A HIDDEN COST OF INDONESIA SINGLE RISK MANAGEMENT: SCRUTINY VIS A VIS SERVICES

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Abstract

Trade facilitation services faces two major challenges which serves as a scrutiny and service. Erosion of scrutiny functions will pose a threat to national security, for instance food safety, goods forgery, fraud, and other form of transnational crimes. While the erosion of service function will impede the flow of goods which lead to economic injury. This paper will analyze to what extent Indonesia Single Risk Management is able to reduce the hidden cost in scrutiny vis a vis a service. This is a normative study and employing statute approach, conceptual approach, and comparative approach. The data analysis used descriptive qualitative method. This study finds that harmonization of the determination of risk values and risk indicators in each Ministry/Agency can be used to minimize or manage hidden cost within trade facilitation.

Keywords: trade facilitation, risk management, service, scrutiny, hidden cost, customs.

Abstrak


Kata kunci: fasilitasi perdagangan, manajemen risiko, pelayanan, pengawasan, hidden cost, bea cukai.

Introduction

Export and import services are one of the crucial things in the free trade. Smooth flow of goods is a crucial factor in encouraging domestic economic growth. Therefore, the government as a provider of trade facilitation services undertakes some improvement and change of services by providing more convenience and speed in procedures in foreign trade. In addition, the integration of foreign trade services through the portal Indonesia National Single Windows continues improving.

Conversely, the simplicity and speed of service in foreign trade procedure also contains "hidden cost", which is a threat of legal disobedience from transnational crimes in traffic flow of goods. Such threats may be in the form of goods that are not in accordance with the provisions of export and import.

For example, the case against smuggling of tobacco or cigarette up to May 2, 2017 Indonesia Directorate General of Customs has been
issued 8,985 Proof of Penalty Letter with goods value or potential loss of state reached 2.52 trillion rupiah. Moreover, there are 415 prosecution against smuggling of Beverage Contains Ethyl Alcohol causing state loss value of 16.37 million rupiah. Thus, prosecution against illegal food commodity was enforced such as illegal onions as many as 71 cases with total state loss value of 22.56 million rupiah, illegal rice commodity as many as 22 cases with state loss 25.60 million rupiah, illegal sugar commodity as many as 56 cases with state loss 1.40 million rupiah and illegal meat commodity as many as 22 cases with a state loss of 25.60 million rupiah. Similarly, the case of Narcotics, Psychotropic and Precursor (NPP) is as many as 79 cases with a total weight of 238.8 kg. Then it is followed by Textile and Textile Product (TPT) as many as 503 cases with the value of state loss 131.61 billion rupiah. To address this situation, Indonesia Finance Minister Sri Mulyani instructed Customs Authority to take precautionary measures to protect the national industry from violation of export and import legal procedures.¹

Related to the environmental crime several times, Directorate General of Customs in cooperation with the relevant agencies had foiled smuggling protected wildlife. For instance Directorate of Customs handles the case of protected endangered species of shrimp shellfish (cassis cornuta) which potentially causes state loss of 20 billion rupiah. This smuggling case was apprehended by Tanjung Priok Customs Authority, when one container full of a goat's head shellfish with 40-foot size will be exported to China using fake documents. Goat's head shellfish are designated as protected species according to the Government Regulation Number 7 Year 1999 on the Preservation of Plant and Animal Species.² The Directorate General of Customs has taken action against the illegal export of pearls, lobsters and baby lobsters that potentially cause state loss billions of rupiah. Such prosecutions are carried out in cooperation with the Ministry of Marine Affairs and Fisheries.³

Crime cases in cross-border trade are considered to be one of the hidden costs in enhancing the simplicity of foreign trade services. Indonesia Single Risk Management or ISRM is one of the risk control policies to downy the flow of goods at ports, established in Package Economic Policy XI in Logistics Sector. Ports has strategic role as the main door for the entry of cross-border goods movement. Some background in this policy is the completion of customs clearance and cargo release at the port, which is still constrained by the services of import export licenses by the Ministry/Institution under certain transactional conditions that take a long time; different service treatment of the same Service users in each Ministry/Institution, thus resulting uncertainty and inefficiency in import export activities; and risk management in Ministries/Agencies has not been systematically integrated. Furthermore, Indonesia's position in the implementation of Trade Facilitation Agreement-World Trade Organization (TFA-WTO) is still low. Indonesia only gives commitment with category A (applied immediately after the entry into force agreement) for 3 point agreement (pre-arrival processing, use of customs broker, and penalty discipline) from 48 points set in the TFA-WTO.

