

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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SPECIAL EXCHANGE AGREEMENTS

Statements by the IMF on Exchange Restrictions

In paragraph 2 of L/138 it was indicated that statements prepared by the International Monetary Fund to assist the CONTRACTING PARTIES in the preparation of their reports under Article XI:3 of special exchange agreements would be distributed as soon as they were received. Annexed hereto is a statement transmitted by the Fund on 25 September 1953 relating to the restrictions in Indonesia. The Fund has advised, in the same letter, that since Haiti has become a member of the Fund, the Fund does not plan to furnish the CONTRACTING PARTIES with a report on the restrictions maintained by that Government.

Restrictions on Payments and Transfers in Indonesia

20 July, 1953

The Government of Indonesia accepted a Special Exchange Agreement with the CONTRACTING PARTIES to the General Agreement on Tariffs and Trade on 26 January, 1951, and subsequently notified the CONTRACTING PARTIES that it intended to avail itself of the transitional arrangements in paragraph 1 of Article XI of that Agreement. Paragraph 3 of Article XI of the Special Exchange Agreement requires the CONTRACTING PARTIES to report, not later than 1 March, 1950 and in each year thereafter, on the restrictions still in force under paragraph 1.

In order to assist the CONTRACTING PARTIES, the International Monetary Fund has prepared the following statement on the position of Indonesia as of 30 June, 1953 in the matter of restrictions on the making of payments and transfers for current international transactions.

Introduction

Indonesia continues to maintain restrictions on the making of payments and transfers for current international transactions, has an arrangement which makes a slight distinction between the rate applied to dollar transactions and the rate for transactions in other currencies, as compared with the agreed par values for the dollar and the other currencies, and has a system of additional surcharges applied to certain less essential imports.

Numerous changes have taken place since the Fund's last statement to the CONTRACTING PARTIES on this subject dated 18 September, 1952. These changes are set out chronologically in the last section of this memorandum. An outline of the exchange system operating in Indonesia as at 30 June, 1953 is given below.

Rates of Exchange

Since 4 February, 1952 the basic rate of exchange has remained unchanged at Rupiah 11.40 per US\$1; the official rates now being Rp 11.355 buying, and Rp 11.445 selling, per US\$1.^{1/} On the buying side, these rates apply to non-dollar exports and connected expenses and all other invisibles and capital items; on the selling side, to non-dollar imports

^{1/} Prior to 27 October, 1952, the official rates were Rp 11.37 buying and Rp 11.43 selling.

and connected expenses, a few essential dollar imports and all authorised invisibles and capital items. For commercial U.S. and Canadian dollar transactions exporters and importers receive or have to pay a small premium through the use of Dollar Export Certificates (see below), making the current effective rates for such transactions Rp 11.53 buying, and Rp 11.695 selling.

Surcharges payable on certain imported commodities (regardless of country of origin), originally collected by the banks at the time of making payments for such imports, are now payable in advance to the banks before the final import-exchange licence can be obtained. The existing exchange rate structure is given in the following table which does not take account of these surcharges, a fee of 3/4 per cent, or a statistical tax of 1/4 per cent on all imports and exports, collected by the Foreign Exchange Institute.

Table of Exchange Rates (as at 30 June, 1953)

Rupiah per U.S. dollar

Buying	Selling
11.355 (Official Rate)	11.445 (Official Rate)
Non-dollar exports and related expenses. All other invisibles and capital.	Non-dollar imports and related expenses. A few essential dollar imports. Authorised invisibles and capital.
11.53 (Official Rate plus 70% at Dollar Export Certificate Rate) ^{1/}	11.695 (Official Rate plus Dollar Export Certificate Rate) ^{2/}
Dollar exports and related expenses.	Other dollar imports and related expenses.

Note: Additional import levies ("TPI" certificates) amounting to 33-1/3%, 100% or 200% (according to the nature of the goods) of the import value are payable on certain imports.

Administration of Control

Exchange control is administered by the Foreign Exchange Institute on whose behalf combined import and exchange licences are issued by a Central Bureau of Imports. Control is actually managed by the Bank Indonesia and the commercial banks authorised for this purpose.

^{1/} The Dollar Export Certificate rate as at 30 June, 1953 was Rp 0.25 per US\$1.

