

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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Sub-Committee on Adjustment

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Addendum

INDONESIA

SITUATION OF THE TEXTILES AND CLOTHING INDUSTRIES

Background

The main objective in developing the textiles and clothing industries under the First and Second Five-Year Plan, 1969/70-1973/74 and 1974/75-1978/79, was to meet domestic consumption. Having achieved this at the end of the Second Five-Year Plan, the Third Five-Year Plan, 1979/80-1983/84, concentrated on structural changes and the development of industrial engineering.

AUTONOMOUS ADJUSTMENT PROCESSES

The Fourth Five-Year Plan, 1984/85-1988/89, aims at strengthening the structural interdependence of the textiles and clothing industries and at increasing their competitiveness in an export oriented direction.

GOVERNMENT MEASURES

Import duties

While not favouring special measures of protection on a permanent basis, the Government recognized that the textiles and clothing industries would require some degree of protection while restructuring toward more viable lines of production. The import policy for 1969 to 1977, for example, provided for duties, with gradual increases, on imports of certain types of textiles.

Tax rebate

In order to stimulate exports, the Draw-Back-System was introduced at the end of the Second Five Year Plan. This rather cumbersome mechanism was replaced by a much simpler one called the Export Certificate (SE) in November 1978. At the end of 1984 it became an issue with the USA which, under its law, would constitute a subsidy. After negotiations a settlement was reached with the provision that it would be phased out by 1986. It should be stated that in March 1985 Indonesia became a signatory to the Code on Subsidies and Countervailing Duties.

The "January" export policy of 1982

After five years of buoyant business, favourable balance-of-payments, the world recession hit finally Indonesia in 1982. Exports did not perform well. To counteract this the Government promulgated the "January" Export Policy of 1982 which in essence promotes the export of non-oil and non-gas products, including textiles and clothing.

Export credits

Under the same policy provision is made for the availability of export credits to exporters thereby taking into account their credit worthiness and past performance.

Employment in the textiles and clothing industries

The textiles and clothing industries are a large source of employment. In 1984 employment was estimated at 550,900 persons.

INCREASED ACCESS TO THE MARKET

All import goods are subject to restrictions, i.e. product quotas, issuance of import authorization (only registered importers), prior approval of a designated government authority and/or prohibition. A series of decrees regulates imports within each of the industrial branches, including among others textiles and garments.