This makes difficulty for Indonesia to improve its profile at international level that it can reduce Indonesia's trade competitiveness which potentially hampers national economic growth. The implementation of ISRM is expected to reduce hidden cost that may arise from the improvement of trade facilitation service. ISRM should be able to encourage the establishment of equilibrium point for the improvement of trade facilitation services while minimizing the hidden cost arising as a result of misuse.

Research Methods

Indonesia Single Risk Management (part of National Single Windows) is one of the policies undertaken by the Indonesian government to balance these two functions of trade facilitation. ISRM will be operated based on risk compliance mapping in which the preference on trade facilitation will be given to a company with mini-
maximum risk. In this regards, such preference would cost on discrimination among business operators and leniency of scrutiny. Therefore, this paper will analyze to what extent Indonesia Single Risk Management is able to reduce the hidden cost in scrutiny vis a vis service.

Related to the above-mentioned problem statement, this research is normative research. This research applies secondary data which consist of primary, secondary, and tertiary legal materials by systematically identifying legal norms and legal views. The purpose is to understand and to answer the object of study by employing statute approach. The data analysis applies qualitative descriptive method, in which data related to the problems are explained by analyzing the existing realities with existing laws and regulations related to the problem.

Discussion
Threat of International trade
Border management agencies, together with Customs authorities, face major challenges in reconciliation a country’s want for controls with the advantages of facilitating crossborder traffic in people and goods. Consistently implementing risk management at strategic, operational, and military levels ensures that Customs administrations best deploy resources to safeguard their voters from threats to health, safety, and security, whereas at the same time supporting economic process by maintaining economical and foreseeable cross-border transit times. To manage the growing volume of travelers and trade, a big range of leading customs administrations has adopted risk management due to the tenet for border management. By the virtue of an increased velocity of trade, tax revenues along the entire import chain increased. It means risk assessment technology can both enhance security and facilitate global trade.

This paper does not only discusses the linkage between security and trade facilitation, but also finds a balance between facilitation and enforcement. Customs authorities play a particular role to facilitate and expedite trade on one hand, and on the other hand to meet its obligations in terms of safety and protection of cross-border products movement. In regards to the increasing terrorist threats and migrant crises, the state takes its Customs authority for economic and physical protection. However, the opposite participants in international trade need uniformity, certainty, transparency and potency of the customs procedure. In this advanced constellation, Customs required to provide facilitation of international trade by making customs procedures become faster and simpler. Moreover, concurrently, Customs also need to identify those who triggered security threat in international trade. “Security is a state of being free of danger or threat. Security means safety, as well as the measures taken to be safe or protected.” The Geneva Centre for the Democratic Control of Armed Forces published a paper that classified trade security threats into five groups, which are “Normal” criminal acts; Technical violations (e.g., irregular papers); Transnational organized crime (e.g., smuggling of different goods; illegal trade of weapons, narcotics, dangerous materials and other commodities); Threats in terms of safety of its citizens (terrorism); and threats to the customs integrity-corruption. The European Commission in 2007 published a paper that defined security of the European Union’s external borders as the capacity of these borders to constitute a barrier, or at least a reliable filter for its member States against threats to the effectiveness of checks and surveillance; Compliance with EU or national regulations; The level of internal security in the common area of freedom of movement; Law and order of the national security of EU member States, except with regard


2 Loc. cit.
4 Loc. cit.
to the military defense of the EU’s external borders against aggression in cases that one or more third countries openly commit aggression or claim responsibility for it. 5

Customs have to cope with two risks in achieving a proper balance between trade facilitation and regulatory control. 6 Those risks are the potential failure and the potential of noncompliance of Customs laws. We can contended that the keys of Customs are “facilitation” and “control.” This balance could be achieved by the application of risk management principles. It is a common belief that facilitation and management sit at opposite side and uncommon for commentators to confer with the apparent “paradox” of achieving each facilitation and management. People concluded that, due to the increased level of facilitation, the amount of management will decreases and vice versa. 7 This is an over-simplification perspective that only consider to loosen the control as the sole way a process might be facilitated. Therefore, it points out that there is no phrase “facilitation versus management” but “facilitation and management” in this research.

