

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

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STATE TRADING

Notification Pursuant to Article XVII:4(a)

INDONESIA

The following communication, dated 29 March 1994, has been received from the Permanent Mission of Indonesia.

Like the notification in L/7161/Add.10 (dated 16 December 1993), this notification is limited to the products that are actually the subject of state trading, i.e. rice, sugar, wheat and wheat flour, soyabean, gunny bag, cloves and garlic.

I. Enumeration of state trading enterprise

The Government of Indonesia wishes to notify the functioning of the National Logistics Agency (abbreviated as BULOG: Badan Urusan Logistik), a public agency which has some features of a state trading entity within the meaning of GATT Article XVII. The Agency was established under the Presidential Decree of 10 May 1967 and is responsible for stabilizing the price of food commodities at both consumer and producer level in accordance with the Government General Policy. In discharging its statutory functions, the Agency may engage in domestic purchase procurements, sales/distribution, import/export and stock management.

BULOG's activities are financed through State Banks, the so-called Bank Rakyat Indonesia (BRI) and Bank Bumi Daya (BBD) based on commercial rates of interest.

BULOG appears to represent a special privilege within the meaning of GATT Article XVII and may thus qualify under the disciplines provided in that Article. For this reason the Government of Indonesia has decided to submit the present notification.

II. Reason and purpose for introducing and maintaining a state trading enterprise

As a highly populated country, Indonesia cannot depend entirely only on world food markets, especially on the rice market. The world rice market is very thin and dominated by a few countries, and the world price of rice is very unstable.

The main purpose of BULOG's operation is to minimize excessive food price fluctuations, particularly for food staples, so as to provide certainty with regard to future prices in order to help domestic producers in their decisions regarding investment, production and marketing. BULOG's operations are also aimed at protecting consumers through stable food prices by way of limiting the direct effects of food prices on the cost of living, and to ensure food availability throughout the country.

The principal commodities with which BULOG deals are the following:

1. rice;
2. sugar;
3. wheat and wheat flour;
4. soybean;
5. gunny bag;
6. cloves;
7. garlic.

III. Description of the functioning of BULOG

1. This Agency implements the Government's policy in the food sector through market intervention whenever it is determined to be necessary. The Government's policy in the food sector can be described as follows: (i) increasing food production in order to meet domestic demand, (ii) income transfer, (iii) ensuring food availability in the country at reasonable and affordable prices, and (iv) improving the nutritional status of the people.

These objectives are controlled by BULOG through procurement and distribution by applying the floor price of certain food commodities, especially rice, on the side of the producers, and the ceiling price for the benefit of the consumers. During peak harvest, when the price generally goes below the floor price level, BULOG procures and purchases food commodities at the floor price level stipulated by the Government. BULOG then releases its stocks when the market price reaches the ceiling price level.

2. The Government of Indonesia has appointed BULOG as the sole importer and/or exporter of certain food commodities. The aim of the Government in controlling imports of food products through BULOG is related to the objective of stabilization of food prices, primarily for staple products including rice, wheat flour, soybean, sugar, cloves and garlic.

The quantity of imported food products which BULOG purchases is determined with reference to the annual gap between domestic production and the needs of domestic consumption. BULOG does not intend to control or establish export prices. The decision as to whether to export or import is based on the analysis of commodity market equilibrium.

3. BULOG's operations are not conducted on a profit basis but are aimed at stabilizing the supply and the price of basic food commodities to the domestic market, thus helping to ensure the objective of sustained development and economic growth. This follows the objectives set out in paragraph 4 of Article II and the interpretation of this paragraph in the GATT Analytical Index.

IV. Statistical information

The main operations of BULOG in the period 1990-1993 were conducted in the commodities attached in Annex I.

ANNEX I

Statistical Information

Commodities	Production* (Ton)	Import (Ton)	Export (Ton)
Rice (ex 10.06)			
1990/91	29,047,361	0	100
1991/92	30,318,048	548,378	0
1992/93	31,049,858	264,345	130,711
Sugar (ex 17.02)			
1990/91	2,119,589	130,231	0
1991/92	2,152,506	356,081	0
1992/93	2,306,464	309,271	0
Wheat (ex 10.01)			
1990/91	0	1,682,358	0
1991/92	0	2,317,669	0
1992/93	0	2,405,954	0
Wheat flour (ex 11.01)			
1990/91	1,406,200	30,419	0
1991/92	1,647,612	51,624	0
1992/93	1,879,654	38,877	0
Soybean (ex 12.01)			
1990/91	1,555,453	538,450	0
1991/92	1,869,513	491,029	0
1992/93	1,772,220	491,239	0
Garlic (ex 07.03)			
1990/91	108,864	17,866	0
1991/92	133,874	18,765	0
1992/93	136,370	22,892	0
Clove (ex 09.07)			
1990/91	66,000	0	0
1991/92	84,000	0	0
1992/93	74,900	1	0
Bag jute (ex 63.05)		**	
1990/91	NA	5,750,461	0
1991/92	NA	15,447,704	0
1992/93	NA	204,351	0

* Calendar year

** Import bag jute in pieces

NA: Data not available