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Certificate of Origin as an Export Risk Mitigation Instrument: Evidence from PT KPI RU II Dumai

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A B S T R A C T
Export activities are a major driver of economic growth, but they expose firms to compliance, operational, and financial risks. This paper examines the role of the Certificate of Origin (CoO) in mitigating export risk, using a qualitative case study of PT Kilang Pertamina Internasional Refinery Unit II Dumai. Primary data were collected through interviews and documentation with the Finance function during a three-month internship and analyzed against rules-of-origin and trade-finance literature. The results show that the CoO functions as more than proof of origin: it supports preferential-tariff eligibility, verifies product traceability, and underpins Letter of Credit disbursement. The CoO is found to mitigate three interrelated risks in the export of Marine Fuel Oil, Low Sulphur Fuel Oil, and Green Coke, namely dumping allegations, mis-declaration of origin, and payment-related operational risk. Consistent and well-integrated CoO documentation is recommended to sustain export compliance and competitiveness.

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INTRODUCTION

Export activity is one of the principal engines of national economic growth, particularly for industries that generate value-added products such as processed oil and gas. Through export, firms expand their markets, increase foreign exchange earnings, and strengthen the competitiveness of national products abroad. Behind these opportunities, however, the export process carries risk at every stage, from document handling and shipment to the settlement of international payment (Tobing et al., 2021). A well-known illustration of these risks occurred in October 2009, when tires imported to Indonesia from China and India were accompanied by falsified Certificates of Origin (CoO) designed to make the goods appear to originate from ASEAN member states, allowing the importers to claim the lower 5% intra-ASEAN duty rather than the 15% non-ASEAN tariff under the ASEAN Free Trade Area (AFTA) scheme. Cases of this kind demonstrate that the Certificate of Origin is not a mere formality: it is a document whose integrity directly determines a country's tariff exposure and trade-remedy liability.

The economic literature on preferential trade confirms that rules of origin (RoO) — the criteria from which the CoO is derived — are a decisive, if double-edged, instrument of trade policy. Cadot, Carrère, de Melo, and Tumurchudur (2006) show that the restrictiveness of origin rules varies substantially across preferential schemes and can materially affect a country's compliance costs and the rate at which exporters actually use available tariff preferences. In a similar vein, Felbermayr, Gröschl, and Steininger (2019) find that rules of origin are effective at limiting "trade deflection" — the rerouting of third-country goods through a lower-tariff partner — which is precisely the type of abuse that motivated the 2009 tire case. Sytsma (2021) further demonstrates, using a triple-difference design on EU preference schemes, that origin requirements can act as a significant bottleneck to preference utilization, especially for exporters in developing economies, while Conconi, García-Santana, Puccio, and Venturini (2018) show that origin rules can even generate protectionist effects on upstream input markets. Taken together, this body of work underlines why the accurate issuance and verification of a Certificate of Origin is central to whether an exporting firm can realize the benefits — and avoid the penalties — associated with international trade agreements.

According to Rasbin (2020), the Certificate of Origin functions as an "entry ticket" within international trade agreements, intended to reduce the tariff burden on Indonesia's export commodities while simultaneously serving as a precondition for the application of preferential tariffs. Beyond its role in tariff qualification, the CoO also mitigates the risk of dumping allegations and supports the settlement of payment through a Letter of Credit (L/C), which remains widely regarded as the safest payment method in international trade (Tobing et al., 2021). This protective function is corroborated by trade-finance research: Crozet, Demir, and Javorcik (2022) show empirically that letters of credit continue to buffer exporters against counterparty risk even during periods of acute uncertainty such as the COVID-19 crisis, while Niepmann and Schmidt-Eisenlohr (2017) find that L/C usage rises with the riskiness of the destination market, reflecting the instrument's role as a risk-transfer mechanism between exporters, importers, and banks. Because the CoO is one of the mandatory supporting documents for L/C disbursement, weaknesses in its accuracy or consistency propagate directly into payment risk for the exporting firm.