According to David Widdowson, there a four quadrant that divides the management styles: 8 first, the top left quadrant (high control, low facilitation) may be described as the red tape approach, which is often representative of a risk-averse style. This represents a high control regime where Customs laws are strict, to the loss of facilitation. Nowadays, this approach is probably going to draw in an excellent deal of public criticism and complaint thanks to the increasing expectations of the commercialism community that Customs intervention ought to be decreased.

Second, the bottom left quadrant (low control, low facilitation) may be described as crisis management approach, which is one that advantages neither Customs nor trading actor. This represents a little control regime and also achieves equally little within the manner of facilitation.

Third, the bottom right quadrant (low control, high facilitation) may be described as laissez faire approach; this method occurs when trading actor fully complies to Customs laws (no threat and no risk of noncompliance). This represents a little control regime with a high standard of facilitation.

Fourth, the last is the top right quadrant (high control, high facilitation) may be described as balanced approach, which is one that both Customs and trading actors obtain maximum advantages. This represents high control with maximum facilitation. This approach is the one that administrations ought to attain.

As previously described, it is clear that a balanced approach is required to run a good country’s trading process. The key to achieve a good balance between control and facilitation is effective application of the principles of risk management. 9 This relation is portrayed within the three-dimensional Compliance Management Matrix. 10 We have to admit the existence of risk management varieties, as there are possible movements away from a state total crisis management. The risk is the chance of an event that will have an effects on organizational goals. This regulatory strategy that attains some extent of control indeed appears for a threat of noncompliance of Customs laws. Likewise, a strategy that attains some extent of facilitation appears for a strategy to act towards failure in facilitating trade process.

The concept of Trade Facilitation (WTO TFA): Best Practice

Trade Facilitation Agreement has been through long roads negotiation since two decades ago, and has finally concluded in the Bali WTO Ministerial Conference 2013. 4 Thus it is

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5 Danijela Miloshoska, Ivica Smilkovski, Op.cit  
7 Ibid.  
8 David Widdowson, op.cit.  
9 Ibid.  
10 Loc.cit.
valid by 22 February 2017, its validity required acceptance of the Agreement from two-thirds of its 164 WTO Members States. Until October 2017 it was ratified by 122 WTO Member States.5 The TFA provides a leniency to WTO Members States especially for developing countries and least developing countries according to their capacity where they permitted to adjust their own timetables for executing the provisions.6

The core of the TFA is the improvement on trade facilitation services in WTO member states which covers expediting the movement, releasing and clearance of goods, also goods in transit. With regard to cross borders goods movement, the TFA emphasizes the enhancement of cooperation between customs and others related Agencies including interstates relations to cope with the proliferation of free trade agreements.7 The TFA aimed to improve the transparency and predictability for economic operators and related actors to trade, which could enhance possibilities for developing countries and least developing ones to participate in the global trading. It is also aimed to increase trade bureaucracy performance by reducing rent seeking behavior and corruption.8 It is believed that full implementation of the TFA could reduce trade costs by an average of 14.3% and boost global trade by up to $1 trillion per year.9 Additionally, the cross-borders cooperation between state Agencies under trans-governmental frameworks can be used to improve trade security and combating trade-related transnational crimes, for instance fraud of origin, transit fraud, environmental crime, bio-terrorism, bio-piracy, foods piracy, counterfeit-goods, trade frauds, and tax crimes.

Indonesia is now on the way to deliver the ratification of the TFA (processed in the National Legislation Program to obtain approval from the House of the Representative People).10 According Trade Facilitation Agreement Database till present, Indonesia has rate of implementation commitments on Category A 5.4% and rate of implementation commitments yet to be designated on Category A 94.6%.11 It means that Indonesia still have low commitment on implementing TFA. The Trade facilitation measures could increase the flow of external trade of a country. According to OECD study, if Indonesia fully implemented commitments of the WTO Trade Facilitation Agreement, it could reduce its trading costs by as much as 15%.12

**Risk on Global Supply Chains**

It is important to secure supply chains from any threat that potentially could harm public safety and/or national security (security in this term covers all security aspects for instance social, economic, cultural, military, and politics). There are many threats generating from free movement of goods that could endanger public safety and bringing impact of economic loss for instance terrorism, illicit drugs, counterfeit goods, and fraud of origin. Such crimes are categorized as organized crimes where it supposed allegedly involves rent seeking behavior, corruptions and insufficiency of system of secure trade facilitation. Insecure trade facilitation which leads to some transnational crimes incident causes trading partner apprehensive to trade with affected countries. Insecure trade facilitation associated with insecure supply chains could affect the increase of insurance cost and logistic cost. Such circumstances could affect the competitiveness of goods and impeded economic growth.14

