



TPSA Project Conducts a Trade Negotiation Training Program for Indonesian Government Officials and Private Sector Representatives: A Win-Win Situation

The proliferation of free trade agreements (FTAs) around the world, particularly in Asia, has called on developing countries, including Indonesia, to acquire technical skills among government officials to negotiate and implement WTO and FTA commitments. Governments are therefore looking at capacity-building activities to develop a pool of trade officials who are skilled and knowledgeable about WTO, FTA, and other trade negotiations.

Indonesia has been quite active in concluding free trade agreement (FTA) negotiations. To date, Indonesia has eight FTAs: six regional and two bilateral. As a member of the Association of South East Asian Nations (ASEAN), Indonesia is party to the ASEAN Free Trade Area (AFTA) and the FTAs with China, India, Japan, Korea, Australia, and New Zealand. The ASEAN-Hong Kong FTA and Regional Comprehensive Economic Partnership (RCEP) is currently underway. Bilaterally, Indonesia has FTAs with Japan and Pakistan and has launched negotiations with Australia, India, Chile, the EU, and Korea.¹

Under the new government, President Joko Widodo has directed his economic ministers to review all existing FTAs and upcoming negotiations in order to improve Indonesia's international trade. With GDP currently growing slower than expected, improving the terms of trade are expected to help jump-start the economy.



Participants at the Introductory Course.

As the largest economy in Southeast Asia, and with many trading partners, Indonesia needs quality trade agreements at its disposal to not only sustain its national development, but also to contribute to economic growth and social stability. These agreements are significant to Indonesia in that they are with some of their major trading partners, such as



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Given the work ahead for Indonesia with respect to negotiating regional and bilateral trade agreements, the government is looking to build the capacity of its officials in this area.

To this end, the Ministry of Trade, in collaboration with the Canada–Indonesia Trade and Private Sector Assistance (TPSA) Project, which is funded by Global Affairs Canada and administered by The Conference Board of Canada (CBoC), organized a trade negotiation skills program in mid-September 2015. The program was taught by Yeboah Dickson from the World Trade Organization (WTO).

Introductory Course to the WTO

The training program kicked off with an introductory course on the WTO and the Trade Negotiation Process, held September 9–10, 2015, at Le Meridien Hotel in Jakarta. This course was to prepare the participants for the Advanced Trade Negotiations Simulation Skills course that was held September 14–18, 2015, at the Ministry of Trade Training Centre near Jakarta.

"The trainings will go a long way toward building capacity in trade negotiations and helping Indonesia to produce quality trade agreements with its trading partners."

—DODY EDWARD
Director of Export Development Cooperation
of the Directorate General of National Export
Development, Ministry of Trade

The training was designed by the TPSA project and the WTO to strengthen the technical and analytical skills of officials on matters of the WTO and the required skills for trade negotiations. The activities were co-organized with the Directorate General of National Export Development (DGNED)



Serious deliberations of country positions.

of the Ministry of Trade, the main partner for TPSA activities.

Experts from the TPSA project and the WTO delivered the training courses. Fifty government officials from the Ministry of Trade, Ministry of Agriculture, Ministry of Maritime Affairs and Fisheries, and Ministry of Finance, as well as representatives from the Indonesian Chamber of Commerce & Industry (KADIN) and the Employers' Association of Indonesia (APINDO) participated in the training program.

The first training provided participants with a basic understanding of the WTO. Topics covered included WTO general rules and principles, non-agriculture market access, the General Agreement on Trade in Services, agriculture trade negotiations, and the trade negotiation process. Participants were taught the fundamentals of the WTO to enable them to answer simple questions like:

- What is the meaning of the "most favoured nation" (MFN) principle?
- What does "single undertaking" mean in the trade negotiation process?
- How are decisions normally made in the WTO?
- Which products are covered by the Doha Development Agenda agricultural negotiations?
- Which services are covered by the Doha Development Agenda services negotiations?
- What are the four modes of trade in services?
- What are the three pillars of the WTO Agreement on Agriculture?

A general background on the FTAs, which covered issues such as WTO rules on FTAs from the perspective of developing countries, was also discussed to



bring into light the relevance and importance for all WTO members to complete the current WTO round that has been stalled since 2004.