Documentation risk is compounded by weaknesses in customs administration in many exporting economies. Sequeira and Djankov (2014), studying African ports, show that inconsistent document handling and informal payments at the border materially raise the cost and unpredictability of trade compliance, a finding with clear relevance for Indonesian exporters whose Certificates of Origin must be verified through Indonesia's National Single Window and E-SKA systems before shipment. At the same time, digitalization is increasingly proposed as a partial remedy: in a systematic review of blockchain applications for global value chains, Böhmecke-Schwafert (2024) identifies trade documents — including certificates of origin — as one of the primary categories in which distributed-ledger technology can reduce fraud and improve traceability, suggesting that the risk-mitigating function of the CoO is likely to be reinforced, rather than displaced, as issuance systems modernize.

PT Kilang Pertamina Internasional Refinery Unit II Dumai (PT KPI RU II Dumai) is one of Indonesia's oil-refining units whose export activity — covering products such as Marine Fuel Oil (MFO), Low Sulphur Fuel Oil (LSFO), and Green Coke — depends on the accurate and timely issuance of Certificates of Origin to sustain both tariff preference and payment settlement. Given the strategic position of the CoO in supporting export compliance and in mitigating dumping, origin-declaration, and payment risk, this study is motivated to analyze how the Certificate of Origin functions as a risk-mitigation instrument in the export activity of PT KPI RU II Dumai, and to identify which categories of export risk can be minimized through its proper use.

LITERATURE REVIEW

Export and Customs Documentation

Export, as defined under Law of the Republic of Indonesia Number 17 of 2006 concerning Customs, is the activity of releasing goods from the customs area. Article 2 of the Directorate General of Customs and Excise Regulation Number PER-32/BC/2014 requires exporters to notify goods to be exported to the Loading Customs Office through an Export Goods Declaration (Pemberitahuan Ekspor Barang, PEB), supported by complementary documents such as the invoice, packing list, and other documents required to satisfy general export provisions (Eduard, Nuruwe, & Suparno, 2024). Consistent with this administrative requirement, Sequeira and Djankov (2014) show that the efficiency and predictability of document processing at the port of exit is itself a determinant of trade cost, reinforcing why the accuracy of each export document — the CoO included — has consequences that extend well beyond a single shipment.

International Trade

International trade is the exchange of goods and services across national borders, encompassing both export and import activity, and is markedly more complex than domestic trade (Sahgal, 2024). Indonesia is party to at least twelve international trade agreements — Free Trade Agreements (FTA), Preferential Tariff Agreements (PTA), and Comprehensive Economic Partnership Agreements (CEPA) (Mahda, Zumrodah, Daud, & Anshori, 2025) — each of which is administered, in part, through origin documentation. Empirical work on preference utilization shows that the benefits of such agreements are not automatic: Andersson (2016) finds that liberalized access to intermediate inputs under relaxed rules of origin improves export performance, while Abreha and Robertson (2023) show that restrictive origin rules can adversely affect apparel exporters' ability to benefit from otherwise favorable trade agreements. Similarly, Qu, Yang, Wu, and Jiao (2025) demonstrate, in the context of the China–Korea FTA, that both the stringency of rules of origin and the size of the tariff margin jointly determine whether exporting firms actually claim preferential treatment. These findings collectively indicate that the CoO is the operational instrument through which the theoretical gains of trade agreements are — or are not — realized in practice.

Rules of Origin and the Certificate of Origin

Rules of origin are the rules and criteria used to determine the origin of a good; origin, in turn, determines the applicable import duty and other customs obligations. Only products originating from countries bound by a preferential agreement can enjoy preferential tariff treatment (Latifah, 2015). These criteria are formalized in the Certificate of Origin — known in Indonesia as the Surat Keterangan Asal (SKA) — an official document certifying that a good satisfies the applicable origin rule and is therefore eligible for preferential tariff facilities (Dewanty, 2012). Developed economies such as the United States and the European Union rely on rules of origin partly to protect consumers from deceptive origin claims. Cross-country evidence supports the significance of this instrument: Cadot, Carrère, de Melo, and Tumurchudur (2006) construct a restrictiveness index for NAFTA and EU origin rules and estimate compliance costs of 6.8%–8% of goods value, while Sytsma (2021) and Cipollina (2022) show, respectively for EU-GSP apparel and the EU–SADC Economic Partnership Agreement, that revisions to origin requirements have measurable effects on how much of an available preference exporters are able to capture. Curran and Nadvi (2015) add a value-chain perspective, showing how shifting origin and preference regimes reshape sourcing decisions in the Bangladeshi garment sector — a dynamic structurally similar to the way PT KPI RU II Dumai must document the Indonesian origin of MFO, LSFO, and Green Coke to retain ACFTA and ATIGA preference eligibility.