Prescription of Currency

Payments and receipts must be effected through the authorised exchange banks and in the currency stipulated on the licence. Payments to and from OEEC countries can be settled in Netherlands guilders through Indonesia's account with the Netherlands Bank. Payments to and receipts from South American countries are also settled largely through that same account. By arrangements with the governments concerned, Indonesia obtains reimbursement of foreign exchange from the Netherlands for Indonesian goods re-exported through the Netherlands and from Singapore and Malaya for Indonesian goods re-exported to the dollar area.

Nonresident Accounts

There are two classes of nonresident accounts:

1. Accounts of foreign banks. These are freely convertible into the currency of the country of the operating bank, and the balances may be freely transferred to accounts of nonresident banks of the same monetary area.
2. All other nonresident accounts. The opening of these accounts and all entries require permission from the Foreign Exchange Institute. For nonresident accounts of private persons, the authorized exchange banks have been given permission to make routine personal payments in Indonesia and yearly transfers up to a maximum of Rp 15,000 in the currency of the nonresident out of his current income. These accounts are designated either as Capital or Income accounts, transfers from the former to the latter requiring approval.

Dollar Export Certificates

These certificates are related to most dollar payments and receipts in respect of commercial transactions. These certificates are not negotiable and, actually, they are no longer issued by banks to their customers since the moment of their use has been synchronized with dollar export and import payments which are effected through authorized banks at fixed rates.

The local currency equivalent of a dollar export certificate is paid to sellers of dollars (both Canadian and United States) to the extent of 70 per cent of the proceeds of exports surrendered at the applicable rate; this rate is fixed weekly by the Bank Indonesia in agreement with the Foreign Exchange Institute, but it has remained unchanged, at Rp 0.25 per US\$1, since 26 August, 1952. The equivalent of 100 per cent at this rate has to be paid to an authorized bank by those authorized to make dollar payments for imports and related expenses. Exceptions are made

for imports of a special nature (e.g., rice and flour), those made under MSA arrangements, and exchange transactions which are in the nature of reversals of previous transactions, e.g., refunds, when the original rate applies. These certificates are nominally expressed in U.S. dollars. If the demand for these certificates should exceed the supply, they are freely supplied by the Foreign Exchange Institute to the authorized banks against payment in local currency.

Advance Payments

Advance payment of 75 per cent of the value of the import at the official selling rate of exchange has to be paid to an authorized bank before the Central Import Regulation Office will exchange a provisional import-exchange license for a final license.^{1/} Prior to 1 April 1953 only 40 per cent was required as advance payment. Should the import not be effected, the deposit will be refunded.

"TPI" Certificates

"TPI" certificates (as they are now called) may be traced back to February 1947 when, in order to encourage the export of native rubber, an "inducement" was given by providing the exporter with rights to purchase additional rice. A few months later, other inducements were added, amongst which was an import exchange allocation which was freely negotiable between exporters and importers. At that time, this facility was extended to practically all native export products. The granting of these import-exchange rights, which took the form of an issued "inducement" certificate, gradually replaced the other forms of "inducement".

From March 1950, in addition to the "inducement" certificates (as they were then called) required to effect certain imports, exchange certificates were required, but in February 1952 the latter were abolished by revising the official exchange rates correspondingly. The "inducement" certificate arrangement continued, although the certificates were no longer negotiable and were no longer issued to exporters without payment. Beginning in March 1951, new "inducement" certificates were freely created by the Government and sold for its account by the Foreign Exchange Fund at the fixed price mentioned below, so that in effect they represented a tax paid to the Government to effect and pay for certain imports. The price of the new "inducement" certificates issued by the Government was fixed at 200 per cent of the official price of the required foreign exchange. This was approximately equal to the then prevailing free market price of "inducement" certificates issued to exporters without payment, which, however, remained negotiable in the free market until their abolition in February 1952.

In February 1952, when the official exchange rates were again revised, the price of "inducement" certificates was changed to 70 per cent of the official selling price of the exchange required, but in August 1952, this was increased to 100 and 200 per cent for certain listed semi-luxuries and luxuries respectively.

^{1/} See "Imports and Import Payments" below for further details on this procedure.