Issues on the challenges of developed and developing countries regarding trade negotiations were deliberated, recognizing some of the flexibilities of developing countries in their trade negotiations. Participants shared the view that developing countries should take into account the market size of these developed countries, as well as the need to retain, if not enlarge, their market share in these developed countries. Developing countries should also regard the negotiations as an opportunity to build their capacity through technical cooperation to help improve market access of their products and services into other countries.

A test was administered to the participants at the start of the training to gauge their level of understanding of the WTO's principles. The same test was then redelivered to the participants to determine if the training had improved the participants' basic knowledge of the WTO.

The test results demonstrated that the training was a success. From the total number of participants who took both tests, 38 out of 40 participants (or 95 per cent) showed an improvement. The average score for the test rose from 39 per cent at entry to a respectable 80 per cent at exit. The most notable figure is the eight participants who scored 100 per cent in the retest where none had achieved a perfect score prior to the training.

Advanced Trade Negotiations

The intensive course on trade negotiation skills was designed to provide participants with the knowledge, strategies, and tactics to conduct such negotiations, and with techniques of systematic decision analysis for monitoring and managing the negotiating process. The five-day course consisted of lectures, group discussions, and mock-up negotiations.

A simulation exercise was conducted for the participants to apply what they had learned. They were grouped into six teams representing six fictional countries—Elara, Jupistan, Himalia, Neptunia, Plutona, and Venusia. Each team had to negotiate a



Participants at the training prepare to negotiate for the country of "Neptunia."

bilateral trade agreement encompassing industrial products, agriculture, trade in services, and rules for fisheries subsidies by applying an entire array of trade-liberalizing modalities. The exercise helped participants visualize the actual process of preparing for and conducting negotiations in the WTO.

Each country prepared for the negotiations by first electing officers with the prescribed qualifications:

- Head of Delegation (the Minister): Tasked to lead and conduct the negotiation and make tactical decisions. The individual has a broad vision, good communication skills, and can integrate the various technical requirements into a broad concept or premise. The Head would assign a chief negotiator for each sector:
 - chief negotiator for industrial products
 - chief negotiator for agriculture
 - chief negotiator for trade in services
 - chief negotiator for rules (fisheries subsidies)

Given the intensive nature of the course, participants were required to attend all five days. The



"Ministers" signing the Bilateral Trade Agreements.



work sometimes carried the participants late into the evening in order to simulate the real-world requirements of deadlines and moving the negotiation process forward.

The main output of the negotiation round was the signing of the bilateral agreements by the “ministers” of each country. A special signing ceremony was organized, which was the culmination of the training course. The successfully signed agreements themselves were a testimony to the commitment, hard work, and long hours spent by the participants.

Each Minister was given the opportunity to share his or her personal experience and lessons learned from the simulated multilateral and bilateral negotiation exercise. All participants found that the negotiation process was as complex as it was challenging. They found that negotiating multilaterally was more challenging than negotiating bilaterally; if there was a conflict of interest with one country in a group of many, they had to change their position with all countries. Negotiators also had to deal with some fictional countries with strong national interests. The participants found that if they exercised flexibility, a win-win situation for everyone could be achieved.

“A notable achievement of the two training courses was the observed improvement in the skills and confidence of the participants to handle succeeding issues in subsequent rounds of the simulated exercises. This improvement was evidenced by their understanding and ability to make significant tariff reductions and in further liberalising trade rules.”

—PROFESSOR DICKSON YEBOAH
*Head of the Intensive Trade Negotiations Skills Unit
at the Institute for Training and Technical Cooperation
of the WTO in Geneva*

Useful Tips for Successful Trade Negotiation

- **Create the right environment.** Establish a conducive atmosphere to ensure that the negotiations can and will proceed smoothly and arrive at a positive outcome. A favourable situation is established when the negotiators create an atmosphere where they are open about their needs without fear of being exploited. Creating a collaborative atmosphere will lead to a win-win outcome.
- **Preparation is the key to effective negotiations.** Successful performance in the negotiations would depend very much on the preparation and effective use of the national consultation. Adequate preparations involve undertaking the required research of the issues for negotiation and fully understanding the impacts of specific decisions and trade outcomes. It is also important to understand the national mandates, but at the same time move forward the mutual interest of the trading partners to avoid a standstill in the negotiations. The objective in a negotiation is to advance individual interest through joint actions.
- **Talk and listen.** It is just as important to listen as it is to talk. Concentrate on the overriding message in negotiating partner's contributions rather than becoming bogged down or distracted by individual words. Avoid trying to second-guess a negotiating partner's statements or trying to finish off their statements. It also helps to take notes to aid in concentration.
- **Make proposals.** The process of trade negotiations involves making proposals and counter-proposals. This requires putting options on the table and considering alternatives. A key activity to moving forward the negotiations is exchanging proposals one after another until an agreement is reached.
- **Brinkmanship.** By definition, the practice of pushing a confrontation to the limit of safety in order to force a desired outcome should not to be pursued as a negotiation tactic. Exercising such a method has often led to negotiators becoming less flexible and less accommodating. A more constructive approach is to be open-minded and to promote mutual interests.



