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TRADE POLICY REVIEW MECHANISM

INDONESIA

Report by the Government

In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (BISD 36S/403), the initial full report by Indonesia for the review by the Council is attached.

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Objectives of trade policies

The trade sector plays a significant role in contributing to the growth of the economy. This can be seen from its share in the Gross Domestic Product (GDP) which has reached approximately 17 per cent with an average growth of 7 per cent annually in the past five years. The trade sector also makes a substantial contribution in the absorption of manpower, i.e. approximately 15 per cent of the total employment opportunities. Apart from this role, the trade sector in particular is significant in supporting the smooth flow of goods and services from the producer to the consumer; it encourages the establishment of reasonable prices, supports production efficiency, increases earnings, and encourages the growth of the national economy. The trade sector is able to encourage the growth of the national economy mainly because of the increase in exports of non-oil commodities.

Thus trade policies will constantly be aimed at encouraging various economic activities to maintain or increase the growth of the economy in order to maintain and secure continuous national development. The success of national development will create better living standards and national stability, so that it can give a positive contribution to the development and peace of the world.

The measures which are taken to achieve such objectives are conducted, *inter alia*, through deregulation and reducing red tape in various sectors, including trade. Deregulation policies are directed at increasing the efficiency of the economy by reducing the cost of transactions and by eliminating business barriers. The measures take the form of: reducing tariffs, eliminating non-tariff measures, and reducing other transaction costs. In addition, various barriers to the smooth flow of goods and services have also been eliminated by simplifying the procedures as well as the documents. These measures are also aimed at creating a more open trade system and healthier business competition which will, in the end, contribute to the attempt to create a more liberal and open multilateral trade system.

Description of the import and export system

Indonesian foreign trade, both export and import, is conducted openly and liberally with some exceptions for specific reasons. Payment can be made under any terms which are normally applied to international trade. The trade system works because it is supported by the free foreign exchange system, which means that there are limits to obtaining and using foreign exchange for export and import purposes. In the export and import system there are four categories of regulations for the category of products which are traded, i.e: first, products which are traded freely; second, products which are prohibited from being traded; third, products which may be traded only by licensed exporters or importers (approved traders); and fourth, products with controlled trade.

Trade Policy Framework

Domestic laws and regulations governing the application of trade policies

Trade activities in Indonesia are regulated by the Civil Code (KUHP) and by the Commercial Code (KUHD). Both Codes have been valid since 1848, before the independence of Indonesia. Due to various advancements and changes today, both Codes are being adjusted. The provisions which regulate trade activities are drawn up into various sources, i.e. laws, government regulations, presidential decrees, presidential instructions, and ministerial decrees.

Summarized description of the process of trade policy formulation and review

The formulation of trade policies is, in principle, the full responsibility of the Minister of Trade. However, taking into account the close relationship between trade and other sectors, when the Minister of Trade decides on a policy he may consult with and receive inputs from other relevant institutions. If the scope of a trade policy involves the authority of various relevant departments, the decision may be made by a Joint Decree of the ministers concerned. Trade policies may be drawn up in the form of a Presidential Decree if the substance is extensive and if it concerns the duties of various institutions. Apart from this, trade regulations may also be provided in the form of laws which require the approval of "DPR" (the Indonesian legislative assembly).

Bilateral, multilateral, regional and preferential trading agreements

Indonesia is constantly increasing its international cooperation at multilateral, regional, bilateral fora as well as in the form of preferential trading and cooperation in commodity agreements, in order to further develop foreign trade.

Growing bilateral cooperation has become increasingly significant in the attempts to increase Indonesia's foreign trade, in spite of the trends to form trade groups. Such cooperation is based on principles which are mutually beneficial and which are applied without discrimination or special treatment.

At multilateral fora, Indonesia is active in various GATT activities, such as the Multilateral Trade Negotiations - Uruguay Round. Indonesia has an interest in the success of the Uruguay Round because it is desirous to participate in realizing a more open and fair multilateral trade system. The system will be able to increase global trade and Indonesia will take part in it in order to support the continuity of national development. In addition, through the UNCTAD forum, Indonesia, together with other developing countries, undertakes to increase international trade. Such trade cooperation is, among other things, conducted under the agreement on the Global System of Trade Preferences (GSTP).

The Asean Free Trade Area (AFTA) will be implemented through the Common Effective Preferential Tariff (CEPT) mechanism. Through the CEPT mechanism, import tariffs will be reduced gradually to 0-5 per cent within 15 years from 1 January 1993. The products which are included in the CEPT scheme are all manufacturing goods, including capital goods and processed agricultural products. Agricultural products in the form of unprocessed raw materials or raw materials which are contained in the HS tariff item Chapter 1-24 and similar products under other HS numbers are not included in the CEPT scheme. Also excluded are products which are processed by simple methods with minor changes from the original products.

In the Asia-Pacific Economic Cooperation (APEC), the basic attitude taken by Indonesia is to try to make APEC an effective means of economic cooperation among its member countries. Such cooperation is effective in the sense that it can be developed and is encouraged by the advanced countries assisting other APEC member countries which are less developed, in order to minimize the gap between them within the shortest possible time. Thus the economic strength among the APEC member countries in the Pacific region will be more balanced.

In accordance with the position and interest of Indonesia as a producer and exporter of various types of agricultural commodities, Indonesia also participates in various international commodity agreements, such as those for coffee and rubber.

Implementation of Trade Policies

Indonesia's trade policy measures

In order to increase the efficiency and competitiveness of Indonesian products, tariffs will constantly be reviewed and gradually reduced. In addition, attempts are also being made to apply tariffs to non-tariff measures. In 1994, the tariff rate of 0-40 per cent constitutes more than 99 per cent of the tariff items while in 1989 the tariff of 0-40 per cent represented about 77 per cent. In addition, the surcharges were also reviewed. In the dereguiation policy of 27 June 1994, 122 tariff items or 1.3 per cent of the total available tariff items are still charged surcharges, and are valid for one year. Prior to applying of the deregulation policy, 220 tariff items were charged surcharges.

Import duties are based on the c.i.f. value. If the contract is on the basis of the f.o.b. price, shipment and insurance cost will be added to the price. For imported goods with LPS, the decision on import duty is based on the price which is normally applicable in the exporting country. Whereas for goods which are imported without LKP, i.e. imported goods the value of which is less than the f.o.b. value of US$5,000 the calculation of the import duty is based on the actual price which is usually stated in the invoice.

In the framework of increasing competitiveness and in order to maintain buyer's confidence in Indonesia's exported goods, a quality standard is provided for goods which are traded. Quality standards are technical specifications or something which is standardized, compiled according to a consensus of all parties involved, paying heed to the conditions of health, safety, development of science and technology, and being recognized by the authorized standardizing agency. To coordinate, synchronize, and develop standardizing activities in Indonesia, a National Standardizing Board has been formed. One of its policies is the Indonesian National Standard, which has reached 4,346 standards.

In order to facilitate and to expedite foreign trade, especially by supplying facilities for the development of non-oil exports as well as to create a more attractive investment climate, a Bonded Zone has been established along with a Production Entrepot for Export Purposes. Also, a surveyor has been appointed to inspect specific exported goods, i.e. P.T. Superintending Company of Indonesia (P.T. Sucofindo).

The procurement of government goods and services is conducted in four ways, i.e.: by public tender, limited tender, direct appointment, and by direct procurement. The provision for the procurement of such goods and services which are funded partly by offshore loans/aid/grants, is fully effective unless provided otherwise in the draft agreement on offshore loan. The procurement of goods and services shall, as far as possible use domestic products, paying heed to the national capacity/potential, to the extent that they are produced domestically.

In the framework of trade cooperation among Asean member countries, the provision on the rules of origin is applied to products which are listed in the Asean-PTA scheme and CEPT for AFTA. Goods which are covered in the scheme will be given preferences if they meet the requirement of the origin of the goods.

Development trade cooperation

Indonesia's trade with countries which have a regional cooperation commitment, such as APEC and Asean as well as bilateral cooperation and preferences, continue to develop, and such cooperation will continue to increase in the future.

Indonesia's total trade with members of the Asia-Pacific Economic Cooperation (APEC) in the period 1989-1993, increased by an annual average of 12.10 per cent. In 1989, the total trade reached US$29.9 billion and in 1993 it became US$47.2 billion. Within this five-year period exports and imports increased by 11.38 per cent and 13.21 per cent per annum, respectively. In 1993, Indonesia's total trade with its trade partners associated with APEC was 72 per cent of Indonesia's total trade throughout the world.

In the period 1989-1993, the growth of Indonesia's exports to the Asean countries increased annually by 24.41 per cent on average, and the growth of its imports was 11.88 per cent. In 1993, the value of Indonesia's export and import trade with Asean member countries was US$8.04 billion, of which US$5.44 billion was for exports and US$2.60 billion was for imports. In 1993, Indonesia's trade with Asean member countries represented 11 per cent of Indonesia's total trade with all parts of the world.

Indonesia's balance of trade with 50 countries who have signed the trade agreement in the period 1989-1993 was, overall, positive to Indonesia. However, bilaterally, the balance of trade varied between positive and negative.

Exports of two agricultural commodities which were included in the commodities agreement, i.e. coffee and rubber, had different trends in the period 1989-1993, i.e. rubber exports increased and coffee exports decreased. Exports of rubber increased overall by an average of 2.8 per cent per annum, with a decrease, however, for sheets and crepe. Exports of coffee decreased by 12.6 per cent per annum. This was due to the decrease in the exports of Robusta coffee which represented 85 per cent of the total exports, despite the increase in the exports of Arabica coffee.

Indonesia gets GSP facilities from the United States, Canada, Japan and the European Community. Alleviation of import duty is provided on a unilateral basis. It can be obtained by using the Certificate of Origin Form in the implementation of its exports, following compliance with the rules of origin applied in the importing country which provided the preference. In addition, Indonesia is also a member of GSTP which may turn into one of the significant coordinating institutions to increase cooperation among the developing countries. Although it has currently no effective advantages, however, in the future it will become important to Indonesia, especially in order to encourage attempts to diversify exports of non-oil commodities.

Programme for trade liberalization

The deregulation programme in the trade sector is part of the entire deregulation programme in various economic sectors, such as taxation, finance, investment, monetary, banking, and other sectors. The deregulation programme has been implemented intensively since the early 1980s.

Prospective changes in trade policies and practices

Indonesia will continue to make various adjustments consistently in order to create an efficient economy and healthy competition as well as to establish a more open system of trade.

Wider Economic and Development Needs, Policies and Objectives

Economic policies

Developments in the Indonesian economy are directed towards meeting the basic needs of the people and towards creating a balanced economic structure, i.e. on where the emphasis is on industrial strength, supported by a strong agricultural sector. This economic structure is expected to increase income per capita, along with a more equal distribution of wealth. The industrial sector will increasingly serve as the main activator of national development.

Economic performance

Developments in the economic sector to date have been able to open up the structure of the Indonesian economy. The economic structure has also developed from traditional agrarian to a more advanced economy with a firmer structure, i.e. an economy which is supported by stronger industry and agriculture, so that the basic needs of the community are more satisfied and more equal. The growth of Indonesia's Gross Domestic Product (GDP) in the period 1989-1993 averaged nearly 7 per cent per annum. This economic growth was also accompanied by success in reducing the population growth rate to 1.37 per cent, so that the average standard of living for Indonesian people continues to increase.

The inflation rate which, at the beginning of the development of the New Order, was a big problem in national development, was successfully reduced and controlled, and this has thus encouraged the establishment of a more stable economy. The inflation rate which reached 650 per cent in 1966, was reduced to an average of 17.2 per cent annually in the 1970s. In the 1980s the inflation rate decreased again to 8.7 per cent per annum, on average. In 1990 and 1991, the inflation rate increased slightly, i.e. by 9.5 per cent per annum, on average, due to the heated Indonesian economy: the result of increased economic activities domestically, especially the relatively sharp increase in investment. However, under various policies the inflation rate was successfully controlled to below 5 per cent in 1992. In 1993, the inflation rate increased again, but still remained below 10 per cent.