Customarily border protections on goods movement only observe transactions to scrutinize supply chain movements. However, since complexity of goods transport and many possibilities of illegal conduct could commit, it shifts the pattern into risk management. It is very interesting how crime could be conducted in very “micro way” where sometimes it is difficult to be detected. In this regard, the movement of goods within supply chains by any entities or person can be covered or laundered by hidden the “nature of goods” and “true possession of goods”. For instance, the use of third party services such as freight forwarders companies to deliver the goods abroad by hiding the true consignees. This circumstances could hamper the Government Authority to cross check the history of company or individual that could be allegedly
suspended for illegal conduct or has non-compliance history.

Therefore to secure supply chains from hidden cost, the trade facilitation services needs fast and accurate response toward any security threats especially for the major threat such as terrorism or any hazardous goods that might threat public safety before the goods loading or departure or before the goods unloading or arrive. Therefore, intergovernmental cooperation among custom authorities or related Agencies is needed. However, due to requirement of formal procedural checking of legal document, it would be needed to demonstrate the actus rea (the act) and mens rea (intent) of the consignee.

According to Uta Jüttner, et.al., in Supply chain risk management: outlining an agenda for future research four critical aspects of the management concept were identified: assessing the risks sources for the supply chain; defining the supply chain risk concept and adverse consequences; identifying the risk drivers in the supply chain strategy; and mitigating risks for the supply chain. It follows a summary of our findings on each of these aspects by distinguishing between positive as well as normative future research issues.11

Based on Andrew Grainger Customs and Trade Facilitation: From concepts to implementation, Considering the trade environment’s complexity often conflicting interests are at work. Institutional limitations add further to implementation difficulties. Policy executives tasked with identifying transaction cost problems, evaluating scope for trade facilitation and implementing trade facilitation programs require a wide range of experience and skills. The case for trade facilitation for most proponents is self-explanatory. The Trade transaction costs are a waste and should be avoided.12

According to the study carried out by Carolin Eve Bolhöfer, Trade Facilitation - WTO Law and Its Revision To Facilitate Global Trade In Goods, an important issue that is still pending is whether future trade facilitation disciplines will be subject to dispute settlement under the Dispute Settlement Understanding (DSU). If this is not the case, an alternative enforcement mechanism will have to be agreed on. It is certain that technical assistance and capacity building for less developed countries are the key to the reform of WTO law. Observing the potential that trade facilitation presents, especially for the developing world, it is more than desirable that Members manage to agree on an ambitious set of disciplines.13

While Doug Tweddle in Logistics, security and Compliance: the part to be played by authorized economic operators (aeos) and data management, there is a need for an integrated and globally supported international data model to cover the exchange of data throughout the entire cross border process. The concept of a seamless, electronic integrated data pipeline based on a total trade transaction model would allow the receipt of data on impending transaction at the earliest possible time or data testing on the ongoing basis; the data relating to the shipment of a consignment to grow as the goods move along the supply chain and as carriers, circumstances and locations change; agencies that have the legal right to receive and/or view the data to do so; data inconsistencies and human rekeying errors to be reduced; whole-of-government and international risk assessments to be undertaken; the progress of the transaction to be monitored with a single point of response for the trader, resulting in faster release and clearance; a transaction history to be maintained for reuse and statistical purposes; the effort in dealing with government agencies to be reduced and in some cases, this reduction would be significant; for the data from the consignor in the exporting country to be transmit-

12 Andrew Grainger, “Customs and trade facilitation: from concepts to implementation”, World Customs Journal Vol. 2 No. 1, April 2008, p. 28.
sted to the consignee in the importing country resulting in benefits to the trader, transport industry stakeholders and government Agencies; and the movement (export) data to be used to pre-populate the (import) data and/or verify the import data. Inconsistencies would be identified and resolved earlier and standard data sets would be stabilized.14