Participants taking a break from the negotiation rounds.

Qualities of an Effective Trade Negotiator

Professor Yeboah stressed that effective trade negotiations often depend on the qualities of, and approaches taken, by the trade negotiator. To be truly effective, a trade negotiator should be:

- non-emotional at the negotiating table
- focused on interests, not personalities
- harmonize the interest of the negotiating partner
- bring out the common advantages of any proposals and link those advantages so that they appear equally balanced to both parties
- not lose sight of cultural differences
- know his or her own limitations and those of the negotiating partner

"The job of a negotiator requires a big commitment and sacrifice. To become a successful negotiator requires one to be diligent in doing the necessary homework and to have the ability to bring in all stakeholders into the process. The negotiator has the responsibility to ensure that all concerns are brought to the table and addressed accordingly."

—WENGUO CAI
Facilitator in the Introductory and Advanced Training Course and Senior Trade Expert, TPSA, CBoC

Participant Feedback

Trade negotiation is considered an important skill, and the participants welcomed this training course.

Feedback from the participants revealed the training courses to be relevant to their work and all

participants rated the course from "good" to "excellent." Most of the participants achieved a higher level of confidence/skills to be able to apply the new knowledge in their individual work as well as in their respective departments.

All participants were unanimous in recommending this training course to their colleagues.

"I'll be forever indebted to all of you for teaching me these negotiation skills, for patiently teaching us, producing all the materials, and giving us your very best deliberations. I have nothing but to say 'thank you.'"

—RIZKY EKA PUTRI
Trade Analyst, Trade Policy Analysis and Development Agency—TRECDA, Ministry of Trade, Indonesia

Conclusions

The training courses were successful and a good beginning for the TPSA project. The activities were customized according to the needs of the Ministry of Trade and by all accounts met the general requirements of the organizers.

The delivery of the training courses comes at a time when Indonesia, specifically the Ministry of Trade, is tasked to review existing FTAs in order to optimize them. The Ministry is also charged to take the lead in the newly launched trade negotiations to achieve positive outcomes with Indonesia's trading partners.

Through this training, Canada hopes to contribute to the Indonesian government's capacity-building efforts to effectively manage their existing and new FTAs to allow the country to further expand their markets and enjoy the benefits of trade.

With the successful completion of this activity, the TPSA project anticipates providing continued support to the Ministry of Trade on capacity-building activities that enhance trade and investment between Canada and Indonesia, as well as with the rest of the world.



Celebrating the successful conclusion of the simulated trade negotiations.

About the TPSA Project

TPSA is a five-year C\$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector—particularly small and medium-sized enterprises (SMEs)—academics, and civil society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support higher sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

The expected immediate outcomes of TPSA are:

- improved trade and investment information flows between Indonesia and Canada, particularly for the private sector, SMEs, and women entrepreneurs, including trade-related environmental risks and opportunities;
- enhanced private sector business links between Indonesia and Canada, particularly for SMEs;
- strengthened analytical skills and knowledge of Indonesian stakeholders on how to increase trade and investment between Indonesia and Canada;
- improved understanding of regulatory rules and best practices for trade and investment.

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ENDNOTES

¹ ADB Asia Regional Integration Center, *Free Trade Agreements*. <https://aric.adb.org/fta-country> (accessed July 11, 2016).

² World Integrated Trade Solution, *Indonesia Exports by Country and Region 2014*, <http://wits.worldbank.org/CountryProfile/en/Country/IDN/Year/2014/TradeFlow/Export/Partner/all/Show/Partner%20Name:XPRT-TRD-VL;XPRT-PRTNR-SHR;/Sort/XPRT-TRD-VL/Chart/top10> (accessed July 22, 2016).