"TPI" certificates which are regarded by the Indonesian authorities as an additional import levy payable on certain categories of merchandise were first introduced on 23 January 1953 when they replaced the "inducement" certificates which had operated in a similar fashion. At the same time, an additional category of merchandise was created for which such certificates were required for 33-1/3 per cent. "TPI" are the initials of Indonesian words translated as "additional import levy" (payment or surcharge). The "TPI" certificates are not negotiable and are sold by the banks, who charge a sales commission of 1/4 per cent of the selling price for their services. Purchases of "TPI" certificates are made in rupiah at a percentage of the nominal c.i.f.i.c.^{1/} value converted at the official bank selling rate. The percentage is different dependent on the commodity involved and is according to the schedule given under Imports and Import Payments below. The banks accumulate the funds received from the sale of "TPI" certificates on an account, the balance of which is transferred weekly to the Bank Indonesia, Djakarta, for account of the Foreign Exchange Fund. Should the import transaction not be completed, partial or entire reimbursement of amounts paid for "TPI" certificates can be obtained, with deduction of the bank's commission.

Imports and Import Payments

A provisional import license which is valid 14 days is first issued by the Central Import Regulation Office on behalf of the Foreign Exchange Institute. Before this provisional document can be transformed into final form, i.e., a combined import and exchange license, the importer must obtain a statement from an authorized bank showing that an advance payment of 75 per cent (prior to 1 April 1953, 40 per cent) of the rupiah equivalent at the official selling rate of exchange has been paid to the Foreign Exchange Fund and that, where "TPI" certificates (see above) are required, the importer has deposited their full value. The combined import-exchange license enables the import to be effected and the foreign exchange specified in the license to be obtained from an authorized exchange bank. If the license holder does not conclude a foreign exchange contract with his bank within 14 days^{2/} the license is invalid unless extended.

Imports are divided into five categories. The items on these are specified by the Minister of Economic Affairs and the lists can be summarized as follows:

^{1/} c.i.f.i.c. = cost, insurance, freight inclusive commission.

^{2/} The period of validity is extended to 21 days if the payments are made to, or an exchange contract is concluded with, a bank located in a place other than the one where the license is issued.

List A - "Essential goods" (94 items or groups of items). This comprises cotton piece goods, weaving yarns, textile and batik dyestuffs and agents, metals, certain technical equipment mainly related to engineering or to industrial machinery, rice, flour, gunny, fertilizers, newsprint, tea chests and a few other items.

List B-I - "Less essential goods" (169 items or groups of items). This comprises all cotton piece goods not in Lists A or B-II, weaving yarns other than cotton, building materials and accessories, paint oils and paint materials, various items such as bicycles and bicycle accessories, sewing machines, tires, commercial motor vehicles, certain chemicals, paper, raw materials for the following industries: electric bulb manufacture, beer-brewing; paper, tyres, batteries; coal and coke, tinplate, printing supplies, etc.

List B-II - "Semi-luxury (consumer) goods" (205 items or groups of items). This comprises foodstuffs; hinges, locks, glass, glassware, soap, earthenware, passenger cars with a c.i.f. value not exceeding \$2,100, perfumes and cosmetics, and many personal and domestic accessories.

List C - "Luxury goods" (11 items or groups of items). This comprises auto-radios, refrigerators, radio phonographs, passenger cars with a c.i.f. value between \$2,100 and \$2,400.

List D - "Other luxury goods" (29 items or groups of items). This comprises crystalware, gold and silverware, bedspreads, fountain pens, passenger cars with a c.i.f. value exceeding \$2,400, carpets and rugs, leatherware, etc.

In order to obtain the import-exchange license without which these goods may not be imported, the following additional import levies based on the c.i.f.i.c. value of the goods must be paid to an authorized exchange bank by purchasing "TPI" Certificates (see above):

List A:	none
List B-I:	33-1/3 per cent
List B-II:	100 per cent
List C:	200 per cent
List D:	200 per cent.

These are items for which official exchange is not provided, so that their import is confined largely to resident foreign nationals who are permitted to retain non-trade exchange holdings in their own currency; it is, however, necessary to pay the additional import levy covering 200 per cent of the value of such imports before the import license can be obtained.