Dumping and Illegal Transhipment Risk

According to Indonesia's Ministry of Finance, dumping occurs when the export price of a good sold into another country is lower than the normal price of the same good in the exporter's domestic market — a form of price discrimination in which a firm charges more domestically than it does for export

(Akbar, App, Muhammad, & Ramadhan, 2025). Although liberalized trade promotes global economic growth, practices such as dumping can generate unfair competitive pressure, particularly for developing economies such as Indonesia (Akbar et al., 2025). Duarte (1997) traces the legal evolution of anti-dumping remedies under GATT Article VI and shows that anti-dumping duties, once imposed, can be applied with limited regard for the underlying legitimacy of the exporting firm's pricing decisions, which raises the stakes of a credible, verifiable origin declaration. The Certificate of Origin is directly implicated here because it also functions to prevent illegal transhipment — the practice of routing goods through a third country to disguise their true origin and evade higher duties or anti-dumping measures imposed on the country of true manufacture.

Letter of Credit and Payment Risk

A Letter of Credit is a payment instrument in which a bank guarantees payment to the exporter on behalf of the importer, contingent upon the presentation of documents that strictly conform to the terms of the credit. Kamaluddin, Putri, Lahuri, and Arief (2021), studying Indonesian fishery exporters, find that despite its costs, the benefits of using an L/C for export-import risk mitigation outweigh its weaknesses, and recommend that Islamic banks expand shari'ah-compliant L/C facilities to support exporters further. Crozet, Demir, and Javorcik (2022) show, using U.S. and EU export data through the COVID-19 shock, that L/C-backed trade proved more resilient than trade settled through other instruments, while Niepmann and Schmidt-Eisenlohr (2017) find that letters of credit are used disproportionately for exports to destinations with weaker contract enforcement — precisely the environments in which a discrepancy between the CoO and other shipping documents (bill of lading, invoice, PEB) is most likely to trigger a bank's refusal to disburse payment. This literature establishes why the accuracy of the Certificate of Origin is not only a customs-compliance issue but also a direct determinant of an exporter's cash-flow risk.

Risk in Export Activity

Risk is generally understood as a condition of uncertainty arising from incomplete information about future outcomes; when that uncertainty carries the potential for loss, it is termed risk, as distinct from opportunity (Vikaliana, 2018). Among the risks most relevant to exporter-importer firms are payment default risk, financing risk, transaction (fraud) risk, currency risk, and transportation risk (Tobing et al., 2021). Barmak (2025), in an integrative review of exports to markets with exchange restrictions, groups exporters' risk-mitigation practices into financial strategies (hedging, natural currency matching), operational and contractual strategies (adjusted payment terms, diversification), and institutional strategies — a category in which trade-finance and documentary instruments such as the L/C and CoO clearly belong. Complementing this, Eicher and Henn (2011) find that the trade-promoting effect of preferential agreements is uneven across partner countries, implying that the risk-mitigating value of accurate origin documentation likewise varies with the destination market and the strength of its customs enforcement — a consideration directly relevant to PT KPI RU II Dumai's diversified export destinations under ACFTA and ATIGA.

Qualitative Research Method

This study uses a qualitative approach, which relies on the perspectives of participants or informants. In this method, the researcher gathers information through open-ended questions, collects data in the form of words or text, and then describes and analyzes it into particular themes (Safrudin, Zulfamanna, Kustati, & Sepriyanti, 2023). Data-collection techniques used in this study consist of interviews and documentation. Interviews are conducted through direct interaction between the researcher and respondents to obtain more detailed and in-depth information (Rachmawati, 2007), while documentation involves compiling accurate evidence from various sources, including written records, photographs, images, and video (Hasan, Informasi, Vidio, & Pendahuluan, 2022). Data sources are classified into primary data — obtained directly from respondents or informants (Rukhmana, 2021) — and secondary data, obtained indirectly through documents, literature, or data compiled by other parties (Rukhmana, 2021).