Yi-Chih Yang in Risk management of Taiwan’s maritime supply chain security evaluating the impact of risk factors from the container security initiative (CSI) on the maritime supply chain in Taiwan employs a loss exposure matrix to identify the severity and frequency of security risk, and uses a bow-tie diagram to investigate appropriate risk management strategies to deal with maritime security risks.15

Andrew Grainger in Trade Facilitation: A Conceptual Review said that at present, there is much reliance on emphasizing the unilateral benefits derived from trade facilitation such as better utilization of inspection resources, increased business competitiveness, and tighter control. Binding commitments of substance, without an institutional framework that is able to independently assess and verify the quality of a nation’s trade environment will be difficult to implement. As we move towards the non-tariff barriers, the ability to evaluate and assess operational variables is an issue of concern and relevance.16

Nora Neufeld in Trade Facilitation Provisions in Regional Trade Agreements: Traits and Trends gives an overall comparison of TF provisions in RTAs and those contained in the WTO’s TFA reveals a complex picture. One finds both commonalities and differences. Most of the issues negotiated in Geneva are equally reflected in RTAs which often have a broader definition of TF. In many instances, the RTA’s language is less broad and/or less specific. In others, the opposite is the case. The smaller (often just bilateral) RTA setting seems to facilitate the accommodation of different interests and positions. This can lead to TF measures in regional trade agreements going beyond the disciplines agreed upon in the WTO. On balance, the upsides of the new Geneva Agreement are hard to dismiss — the story is one of complementary more than conflict.17

Anne-Marie Geourjon and Bertrand Laporte in Risk management for targeting customs controls in Developing countries: a risky venture for revenue Performance?; reviews that developing countries’ governments need not hesitate to implement systems for the targeting of transactions for inspection for fear of losing revenue. This change in attitude ought to encourage them rapidly to incorporate appropriate risk analysis—a key factor in trade facilitation—into their overall strategies for modernizing their customs administrations.18

Sachin Chaturvedi in Trade Facilitation Measures in South Asian FTAs: An Overview of Initiatives and Policy Approaches In the Indo-Singapore FTA, there is a provision for establishing coordination between various border agencies for facilitating quicker clearance of documentary requirements. Such provisions are possible when infrastructure at the land customs stations (LCSs) is improved. At the LCS, infrastructural challenges include the absence of warehousing facility, absence of weighing gadgets, lack of proper parking facilities and also that of quarantine facilities.19

Tom Doyle in Collaborative border management is to transform the way border management agencies do their business through in-

tergovernmental and inter-agency networking arrangements and through partnerships with their customers. Networking arrangements allow border management agencies to cooperate effectively to a set of common and agreed standards. Customer segmentation allows the border management agencies to deliver enhanced services to compliant customers and focus their scarce resources on more value added intelligence and risk driven interventions. Countries will receive security and compliance management benefits from the creation of such arrangements and opportunities will be provided for more developed countries to share facilities, knowledge and capacity building with those who are less developed. The developed nations also benefit from the increased sophistication and performance of their previously less developed partners.20

Andrew Grainger in Supply Chain Security: Adding To a complex operational and Institutional Environment reviews unexplored research areas include: the operational interface between business and government; the institutional and regulatory overlap in the control of goods; the development of a regulatory framework that is aligned to modern day supply chain management practices; the negotiation process between public and private sector actors in defining trade procedures; the interests of actors and the implementation of trade facilitation concepts; and, human and organizational capabilities necessary to enable closer cooperation between business and government actors in supply chain security.21

Kunio Mikuriya in Supply Chain Security: The Customs Community’s Response reviews more secure supply chain will increase transparency and predictability of the movement of goods and reduce the opportunity for theft and pilferage too. This will act as a deterrent to potential terrorist threats, transnational organized crime and smuggling whilst protecting revenue collection. In order to realize this global trade scheme of the 21st Century, customs administrations around the world will have to work in partnership with the business community and other stakeholders. It is only through commitment, dialogue and close cooperation between all role players that we will be able to jointly address the issues associated with supply chain security.22

David Hesketh in Weaknesses in the supply chain: who packed the box?, states transport conventions, systems, procedures and data in the Logistics Layer dominate the management of the supply chain. Yet the data relating to the goods to be bought, sold and moved needs to be known to the buyer and seller in the Transaction Layer to ensure the order is properly met and paid for. If that information was clarified and verified at the point of consignment completion and captured in a data system running parallel to the Logistics Layer, many of the risks associated with poor data would be reduced.23

