RESTRICTED

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GENERAL AGREEMENT ON TARIFFS AND TRADE

Committee on Balance-of-Payments Restrictions

1963 CONSULTATIONS UNDER ARTICLE XVIII:12(b) WITH

I N D O N E S I A

Basic Document for the Consultation[1]

1. Legal and administrative basis of the restrictions

The statutory basis of the import and exchange control system of Indonesia is the Foreign Exchange Regulation of 1940 and the Foreign Exchange Ordinance of 1940 which are applicable by virtue of Part II of the Transitory Provision of the Constitution of 1945.

The Foreign Exchange Regulation provides that imports are permitted only by submitting a general or special declaration issued by or in the name of the Government of Indonesia which makes it evident that the import is not prejudicial to the foreign exchange position of the country, nor incompatible with the purpose of the Foreign Exchange Ordinance. Certain other documents are required.

The Monetary Board, composed of the Minister of Finance, the Governor of the Bank of Indonesia, the Minister of Distribution, the Minister of Production, and the Minister for Development and Construction, is the supreme authority in matters concerned with exchange and import control policy.

Decree No. 30 of the Monetary Board, dated 18 June 1957, introduced a type of certificate exchange market through which all imports and exports were channelled, except for transactions of oil companies, which are governed by special arrangements. This Decree has since been rescinded as per 24 August 1959. On 25 August 1959, the exchange certificate system was abolished, and a new system was introduced. Briefly they resulted in the establishment of a new basic rate of Rp.45 per United States dollar in place of the former basic rate of Rp.11.40. A single effective rate was established on the buying side, and there continue to be six effective rates on the selling side.

On 25 August 1960, the Government introduced new measures substituting the former regulations. Concerning the export sector, an export duty abolished in 1957 was reintroduced and amounts to 10 per cent of the f.o.b. value. Imports are classified into three categories: Class A, Class B and Class C. Class A imports are sub-divided into three groups respectively, (i) subject to the official rate of Rp.45 ("price component" is 0 per cent), (ii) the official rate plus a so-called "price component" of 25 per cent and (iii) the official rate plus 60 per cent (for details see pages 3 and 4 of document L/1461). A rate of Rp.200 per United States dollar is to be paid for Class B imports, for which restrictions are eliminated Class C imports, when permitted entry, are subject

[1] The present text has been prepared for provisional reference by members of the Committee, and may need extensive revision after receipt of fresh material from the Indonesian authorities. Failing receipt of such material a number of points in this paper may be suitable subjects for clarification in the course of the actual consultation.

to the rate of Rp.200 per United States dollar. Together with the changes in the exchange system a simplification of import duties was introduced. In the new tariff system import goods are divided into four groups: Group I (import duty is nil) consists of some essential food and clothing articles and certain development goods. Group II (20 per cent import duty) includes other essential items. Group III (30 per cent import duty) relates to non-essential goods. Group IV (100 per cent import duty) applies to prohibited goods which are imported as passenger goods.

On 5 March 1962, some new changes were introduced in Indonesia's export and import regulations by means of a number of Decrees and announcements, the details of which are given in section 6 below.

Import and exchange controls are administered by the Foreign Exchange Institute under the direction of the Bank of Indonesia. Import and exchange licences are issued on behalf of the Institute by the Commercial Foreign Exchange Office and its branch offices. The actual control of operations is carried out by the Foreign Exchange Institute in conjunction with the commercial banks and the customs authorities.

2. Method of restricting imports

At the present time all imports remain subject to quantitative restrictions, exchange control and licensing requirements. The issuance of import licences is based on an annual foreign exchange budget which is revised quarterly. The foreign exchange budget must be approved by the Monetary Board. Imports are restricted according to their degree of essentiality to the economy. Thus imports of raw materials are licensed more freely than imports of consumer or capital goods, in many instances. The importation of certain commodities which are produced domestically in adequate quantities is prohibited.