METHODOLOGY

This study employs a qualitative case-study design conducted at PT Kilang Pertamina Internasional Refinery Unit II Dumai, within the Finance function, over a three-month internship period (October–December 2025). The population of interest is the set of export-supporting documents and the personnel responsible for their preparation and verification; the sample consists of the Certificate of Origin and its accompanying documents (Bill of Lading, Invoice, Packing List, and PEB) issued for the export of MFO, LSFO, and Green Coke during the observation period. Primary data were obtained through semi-structured interviews with staff in the Hydrocarbon Accounting and Budgeting sub-functions, and secondary data were obtained through documentation of the export files, company internal reports, and the E-SKA and INSW verification portals. Data were analyzed descriptively by mapping each identified export risk against the specific function of the Certificate of Origin that mitigates it.

Object of Study

PT Kilang Pertamina Internasional Refinery Unit II Dumai (PT KPI RU II Dumai) is the object of this study. The company was formed through Pertamina's subholding restructuring under Decree of the Minister of State-Owned Enterprises Number SK-198/MBU/06/2020, and since 1 September 2022 has managed the Dumai, Sei Pakning, and Pangkalan Brandan refineries under the Refining & Petrochemical Subholding. Figure 1 shows the company logo, in which the colors blue, green, and red respectively symbolize reliability and accountability, environmentally conscious energy resources, and resilience and courage in facing challenges.

Figure 1. Logo of PT Kilang Pertamina Internasional. Source: PT Kilang Pertamina Internasional (2025).

The Certificate of Origin process observed in this study is embedded within the Finance function of PT KPI RU II Dumai, specifically the Hydrocarbon Accounting sub-function, whose Intake Output & Material Balance and Oil Custody & Clearance units are directly responsible for verifying shipment volumes and coordinating export document legality. Figure 2 presents the organizational structure of the Finance function, showing how budgeting, accounting and reporting, and hydrocarbon accounting sub-functions relate to one another and to the Manager Finance RU II, who holds overall responsibility for the unit's financial and export-compliance decisions.

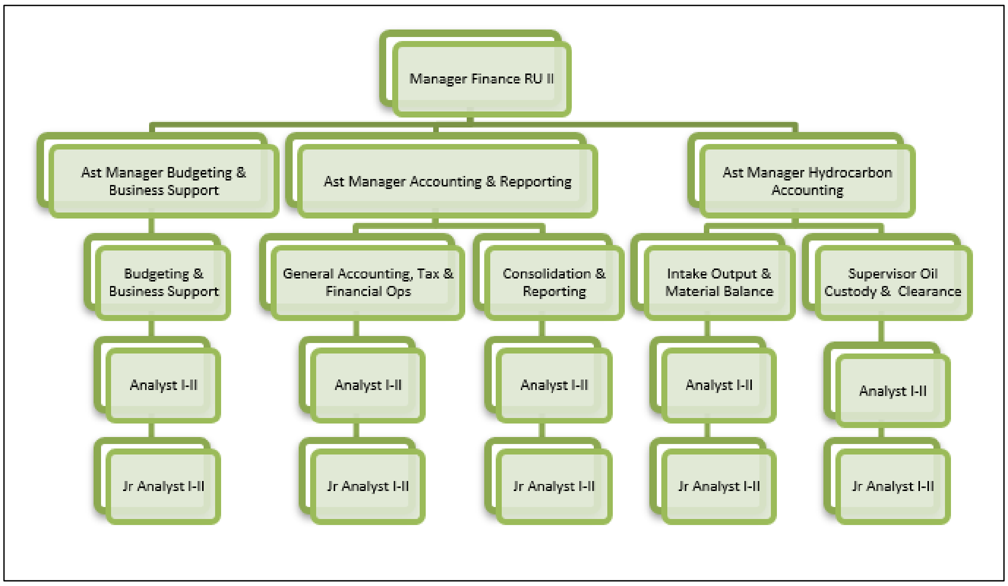


Figure 2. Organizational Structure of the Finance Function, PT KPI RU II Dumai. Source: PT Kilang Pertamina Internasional (2025).