In taking action against the cross-border trade crimes as the leading sector, Directorate General of Customs cooperate with the government institution such as Financial Transaction Reporting and Analyzing Center, Directorate General of Taxation, and State Police. Other legal offenses committed by fraudulent exporters are misuse of Import Export Destination facilities such as import duty exemption and imported Value Added Tax (VAT). Where the crime committed by economic operators according to the Minister of Finance, it potentially harms the state finances, harm the public, and damage the image of Indonesia in international trade. Currently, there are several laws and regulations that can be used to entrap perpetrators of cross-border trade crimes, e.g. Law Number 17 Year 2006 on Customs, Article 64 paragraph (1) Indonesian Civil Code and Article 3 Law Number 8 of 2010 on Money Laundering Crime. Further, the Minister of Finance also said that the

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enforcement of the Law of Penalty for violations of trade facilitation provided by the government is also part of President Joko Widodo's instructions in order to prevent smuggling of goods through cross-border trade in order to protect the interests of national industries, in addition to protecting public security from threats that may arise.

**Legal Genesis of Risk Management**

World Customs Organization (WCO) established a regime that became the guidance for its member states to secure international trade by balancing security and facilitation. The regime called as the WCO Framework of Standards to Secure and Facilitate Global Trade or “WCO SAFE Framework” which aimed to establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability; enable integrated supply chain management for all modes of transport; enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21st Century; strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments; strengthen Customs/ Business co-operation; promote the seamless movement of goods through secure international trade supply chains. Other frameworks should be adopted by Custom Authorities World Customs Organization’s Global High Risk Indicator (GHRI) document, and the WCO Standardized Risk Assessments (SRAs).\(^5\)

**Indonesia Single Risk Management (ISRM) in the Eleventh Indonesia Economic Policy Package: scrutiny vis a vis services**

ISRM is a risk management system based on the single identity of business actors aimed at improving service efficiency and monitoring effectiveness in import-export processes. Prior to ISRM is operated, each Ministry/Institution has its own rules and regulation which are often overlapping, redundant, or duplicative. ISRM also defined as a system applied by exchanging risk information among Ministries/ Agencies, so that the risk level decision toward business actors decided by a Ministry/Institution is most likely to be affected by risk information from other Ministries/Agencies.

ISRM is a system of simplification of procedures based on synergy and uniformity. In fact, every trading transaction always raises the risk. The risks are not to be avoided but managed. Risk management is the identification of risk areas, and measures the value of each risk area that lies behind an activity. Therefore, the identification will facilitate the prevention of undesirable risks, or achieve objectives of activities with the lowest possible risk.

The objective of ISRM is to accelerate the trade facilitation activities by providing business certainty, time efficiency and low licensing costs, and lower dwelling time; improving the effectiveness of supervision through integration of risk management among Ministries/Agencies; improving the high compliance and encourage business actors to comply due to the certainty procedure; and equal treatment of licensing services and supervision of all Ministries/Agencies to each business actor in accordance with the risk profile. To sum up, ISRM aimed to deliver a certainty of the process of trade facilitation.

Impact of integration of risk management is the speedy of the company assessment by Customs. If the risk management integration system is more integrated and more credible, when there are companies that considered having low risk by other Ministries/Agencies, Customs assessment also considered low risks which lead to speedy services for the companies. Another example, the integration of risk assessment is the cooperation between Customs and the Investment Coordinating Board. Having permission from the Investment Coordinating Board, a company can directly put into a green line category. This treatment is based on the result of a deep verification done by the Investment Coordinating Board regarding investment plan and recommendation from the Ministry/Technical Institution. In this regard, if the Investment Coordinating Board has given permission, the government has conducted an comprehensive assessment.
Currently, the most developed and structured Ministries/Agencies in applying risk management are Customs. Will the risk management approach at Customs be adopted immediately by Agency of Fish Quarantine, Quality Control and Fishery Products Safety? In this point, not all risks used by Customs match with Agency of Fish Quarantine, Quality Control and Fishery Products Safety since it has particular specifications of supervision. The Customs risk management approach implemented by Customs is based on ERNA (Existence, Responsibility, Nature of Business) while risk management approach of Agency of Fish Quarantine, Quality Control and Fishery Products Safety started from its commodity, i.e. whether or not the commodity fulfilling the requirement of the Quality Assurance System and Food Safety of Fishery Product. Customs focus on state revenues while fish quarantine prioritizes sustainability and quality. To emphasize Agency of Fish Quarantine, Quality Control and Fishery Products Safety risk indicators focus on commodity, quality, legality and then the company. Hence, every agency has its own risk indicator that takes cooperation between Ministries/Agencies. Besides company profile, there are points about fisheries that became a risk indicators for instance company grade and quality of fishery product. Then another example is the application of risk management to the Agricultural Quarantine Agency, where business actors concerned, is also strongly influenced by the risk level of the imported carrier media and the dynamics of the development of disease status in the importing country.