The Government of Indonesia has already made attempts to increase both Domestic and Foreign Investment, by creating a conducive investment climate. The efforts were first made in 1984 by the enforcement of the new Taxation Law which was subsequently followed by deregulation, debureaucratization, simplified licences and offers of extensive business opportunities to the business sector. Since the enforcement of the Capital Investment Law in 1967, up until 31 July 1994, already 8,734 PMDN (domestic investment) projects have been approved with an investment value of Rp 283.3 trillion, and 2,977 PMA (foreign investment) projects with an investment value of US$85.3 billion have been approved. Currently 44 countries have invested their capital in Indonesia; investments from Japan, Hong Kong, Taiwan, the UK and the USA total 21.1 per cent, 15.8 per cent, 10.3 per cent, 9.4 per cent, and 8.6 per cent, respectively. Business sectors which have attracted a large number of foreign investments are the chemical, paper, hotels and restaurants industries, metal goods and mining with 22.7 per cent, 9.9 per cent, 9.2 per cent, 9.0 per cent, and 7.7 per cent, respectively.

External Economic Environment

Major trends in imports and exports

In the period 1989-1993, Indonesia's balance of trade was constantly positive and tended to increase by 14.10 per cent per annum, on average. The total value of exports per annum increased, on average, by 13.83 per cent, i.e. in 1989 the value was US$22.1 billion, then in 1994 it had increased to US$36.8 billion. In the same period, the value of non-oil exports grew by 20.47 per cent per annum, on average. The increase in export values was also followed by a change in the composition between oil and non-oil exports, as well as among the non-oil commodities. In 1989, non-oil exports were 60.8 per cent of total exports, rising to 73.5 per cent in 1993.

The majority of the imports consisted of raw materials and auxiliary materials as well as capital goods for domestic industrial purposes, including industries for export purposes. Thus, developments of such imports and capital goods may also affect the export performance of non-oil commodities. The development of imports is also affected by both domestic and foreign investment. In the past five years, the average growth of imports has increased by 14.12 per cent annually, i.e. in 1989 the value of imports was US$16.3 billion, and in 1993 it had reached US$28.3 billion. 63.5 per cent of the value of imports in 1993 took the form of raw materials and auxiliary materials, and the remainder was capital goods and consumer goods (25.2 per cent and 3.9 per cent, respectively).

Developments in terms of trade and commodity prices

Terms of trade in 1988 declined compared to 1987. After 1988, it tended to increase, reaching its peak in 1990, before declining. However, the terms of trade within the five-year period still increased by 1.12 per cent per annum. In addition, prices of primary commodities exported by Indonesia fluctuated, with varying developments.

Trends in the balance of payments, reserves and exchange rates

Due to Indonesia's success in increasing exports, specifically of non-oil commodities, the balance of trade for goods has constantly shown a surplus. This is contrary to the balance of trade for services, which has constantly shown a deficit larger than the surplus balance of trade for goods, so that the current account is in deficit. However, the larger balance of capital inflows makes the overall balance of payments positive.

The policy of the managed float exchange rate system was applied in November 1978. However, in the period November 1978 to September 1986, the "managed" factor was still dominant. Consequently the exchange rate of the rupiah was less flexible. In that period the depreciation of the rupiah was not sufficient to cover the difference between domestic inflation and inflation abroad, especially in primary trading partners. Consequently, this caused an over-valuation of the rupiah.

International macroeconomic situation affecting the external sector of the contracting party concerned

The growth of the world economy started to recover in 1992, albeit relatively slowly. World economic growth improved constantly, until it reached 3.0 per cent in 1993. This improvement will continue in 1994.

In the past five years, the world economy has also been marked by the weakening of the US dollar against the yen. The depreciation of the dollar was, *inter alia*, a fundamental factor in the huge deficit of trade transactions between the United States and Japan, in addition to the effects of non-fundamental factors, such as market sentiments. The strengthening of the yen's exchange rate has resulted in higher prices for imported goods, thereby increasing the burden of interest payments and repaying instalments on Indonesia's offshore loans. However, the situation of the balance of payments was also affected by the positive impact of the decline in interest rates on the international market, especially up until the end of 1993. Another conspicuous development was the flow of funds, especially short-term funds, from the industrial countries to developing countries in fairly large amounts.

In the past few years the world economy has also been marked by the strengthening of regionalism in trade and investment. There is concern that this will cause a trade and investment diversion from developing countries, including Indonesia. Meanwhile, as a follow-up to the ASEAN Free Trade Area (AFTA), members, as from January 1994, reduced tariffs and import duties for several types of commodities.

Problems in External Markets

Indonesia has been allocated a manioc quota from the European Union for the period 1993-1995, amounting to 2,475,000 tons, or 825,000 tons per annum. This quota is relatively small compared to Indonesia's production of manioc. Development of Indonesia's textile and garment/apparel (TPT) exports were obstructed by limitations or quotas. The total quota allocated to Indonesia is relatively small compared with Indonesia's capacity for TPT production. The countries which apply the TPT quotas to Indonesian exports are the United States, Canada, Norway, and European Union members.

Indonesia as a newcomer in international trade, specifically in the export of manufacturing products, also has to face various accusations of dumping practices. Such dumping accusations are mostly launched by Australia and the European Community.

A. TRADE POLICIES AND PRACTICES

1. Objectives of trade policies

The trade sector has played a significant role in contributing to the growth of the economy. This can be seen from its share of Gross Domestic Product (GDP), and the growth rate of the trade sector itself. The trade sector represents around 17 per cent of GDP, and growth over the past five years was 7 per cent on average. In addition, the trade sector has also made a substantial contribution to the absorption of manpower, i.e. around 15 per cent of total employment opportunities.

Apart from this role, the trade sector in particular, also plays a significant role in supporting the smooth flow of goods and services; in encouraging the establishment of reasonable prices; in supporting production efficiency; and in increasing income. Hence, on the whole, it encourages growth of the national economy, especially through the increase in non-oil exports.

Therefore, trade policies will constantly be aimed at encouraging and drawing on these various economic activities so that economic growth can be maintained or increased in order to maintain and to secure the continuity of national development. Successful national development will create advancement, prosperity and national stability, all of which will make a positive contribution to the development and peace of the world. Trade policies in particular are aimed at:

(a) Creating an increasingly efficient and effective national trade system, so that it can establish reasonable and stable prices, and can utilize or extend market opportunities domestically as well as abroad;

(b) meeting the basic and other needs of the community which constantly increase in quantity, variety and quality;

(c) encouraging and increasing exports, especially non-oil commodities, in terms of commodity type as well as export destination, in order to create diversified products and an Indonesian export market;

(d) directing imports to meet the demand for goods and services, especially capital goods, raw materials and auxiliary materials, to develop domestic industry capable of producing highly competitive products;

(e) encouraging the development of small business to take an increasingly large role in trade and economic activities, so as to create a stronger economic structure, i.e. not centralized around a specific business group.

In order to achieve these objectives, the measures taken include, among other things, deregulation and debureaucratization, especially in various sectors of economic activities, including the trade sector. The main objective of the deregulation policy is to attempt to reduce the costs of transactions and to eliminate the barriers to entering into business, as well as to encourage the establishment of a better market mechanism. The attempt takes the form of reduced tariffs, elimination of non-tariff measures, and the reduction of other transaction costs. In addition, various barriers to the smooth flow of goods and services have been also eliminated by simplified procedures and documents. By these measures,

a more open trade system and healthier business competition will be established. This will, in the end, contribute to the attempt to create a more liberal and open multilateral trade system.

Attempts to increase the competitiveness of Indonesian products shall proceed in parallel with attempts to get access to more extensive markets overseas. Access to overseas markets will be improved if a more open and fair multilateral trade system is realized. To this end, Indonesia participates actively in Multilateral Trade Negotiations - including the Uruguay Round and other GATT activities.

Increased competitiveness and open access to foreign markets must be accompanied by attempts to actively increase export promotion. Promotion activities are aimed at increasing awareness via trade exhibitions, trade missions and market intelligence. Product developments and market information, especially on matters relating to changes in consumer tastes, quality standards, market potential and various policy regulations, are especially important in relation to trade in the country of export destination.

These trade policies which are of a macro as well as micro nature are a part of, or complement to, the continuity of macro-stabilization policies, especially the use of fiscal and monetary policies aimed at controlling inflation, interest rates, and the foreign exchange rate. Such macro-economic policies have succeeded in creating stability and the growth of the Indonesian economy.

2. Description of the import and export system

In the open economic system, the foreign trade system - both exports and imports - is applied openly and liberally, with some exceptions for certain reasons. The system is also supported by, and parallel with, the free foreign currency system, which includes no restrictions on obtaining and spending foreign exchange for export and import purposes. Payment can be made under any terms which are normally applied in international trade.

In the trade system, both exports and imports, there are four categories which regulate the group of products which are traded, i.e.: first, products which are traded freely; second, products which are prohibited from trading; third, products which are traded only by licensed exporters or importers pursuant to the regulations (approved traders); and fourth, products under surveillance. The group of products which are prohibited and which require a licence is relatively small compared to the total number of tariff items.

Import

Most products can be imported freely by importers who already possess an Import Identification Number, i.e. the General Importers (automatic licence). When a person wishes to become a General Importer, he/she simply needs to register and to complete the administrative procedures which are common practice in running a business. For the group of specific controlled products, i.e. 270 tariff items (9 digits) or 2.93 per cent of the total existing tariff items, imports in this category need, pursuant to the deregulation policies of June 1994, a special licence as an approved importer. Imports of all tariff items which are regulated, will be reviewed constantly in accordance with the deregulation phase.

The group of regulated imported products may be imported by the following types of importers (Approved Importers):

(a) Registered Importers are importers who hold a General Importers' Identification Number and who are specifically assigned to import certain commodities which are deliberately directed by the government;

(b) producing Importers, are producers who are approved to personally import goods which they need solely for their production;

(c) sole Agents are companies who hold a recognized Sole Agency, in accordance with Decree of the Minister of Industry number 428/M/SK/12/1987, regarding Simplified Regulations on the Recognition and Decreased Recognition as the Sole Agent of Motor Vehicles and Large Equipment and the Sole Agent of Electronic Equipment and Electrical Household Appliances, along with amended regulations;

(d) "Perusahaan Umum" (general enterprise) DAHANA is, pursuant to Decree of the President RI Number 5 of 1988, assigned to act as the sole agent for the procurement, supply and distribution of explosives and similar items, as well as components which are related to such explosives, for all regions in Indonesia;

(e) PERTAMINA is the State Oil and Gas Mining Enterprise which, pursuant to Decree of the President RI Number 18 of 1988, is assigned to supply and to serve the demand for lubricants from petroleum for domestic purposes;

(f) BULOG is the agency which, pursuant to Decree of the President RI Number 103 of 1993, is assigned to maintain the price stability of several food staples.

Apart from these regulations, imported goods with an f.o.b. value over US$5,000 are subject to inspection by a Government-appointed surveyor (P.T. Surveyor Indonesia), at the port of loading for which a Surveyor's Inspection Report (LPS) is drawn up. However, imported goods with a value of less than US$5,000, are inspected at the port of destination in Indonesia by the local Customs and Excise Office.

Export

Exports in general may be conducted by any company which has a business licence, except for products which for certain reasons require that the export be conducted by approved exporters. Such business licences (automatic licence) are granted to applicants who have complied with the administrative requirements normally needed to establish a business.

Products which must be exported by Registered Exporters (Approved Exporters) are textile and apparel, manioc, coffee, tin, petroleum, woven rattan, and some timber products. While products which are prohibited from being exported are, in general, related to the standard regulations, there is also an attempt to protect antiquities with a historical value, and to protect nature conservation.

Exports of some products are subject to inspection by a government-appointed surveyor. Products subject to export taxes (specific products such as woven rattan and several timber products), and products

exempt from import duties or granted restitution of import duty and other import levies on imports of raw materials/auxiliary materials used in exported goods (drawback system), must be inspected.

The surveyor's inspection of exported goods covers: the quantity and type of the goods; their technical specification; the classification of the tariff items; the packing, price, amount of the export tax; relevance of the goods which are granted exemption facilities and/or restitution of import duty and other import levies on imports of raw materials/auxiliary materials used in exported goods; and the compliance with other export regulations.

3. The trade policy framework

3.1 Domestic laws and regulations governing the application of trade policies

To regulate trade activities in Indonesia, the provisions in the Civil Code (KUHP) and Commercial Code (KUHD) are applied as the source. The validity of both codes dates back before Indonesian independence. Due to various advancements today, both codes are being adjusted. The provisions which regulate trade activities are drawn up in various forms, such as laws, government regulations, presidential decrees, presidential instructions, and ministerial decrees.