RESEARCH RESULT

The Certificate of Origin and its Supporting Documents

The Certificate of Origin (Surat Keterangan Asal) is an official document issued by the Ministry of Trade to certify that a good genuinely originates from Indonesia. It is issued under bilateral, regional, or multilateral trade agreements and serves as the principal reference for determining origin within a Free Trade Area (FTA) scheme. Issuance requires several supporting documents: the Bill of Lading (proof that goods have been loaded for shipment), the Invoice (the basis of the price and product agreement between exporter and importer), the Packing List (details of quantity, type, and packaging), and the Export Goods Declaration

(PEB), submitted through the CEISA 4.0 customs system as the formal declaration enabling customs to supervise, verify, and approve the export.

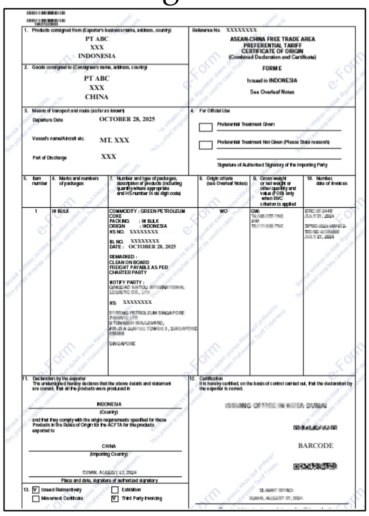
Types of Certificate of Origin Used
PT KPI RU II Dumai uses two broad categories of Certificate of Origin, summarized in Table 1.

Table 1. Types of Certificate of Origin Used by PT KPI RU II Dumai

Type	Form / Scheme	Function
Preferential CoO	Form E (ACFTA)	Used for exports of Green Coke to China; certifies Indonesian origin to obtain reduced or eliminated import duty under the ASEAN–China Free Trade Area.
	Form D (ATIGA)	Used for exports of MFO/LSFO to ASEAN destinations such as Malaysia and Singapore under the ASEAN Trade in Goods Agreement.
Non-Preferential CoO	Form B	Used for destinations without a preferential agreement with Indonesia; provides proof of origin without tariff benefit, but is required to avoid detention, additional inspection, or import refusal.

Figures 3 to 5 present sample documents for each Certificate of Origin type issued by PT KPI RU II Dumai, illustrating the specific data fields — exporter identity, consignee, port of loading and destination, product description, and the issuing authority's certification stamp — that customs officials in the destination country rely upon to verify origin and to determine the applicable tariff treatment.

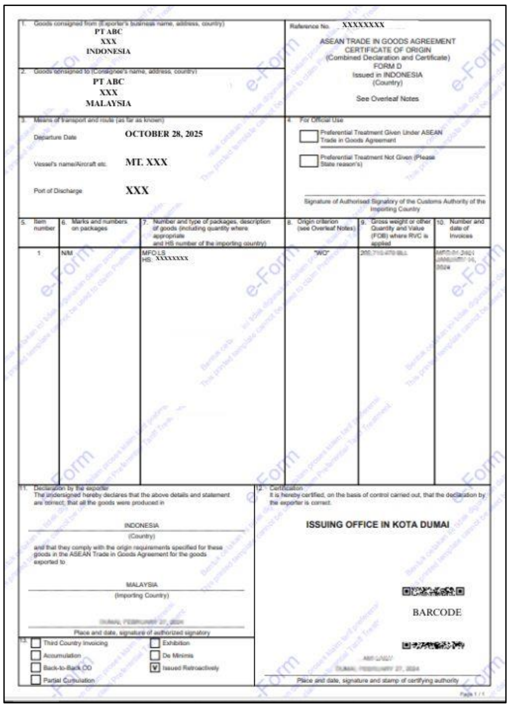
Figure 3. Sample Preferential Certificate of Origin, Form E (ASEAN–China Free Trade Area). Source: PT Kilang Pertamina Internasional (2025).


