GENERAL AGREEMENT ON TARIFFS AND TRADE

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INDONESIAN TARIFF REFORM

The following communication, dated 2 November 1960, has been received from the Leader of the Indonesian delegation:

"I have the honour to inform you that on 24 August 1960, the Government of the Republic of Indonesia has introduced new monetary measures, and in consequence thereof, followed some modifications on import tariffs as a whole.

"The Government of the Republic of Indonesia regrets to inform that, on account of special circumstances, it was not in a position, before these modifications have taken place, to apply the procedure contained in Article XXVIII of the GATT.

"On behalf of the Government of the Republic of Indonesia, I would like to ask the CONTRACTING PARTIES for their consideration of this matter and that they grant to my Government the facilities which they have in the past granted to other contracting parties in similar circumstances.

"My Government would be prepared to enter into negotiations with contracting parties concerned as soon as practicable.

"It may be stressed that the above-mentioned tariff reform arises only out of the necessities of the Indonesian economy and has not any connexion with the proceeding Tariff Negotiations 1960/61 among contracting parties.

"Attached hereto are an explanatory note and copies of the relevant Indonesian Decrees (see Annexes A, B, and C)[1] as well as Schedule XXI (see Annex D)[1] from which the effects of the tariff reform on the concessions granted by Indonesia can be seen."

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[1] The attention of contracting parties is called to the fact that owing to the pressure of time Annexes A, B, C, and D, mentioned in the communication of the Indonesian delegation and in the attached "Explanatory Note", will be distributed later.

EXPLANATORY NOTE

1. The monetary measures introduced by the Government of the Republic of Indonesia on 24 August 1960, aim at fulfilling the needs of the people for food and clothing within the shortest possible period, and to promote economic development, among others as stipulated in the following regulations:

(a) Government Regulation No. 31/1960 Regulating the Establishment of a List of Commodities of which Import is restricted (Annex A);

(b) Decree of the Government of the Republic of Indonesia No. 32/1960 Regulating the Use of the Rupiah Currency for Foreign Transactions (Annex B);

(c) Decree of the Government of the Republic of Indonesia No. 33/1960 Regulating the Amendments to the rates of import duties, export duties, statistical duties, fees and import tax (sales tax) (Annex C).

The aims can be summarized as follows:

(a) firstly: to improve conditions of export in order to stimulate them, to obtain a rise in the amount of foreign currency holdings with which imports of food and clothing items and materials needed for economic development could be financed more extensively than in the past.

(b) secondly: to make it possible for the Government, by more flexible measures, to regulate at any time conveniently the domestic prices and to achieve gradually a lower price of goods, insofar as the financial position permits.

2. With a view to stimulating exports, the following measures have been taken:

(a) Formerly, a 20 per cent export surcharge was levied, which means that for one United States dollar the exporter did not receive the total sum of the basic rate (Rp.45) but only 80 per cent of it, i.e. Rp.36. The export surcharges are now abolished so that the full rate is received by the exporter. Furthermore, an export duty of 10 per cent is levied in order to compensate for the abrogation of export surcharges.

(b) In some areas of the Indonesian territory importers can retain 30 per cent of their export earnings of foreign currency. The foreign exchange so retained can be used for purchases abroad. A rise in exports is expected from this measure, and consequently an increase of foreign currency earnings.

3. In order to achieve a reduction of domestic prices, as mentioned above, new measures have been introduced in the import sector, aiming at lowering import charges, through abrogation of import surcharges, import tax, statistical tax, and fees, the total receipt of which is about 8 billion Rupiahs, according to the estimate in the budget of 1960.

Whereas under the previous regulations there were five kinds of import levies which rendered the implementation difficult, this is now simplified to the extent of levying import duty only.

Since 25 August 1960 there are only import duties of 0 per cent, 20 per cent, 30 per cent and 100 per cent as compared to the previous 0 per cent, 9 per cent, 18 per cent, and 30 per cent plus specific duties on certain goods and the various charges etc.

It might appear at first sight, that this constitutes an increase of duties and, therefore, a greater obstacle to imports. However, this is not the case, as according to the estimate which has been made in the 1960 budget, the surcharges (PUIM), import tax, statistical tax, fees and import duties amount to 10 billion Rupiahs, while with the recent modifications there remains one import duty totalling 3 billion Rupiahs in the 1961 budget.

The reduction of import levies which amounts to approximately 7 billion Rupiahs, will naturally restrain Government expenditure, decrease inflationary pressures and reduce prices. It will therefore encourage a smoother flow of goods to be exported from and imported to Indonesia, and create a sound basis for the overall development programme of the Government.

In order to avoid that these measures result in a sudden decrease of prices which could give way to fluctuations in the domestic markets, seriously influence the economic life and have serious consequences on the Indonesian economy, the following <u>temporary measures</u> have been introduced:

(a) The payment of "price adjustments".
(b) The payment for foreign currency at a higher price than the basic rate.
(c) Payment of import certificates.

These measures are applied to different groups of products and will be relaxed as soon as the financial conditions permit.

"<u>Price Adjustment</u>":

The "price adjustment" is levied on goods to which reference is made in Article 4, paragraph 2 of Decree No. 32/1960 (see Annex B) and which are listed in Appendix I to Decree No. 31/1960 (see Annex A). The "price adjustment" is charged in addition to customs duties and it is collected as a percentage of the value of the goods expressed in domestic currency and calculated by using the basic rate of US$1 = Rp.45. The "price adjustment" is applied at the following rates:

(a) Food, clothing and development goods, which can be imported free of duty (0 per cent). The "price adjustment" is 0 per cent.

(b) Food and clothing for which 20 per cent customs duty is levied. The "price adjustment" is 25 per cent and 60 per cent.

Payment for foreign currency at a higher price than the basic rate:

For the importation of goods referred to in Article 4, paragraph 3 of Decree No. 32/1960 (see Annex B) and which are not subject to restrictions (so-called "Free List") a price of US$1 = Rp.200 is applied. On such commodities an import duty of 30 per cent is levied which is assessed on the value calculated on the basic rate (US$1 = Rp.45). There is no "price adjustment" on such commodities.

Payment of import certificates:

The products referred to in Article 4, paragraph 3 of Decree No. 32/1960 (see Annex B) and listed in Appendices II-A and II-B to Decree No. 31/1960 (see Annex A) are subject to restrictions. Their importation may be permitted by Ministerial Decisions which for instance is the case for passenger goods paid by foreign exchange holdings not registered to the Indonesian Government. On such imports, as far as luxury goods are concerned, an "import certificate" charge is collected amounting to Rp.140 per US$1. The rate of customs duty imposed on products covered by this regulation is 100 per cent ad valorem calculated at the basic rate (US$1 = Rp.45).

With the enforcement of these new regulations and the more efficient and increasing importation of goods, the Government is convinced that prices will gradually decrease, especially for food, clothing and goods needed for economic development.