Various trade-related activities are regulated in the form of laws, such as the registration of a company, trade marks, goods, trade zones and free ports, patents, legal metrology, copyright, and the environment. BRO (Bedrijfsreglementerings Ordonantie) of 1934 is an ordinance which is the product of the Dutch Indies Government. It is still used as the basis to grant a business license in general, and a trade operating licence in particular. Laws regarding Company Brands and Commercial Brands regulate the methods and procedures to obtain the rights and obligations of a trade mark. The trade and free port laws regulate the functions and role of specified zones and free ports. The legal metrology law is to regulate meter gauges to protect consumers. The copyright law is to protect creations, including foreign creations/products. The patent law regulates protection of new inventions in the field of technology for the advancement of industry. While the environment law regulates protection of nature and environmental conservation, and prevents/controls pollution.

3.2 Summary description of the process of trade policy formulation and review

The formulation of trade policies in principle is the full responsibility of the Minister of Trade. Since the trade sector is also related to other sectors, when stipulating a policy the Minister of Trade may consult with, and get inputs from, other relevant institutions.

If the scope of a trade policy involves the authority of various departments, it may be stipulated by a Joint Decree of the ministers concerned. A trade policy is drawn up in the form of a Presidential Decree if the substance is extensive and concerns the duties of various institutions. In addition, trade regulations may also be stipulated in the form of laws which require the approval of the Indonesian legislative assembly.

When formulating export and import policies, the Department of Trade also establishes cooperation with other relevant institutions, such as the Departments of Finance, Industry, Agriculture, and Health. In addition, some departments, such as Industry and Agriculture, may issue policies which support the trade sector.

Cooperation and coordination among these departments have improved after the appointment of a Coordinating Minister for Industry and Trade in "the Development Cabinet VI" (the cabinet in Repelita VI). The Coordinating Minister for Industry and Trade is a State Minister who assists the President in his main duties to coordinate the preparation and the compilation of policies and their implementation in the field of industry and trade.

On the basis of these duties, the Coordinating Minister for Industry and Trade has coordinating functions, as follows:

(a) To coordinate the Ministers in charge of the Departments of Industry, Trade, Agriculture, Mines and Energy, Health, Tourism, Post and Telecommunications, Forestry, Cooperatives and Development of Small Entrepreneurs, Manpower, and the State Ministers for Research and Technology/Chairman of BPPT/Head of BPIS, Mobilization of Investment Fund/Chairman of BKPM, Agrarian Affairs/Head of BPN, Environment, and other institutions which are deemed necessary;

(b) to coordinate the compilation of industrial and trade policies;

(c) to coordinate the compilation of industrial policies of various development sectors;

(d) to coordinate the compilation of domestic trade and foreign trade policies;

(e) to harmonize business policies in the field of industry and trade;

(f) to coordinate the compilation of policies of other industrial and trade sectors, including deregulation and debureaucratization.

In addition, since trade policies concern the interest of various sectors, the implementation of their policies is also coordinated with other Coordinating Ministers, such as the Coordinating Minister for Economy, Finance and Supervision on Development. There are four Coordinating Ministers in "the Development Cabinet VI", i.e. in addition to the two Coordinating Ministers there is the Coordinating Minister for Politics and Security and the Coordinating Minister for People's Welfare.

3.3 Bilateral, multilateral, regional and preferential trading agreements

As part of the attempt to develop foreign trade, Indonesia constantly increases international cooperation at multilateral and regional fora, as well as bilaterally, and in preferential trading and cooperation in commodities. The main purpose of increasing such cooperation is:

(a) To strengthen and to increase the role of Indonesia at international trade fora;

(b) to minimize or eliminate trade barriers, both tariff and non-tariff measures;

(c) to maintain and increase the market share of Indonesia's exports and to make new market breakthroughs.

Bilateral cooperation

Increased bilateral cooperation has also become more significant to Indonesia, regardless of the trends to form trading groups. The objective of cooperation is to increase and strengthen trade bilaterally, based on the principles of equality, which are mutually beneficial. Bilateral agreements are implemented under the principle of non-discrimination and no special treatment.

Indonesia has trade agreements with 50 countries, i.e.:

Africa:	Egypt, Tunisia, Morocco, and Algiers;
Asia:	Singapore, South Korea, India, The Philippines, Malaysia, Thailand, North Korea, Japan, Pakistan, Bangladesh, Vietnam, and China;
Oceanic region:	Australia and New Zealand;
Europe:	Sweden, Norway, Denmark, Switzerland, Finland, The Netherlands, France, Germany, Italy, Spain, Portugal, Belgium, Austria, United Kingdom, Soviet Union, Poland, Bulgaria, Hungary, Romania, Czechoslovakia, and Yugoslavia;
Middle East:	Iraq, Syria, Turkey, Saudi Arabia, Jordan, Iran;
Latin America:	Argentina, Chile, Venezuela, Cuba, and Surinam.

Multilateral cooperation

As a member of GATT, Indonesia participates actively in the various activities of this institution, *inter alia*, in the framework of the Multilateral Trade Negotiations - Uruguay Round. Indonesia also has an interest in the success of the Uruguay Round because of its desire to realize a more open and fair multilateral trade system. The system will increase global trade. Indonesia will take part in this expansion to support continuity of national development.

Indonesia will implement all provisions pertaining to the regulations provided in GATT. It will implement all commitments provided in the Uruguay Round.

In the negotiations on market access, Indonesia has made a commitment to bind 8,877 tariff items, or 94.6 per cent of the total tariff items. The remainder, thereof, i.e. 505 tariff items, are exempt from the binding commitment. Tariff items exempted include chemical, plastic and rubber products, agricultural equipment, iron and steel, automotive equipment, ammunition and weapons. Tariff items committed consist of 7,536 industrial tariff lines, and 1,341 agricultural items.

Of these committed industrial items, the import duty on 6,848 tariff items is bound at the rate of 40 per cent, and 688 tariff items are bound at a lower duty. In addition, Indonesia is obliged to eliminate non-tariff barriers on 98 tariff items within 10 years from the effective starting date of the World Trade Organization. Within this 10-year period, it was also agreed by Indonesia to eliminate surcharges on 172 tariff items.

Of the binding commitments on agricultural commodities, the import duty on 1,014 tariff items is 40 per cent, and 300 tariff items are bound at over 40 per cent, among other things, by the application of the ceiling binding offer for some specific commodities, such as rice, soybean and wheat. The import duty on 27 tariff items is committed at less than 40 per cent, among other things for flour and wheat flour (ryeflour, corn flour, rice flour, other cereal flour); frozen turkeys, soya oil, protein concentrates, and cotton.

Through the UNCTAD forum, Indonesia, together with other developing countries, is attempting to increase international trade. Such trade cooperation is conducted, *inter alia*, through the Agreement on the Global System of Trade Preferences (GSTP).

Regional cooperation

In regional cooperation, Indonesia participates actively in the Asean Free Trade Area (AFTA) and Asia Pacific Economic Cooperation (APEC), which are aimed at increasing economic and trade cooperation in these regions.

AFTA

The Fourth ASEAN Summit Meeting which was organized in Singapore in January 1992, approved, among other things, the agreement on the "Common Effective Preferential Tariff" (CEPT) to establish the ASEAN Free Trade Area (AFTA).

Through the mechanism of the CEPT scheme, import tariffs will be reduced gradually to 0-5 per cent within 15 years from 1 January 1993. Products which are included in the CEPT scheme are all manufactured goods, including capital goods and processed agricultural products. Agricultural products, in the form of unprocessed raw materials as contained in tariff items HS Chapters 1-24, and similar products under other HS numbers are not included in the CEPT scheme. Also excluded are products which are processed by simple methods producing only minor changes from the original products. Apart from reducing import duties, quantitative restrictions and other non-tariff barriers will also be eliminated for goods which are included in the CEPT scheme.

The tariff reduction programme in the CEPT scheme is divided into two categories, i.e. products with normal track tariff reductions and products with fast track tariff reductions, i.e. less than 15 years. Products with accelerated reduction are vegetable oils, cement, chemicals, pharmaceuticals, plastics, rubber, leather products, pulp, textiles, ceramics and glass, jewellery, cathode copper, electronics, wooden and rattan furniture.

Indonesia's tariff reduction programme in the CEPT scheme is as follows: First, products which are classified as fast track with a tariff rate above 20 per cent are reduced to 0-5 per cent within 10 years, while products with tariffs of less than 20 per cent are reduced to 0-5 per cent within 7 years. Second, products which are classified as normal track with tariffs of less than 20 per cent are reduced to 0-5 per cent within 10 years. Products with a tariff of above 20 per cent are reduced to 20 per cent within 8 years. Subsequent reductions from 20 per cent to 0-5 per cent are to occur within 7 years. In accordance with the tariff reduction programme, Indonesia reduced tariffs on 1,941 tariff items in 1994. Indonesia's tariff reductions under CEPT can be seen in Table 1.

Table 1

INDONESIAN PROGRAMMES FOR TARIFF REDUCTION

(Per cent)

Tariff group	Existing tariff	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fast track																	
>20%	40	40	40	30	30	20	20	15	15	10	10	0-5					
	30	30	30	20	20	20	20	15	15	10	10	0-5					
	25	25	25	20	20	20	20	15	15	10	10	0-5					
≤20%	20	20	20	15	15	10	10	10	0-5								
	15	15	15	10	10	5	5	5	0-5								
	10	10	10	5	5	5	5	5	0-5								
Normal track																	
>20%	50	50	50	50	50	50	40	30	30	20	20	20	15	15	10	10	0-5
	40	40	40	40	40	40	30	30	30	20	20	20	15	15	10	10	0-5
	30	30	30	30	30	30	20	20	20	20	20	20	15	15	10	10	0-5
	25	25	25	25	25	25	20	20	20	20	20	20	15	15	10	10	0-5
≤20%	20	20	20	20	15	15	15	10	10	5	5	0-5					
	15	15	15	15	10	10	10	5	5	5	5	0-5					
	10	10	10	10	5	5	5	5	5	5	5	0-5					

APEC

The Asia Pacific Economic Cooperation has 18 members, i.e. Australia, United States, Japan, South Korea, Canada, New Zealand, Mexico, Papua New Guinea, Chile, and the six Asean countries.

The first priority of the APEC working programme is the economic sector. This covers economic assessments, including reviews and analyses of economic trends in the Asia Pacific region and their implications on the policies and improvement of regional trade and economic data. It also serves as a forum for consultation to increase economic and trade cooperation.

The basic attitude of Indonesia towards APEC is to try to make APEC an effective means of economic cooperation among member countries, in the sense that cooperation can be developed and encouraged by assistance from advanced countries. Superpower countries like the USA and Japan can help other less developed APEC member countries so that within the shortest possible time, the gap between the advanced and the less advanced countries is minimized in order to balance the economic strength of the APEC member countries in the Pacific region. Apart from cooperation in the field of investment and technological developments, cooperation in the development of human resources should be increased, especially among small entrepreneurs. In this way trade developments among the APEC member countries need to be balanced by their respective economic strengths, so as to prevent trade liberalization resulting in unhealthy competition between the powerful and the weak.

Commodity cooperation

In accordance with its position and interest as a producer and exporter of agricultural commodities, Indonesia also participates in various international commodity agreements, such as the coffee and rubber agreements.

The objective of the International Coffee Agreement of 1983 was, among other things, to balance supply and demand, to prevent excessive price fluctuations which are harmful to producers and consumers, to extend employment opportunities and to increase the standard of living in the member countries, as well as to increase the foreign exchange earnings of coffee exporting countries.

The coffee quota system has been frozen since 4 July 1989. Hence, as of this date, coffee trading was conducted freely with no quota restrictions. As the coffee price continued to decline, it was agreed to establish an Association of Coffee Producing Countries and a Coffee Retention Plan to improve the market balance. Indonesia became a member of the Association and participated in the implementation of the retention scheme. The Coffee Retention Scheme, which started in October 1993, commenced in Indonesia in April 1994.

On the basis of Resolution Number 1 of the Retention Management Sub-Committee, 11-12 November 1993, the retention scheme for Robusta coffee was specified as follows: when the price indicator reaches US$60.00 cents the retention is 20 per cent, when the price is US$60.01 cents to US$65.00 cents the retention is 10 per cent, when the price is US$65.01 cents to US$70.00 cents it is the neutral period. Stock is released when the price is higher than US$70.00 cents. Upon the release of the retained stock when the price indicator of Robusta coffee is below US$70.00 cents, the new retention is applied, i.e. the 10 per cent retention if the price is US$70.00 cents to US$65.01 cents, and the retention is 20 per cent if the price is below US.65.01 cents.

