

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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## IMPORT REGULATIONS OF INDONESIA

Statement by the Indonesian Delegation  
dated 3 October 1952

The following statement has been submitted by the Indonesian Delegation with reference to paragraph 7 of L/24. That paragraph refers to recent measures taken by contracting parties which appear to involve an intensification of import restrictions but on which the information available was insufficient to enable the Inter-sessional Committee to determine whether action under Article XII:4 (b) would be required.

1. A statement regarding the import regulations which were current up to 4 February 1952 was circulated to contracting parties as document GATT/CP.6/33 (pp.4-7) and Add.1.

On the 4th of February 1952 the foreign exchange certificate system was abolished, while concurrently the official rate of foreign exchange was radically changed, i.e. from Rupiah 3.80 to Rupiah 11.40 per U.S. dollar. This new rate became the basis for most transactions.

2. There are two types of exchange surcharges in the Indonesian import and exchange system: the Dollar Export Certificate rate and the "Inducement" Certificate rate. In each case, the actual certificates are no longer issued, since their sole use is related to exchange transactions which must immediately be effected through authorized banks and at fixed rates.

- (i) The value of Dollar Export Certificates is paid to exporters to the extent of 70 per cent of the Canadian and U.S. dollars obtained from the export of goods and connected services and surrendered to an authorized bank. The payment for the value of the certificate is obtained in addition to the local currency equivalent of the dollars which must be entirely surrendered, i.e., an exporter making a shipment sold for U.S. \$100 would receive the local currency equivalent of U.S. \$100 converted at the official rate and a Dollar Export Certificate for U.S. \$70. These certificates are actually not issued, and their rate is determined weekly by the Javasche Bank, in accordance with the Foreign Exchange Institute. Although the value of these certificates is only paid to the extent of 70 per cent in respect of dollar export proceeds surrendered, their value must be paid to an authorized bank to the extent of 100 per cent for nearly all dollars purchased from the banks by their customers.

Exceptions are made when (a) the import is of a special nature, e.g. rice and flour, (b) a procurement authorization has been issued by the M.S.A. (ECA) for the items imported, or (c) the exchange transactions is in the nature of the reversal of a previous transaction, e.g. a refund, in which case the original rates apply. These certificates are nominally expressed in U.S. dollars. The ability of importers and others to purchase these Dollar Export Certificates is limited by the supply created by exporters surrendering dollar exchange. In the event of the demand for the value of dollar export certificates exceeds the value of the supply, the necessary certificates are freely supplied against payment by the Foreign Exchange Institute to the authorized banks.

- (11) Payment for the value of "Inducement" Certificates is required in order to purchase exchange to pay for the import of what are called "Inducement" goods. The list of these items which consists of specified non-essential goods is published periodically by the Minister of Economic Affairs,

"Inducement" Certificates are nominally expressed in Rupiah for the Rupiah-value of the official selling price of the exchange required. The price of "Inducement" Certificates is paid to authorized exchange banks and is quoted as a percentage of the face amount of the certificates. The price of these "inducement" certificates may be changed by the Javasche Bank in accordance with the Foreign Exchange Institute, but since February 4, 1952 there has been no alteration in the price of 70 per cent. Prior to this date already "Inducement" Certificates were sold by the Government but only in so far as the need of these certificates exceeded the issue thereof without payment to exporters of certain smallholders' products for a percentage of their export proceeds. The issue of "Inducement" Certificates without payment on the basis of realized exports was discontinued on February 4, 1952.

3. In the nomenclature used in Indonesia, separate import licences are not issued, but combined import-and-exchange licences issued by the Central Bureau of Imports entitle the importer to import the relative goods and obtain from an authorized exchange bank, provided the other conditions are fulfilled, the necessary foreign exchange (either spot or forward) in payment of the goods to be imported. Exchange licences for importation of goods are issued in the name of the Foreign Exchange Institute by the Central Office of Imports.