1. Products consigned from (Exporter's business name, address, country)
PT ABC
XXX
INDONESIA
2. Goods consigned to (Consignee's name, address, country)
PT ABC
XXX
CHINA
Reference No. XXXXXXXX
ASEAN-CHINA FREE TRADE AREA
PREFERENTIAL TARIFF
CERTIFICATE OF ORIGIN
(Combined Declaration and Certificate)
FORM E
Issued in INDONESIA
See Overleaf Notes
3. Means of transport and route (as far as known)
Departure Date OCTOBER 28, 2025
Vessel's name/Aircraft etc. MT. XXX
Port of Discharge XXX
4. For Official Use
Preferential Treatment Given
Preferential Treatment Not Given (Please State reason/s)
Signature of Authorised Signatory of the Importing Party

5. Item number	6. Marks and numbers of packages	7. Number and type of packages, description of products (including quantity where appropriate and HS number in six digit code)	8. Origin criteria (see Overleaf Notes)	9. Gross weight or net weight or other quantity and value (FOB) only when RVC criterion is applied	10. Number, date of invoices
1	IN BULK	COMMODITY : GREEN PETROLEUM COKE PACKING : IN BULK ORIGIN : INDONESIA HS NO. XXXXXXXX BL NO. XXXXXXXX DATE : OCTOBER 28, 2025 REMARKED : CLEAN ON BOARD FREIGHT PAYABLE AS PER CHARTER PARTY NOTIFY PARTY : HS: XXXXXXXX SINGAPORE	WO	GW: NW:	

11. Declaration by the exporter
The undersigned hereby declares that the above details and statement are correct; that all the products were produced in
INDONESIA
(Country)
and that they comply with the origin requirements specified for these Products in the Rules of Origin for the ACFTA for the products exported to
CHINA
(Importing Country)
Place and date, signature of authorized signatory
12. Certification
It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.
BARCODE
13. Issued Retroactively
Movement Certificate
Exhibition
Third Party Invoicing

Form E is issued for exports under the ASEAN–China Free Trade Area, such as the export of Green Coke to China. The certificate records the exporter (PT KPI RU II Dumai), the consignee, the means of transport, the invoice number and date, and a description of the goods together with their Harmonized System code, and is authenticated by the signature and stamp of the issuing authority (the Ministry of Trade or its authorized issuer). Once verified by Chinese customs, this document allows the shipment to be charged the reduced ACFTA duty rate instead of the higher non-preferential rate.



1. Goods consigned from (Exporter's business name, address, country)
PT ABC
XXX
INDONESIA

2. Goods consigned to (Consignee's name, address, country)
PT ABC
XXX
MALAYSIA

Reference No. XXXXXXXX

ASEAN TRADE IN GOODS AGREEMENT
CERTIFICATE OF ORIGIN
(Combined Declaration and Certificate)
FORM D
Issued in INDONESIA
(Country)

See Overleaf Notes

3. Means of transport and route (as far as known)
Departure Date OCTOBER 28, 2025
Vessel's name/Aircraft etc. MT. XXX
Port of Discharge XXX

4. For Official Use
Preferential Treatment Given Under ASEAN Trade in Goods Agreement
Preferential Treatment Not Given (Please State reason's)
Signature of Authorised Signatory of the Customs Authority of the Importing Country

5. Item number	6. Marks and numbers on packages	7. Number and type of packages, description of goods (including quantity where appropriate and HS number of the importing country)	8. Origin criterion (see Overleaf Notes)	9. Gross weight or other Quantity and Value (FOB) where RVC is applied	10. Number and date of Invoices
1	N/M	MFO LS HS: XXXXXXXX	"WO"		

11. Declaration by the exporter
The undersigned hereby declares that the above details and statement are correct; that all the goods were produced in
INDONESIA
(Country)
and that they comply with the origin requirements specified for these goods in the ASEAN Trade in Goods Agreement for the goods exported to
MALAYSIA
(Importing Country)
Place and date, signature of authorized signatory

12. Certification
It is hereby certified, on the basis of control carried out, that the declaration by the exporter is correct.
ISSUING OFFICE IN KOTA DUMAI
BARCODE
Place and date, signature and stamp of certifying authority

13. Third Country Invoicing
Accumulation
Back-to-Back CO
Partial Cumulation
Exhibition
De Minimis
Issued Retroactively

Figure 4. Sample Preferential Certificate of Origin, Form D (ASEAN Trade in Goods Agreement). Source: PT Kilang Pertamina Internasional (2025).