In accordance with this retention scheme for Robusta coffee, the principles of Indonesia's own retention scheme are specified as follows:

- Coffee farmers reserve the right to a minimum sales price of 60 per cent of the f.o.b. price for quality IV dry process Robusta coffee in the stock retention period as well as in the stock release period. The quantity of coffee which is to be retained by the exporter is specified by the Price Indicator with an average move of 20 market days on the date of the Approval on Coffee Exports (SPEK) which is issued by the Department of Trade's Regional Office.

- When the price reaches US$60.00 cents/lb for Robusta coffee, the exporter is obliged to purchase an adequate quantity of coffee from the producer so that the exporters can retain a maximum 20 per cent of the volume exported. When the price is US$60.01 cents/lb to US$65.00 cents/lb for Robusta coffee, the exporter is obliged to purchase an adequate quantity of coffee from the producers so that the exporter can retain a maximal 10 per cent of the exported. When the price is US$65.01 cents/lb to US$70.00 cents/lb for Robusta coffee, the exporter is obliged to purchase an adequate quantity of coffee so that the exporter can retain 0 per cent of the volume exported. If the price of coffee reaches the phase when the stock is released, i.e. US$70.00 cents/lb or more for Robusta coffee, the quantity of coffee which is retained may be released.

- Deviating from this provision, if it is deemed necessary on the basis of the developments in the domestic and overseas coffee price, the Minister of Trade may, after having heard the opinion of the Minister of Agriculture, specify how much of the retained coffee may be released.

- Coffee exporters who violate this provision and its implementing regulation may have sanctions imposed pursuant to the regulations of the prevailing laws.

The performance of coffee exporters is evaluated, among other things, from the coffee price they pay coffee producers. Exporters who purchase coffee from the producers at a price below 60 per cent of the f.o.b. price of quality IV dry process coffee, may have sanctions imposed, either in the form of a delayed issuance of SPEK or revocation of the recognition as a Registered Coffee Exporter.

The International Natural Rubber Agreement aims to balance growth between supply and demand, to promote price stability in order to create stable trading conditions; to stabilize and increase the foreign exchange revenue from exports; to support the growth of the economy; and to encourage research and development in order to increase the long run consumption of natural rubber.

Apart from entering such agreements, Indonesia is also a member of other cooperative organizations which do not contain economic provisions, such as the International Pepper Community, the Asian and Pacific Coconut Community, the International Tropical Timber Agreement, and the International Textile and Clothing Body.

4. Implementation of trade policies

4.1 Indonesia's trade policy measures

Tariff

In parallel with Indonesia's policies to create a more open economy and trading system, to increase the efficiency and competitiveness of Indonesian products, tariffs will constantly be reviewed and gradually reduced, partly by adjusting their classification. In addition, attempts will also be made to apply tariffs to non-tariff measures.

After several deregulations, the latest of which was on 27 June 1994, most of the applicable tariffs (i.e. 99.3 per cent) vary from 0-40 per cent. In 1989, the tariff rates of 0-40 per cent represented 77.4 per cent of the existing tariff items. The tariff rates of 0-5 per cent in 1989 totalled 30.7 per cent of the total tariff items, while in 1994 these tariff rates represented 34.5 per cent of total tariff items. The structure of tariffs can be seen in Table 2.

Table 2

TARIFF STRUCTURE

Tariff rates	Percentage of total tariff items	
	1989	1994
0 per cent	7.8	10.7
5 per cent	22.9	23.8
10 per cent	8.3	8.5
15 per cent	4.4	6.2
20 per cent	9.8	9.6
25 per cent	-	4.3
30 per cent	17.9	23.5
35 per cent	6.3	1.5
40 per cent	6.3	11.2
Above 40 per cent	22.6	0.7
Total	100.0	100.0

Surcharges

In the deregulation policy of 27 June 1994, 122 tariff items or 1.3 per cent of the total existing tariff items are still subject to surcharges, which are valid for one year. Prior to this policy, 220 tariff items were charged surcharges. The existing surcharges are summarized in Table 3.

Table 3

SURCHARGES

Surcharges	Tariff items
5 per cent	39
10 per cent	14
15 per cent	3
20 per cent	4
25 per cent	1
30 per cent	2
40 per cent	23
100 per cent	19
Total	112

Customs evaluation

Import duty is specified on the basis of the c.i.f. value. If the contract is based on the f.o.b. price, shipment and insurance costs are added to the value. If the f.o.b. value of imported goods with LPS is over US$5,000, import duty is based on the price which is normally applicable in the exporting country, while for imported goods with no LPS, i.e. imported goods with a value of less than the f.o.b. value of US$5,000, import duty is calculated on the basis of the actual price, which is normally stated in the invoice. If the accuracy of the invoice price is doubtful, the price is specified by comparing the actual price of identical or similar goods using certain criteria.

Surveyor's inspection

Goods which are imported into Indonesia are subject to a pre-shipment inspection in the exporting country by a government-appointed surveyor. Such inspection covers the type of the goods, the quality of the goods, the quantity of the goods, the unit price and total price of the goods, the number of tariff items, the tariff of import duty and/or additional import duty, tax, and provisions pertaining to imports. The results of the survey are then presented in a Report on the Survey by the Surveyor. Imported goods which are not subject to the pre-shipment inspection, include. commodities with an f.o.b. value of less than US$5,000, and exported goods which, for certain reasons, are reimported into Indonesia.

The inspection of specific exported goods is conducted by an appointed surveyor, i.e. P.T. Superintending Company of Indonesia (P.T. Sucofindo). The result of the inspection by this Surveyor is drawn up into a Report on the Surveyor's Inspection (LPS-E). Exported goods which are inspected by the Surveyor include:

(a) Goods subject to regulated export, i.e. woven rattan, sawn timber, processed timber, and sandalwood;

(b) Goods liable to Export Tax/Additional Export Tax are rattan, leather, and timber, and their processed products;

(c) Goods which are granted exemption or restitution facilities from import duty and other import levies eg. imports of raw material/auxiliary materials used in exported goods, which are granted facilities by the Financial Data Processing and Export Facilities Service Board (BAPEKSTA).

Technical provisions and standards

Imports of fertilizer, insecticides, pesticides, animals, and plants are subject to an examination by the Department of Agriculture. Imports of food, cosmetics, perfume, and health products must have prior registration with the Department of Health. Cosmetics, perfumes, toiletries, pharmaceuticals, cereal preparations, fruits and vegetables, and dairy products which are imported and produced domestically shall, for trade purposes, also receive a permit from the Department of Health.

Standardizing and quality control

To coordinate, synchronize, and develop standardizing activities in Indonesia, the Government of Indonesia has established the National Standardizing Board (DSN) which is responsible to the President. Its functions are as follows:

- To compile and provide national standardizing policies;
- to organize the coordination and synchronization of standardizing programmes;
- to collect data on the implementation of standardizing activities;
- to develop standardizing activities and cooperation among technical institutions;
- to implement international communications, to coordinate and synchronize the participation of technical institutions at bilateral, regional and international levels for standardizing purposes;
- to approve national standards;
- to settle problems which occur between institutions and act as the centre of information on standardizing;
- to compile and ratify formulation procedures, the criteria for applying national standards and other standardizing activities.

DSN provides that the National Standardizing System which constitutes provisions regarding standardization, certification and accreditation be implemented by the relevant agency/institution. Standardizing is provided by the Indonesian National Standard (SNI), and totals 4,346 standards. DSN accredits the agency/institution which is to conduct tests on the quality, quality system, personnel and technical inspection.

The National Standardizing Board is also a member of international institutions, such as the International Organization for Standardization (IOS), the International Electrical Commission (IEC),

the International Metrology Legal, and the International Laboratory Accreditation Committee (ILAC). In the framework of regional cooperation, DSN is also a member of the ASEAN Consultative Committee on Standard and Quality (ACCSQ) and the APEC Standard and Conformance Committee. Regional cooperation in the field of standardization aims to harmonize standards and regulations, including mutual recognition between the examining laboratories, the objective of which is to expedite trade among the ASEAN countries and APEC. In addition, in September 1993, DSN signed the GATT Agreement on Technical Barriers to Trade.

Bonded zones

In order to facilitate and expedite foreign trade, especially by supplying facilities for the development of non-oil exports, and to create a more attractive investment climate, a Bonded Zone has been established. This is an area with specific boundaries in the Indonesian customs area in which special customs provisions are applied; i.e. on goods which are brought in from beyond the customs area or from other locations in the Indonesian customs area with no previous customs charges and excise levies and/or levies by other countries until such goods are removed for import, export or re-export purposes.

Producers' entrepot for export purposes

In order to create a more conducive investment climate and to encourage the increase of non-oil exports, a Production Entrepot for Export Purposes (EPTE) has been established. EPTE is a location, or industrial company with specific boundaries in which special customs, taxation and import procedures are applied. The arrangements cover the processing of goods and/or materials from beyond the customs area of Indonesia, the Bonded Zone, other EPTEs, or from other locations within the Indonesian customs area, the main products of which are to be exported.

Government procurement

The procurement of government goods and services is conducted in four ways, i.e: first, by public tender, i.e. tender which is conducted openly before the public by extensive publication through the print media, and official announcement boards so that interested members of the public/business world who meet the qualifications can tender. Second, by limited tender, i.e. tender for specific work which is participated in by a minimum of five partners who are listed in the list of selected partners (DRT). There are selected from the partners contained in the list of qualified partners (DRM) in accordance with their business or scope, the qualifications and their capabilities. Limited tenders receive extensive publicity through the media, and on official announcement boards so that the public/business world is notified. Third, by direct selection, i.e. the procurement of goods/services without a public or limited tender. This is conducted by comparing at least 3 (three) bidders and by negotiations on technical aspects as well as on prices in order to get a reasonable price which is technically accountable by the partner who is listed in DRM, in accordance with the business, scope or qualification of its capabilities. Fourth, by direct procurement, i.e. the procurement of goods/services by partners of the weak economic group which is not preceded by a public or limited tender, or by direct selection.

The provision on the procurement of goods and services by public tender, limited tender or direct selection where part of the funds originate from foreign aid/offshore loan/grant is entirely valid unless provided otherwise in the draft agreement on offshore loans.

The procurement of goods and services shall; consume domestic/local products, paying heed to national potential. The use of locally produced goods and services should be maximised to the limit of domestic production/supply, paying heed to the provisions which govern them. The procurement of goods and services which are financed by domestic funds shall use domestically produced goods and services, as well as using the services of a national contractor. The national contractor shall act as the main contractor, while the foreign contractor may function as a subcontractor, according to requirements.

Rules of origin

In the framework of trade cooperation among the Asean member countries, rules of origin are applied to products which are included in the Asean-PTA scheme and the CEPT scheme for AFTA.

Goods which are covered in the Asean-PTA scheme will be given preference if they meet the requirements of the origin of the goods. These cover goods which are wholly obtained or procured in the exporting country, as well as goods which are not wholly produced or procured in the exporting member country. For goods which are produced and obtained from raw materials, auxiliary materials or materials which originate from non-Asean countries or the origin of which is unknown, the value of the imported materials may not exceed 50 per cent of the f.o.b. value of the final product. Specifically for Indonesia, the provision of the non-Asean content is 40 per cent. Goods are regarded as having complied with the Asean content provision if the total local content of the final product is not less than 60 per cent.

CEPT's provision on the rules of origin for AFTA is, in principle, nearly the same as the provision on the rules of origin for Asean-PTA. They are distinguished by the amount of the local content of CEPT for AFTA; 40 per cent for the single country content as well as the Asean content.

4.2 Development of trade cooperation

Indonesia continues to develop trade with countries which are committed to trade agreements and regional cooperation, such as Asean and APEC.

Bilateral

Indonesia's balance of trade with 50 countries who signed trade agreements was, on the whole, positive to Indonesia, in the period 1989-1993. However, bilaterally, the balance of trade varies between positive and negative. Indonesia's trade with these 50 countries is shown in Table 4.

Table 4

INDONESIAN TRADE WITH THE 50 COUNTRIES

US$ million

Description	1989	1990	1991	1992	1993	Trend 1989-93 (%)
Export	16,970.2	20,205.6	22,901.1	25,827.6	27,356.4	15.38
Import	11,973.2	16,586.3	19,965.9	20,973.4	22,333.0	18.92
Total	28,943.4	36,791.9	42,867.0	46,801.0	49,689.4	16.90

Source: BPS.