This authority exercises an examination of intended purchases abroad with regard to price, quality and terms of delivery in order to prevent irregular capital movements and as an administrative measure. These exchange licences are granted as follows:

- (a) To any importer for the importation of primary goods needed by the country and without any restriction or quota limitation - the so-called "free-list" items.

(b) To some importers for the importation of certain goods as "Benteng"-goods, which are easy to handle and not capital-intensive, so that an independent class of Indonesian importers may be established.

(c) To more importers for the importation of certain goods on the basis of quota-bids and on competitive terms and conditions.

Quotation bids are based on the utility of certain goods for the home consumption and the fluctuations of the prices of mentioned goods abroad. This means, that the agreed import-price is based on the world-market price of the utility-quality which is fixed in accordance with standard of home consumption. Offers against higher prices will be rejected, even if the offered goods are of better quality.

Quota bids - Quotas are fixed for the importation of certain goods if the necessity is clearly indicated.

Goods, which partly can be supplied by the home-industry, are only allowed to be imported in restricted quantities, on such a base that the total of import and home production is able to cover the demand.

This quota can be fulfilled, either by import licences, to be issued until the allocation is used up, or through periodical tenders whereby import licences will be granted for the offers, which are the best in respect of quality, price and delivery time.

(d) To all importers without any quota limitation for the importation of certain goods, which are regarded not to be of primary need for the nation and which are called "inducement-goods" (see above). A list of these items is regularly published by the Minister of Economic Affairs. In order to acquire the necessary exchange to pay for these imports, importers have to buy an "inducement" certificate at an authorized exchange bank at the rate of 70 per cent of the rupiah value of the exchange. Approximate percentage of Indonesia total imports dealt with under the four headings:

Free-list	33%
"Benteng" imports	18%
Planning	48%
Inducement	1%

4. In order to purchase foreign exchange for imports from an authorized exchange bank, the applicant must produce (i) an exchange licence; (ii) if the import is in the "inducement" list an "inducement certificate"; (iii) if payment is to be made in United States or Canadian dollars, a dollar export certificate. The provision of the appropriate documents automatically enables the exchange to be acquired and the payment to be made. It is, however, to be noted that all

permissible imports are contained in one of the four lists mentioned above.

For the import of goods not on those lists no foreign exchange is available.

The Foreign Exchange Regulations stipulate that payment may only be effected after the authorized bank in Indonesia - or its correspondent abroad - has received the documents evidencing the shipment to Indonesia of the merchandise as described in the foreign exchange licence. Due to this restriction - and to the general tendency in international import-export business - the financing of imports generally takes place under bankers' credits.

If, however, the foreign exporter is willing to sell and ship the merchandise and to receive payment through a documentary collection, there are no objections whatever but payment by the importer can then only take place if a foreign exchange (import) licence is available. Irrevocable documentary commercial credits can only be opened by one of the authorized exchange banks when a foreign exchange licence is submitted to them which guarantees that the necessary funds will be supplied by the Foreign Exchange Fund.

5. The rate of the Dollar-Export certificates, which during the period 4 February - 10 May 1952 were negotiable freely with a resulting fluctuating rate, was fixed by the Javasche Bank in accordance with the Foreign Exchange Institute since the latter date.<sup>1</sup>

6. Since 12 August 1952 an alteration of the "inducement"-import regulation has been introduced. The "inducement"-certificate rate of 70% of the rupiah-value of the exchange was abolished and rates of 100% for less essentials and 200% for luxury goods were established. For the import of extra-luxury goods no foreign exchange is available. It is expected that this "inducement"-import will represent about 5% of the total import of Indonesia.

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4 February	1952	Rp. 1.50 per \$
12 May - 17 May	1952	Rp. 1.20 per \$
9 July	1952	Rp. 0.70 per \$
31 July	1952	Rp. 0.40 per \$
31 August	1952	Rp. 0.20 per \$