Application for import licences must be made to the Commercial Foreign Exchange Office. After the application has been approved the importer must conclude a foreign exchange contract with a Foreign Exchange Bank. Private importers are subject to a 100 per cent cash cover requirement of the counter-value of the imports in Rupiah plus the respective surcharge, except for incidental imports of essential goods and imports of industrial and raw materials for their own use. Business establishments wishing to import must obtain the official recognition of the Department of Trade. Most importers are required to lodge a deposit with the Foreign Exchange Fund. As for Indonesian nationals, the deposit is Rp.500,000, and for non-nationals (other than those classified as industrial or horticultural and import goods solely for their own use) the deposit is Rp.5 million. The deposit may be used to finance imports, including the payment of additional import levies.

3. Treatment of imports from different sources

Generally the import control system does not provide for discrimination in respect to the country of origin of goods. However, in issuing licences, the Commercial Foreign Exchange Office takes account of bilateral trade agreements commitments. Indonesia has bilateral trade-and-payments agreements with The Peoples' Republic of China, and Czechoslovakia. A payments arrangement between the Central Bank of Poland and Indonesia also exists by which the banks grant overdraft facilities to each other to a small amount. The payment of transactions between Indonesia and Poland must, however, be made in convertible sterling.

For export of certain goods from certain areas in Sumatra to Singapore and Penang the exporters are granted the facility to retain 30 per cent of their exchange proceeds in Singapore or Penang in order to finance the counter-import of specified goods. Counter-import goods are restricted to essential goods (food, clothing and development goods).

4. Commodities or groups of commodities affected by restrictions

All goods are subjected to quantitative restictions as stated in paragraph 8, however see in this connexion paragraph 5.

5. Use of State-trading or government monopoly in restricting imports

Effective 23 April 1959, monopoly responsibility for the imports of nine categories of the country's most essential imports was given to a group of ten State-controlled import houses. These Government-controlled companies have complete jurisdiction over the importation of the following essential commodities: textiles, cement, tinplate, raw cotton, weaving yarns, paper, concrete reinforcing iron, jute, gunny bags, wheat flour, rice, cloves, cambrics and fertilizers. This system in no way restricts imports of commodities from one specific area in relation to those from other areas.

6. Measures taken in the last year in relaxing or otherwise modifying restrictions

Changes introduced on 5 March 1962 can be resumed as follows. Exporters have been granted the use of 15 per cent of foreign currency earnings of all exports except petroleum, representing the f.o.b. value of the contract. This permission is given in the form of a foreign exchange permit or SIVA (abbreviation for "Surat Izin Valuta Asing" - Foreign Currency Permit) issued by the Exchange Fund; it can be negotiated only once with a third party through an Exchange Bank and can be utilized for imports of goods included in List A and a certain number of them in List B. Exporters can use SIVA permits for their own imports or they can sell them through the aforementioned banks to the highest bidder. SIVA can be utilized to import all goods in customs Lists A and B, except nine specified commodities[1] the import of which is generally carried out by the State; a

[1]These nine commodities are: textiles, weaving yarns, wheat flour, reinforcing steel, cement, tinplate, newsprint, writing paper, and gunny bags.

special licence must be obtained if private importers wish to import these nine commodities. It has to be issued by the Department of Trade and the Foreign Exchange Institute. Certain specified goods in customs List C can also be imported with SIVA, the permitted goods from customs List C are those of a more essential nature, particularly as regards economic development. Items from customs Lists A and B imported under the SIVA arrangement are subject to the same "price component" import levies. List C goods imported under the SIVA system pay a Special Export Promotion Tax of Rp.65 per United States dollar c. and f. basis. Another Decree nullifies the provision previously in force by which import licences for goods included in Lists A and B were issued to importers in possession of foreign exchange not officially declared.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance-of-payments reasons

/Statement to be provided by the Indonesian Government and circulated separately./