ASEAN

During the period 1989-1993, the growth of Indonesia's exports to Asean countries increased, annually, on average, by 24.41 per cent and the growth of its imports increased by 11.88 per cent. In 1993, the value of Indonesia's export and import trade with Asean member countries totalled US$8.04 billion, i.e. US$5.44 billion for exports and US$2.60 billion for imports. In 1993, Indonesia's trade with Asean member countries represented 12.3 per cent of Indonesia's total trade with all countries. Indonesia's trade with Asean members can be seen in Table 5.

Table 5

INDONESIAN TRADE WITH ASEAN COUNTRIES

US$ million

Description	1989	1990	1991	1992	1993	Trend 1989-93 (%)
Export	2,429.3	2,768.2	3,585.8	4,908.0	5,437.2	24.41
Import	1,765.3	1,835.8	2,463.9	2,592.9	2,604.1	11.88
Total Asean	4,194.6	4,604.0	6,049.7	7,500.9	8,041.3	19.60
% Indonesian trade	10.8	9.7	11.0	12.2	12.3	

Source: BPS.

APEC

Indonesia's total export and import trade with the member countries of the Asia-Pacific Economic Cooperation (APEC) in the period 1989-1993 increased by 12.10 per cent per annum, on average. In 1989, the total trade was US$29.9 billion, and in 1993 it became US$47.2 billion. In the five-year period, exports and imports increased every year by 11.38 per cent and 13.21 per cent, respectively. In 1993, Indonesia's total trade with the partners associated with APEC constitute 72.4 per cent of its total trade. Trade with APEC countries can be seen in Table 6.

Table 6

INDONESIAN TRADE WITH APEC MEMBERS

Description	1989	1990	1991	1992	1993	Trend 1989-93 (%)
Export	18,445.4	21,135.2	23,273.0	26,393.2	28,289.3	11.38
Import	11,450.8	14,766.5	18,071.2	18,776.5	18,887.1	13.21
Total Asean	29,896.2	35,901.7	41,344.2	45,169.7	47,176.4	12.10
% Indonesian trade	77.6	75.6	75.2	73.8	72.4	

Source: BPS.

Commodities cooperation

Exports of two agricultural commodities which are included in the commodity agreements, i.e. coffee and rubber, have had different trends in the period 1989-1993. Rubber exports increased overall by 2.8 per cent per annum, on average. However, they decreased for sheet and crepe. Coffee exports showed an overall decrease of 12.6 per cent annually, reflecting decreased exports of Indonesia's Robusta coffee (accounting for around 85 per cent of Indonesia's coffee exports), on average, by 14.7 per cent, although exports of Arabica coffee increased by an average of 3.2 per cent. Developments of rubber and coffee exports can be seen in Table 7.

Table 7

RUBBER AND COFFEE EXPORTS

Nilai f.o.b. (Ribu US$)

Description	1989	1990	1991	1992	1993	Trend (%)
1. Coffee	481.6	369.2	361.2	216.6	320.1	-12.63
Arabica	41.3	45.0	61.6	44.2	48.8	3.24
Robusta	440.3	324.2	299.6	172.4	271.3	-14.78
2. Natural rubber	1,035.1	892.2	981.2	1,124.7	1,063.2	2.89
Rubber products	73.0	75.0	74.0	125.3	128.4	17.85
Sheet	143.3	106.1	105.5	103.3	65.2	-14.80
Crumb rubber	813.2	707.4	798.1	893.6	866.3	3.67
Crepe	5.7	3.7	3.6	2.6	3.3	-13.27

Source: BPS.

GSP

Indonesia receives GSP facilities from the USA, Canada, Japan, and the European Community. Such alleviation of import duty is granted on a unilateral basis. It can be obtained by using a Certificate of Origin form when exporting in compliance with the rules of origin which prevail in the preference-providing country.

Indonesia's utilization of GSP from the USA and the European Community has increased constantly. In 1989, the value of Indonesia's exports using American GSP facilities was US$172 million. In 1993, it increased to US$866 million. The value of Indonesia's exports which utilize GSP from the European Community was US$1.06 billion in 1989, compared to US$2.43 billion in 1992.

The utilization of GSP from Japan has been decreasing, i.e. US$614.3 million in 1988-99, compared to US$497.7 million in 1992-93.

GSTP

Indonesia presumes that GSTP may become a significant means of increasing cooperation among developing countries. Although the preference system is not running effectively at present, its future importance to Indonesia will increase, especially in encouraging non-oil exports. In 1994, GSTP negotiations entered the second round with the objective of extending the number of participants and the coverage of products. Indonesia will play an active role in such negotiations.

4.3 Programme for trade liberalization

The deregulation programme in the trade sector is part of the entire deregulation programme in various economic areas, such as taxation, finance, monetary, banking, investment. Some deregulation policies which have been applied are, as follows:

(a) 1 June 1983 policy

The main objectives of deregulation in the finance sector, especially monetary and banking were: (i) to improve the allocation of financial sources; (ii) to encourage public savings; (iii) to minimize the dependence of the banking system on liquidity credit from Bank Indonesia; (iv) in the long run, to improve the role of the banking world and the performance of banks by increasing competition; and (v) to help in meeting the economy's need for sophisticated financial services.

(b) 1 January 1984 policy

The main objectives of reform in the taxation system were: (i) to minimize the State revenue's dependence on oil and gas taxes; (ii) to increase the efficiency of the taxation system in regard to the scope and collection of taxes, as well as to simplify the taxation administration; (iii) to improve the mobilization of domestic sources and increase tax revenue; (iv) to increase equalization and social justice in the taxation system.

(c) 1 April 1985 policy

The Government issued Presidential Instruction Number 4 of 1985 concerning the re-organization of customs and port matters and the implementation of shipping, both international and inter-island. The main objective of this policy was to expedite the flow of goods and documents for exports, imports and inter-island trading.

(d) 6 May 1986 policy

The Government policy issued on 6 May 1986, was aimed at increasing the competitiveness of Indonesia's non-oil export commodities by increasing access by exporters to imported materials. The policy was applied by eliminating non-tariff measures. In addition, it also contained various amendments to the provisions relating to foreign investment aimed at attracting foreign capital.

(e) 25 October 1986 policy

This policy was aimed at eliminating and "tariffying" several non-tariff measures.

(f) 15 January 1987 policy

This policy contained amendments to, or eliminations of, non-tariff measures and reduction in tariff rates.

(g) 24 December 1987 policy

This policy contained, among other things, the elimination of a number of tariffs from the provision on procedures. In addition, the export procedures were also simplified by eliminating the provision that exporters were required to have an Export Identification Number.

(h) 27 October 1988 policy package

With banks playing on an increasingly significant role in the framework of attempting continuity and promoting a high growth economy, the Government issued, on 27 October 1988, a policy in the field of finance, money and banking. This made adjustments to institutional aspects by providing more extensive facilities to conduct banking activities, including operational aspects, by extending business activities and increasing the quality of banking services. The objectives of this policy are to increase the mobilization of funds, non-oil exports, the efficiency of banks and other financial institutions, the ability to control monetary policies and to aid the development of the capital market.

(i) 21 November 1988 policy

The objectives of this policy were to extend employment opportunities, encourage investment in the non-oil sector, expedite the distribution of goods, and increase the efficiency of the economy. The policy also eliminated restrictions on imports of a number of tariff items and reduced tariff rates.

(j) 20 December 1988 policy

As a follow-up to previous policies in the finance, money, and banking sector, a policy was also issued in the field of capital markets, financial institutions, and insurance. The objectives of this policy were to develop the capital market, to create and extend alternative sources to finance developments which encourage production, and to increase mobilization of public funds in addition, and to support sustainable development.

(k) 20 March 1989 policy

As a follow up of the 27 October 1988 policy package in the field of finance, money, and banking, this policy contained provisions on bank mergers, rural bank credit, bank capital, loan limitations, bank participation, export credit, and the possession of capital bank joint ventures.

(l) 29 January 1990 policy package

In order to improve the national credit system, the Government issued the 29 January 1990 policy package which, in principle, covered the gradual decrease of liquidity credit from Bank Indonesia in providing bank credit for various programmes and activities; the simplification of the interest rate structure in order to form a fair market interest rate; and the improvement of programmes to ensure the supply of credit from banks for small enterprises of a minimum of 20 per cent of the total bank credit.

(m) 28 May 1990 policy

This policy contained tariff reductions and decreased non-tariff barriers, simplified procedures for obtaining a licence for fishery activities, chicken raising, manufacturing industry, and liberalized domestic marketing for a number of industrial products.

(n) 28 February 1991 policy

On 28 February 1991, the Government improved the approach, strategy and procedures for the supervision and development of banks. Such improvements pertained to attempts to make the banks healthy, and covered licensing requirements, ownership and management, operating directives based on principles of capital alertness, reporting systems for assessing bank health, and supporting factors needed to develop the banks' operations.

(o) 3 June 1991 policy

This policy contained, among other things, simplified import procedures and the implementation of imports for specific products to meet domestic demand.

(p) 25 July 1991 policy

The policy drawn up in Presidential Instruction Number 3 dated 25 July 1991, improved Presidential Instruction Number 4 of 1981, in order to expedite the flow of goods to support economic activities. In this policy, the authority to inspect Indonesia's exports and imports is in the hands of the Directorate General of Customs and Excise. To expedite exports, no inspection is conducted, except for goods under the provision of export procedures, those liable to Export Tax/Additional Export Tax, and goods which are granted exemption from, or restitution facilities for, import duty and other import levies on raw material imports. The inspection of such goods is conducted by a surveyor who is appointed by the Government. On the basis of the inspection, the surveyor issues the Report on the Surveyor's Inspection-Exports (LPS-E). Imported goods may be imported into the Indonesian customs area only if accompanied by a Report on the Surveyor's Inspection-Imports (LPS-I) which is issued by a government-appointed surveyor. The LPS-I concerned is based on the inspection by the surveyor in the exporting country.

(q) 6 July 1992 policy

This policy was aimed at increasing the efficiency of the national economy by eliminating trade barriers, reducing and/or eliminating import duty and surcharges on specific imported goods, and simplifying import procedures. In addition, this policy also aimed at increasing capital investment by simplifying the negative list of investments, permitting the utilization of Business Rights ("Hak Guna Usaha") and Building Rights ("Hak Guna Bangunan") by joint venture operations in the framework of foreign investment, (specifically in the field of agriculture/estate), simplified capital investment procedures, and simplified procedures to obtain a Building Permit (IMB) and Hindrance Ordinance for companies which are located inside, as well as outside, Industrial Estates.

(r) 10 June 1993 policy

This policy contained amendments and improvements to the provisions related to Bonded Zones, Entrepots, businesses closed to capital investment, changes to import duties and surcharges, provisions on imports of motor vehicles, and the elimination of procedures on some imported goods.

(s) 23 October 1993 policy

This policy contained deregulation and debureaucratization measures in: first, exports and imports, especially in regard to customs facilities, taxation, import procedures for the mobility of goods/materials between EPTE and Bonded Zones and other customs areas; second, the reduction of import duty and surcharges, as well as relaxing import procedures to increase the efficiency of the economy and non-oil exports; third, capital investment, i.e. improving requirements on the possession of shares in foreign investment companies to encourage foreign investors; fourth, simplification of licences, especially the procedures for land reservation and location permits, the procedures to obtain Building, and Hindrance Ordinance permit; fifth, to grant a number of facilities in the pharmacy sector, and sixth, the simplification of AMDAL procedures and obligations.

(t) 27 June 1994 policy

The policy issued on 27 June 1994, covered: tariffs, surcharges, and normal price; import procedures; bonded zones and production entrepots for export purposes; crediting of revenue tax; and facilities to extend capital investments. The main objective of this policy was to increase investment, efficiency and productivity to encourage the growth of the economy, to increase and extend non-oil exports, business and employment opportunities, and to expedite and increase the implementation of development in other sectors.

4.4 Prospective changes in trade policies and practices

In the attempt to continue to create an efficient economy and healthy competition as well as a more open trade system, Indonesia will continue to make the necessary adjustments. This adjustment policy will also face the challenges of Indonesia's future economic growth.

Prospective changes in trade policies and practices will be made in order to achieve efficiency and openness. On this basis, various trade barriers, both tariff and non-tariff, will be eliminated gradually in accordance with the phases and needs of national development.