Payments for Invisibles

Most payments for invisibles are subject to a special licence from the Foreign Exchange Institute, although for items which represent the current income of individuals abroad, and for such items as rents, dividends, etc., foreign exchange is freely granted up to certain limits in accordance with general licences issued by the Foreign Exchange Institute to the authorized banks. To foreign nationals resident in Indonesia, foreign exchange is supplied, up to certain limits, for private remittances, such as the maintenance of families abroad, children's educational expenses, the remittance of savings, and the transfer of capital after the owner's repatriation. For remittances in respect of profits, dividends on direct investments, insurance, etc., general regulations have been issued by the Foreign Exchange Institute. For such items as advertising, film rentals, charitable remittances, legacies, etc., exchange is granted at the discretion of the Foreign Exchange Institute, on individual application. Authorized payments for nontrade invisibles are effected at the official rate. The export of Indonesian and foreign banknotes and coin is prohibited, but residents going abroad are provided with small amounts of foreign banknotes to meet traveling expenses.

Exports and Export Proceeds

All exports require licences. Exporters (with the exception of the oil companies, to which special arrangements apply) are required to surrender to an authorized bank in Indonesia all foreign exchange to which they are entitled. Exports must, as a rule, be financed by irrevocable bank credits, and the drafts drawn on such credits must be sight drafts or short-term drafts. Exports may not be invoiced in rupiah, but must be invoiced in a currency acceptable to the Bureau for Exports. There are no general limitations as to the destination of exports, but the Bureau for Exports may withhold licences for certain exports if, for example, the shipment should not conform with existing trade agreements. Those surrendering U.S. or Canadian dollars benefit from the dollar export certificate premium on 70 per cent of the amount surrendered (see Dollar Export Certificates above).

Proceeds from Invisibles

Residents are required to surrender to an authorized bank in Indonesia all foreign exchange to which they become entitled. Foreign nationals resident in Indonesia may retain any income in the currency of the country of their nationality, provided the income does not arise from foreign trade. The import of Indonesian banknotes and coin is prohibited. Foreign banknotes and coin may be imported on the condition that they are surrendered to the Bank Indonesia at the official buying rate. Visitors staying in Indonesia no longer than three months may have their foreign currency returned to them when they leave, insofar as it has not been sold to the Bank Indonesia already. After three months, the visitor intending to re-export his foreign currency has to apply for a special licence.

Capital

Residents are required to surrender exchange from capital, and approval is not normally given for capital payments abroad. There are no limitations on nonresidents remitting into Indonesia capital, which, if it were in the form of foreign exchange, would have to be surrendered in accordance with the regulations. The repatriation of capital on behalf of nonresidents is subject to individual consideration by the Indonesian authorities.

Changes since 31 August, 1952

1 September

The issuance of licenses by the Central Bureau of Imports was changed from a c.i.f.i.c. to an f.o.b. basis.

11 October

The regulations regarding the conduct of the accounts of nonresidents were re-codified. Such accounts were classified into "M" (capital) accounts and "P" (income) accounts.

27 October

The basic official rates were adjusted from Rp 11.37 to Rp 11.355 buying, and from Rp 11.43 to Rp 11.445 selling, per US\$1.

1953

1 January

The additional export duty on copra was reduced to 10 per cent. This additional duty was one of those originally imposed on February 4, 1952 at 25 per cent (15 per cent as from August 1, 1952) to counteract windfall profits resulting from the change in the official rate. The additional export duty on palm oil and kernels, previously 5 per cent, was abolished.

23 January

The name "Inducement" certificates was replaced by "TPI" certificate (additional import levy) in accordance with the historical development of these certificates and simultaneously an additional category of merchandise was created for which such certificates were required for 33-1/3 per cent of the import value. Most goods in this new category could previously be imported without purchasing certificates.

1 April

The advance payment required before a combined import- and exchange- license can be issued was increased from 40 per cent to 75 per cent. The advance deposit and the additional import levy (where required) had to be paid within 14¹/₂ days of receipt of the temporary import permit. Moreover, after receiving the regular permit, a letter of credit had to be opened within 14¹/₂ days, otherwise the permit lapses.

1/ In certain circumstances, this period is 21 days. See footnote 2/ page 6.