

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/5603/Add.28
21 October 1985

Limited Distribution

Original: English

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Notifications Pursuant to Article XVI:1

INDONESIA

Addendum

The following notification has been received from the Permanent Mission of Indonesia.

1. EXPORT CERTIFICATE PROGRAM *)

The Export Certificate (EC) scheme was established in November 1978 to simplify the rebate of import duties and indirect taxes borne by exported products. The EC scheme modified an existing drawback/rebate system designed for the same purpose. In the case of the subject merchandise, the calculation and payment of export certificates is limited specifically to import duties and indirect taxes on materials physically incorporated in the exported product.

The legal foundation for the EC scheme is Article 3a of Indonesian's Tariff Law (Gazette 1924 No.487, as amended). The current EC scheme was established through Minister of Finance Decree No. 434/KMK.01/1978, dated November 15, 1978, as amended by Minister of Finance Decree No. 269/KMK.01/1982, dated April 22, 1982 and Minister of Finance Decree No. 576/KMK.05/1984, dated June 26, 1984. (Copies of the decrees are attached as Annex **).

The EC scheme is administered jointly by the Department of Finance, Trade and Industry, and the Customs and Excise Inspectorate.

The source of funding for the EC scheme is the Government of Indonesia through the Office of the State Treasury.

*) The Government of the Republic of Indonesia is committed to eliminate the Export Certificate Program by April 1, 1986.

***) To be circulated later in a supplement to this document.

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2. SHORT - TERM EXPORT FINANCING *)

Since June, 1, 1983, Indonesian state banks and private National Foreign Exchange Banks have offered working capital export credits to exporters of non-oil commodities and goods.

Only national companies are eligible for export credits; foreign companies, regardless of their export performance, are not.

Each bank decides whether to extend such credits to any particular eligible firm and the interest rate at which such credits are granted. These decisions are based on normal commercial considerations such as the creditworthiness of the borrower, the bank's cost of money, its liquidity position, and its desired return.

The maximum amount of credit is 85% of the F.O.B. price.

The interest rate is 9% per annum.

If and when an export is accomplished, the bank refunds to the borrower any interest charged in excess of 9% per annum.

(Because the exporter pays interest currently at the commercial rate but does not receive a refund until the export is realized, his effective rate for the loan exceeds 9%). In addition to payment of interest, the borrower pays a charge of 1.1% of the principal amount of the loan at the time the credit is granted (0.1% commitment charge plus 1.0% "provisi"); if the term of the credit is extended, he pays the 1.1% charge again at the time of each extension.

These charges are not refunded to the borrower.

Borrowers cannot rediscount export credits.

The administering entities for export credit facilities are the Ministry of Trade, the Ministry of Finance, the Ministry of Communications and Bank Indonesia.

*) The Government of the Republic of Indonesia is committed to eliminate the export subsidy elements of short - term export financing on the following schedule :

<u>D a t e</u>	<u>Cumulative reduction of export subsidy elements</u>
April 1, 1987	50 percent
April 1, 1988	75 percent
April 1, 1989	90 percent
April 1, 1990	100 percent.