B. RELEVANT BACKGROUND AGAINST WHICH THE ASSESSMENT OF TRADE POLICIES WILL BE CARRIED OUT

1. Wider economic and development needs, policies and objectives

1.1. Economic policies

The development of the Indonesian economy is aimed at meeting the basic needs of the people and creating a balanced economic structure, i.e. one which emphasizes the strength of industry supported by a strong agricultural sector. In this economic structure, income per capita is expected to increase accompanied by a more equal distribution of wealth, and the industrial sector will play an increasing role as the primary activator of national development. The industrial sector is also targeted to provide employment and play a larger role in providing contributions to added value.

By achieving growth targets and economic transformation, the majority of the additional labour force is expected to be absorbed. This is extremely important because Indonesia encounters some conspicuous problems in the development of its economy, i.e. to supply adequate and productive employment to the constantly increasing labour force. In order to overcome such manpower problems, attempts have also been made by the application of policy measures which are of an initial controlling nature, i.e. to control the growth of the population by implementing the family planning programme.

To reach growth targets and to change the structure of the economy, substantial funds are needed and these must be utilized efficiently. Therefore, policies to explore and to develop sources of development funds are linked with measures to increase their efficient use.

To build up sources of fund to finance development, attempts are made through various activities (such as increasing non-oil exports) to increase the Government's domestic revenue, and to increase domestic and foreign investment. The increase of such non-oil exports aims both to extend employment and to reduce the debt service ratio. It will also increase the capacity of the domestic market to absorb constant increases in production, and to decrease the role of petroleum as the source of foreign exchange.

1.2. Economic performance

Developments in the economic sector have, to this end, changed the structure of the Indonesian economy to one of a more open nature. The structure of the economy has developed from traditional agrarian to a more advanced economy with a firmer structure, i.e. an economy which is supported by stronger industries and agriculture so that the basic needs of the people are more satisfied and balanced. This can be seen from the development of several economic indicators, such as the growth of GDP, the inflation rate, the exchange rate of the rupiah, the interest rate, and foreign exchange reserves. The developments of some of these economic indicators can be seen in Table 8.

The growth of Indonesia's Gross Domestic Product (GDP) in the period 1989-1993 was, on average, nearly 7 per cent per annum. The growth of the economy is also accompanied by the success in reducing the population growth rate to 1.37 per cent. Thus, on average, the standard of living continues to increase.

Table 8

ECONOMIC INDICATORS

Description	1989	1990	1991	1992	1993
Gross Domestic Bruto (%)	7.46	7.24	6.91	6.43*	6.46**
Inflation rate (%)	5.97	9.53	9.52	4.94	9.77
Rupiah exchange rate to US$	93.78	88.80	84.74	81.86	80.00
(Index, June 1988=100)	19.3	20.2	19.3	18.4	16.00
Money supply ratio to GDP					
M1 to GDP (%)	13.3	12.0	12.0	11.7	12.9
M2 to GDP (%)	38.5	41.5	44.3	47.2	50.1
Export ratio to GDP (goods and services, %)	25.42	26.56	27.55	29.27	27.24
Import ratio to GDP (goods and services, %)	23.09	26.05	27.16	26.58	23.82
Foreign Exchange Reserve (US$ Million)	6,561.9	8,661.3	9,867.7	11,610.9	12,352.2

Notes: * Preliminary figure
**Estimate

Source: (1) BPS
(2) Bank Indonesia.

GDP growth was also followed by a shift in the structure of the economy, i.e. the role of the agricultural sector has become smaller and the role of the industrial sector has increased. In addition, the role of oil and gas decreased, and that of non-oil and gas increased in national economic activities. The increased role of non-oil and gas is reflected in the structure of exports. The increased role of non-oil commodities has also had an impact on business activators, i.e. the greater role of private businesses in national economic activities.

Growth in Indonesian economy has been achieved by establishing national stability and, as a consequence of government policies started in the early 80's, concerning deregulation and debureaucratization in various sectors. The main objective of deregulation policies was to create better macroeconomic management so that the condition of the national economy would become more stable. Efforts have been made to control the balance of payments and to realistically control the rupiah's exchange rate to support exports. In addition, the Central Government policy on a balanced budget of income and expenditures is maintained so that inflation can be minimized.

Apart from creating more conducive macroeconomic conditions, deregulation policies are also aimed at strengthening matters of a micro nature in order to increase the efficiency of the economy and productivity. The policy is applied by the reduction of tariffs, elimination of non-tariff barriers, and the reduction of operating expenses. Various trade and other economic supporting procedures and documents are simplified in order to expedite the flow of goods so that transaction costs can be reduced. Favourable and stable economic conditions are important foundations on which to build economic developments in the subsequent phase, especially in Repelita VI.

In the period 1989-1993, the jobs which contributed to growth, or which grew above the average increase in GDP, were in the following sector: processing industries; electricity, gas, and water; construction; trade, hotel, and restaurants; transportation and communications; banks and financial institutions. Growth in jobs which are the source of GDP growth in the past five years are shown in Table 9.

Table 9

GDP RATE OF GROWTH BY SECTOR (%)

	Sectors	1989	1990	1991	1992	1993
1.	Agriculture, Livestock, Forestry and Fisheries	3.32	2.00	1.37	6.51	1.54
2.	Mining and Quarrying	4.85	5.21	10.21	-1.70	3.13
3.	Manufacturing	9.20	12.50	9.60	9.70	8.11
4.	Electricity, Gas & Water Sup.	12.15	17.88	16.14	10.13	10.06
5.	Construction	11.77	13.52	12.02	9.31	11.24
6.	Trade, Hotel and Restaurant	10.74	7.10	5.59	7.64	9.53
7.	Transportation & Communication	11.51	9.57	7.85	10.56	10.84
8.	Banking and Financial Inst	14.35	14.06	13.10	12.90	12.15
9.	Rent dwelling house	4.18	4.21	4.03	4.15	4.51
10.	Public Adm. and Defense	5.86	4.60	3.06	2.96	2.03
11.	Services	6.19	5.01	5.87	6.71	8.51
	Gross Domestic Products	7.46	7.24	6.91	6.43	6.46

Note: Based on 1983 constant prices

Source: BPS.

Inflation rate

The inflation rate which, at the beginning of the development of the New Order, was a big problem in the national development, has been successfully reduced and controlled to encourage the establishment of a more stable economy. The inflation rate which reached 650 per cent in 1966, was reduced to an average of 17.2 per cent per annum in the 1970's. In the 1980's, the inflation rate decreased again to an average of 8.7 per cent per annum. In 1990 and 1991, the inflation rate increased slightly, i.e. by 9.5 per cent per annum, on average, due to the heated Indonesian economy: the result of increased economic activity domestically, especially relatively high investments. However, various policies successfully controlled the inflation rate which fell to below 5 per cent in 1992. In 1993, the inflation rate increased again, but remained below 10 per cent.

The high inflation rate in 1993 was mainly due to increased prices of housing, miscellaneous goods and services. This resulted from government policy to increase the basic salary of civil servants in January 1993. This was followed by attempts to eliminate the fuel subsidy, and to apply higher transport and electricity tariffs. Increases in fuel prices, transport and electricity tariffs contributed largely to the increase in inflation in the miscellaneous goods and services category, as well as the housing category. During 1993, inflation in the housing sector increased by 15.48 per cent, and in the miscellaneous goods and services category by 9.89 per cent. Movements in inflation rates over the past five years, along with the developments of the main expenditure components can be seen in Table 10.

Table 10

INFLATION RATE

Expenditure groups	1989	1990	1991	1992	1993
Food	6.66	6.97	9.65	6.01	5.10
Housing	6.13	12.43	7.68	4.56	115.48
Clothing	4.71	4.80	5.21	7.23	7.97
Miscellaneous	4.62	11.61	13.19	3.39	9.89
General	5.97	9.53	9.52	4.94	9.77

Source: BPS.

Capital investment

Since the enforcement of Law Number 1 of 1967, Law Number 11 of 1970 concerning Foreign Investment, Law Number 6 of 1968 and Law Number 12 of 1970 concerning Domestic Investment, various attempts have been made by the Government to increase capital investment in Indonesia by creating a conducive investment climate. Increasing competition to attract foreign investment is a serious challenge. This is related to the increased need for investment funds to support economic growth.

The Government of Indonesia has attempted to increase both domestic and foreign investment, by creating an attractive investment climate. The attempts to attract investment date back to 1984 with the enforcement of the new Taxation Law. This was followed by deregulation, debureaucratization, simplified licences and the increased opportunities for the business community.

Government policies related to the development of capital investments have included:

1. Presidential Decree Number 97 of 1993 regarding Investment Procedures to replace Presidential Decree Number 33 of 1992. This decree was aimed at simplifying licensing procedures, especially obtaining regional permits, such as location permits, land titles, IMB and HO (hindrance ordinance), as part of attempts to re-function regional government institutions.

2. Presidential Decree Number 34 of 1992 regarding the Utilization of land with Undertaking Right and Building Right for PMA joint ventures provides that the Undertaking Right (HGU) may be granted directly to a joint PMA company for 35 years, and may be extended for no longer than 25 years, as long as the company concerned still runs the business properly. The right is renewable and may be used as loan collateral. This decree is aimed at encouraging foreign investment in the estate subsector.

3. Minister of Trade Decree Number 311/KP/X/1993 regarding the Simplification of the Imports of Machines, Machine Equipment, and other Capital Goods provides that second-hand goods may be imported by the direct user, or by companies reconditioning such goods that have obtained an Industrial Operation Licence.

4. The List of Businesses which are closed to capital investment, known as the Negative Investment List (DNI), has been changed four times. DNI 1989 contained 75 business sectors closed to capital investment, whereas in DNI 1991, 60 business sectors were on the list. In DNI 1992,

51 business sectors were on the list and in the latest DNI 1993, (which was issued on the basis of Presidential Decree Number 54 dated 10 June 1993), the number of business sectors on the list fell to 33. The purpose of the reductions in the Negative List was to provide the private sector, both local and foreign, with increased opportunities to invest in Indonesia.

5. Government Regulation Number 20 of 1994, regarding share holdings in companies established in the framework of foreign investment, provides that PMA may be implemented in the form of a joint venture between Indonesian and foreign participants, either as corporate entities or individuals. PMA companies may also be wholly owned by a foreigner or foreign corporation, except in the fields of public utilities where it must be in the form of a joint venture. The main implications of Government Regulation Number 20 of 1994 are as follows:

(a) Changes in the limits on foreign shareholdings. The foreign party is now permitted to own 100 per cent of the shares in a PMA company, with no minimal investment limits;

(b) Increased from 80 per cent to 95 per cent the percentage of shares which may be owned by the foreign party in a joint venture company;

(c) To give more extensive opportunities to private parties undertaking operations in the infrastructure sector e.g. telecommunications, electricity and transportation;

(d) Extension from 10 to 15 years of a 100 per cent share holding by the foreign party in a PMA company, with no specified amount of foreign shares to be sold to the Indonesian party;

(e) The operating licence for PMA is granted for 30 years, and is renewable for another 30 years.

Since the enforcement of the Law on Capital Investment in 1967, up until 31 July 1994, 8,734 PMDN projects, with an investment value of Rp 283.3 trillion were approved. Over the same period, 2,977 PMA projects, with an investment value of US$85.3 billion, had been approved. Currently 44 countries have invested their capital in Indonesia, and investments from Japan, Hong Kong, Taiwan, United Kingdom, and the United States are 21.1 per cent, 15.8 per cent, 10.3 per cent, 9.4 per cent, and 8.6 per cent, respectively. The business sectors which especially attract PMA are: chemicals, paper, hotels and restaurants, metal goods and the mining industry, with 22.7 per cent, 9.9 per cent, 9.2 per cent, 9.0 per cent, and 7.7 per cent, respectively. Total foreign investments by sector, are shown in Table 11.