Form D is issued under the ASEAN Trade in Goods Agreement (ATIGA) for shipments of MFO or LSFO to fellow ASEAN member states such as Malaysia and Singapore. As with Form E, the certificate specifies the exporter and consignee, the transport details, and the description and origin criterion of the goods; its principal function is to allow the shipment to qualify for the reduced or zero intra-ASEAN tariff so long as the underlying origin rule is satisfied.

Figure 5. Sample Non-Preferential Certificate of Origin, Form B. Source: PT Kilang Pertamina Internasional (2025).

1. Goods consigned from (Export's business name, address, country)

2. Goods consigned to (Consignee's name, address, country)

MINISTRY OF TRADE
OF THE REPUBLIC OF INDONESIA
CERTIFICATE OF ORIGIN
FORM B

Reference No.

3. Means of transport and route (as far as known)

Shipped by
From
To
Date of shipment

4. For official use

ISSUED RETROSPECTIVELY

5. Item number	6. Marks and numbers of packages	7. Number and kind of packages; description of goods	8. Gross weight or other quantity	9. Number and date of invoices
1	IN BULK	GREEN RAW PETROLEUM COKE BL NO. DATE REMARKS CLEAN ON BOARD FREIGHT PAYABLE AS PER CHARTER PARTY NOTIFY PARTY		

10. Certification

It is hereby certified, on the basis of control carried out, that the goods stated above were produced in Indonesia.

11. Competent authority (name, full address)

(Signature) (Stamp)

Page 1 / 1

Form B is issued for destinations that do not have a preferential trade agreement with Indonesia. Unlike Form E and Form D, it does not entitle the shipment to a reduced tariff; its function is limited to formally certifying the Indonesian origin of the goods. Even without a tariff benefit, Form B remains essential for these destinations, since its absence exposes the shipment to the risk of detention, additional inspection, or outright refusal of entry at the destination port.

These findings are consistent with cross-country evidence that origin certification directly determines whether an exporter can realize a preferential tariff outcome: Hayakawa and Laksanapanyakul (2017) show that the design of common rules of origin materially affects the rate at which firms actually use an available FTA preference, and Bombarda and Gamberoni (2013) find that firm-level heterogeneity in the ability to satisfy origin and cumulation rules shapes which exporters can benefit from a preferential scheme at all — underscoring why consistent CoO administration is a competitive, not merely administrative, matter for PT KPI RU II Dumai.

DISCUSSION

Risk of Dumping Allegations

Dumping allegations against products such as MFO, LSFO, and Green Coke arise when a destination country judges that the imported goods are sold at a price substantially below the normal domestic price, a practice that can be used to gain foreign market share at the expense of local competitors. Once raised, such allegations can lead to shipment holds, high anti-dumping duties, or a temporary halt of exports to the country concerned, with knock-on effects on shipping schedules, logistics efficiency, and the exporter's international reputation. The Certificate of Origin also functions to deter illegal transhipment — routing goods through a third country and re-declaring them as originating there to escape anti-dumping duties applicable to the true country of manufacture. By formally verifying that a shipment genuinely originates from and was produced in Indonesia, the CoO allows the destination customs authority to confirm origin accurately, reducing the likelihood that MFO, LSFO, or Green Coke shipments are mistaken for goods rerouted from a country already subject to anti-dumping measures.

