially shipment) from Darwin to Eastern Indonesia. The goal which, until today, hasn't been implemented.

In addition to ICPIF officer main function to facilitate a pre-inspection on goods to be exported to Eastern Indonesia, the officer also administered the request for information and consultation, not only from the community in NT, but from all over Australia. Informations related with import and export procedures and prohibited and restricted goods were frequently being asked by the community. The request was sent via email, telephones, or simply by stopby ICPIF's office at Level 2, 8 McMinn Street, Harbour View Plaza, Darwin.

From the researcher's view, the DGCE has also received benefits from the existence of the facility. At least, the facility provided some of the DGCE officials a working experience in international environment. This is important for capacity building and not every government institutions have similar opportunity.

Few days before researcher's assignment ended, a letter sent from NTG to the DGCE. The NTG propose a deferral of the facility until December 31st, 2014. The main reason of this proposal was the lack of preinspection activity in the last 2 years. Meanwhile, they still had to spend certain amount of budget to maintain the facility.

The deferral period proposed by the NTG had came to an end. No further negotiation held between the parties and the researcher assumes, unfortunately, that the facility has met its end.

The researcher hopes, in the future the cooperation will once again be established. Therefore, many companies can get benefit from the facility, considering that the opportunities of doing business in the Eastern Indonesia are wide open.

Instead of re-commencing ICPIF, the NTG initiated a growth triangle cooperation with Timor Leste and the local government of Nusa Tenggara Timur on 2014. The cooperation will be focused on the opening of transportation moda connecting Kupang-Dili-Darwin and the distribution of economic resources and productions among the parties. Transportation, has once again, became the main focus of the cooperation, and will become the main problem, if the parties fail to address it.

5. CONCLUSION

Indonesian Customs Pre-Inspection Facility in Darwin had been carried out by customs officials since August 2002. Since then, it is recorded that the exporters and exportations utilize the facility is up and down. After the deferral period, which lasted more than one year (October 2013 until December 2014), the facility is now no longer established.

The shut-up happened due to slackening the used of the facility. In the surface, the main problem identified is there's no shipping lane serve the route, in a word the problem is transportation, so less company utilize this facility. This is because the importation from Darwin to Eastern Indonesia can be counted with fingers. Why is it happen? Because no demand for goods, neither consumer goods nor capital goods. The income per capita in Eastern Indonesia is not as high as those in Java or Sumatera. And the income per capita is low because the transportation problem, consequently, the area is remoted.

Due to that, the ultimate goal of the facility which is to develop Eastern Indonesian's economy, through the acceleration of import handling, couldn't be achieved.

6. RECOMMENDATION

Pre-Inspection by importing country's customs officers in the territory of exporter's country has now seen as one of the solutions to expedite the flow of import goods in the port of destination.

The United States has started the piloting of this activity with Mexico and has concluded the piloting phase with Canada. The piloting deemed to be successful according to the USCBP and followed by the agreement between the parties.

The study recommend the Ministry of Finance and Directorate General of Customs and Excise to further study the possibility of commencing preinspection cooperation with neighboring countries to reduce the burden of destination port in Indonesia. This activity will also reduce the dwell time of import goods.

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