Table 11

FOREIGN INVESTMENT, BY SECTOR
1967 - 31 July 1994

Sectors	Project Number	Value (US$ million)	Per cent
Chemical industry	392	19,384.7	22.7
Paper Industry	55	8,457.4	9.9
Hotel & Restaurant	134	7,841.6	9.2
Metal goods industry	548	7,657.5	9.0
Mining	121	6,551.6	7.7
Textile industry	402	5,025.4	5.9
Metal industry	65	4,776.2	5.6
Electricity, gas and water supply	5	4,047.3	4.7
Non-metal mineral industry	75	3,563.9	4.2
Wood industry	138	2,892.5	3.4
Food industry	148	2,851.9	3.3
Offices building	37	2,286.0	2.7
Real and industrial estate	54	2,134.3	2.5
Transportation	47	1,519.8	1.8
Other services	213	1,213.4	1.4
Trade	121	1,088.8	1.3
Plantation	40	1,071.9	1.3
Construction	137	779.1	0.9
Forestry	27	510.3	0.6
Other industries	78	376.0	0.4
Food crops	28	361.9	0.4
Fisheries	62	346 1	0.4
Pharmaceutical industry	38	283.7	0.3
Livestock	12	269.9	0.3
Total	2,977	85,291.2	100.0

Source: BKPM.

2. External economic environment

2.1 Major trends in imports and exports

Balance of trade

During the period 1989-1993, Indonesia's balance of trade has been positive, with an increasing trend on average of 14.10 per cent per annum. The balance of trade surplus to date has mainly been due to the surplus in oil trade, while the balance of non-oil trade has constantly been negative, except in 1993 when showed a surplus of US$872.4 million. Developments in Indonesia's balance of trade can be seen in Table 12.

Table 12

INDONESIA'S BALANCE OF TRADE

US$ million

Description	1989	1990	1991	1992	1993	Trend (%)
Export	22,158.8	25,675.3	29,142.4	33,967.0	36,823.0	13.83
- oil and gas	8,678.7	11,071.1	10,894.9	10,670.9	9,745.8	1.97
- non-oil and gas	13,480.1	14,604.2	18,247.5	23,196.1	27,007.2	20.47
Import	16,359.6	21,837.0	25,868.9	27,279.6	28,327.8	14.12
- oil and gas	1,189.5	1,920.4	2,310.3	2,115.1	2,123.0	15.15
- non-oil and gas	15,170.1	19,916.6	23,558.6	25,164.5	26,204.8	14.05
Total	38,518.4	47,512.3	55,011.3	61,246.6	65,150.8	13.94
- oil and gas	9,868.2	12,991.5	13,205.2	12,786.0	11,868.8	3.70
- non-oil and gas	28,650.2	34,520.8	41,806.1	48,460.6	53,282.0	17.09
Balance	5,799.2	3,838.3	3,273.5	6,687.4	8,495.2	14.10
- oil and gas	7,498.2	9,150.7	8,584.6	8,555.8	7,622.8	-0.43
- non-oil and gas	(1,699.0)	(5,312.4)	(5,311.1)	(1,868.4)	872.4	872.4

Source: BPS.

For the five years, 1989 to 1993, the total value of exports, on average, increased by 13.83 per cent per annum, i.e. the value increased from US$22.1 billion in 1989, to US$36.8 billion in 1994. In this period, the value of non-oil exports grew by 20.47 per cent per annum on average, i.e. in 1989 the value was US$13.5 billion, compared with US$27.1 billion in 1993.

The increased value of exports was accompanied by changes in the composition of oil and non-oil exports. In 1989, the share of non-oil exports was 60.8 per cent of total exports. This had increased to 73.5 per cent in 1993, partly due to their expansion as well as the declining value of oil exports.

The composition of non-oil commodities has also changed, i.e. the share of industrial products increased, while that of agricultural commodities decreased. In 1989, the share of agricultural produce was 14.4 per cent, while industrial products made up 81.8 per cent of non-oil exports. In 1993, the share of agricultural produce fell to 9.7 per cent, and that of industrial products rose to 84.7 per cent. The decrease in the relative importance of agricultural produce was not caused by a fall in their absolute value, but by a slower growth rate than that of exports of industrial products. In this five-year period, the growth rate for agricultural exports was 5.65 per cent per annum, on average, compared to that for industrial products of 21.68 per cent. Developments in the value of Indonesia's oil and non-oil exports are given in Table 13.

Table 13
INDONESIAN EXPORTS

(US$ million)

Description	1989	Share (%)	1993	Share (%)	Trend (%)
I. Oil and Gas	8,678.7	39.17	9,745.8	26.47	1.97
1. Crude petroleum	5,140.4	23.20	4,778.4	12.98	-2.84
2. Oil Products	919.9	4.15	914.7	2.48	0.20
3. Natural Gas	2,618.4	11.82	4,052.7	11.01	10.22
II. Non oil and gas	13,480.1	60.83	27,077.2	73.53	20.47
1. Agricultural products	1,943.1	8.77	2,644.2	7.18	6.99
2. Mining products	502.7	2.27	1,463.9	3.98	34.50
3. Industrial products	11,028.0	49.77	22,944.0	62.31	21.73
4. Others	6.3	0.02	25.1	0.06	46.44
Total	22,158.8	100.00	36,823.0	100.00	13.83

Source: BPS.

Around 90 per cent of non-oil and gas exports consist of 23 categories (SITC 2 digits). These categories grew in the period 1989-93 by 20.97 per cent per annum, on average, slightly higher than that of 20.46 per cent for non-oil exports. Of these commodities, the share of timber and cork, and apparel was relatively large, i.e. 18.94 per cent and 12.93 per cent of the total 1993 non-oil and gas exports, respectively. The share of these 23 commodity groups in the period 1989-93 is given in Table 14.

Table 14
MAJOR NON-OIL AND GAS EXPORTS

(US$ million)

Description (2-digit SITC)	1989	Share (%)	1993	Share (%)	Trend (%)
1 Wood and cork products	2,538.9	18.83	5,129.1	18.94	17.68
2 Clothing	1,169.6	8.67	3,502.0	12.93	32.93
3 Textile yarns, fabrics and products	839.1	6.22	2,636.9	9.74	36.57
4 Footwear	220.4	1.63	1,661.3	6.14	62.96
5 Fish, crust, molluscs and their prep.	736.6	5.66	1,410.1	5.23	15.28
6 Crude rubber, synthetic	1,019.3	7.56	980.3	3.62	1.26
7 Telecommunication and rep. app.	49.9	0.37	963.6	3.56	115.11
8 Metalliferous ores and metal scrap	700.7	5.20	899.0	3.32	9.72
9 Misc. manufactured articles	271.4	2.01	864.6	3.19	36.47
10 Coffee, Tea, Cocoa, spices	922.2	6.84	858.6	3.17	-3.43
11 Vegetable oil and fat	409.0	3.03	708.4	2.62	19.78
12 Furniture	165.5	1.24	675.5	2.49	39.64
13 Coal, coke and briquettes	81.4	0.60	645.1	2.38	71.91
14 Paper, paperboard and mnf. there of	166.4	1.23	494.3	1.83	34.58
15 Electrical machinery and apparatus	72.8	0.54	418.3	1.54	60.39
16 Wood and cork	909.1	6.74	400.1	1.48	-12.61
17 Road vehicles	25.1	0.19	334.2	1.23	95.82
18 Non metallic minerals mfs.	258.4	1.92	333.2	1.23	9.40
19 Manufactures of metal nes	85.2	0.63	318.0	1.17	39.43
20 Iron and steel	407.0	3.02	309.8	1.14	-4.08
21 Fruits and vegetables	161.7	1.20	296.4	1.09	15.27
22 Non ferrous metals	679.0	5.04	295.3	1.09	-16.30
23 Organic chemical	81.0	0.60	243.6	0.90	37.04
SUB TOTAL	11,997.5	88.98	24,383.7	90.05	20.97
TOTAL non oil and gas	13,482.7	100.00	27,077.6	100.00	20.46

Source: BPS.

Although Indonesia's non-oil exports have already diversified to various countries, around 90 per cent are directed to its 20 main trading partners. Among these, three countries play a major role i.e. Japan, the USA, and Singapore, with 19.02 per cent, 17.07 per cent, and 11.81 per cent of Indonesia's non-oil exports in 1993, respectively. Over the period 1989-1993, the average growth of non-oil exports to its 20 main trade partners was 20.07 per cent. Non-traditional markets for Indonesia's exports recording relatively high growth rates i.e. above 30 per cent, are the Union of Arab Emirates, Spain, Canada, Saudi Arabia and Malaysia. The developments in Indonesia's non-oil exports to major countries can be seen in Table 15.

Table 15
INDONESIAN NON-OIL AND GAS EXPORTS, BY MAJOR MARKET

(US$ million)

No.	Countries	1989		1993		Trend (%) 1989-1993
		Value	Share (%)	Value	Share (%)	
1.	Japan	3,509.1	26.03	5,144.6	19.00	10.63
2.	United States	2,042.1	15.15	4,622.2	17.07	23.53
3.	Singapore	1,653.5	12.27	3,197.3	11.81	21.89
4.	Netherlands	679.6	5.04	1,086.4	4.01	14.67
5.	Germany	492.9	3.66	1,178.2	4.35	21.63
6.	Hong Kong	546.5	4.05	895.9	3.31	26.93
7.	United Kingdom	383.6	2.85	1,004.9	3.71	27.33
8.	P.R. China	337.7	2.51	695.2	2.57	18.93
9.	Taiwan	379.7	2.82	904.3	3.34	26.93
10.	South Korea	435.6	3.23	997.8	3.69	22.59
11.	Saudi Arabia	184.4	1.37	555.8	2.05	33.37
12.	Italy	223.2	1.66	503.3	1.86	26.28
13.	France	208.9	1.55	485.7	1.79	25.06
14.	Malaysia	219.9	1.63	585.4	2.16	30.52
15.	Belgium & Luxembourg	173.0	1.28	364.9	1.35	23.77
16.	United Arab Emirates	116.7	0.87	490.3	1.81	47.04
17.	Australia	176.4	1.31	397.2	1.47	24.28
18.	Thailand	203.8	1.51	422.1	1.56	19.53
19.	Canada	107.8	0.80	304.2	1.12	32.45
20.	Spain	79.9	0.59	332.7	1.23	40.04
	Other Countries	1,325.8	9.84	2,908.8	10.74	23.96
	TOTAL	13,480.1	100.00	27,077.2	100.00	20.47

Source: BPS.

Import performance

Most imports consist of raw and auxiliary materials as well as capital goods, for industrial purposes, including export-oriented industries. Therefore, developments in these imports could also affect the export performance of non-oil commodities. Developments in these imports is also affected by investment activities, both domestic and foreign.

For the past five years, the average growth of imports per annum increased by 14.12 per cent, i.e. in 1989 the value of imports reached US$16.3 billion, compared to US$28.3 billion. In 1993 63.5 per cent of the value of imports in 1993 took the form of raw materials and auxiliary inputs, and

the remainder took the form of capital goods and consumer goods, with 25.2 per cent and 3.9 per cent respectively. Most of these raw materials and inputs took the form of raw materials (processed) for industries and spare parts and capital goods. For imported goods, the highest annual growth was in capital goods, i.e. 15.9 per cent, followed by consumer goods and raw materials and auxiliary materials, with 14.8 per cent and 13.4 per cent, respectively. Developments in the value of Indonesia's imports over the past five years are shown in Table 16.

Table 16
INDONESIAN IMPORTS

(US$ million)

Description	1989	Share (%)	1993	Share (%)	Trend (%) 1989-93
Total Imports	16,359.6	100.00	28,327.8	100.00	14.12
Oil and gas	1,106.0	6.76	2,097.0	7.40	15.15
Non oil and gas	15,253.6	93.24	26,230.8	92.60	14.05
- consumption goods	655.6	4.01	1,105.3	3.90	14.77
- intermediate goods	10,832.5	66.21	17,978.6	63.47	13.35
- capital goods	3,765.5	23.02	7,146.9	25.23	15.90

Source: BPS.

Indonesia's non-oil imports originate mostly (around 88 per cent) from 19 countries, with Japan and the USA accounting for the largest share, i.e. 23.69 per cent and 11.86 per cent, respectively, in 1993. Developments in the value of non-oil imports according to country of origin can be seen in Table 17.