Risk of Mis-declaration of Origin

For refinery products such as MFO, LSFO, and Green Coke, correct declaration of country of origin is essential to trade compliance and export continuity. The recurring risk here is mis-declaration of origin, in which the destination country doubts the authenticity of the declared origin or suspects manipulation intended to secure a lower duty. Consequences can include repeat inspection, detention, import refusal, or administrative sanction, with direct effects on export continuity, financial loss, and exporter reputation. The Certificate of Origin mitigates this risk by supplying verified information on company identity, production location, and product characteristics — a particularly important safeguard for Green Coke, which is produced only at the Dumai refinery and therefore carries elevated origin scrutiny. From a monitoring standpoint, the CoO supports traceability of production origin through Indonesia's National Single Window (INSW) and the Ministry of Trade's E-SKA system, allowing the destination country to confirm that a shipment is not a re-export from a third country, thereby reducing the likelihood of trade disputes and origin-rule violations.

Operational Risk Related to Payment

The Certificate of Origin is also a required document for the disbursement of payment through a Letter of Credit. Although the L/C is opened by the importer, responsibility for the completeness and validity of the Certificate of Origin remains with the exporter, since it is one of the mandatory documents that must be satisfied before payment can be released. In the export of MFO, LSFO, and Green Coke, the CoO functions to prove product origin and to confirm that goods were produced according to the standards and requirements of the country of origin. Importers rely on the L/C scheme precisely because international trade carries risks such as failed delivery, non-conforming quality, differences in governing law, and political instability; the L/C protects the importer by ensuring that payment is released only once all required documents conform to the agreed terms. Errors such as an incorrect product name, an inconsistent Harmonized System (HS) code, or a mismatch with other documents such as the Bill of Lading or Invoice, or a certificate not authenticated by the competent authority, can lead a bank to refuse disbursement — a discrepancy risk well documented in the trade-finance literature (Niepmann & Schmidt-Eisenlohr, 2017; Crozet, Demir, & Javorcik, 2022). Such refusals can generate payment delays, additional costs, and potential financial loss for the exporter, reinforcing that the accuracy of the CoO is not only a matter of customs compliance but a direct determinant of the firm's cash-flow risk.

CONCLUSIONS AND RECOMMENDATIONS

Based on the internship activities and analysis conducted at PT KPI RU II Dumai regarding the role of the Certificate of Origin in export activity, two main conclusions can be drawn. First, the Certificate of Origin plays an important role in supporting the smoothness and compliance of export activity: it serves as official proof of origin that ensures export products such as MFO, LSFO, and Green Coke satisfy international trade requirements and the requirements of the destination country, supports export administration, enables preferential tariff facilities, and helps avoid obstacles such as additional inspection, detention, or import refusal caused by document inconsistency. Second, the Certificate of Origin plays a role in mitigating several categories of export risk — specifically dumping allegations, mis-declaration of origin, and operational risk related to Letter of Credit disbursement. Through valid and verified origin information, destination countries can confirm that products genuinely originate from Indonesia, reducing the potential for trade disputes and anti-dumping duties, while consistency between the CoO and other export documents reduces the risk of payment delay or refusal in international transactions.

Based on these conclusions, the company is advised to improve the accuracy and oversight of Certificate of Origin issuance and verification so that data across export documents — invoice, packing list, bill of lading, and PEB — remain consistent, in order to support export smoothness and reduce the potential for administrative obstacles or document inconsistency at the destination country. The company should also strengthen coordination among the functions involved in the export process and conduct periodic evaluation of Certificate of Origin management, together with improved understanding of international trade regulation and export procedure, so that risks related to dumping allegations, origin errors, and Letter of Credit disbursement can be further minimized.

ADVANCED RESEARCH

This study is limited by its single-case, qualitative design, which restricts the generalizability of its findings beyond PT KPI RU II Dumai and the refinery product categories examined. Future research could extend this analysis quantitatively — for example, using PLS-SEM to test the statistical relationship between Certificate of Origin compliance and export risk across a larger sample of Indonesian exporting firms — or comparatively, across multiple companies and commodity sectors. Given the growing role of digitalization identified in the trade-facilitation literature (Böhmecke-Schwafert, 2024), subsequent studies could also examine the adoption of electronic or blockchain-based Certificates of Origin in the Indonesian oil and gas sector, and its effect on verification speed, fraud reduction, and export risk mitigation relative to the paper-based process observed in this study.

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