The main concern of the risk indicator does not only rely on the fiscal factors but also considering the commodity and the origin of the commodity so that ISRM will become an important instrument in the Indonesian economy without neglecting the function of preventing the spread of pest and agricultural development sustainable. Each Ministry/Agency must formulate a road map and capacity building action plan in order to accelerate the realization of ISRM to the ideal conditions. Currently single identity has been included in the initiative of reform program of Directorate General of Customs with Directorate General of Tax. There is already a concrete form that is, data of Customs Identification Number which has been integrated with data of Taxpayer Identification Number. By such integration, data management between taxes and customs can be more efficient and effective as well as information sharing, how taxpayers engage in Customs and vice versa. The importers must comply with the Annual Tax Return, tax payment, and so forth.

As the implementation of compliance, the Directorate General of Customs has suspended the Customs Identification Number of 674 importers who do not comply with the reporting of Annual Taxation. Thus, in the future we are going to integrate population data with the Ministry of Internal Affairs and data of Importer Identification Number of the Ministry of Trade.

**Risk Management Approach on ISRM**

Integration of risk management among entities will be easy conducted if the same concern is exercised. Therefore, it is crucial to developed common knowledge with the shared concern. In this regard, the same risk value will be obtained for all parties to use.

With the integration of the results of the risk assessment, it can represent the level of risk of all Ministries/Agencies based on the consideration of many points of analysis with different concerns. Integrating risk management in INSW requires three stages of the ISRM process: first, implementing of risk management in each Ministry/Agency of INSW participants in order to be integrated is necessary to use the same data source to be analyzed in accordance with their respective concerns. Therefore, if the results are integrated, it can be guaranteed coming from the same risk object. Second, collecting all values of any risk areas of concern to all Ministries/Agencies to the INSW Portal to be combined as a single risk reference for each risk area. Third, performing normalization/harmonization based on risk variance of risk values among Ministries/Agencies of each risk area, to be a common risk value.
With all three stages of ISRM, it will be obtained the value of shared risks that form the basis for all Ministries/Agencies to determine the type of segmentation of the process and the decision so that services can be accelerated for Service Beneficiaries and Transactions with low risk. The risk of importers and exporters is based on the historical profile of export-import actors. Therefore, it is necessary to collect profile data of exporters and importers as a complement to the risk value attached to each business actor. Transaction risk is a combination of risk areas that will apply equally to the risks of business actors. This occurs when the profile transaction equals to the risk profile recorded in the data of the business actors. Analyzing the risk of transaction can have different value from the value of business actors risk. The relation between risk and service may start from the point of view “that not all activities served are risky”. For activities known to be low risk can minimize the procedures and ease of decision making process. By doing so, the service becomes efficient, fast and accountable for its data support.

Conclusion

The absence of harmonization and uniformity of indicators and measurement of risk values and risk indicators in each related Ministry/Agency. There is still overlapping of rules and authority of the Ministry/Agency even there are rules that are mutually counter-productive resulting in the complexity of risk management and on the other hand provides a gap for the emergence of hidden costs. Not all Ministry/Agency have the same resources and adequate in managing the hidden cost. These resources are related to human resources, knowledge, and technology.

Suggestion

From the research findings, this research delivered a suggestion that to minimize hidden cost in the context of improving the service of trade facilitation under ISRM is conducted by harmonizing the determination of risk values and risk indicators in each Ministry/Agency. Thus, the gap for the emergence of hidden cost to increase service can be minimized. A dangerous hidden cost is a transnational organized crime that is sometimes difficult to detect in terms of physical inspection or administrative procedures, so integration of risk values and risk indicators is expected to manage the risks of trade facilitation services. The government is highly suggested to upgrade and improve an adequate resources to carry out the management of the hidden cost.

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