Table 17
NON-OIL AND GAS IMPORTS, BY COUNTRY OF ORIGIN

(US$ million)

No.	Country	1989		1993		Trend (%)
		Value	Share (%)	Value	Share (%)	1989-93
1.	Japan	3,752.6	24.60	6,213.4	23.69	11.99
2.	United States	2,177.1	14.27	3,111.8	11.86	11.96
3.	Rep. of Korea	560.4	3.67	2,082.8	7.94	38.69
4.	Germany	929.2	6.09	2,060.3	7.85	21.35
5.	Taiwan	974.6	6.39	1,307.6	4.98	5.62
6.	Australia	886.2	5.81	1,206.1	4.60	8.73
7.	Singapore	741.1	4.86	1,158.4	4.42	10.79
8.	People's Rep. of China	523.0	3.43	896.1	3.42	13.05
9.	France	405.2	2.66	824.1	3.14	18.02
10.	United Kingdom	357.0	2.34	776.5	2.96	22.55
11.	Italy	347.6	2.28	519.2	1.98	12.02
12.	Sweden	165.1	1.08	441.8	1.68	24.54
13.	Canada	309.1	2.03	405.0	1.54	6.94
14.	Malaysia	267.9	1.76	383.3	1.46	16.95
15.	India	79.8	0.52	335.3	1.28	38.25
16.	Switzerland	156.1	1.02	333.3	1.27	17.30
17.	Benelux	166.0	1.09	309.2	1.18	17.13
18.	Brazil	289.7	1.90	288.3	1.10	-1.65
19.	Austria	95.5	0.63	277.5	1.06	34.46
	Others	2,070.4	13.57	3,300.8	12.58	10.23
	TOTAL	15,253.6	100.00	26,230.8	100.00	14.05

Source: BPS.

2.2 Developments in the terms of trade and commodity prices

The terms of trade in 1988 declined in comparison with 1987. After 1988, the terms of trade increased and peaked in 1990. However, the terms of trade still showed an increasing trend of 1.12 per cent per annum in the five year period. This paralleled increases in export and import prices. However, export and import prices grew at different rates, changing by 3.35 per cent and 2.41 per cent, respectively. Developments in the terms of trade in the period 1988-1992 are shown in Table 18.

Table 18

TERMS OF TRADE

Description	1988	1989	1990	1991	1992
Terms of trade	88.7	92.3	103.6	93.8	92.0
Export prices, f.o.b.	95.1	101.1	122.9	108.0	108.5
Import prices, c.i.f.	107.3	109.6	118.6	115.2	117.9

Note: Index 1987 = 100

Source: World Table 1994.

The prices of primary commodities exported by Indonesia fluctuated. Agricultural commodities, in general declined, but prices of several products increased, such as palm oil, coconut oil, nutmeg, maize, and kenanga oil. The price of commodities from natural sources, such as tin, copper, high grade aluminum, and nickel also declined. Wood and plywood prices increased. Price developments for several primary commodities over the past five years can be seen in Table 19.

Table 19

SELECTED PRIMARY COMMODITY PRICES

No.	Commodities	1989	1990	1991	1992	1993	Trend (%)
1.	Rubber RSS.I/US$ ct/Lb	51.12	46.81	45.83	46.01	44.49	-2.91
2.	Rubber RSS.III/US$ ct/Lb	49.09	44.80	42.98	43.43	42.16	-3.30
3.	TSR 20/TSR 20/US$ cf/Lb	56.49	38.59	37.92	40.71	39.93	-6.20
4.	Coffee Robusta/US$ cf/Lb	73.10	46.20	40.08	37.01	45.38	-11.09
5.	Black Pepper/ US$/kg. f.a.q.	2.79	1.99	1.41	1.21	1.29	-18.48
6.	White Pepper/US$/kg. f.a.q.	3.00	1.93	1.46	1.52	1.58	-14.16
7.	Palm Oil (CPO)/US$/Lt. c.i.f.	348.68	282.91	333.75	395.31	378.90	5.14
8.	Coconut Oil/US$/Ton. c.i.f.	514.92	337.49	427.82	570.18	448.09	2.49
9.	Fresh Shrimp/ Yen/4 Lbs	3,704.27	3,798.27	3,720.15	3,384.73	2,706.45	-7.16
10.	Tea/BP/kg.	1.18	1.39	1.20	1.06	1.04	-5.14
11.	Kenanga Oil/BP/kg.	16.36	16.12	18.91	21.52	24.55	11.64
12.	Citronella Oils/US$/kg.	6.72	3.44	3.34	4.35	4.34	-6.21
13.	Cloves Oils/US$/kg.	1.64	1.40	2.29	2.48	2.65	16.51
14.	Cocoa/US$/Ton	2,870.88	2,923.54	1,935.16	1,216.17	1,288.80	-21.96
15.	Wood/1,000 Yen/m³	41.04	51.04	51.42	51.46	55.08	6.15
16.	Plywood/Yen/Lbr	1,092.42	1,210.52	1,068.54	1,020.63	1,361.67	2.74
17.	Tin/BP/Lt	7,157.61	6,221.49	5,595.38	6,088.99	5,133.44	-6.63
18.	Copper/Yen/kg.	634.97	676.97	587.50	599.17	517.50	-5.17
19.	Aluminium high grade/US$/Ton	1,951.31	1,639.45	1,306.39	1,257.23	1,127.57	-12.74
20.	Nickel/US$/Ton	13,308.79	8,864.10	8,204.87	7,008.74	5,383.52	-18.49
21.	Manioc/DM/100 kg.	33.65	27.42	31.01	29.11	23.49	-6.38

Source: 1. Antara (Daily Market Quotation dan Rubber)
2. Commodity Week (Public Ledger)
3. Info Fish Trade News
4. Bank Indonesia.

Notes: prices in New York No: 1, 2, 3, 4, 5, 6, 17
prices in London No: 7, 8, 13, 14, 15, 16, 20, 22, 23
prices in Tokyo No: 9, 18, 19, 21
prices in Rotterdam No: 24

2.3 Trends in the balance [illegible]ents, reserves and exchange rates

Balance of payments

Due to Indonesia's success in increasing exports, especially of non-oil commodities, the balance of trade of goods has repeatedly shown a surplus. This situation is contrary to the balance of trade of services which suffers a deficit. Because the services deficit exceeds the surplus for goods, the current account is in deficit. In 1993, the deficit in the current account reached US$2.3 billion, compared to a deficit of US$3.24 billion in 1990. The deficit in 1993 was the lowest in the past four years.

To minimize the current account deficit, Indonesia has had to rely on proceeds from non-oil exports, specifically exports of industrial products. The target growth rate for industrial products exceeds

that for other non-oil exports. Exports from other sectors, e.g. agriculture, have little likelihood of growing like those from the industrial sector.

The target annual growth rate for non-oil exports in Repelita VI is 16.6 per cent; this includes 17.8 per cent growth of industrial exports, and 15.0 per cent growth per annum of mining exports. It is estimated that at the end of Repelita VI, the value of non-oil exports will reach US$61.2 billion, and the total value of exports, including oil, will be US$70.6 billion.

The capital account for the past three years (1991-1993) had a fluctuating surplus; US$5,829 million in 1991, US$6,471 million in 1992, and US$5,962 million in 1993. The increase was due mostly to an increase in the flow of net private capital, including direct as well as indirect investment. Indirect private capital inflows in 1992 were more than twice the amount of direct investments. Developments in the balance of payments during the past five years can be seen in Table 20.

Table 20

BALANCE OF PAYMENTS

(US$ million)

Description	1989	1990	1991	1992	1993
A. Current account	-1,280	-3,240	-4,392	-3,122	-2,298
1. Merchandises	6,664	5,352	4,801	7,022	8,231
a. Export f.o.b.	22,974	26,807	29,635	33,796	36,607
b. Import f.o.b.	-16,310	-21,455	-24,834	-26,774	-28,376
2. Services (net)	-7,944	-8,592	-9,193	-10,144	-10,529
B. Capital account	3,090	4,746	5,829	6,471	5,962
1. Official capital (net)	2,776	633	1,419	1,112	743
a. inflow	6,519	4,536	5,638	5,820	6,005
b. debt repayment	-3,743	-3,903	-4,219	-4,708	-5,262
2. Private capital (net)	314	4,113	4,410	5,359	5,219
C. Total (A+B)	1,810	1,506	1,437	3,349	3,664
D. Errors and omission (net)	-1,439	593	-230	-1,606	-2,953
E. Reserves	-371	-2,099	-1,207	-1,743	-741

Source: Bank Indonesia.

Exchange rate of the Rupiah

The "managed float exchange rate system" was applied in November 1978. During the period November 1978 to September 1986, the "managed" factor dominated. Consequently, the exchange rate of the rupiah was less flexible during this period, and nominal depreciation was insufficient to overcome the differences between domestic inflation and inflation in Indonesia's main trading partners. Hence, the rupiah had become overvalued in real terms. In order to maintain a realistic value of the rupiah, the rupiah was devalued in March 1983 and in September 1986. The measures taken in September 1986 were also related to the relatively sharp decrease in oil prices.

Since the latest devaluation in September 1986, the "managed factor" of "the managed float exchange rate system" was reduced. This enabled changes in the nominal exchange rate of the rupiah to compensate for differences between domestic and foreign inflation rates. Thus, the exchange rate policy, concurrent with attempts to reduce domestic inflation to prevent an overvaluation of the rupiah, was aimed at increasing the competitiveness of Indonesian exports.

For the past five years, 1989-1993, the rupiah has depreciated against the currencies of Indonesia's eight main trading partners. It has depreciated relatively sharply against the currencies of Japan and Singapore, i.e. by, on average, 9.31 per cent and 7.58 per cent, per annum, respectively. Developments in the exchange value of the rupiah can be seen in Table 21.

Table 21

FOREIGN EXCHANGE RATES

Foreign currency	1989	1990	1991	1992	1993	Trend (%) 1989-93
1. United States	93.78	88.80	84.74	81.86	80.00	-3.91
2. Japanese	101.59	89.60	79.83	76.78	67.31	-9.31
3. Deutsche	87.09	72.74	70.81	72.69	76.28	-2.62
4. French	88.28	73.64	71.63	73.49	76.78	-2.77
5. Great Britain	99.83	79.02	77.88	92.93	92.91	0.18
6. Netherlands	87.18	72.80	70.67	72.40	75.66	-2.85
7. Singapore	86.93	75.37	67.44	65.66	62.81	-7.58
8. Hong Kong	93.82	88.77	84.50	81.20	79.19	-4.19

Note: June 1988 = 100

Source: Bank Indonesia.

2.4 International macroeconomic situations affecting the external sector

After the slackness of the economy which bottomed in 1991, the world economy started to recover in 1992, albeit relatively slowly. The global economic recovery grew slowly until it reached 3.0 per cent in 1993. The improvement is predicted to continue in 1994. World growth was helped by the relatively high growth in developing economies in the past few years. Asia, with annual economic growth above 7.5 per cent, plays a relatively large role in the economic performance of developing countries. This is closely related to successful economic reforms in several countries, such as China, Vietnam and India, as well as rapid interregional trade in Asia. The continuing recovery of the world economy also depends on attempts by the industrial countries to encourage economic activities. Improved economic performance has been obvious from the application of more relaxed monetary policies by most industrial countries, and for Japan, in particular, these measures were accompanied by expansive fiscal policies. Economic activities remaining weak in industrial countries have had an adverse impact on the growth of world trade volumes, and on most international commodity prices over the past few years.

Towards the end of 1993, slackness in the economies of industrial countries started to decrease. This was reflected in fundamental economic factors, such as increased confidence among the business community and consumers, as well as relatively high economic growth in the fourth quarter of 1993.

Such developments were mainly seen in the United States, the United Kingdom and Canada. Economic improvements have strengthened in the first semester of 1994. Measures taken to encourage economic activities have caused stronger economic growth in Germany and Japan, especially from the second quarter of 1994. Industrial economies, overall, are predicted to grow by 2.4 per cent in 1994.

As a consequence of more open economies, changes in other countries affect, directly and indirectly, the Indonesian economy. The still weak world economy, especially in industrial countries, and the occurrence of new competitors from developing countries on the international market have reduced the growth of Indonesia's non-oil exports. Its balance of payments had also worsened due to declines in world oil prices. However, in parallel with general economic improvements in industrial countries, the steady increases in world oil prices since April 1994, are estimated to continue throughout 1994. This will help improve Indonesia's balance of payments.

In the past five years, the world economy has also been marked by the weakening of the US dollar relative to the yen. The depreciation of the dollar was due to fundamental factors, such as the large deficit of trade transactions between the United States and Japan, as well as non-fundamental factors, such as market sentiments. The strengthening of the Yen has increased prices of imported goods, and raised Indonesia's debt servicing repayments on offshore loans. However, the balance of payments position was positively affected by the impact of the decline in world interest rates, especially up until the end of 1993. Interest rates have declined in the past few years as a result of the application of relaxed monetary policies in most industrial countries. However, during 1994, international interest rates, especially in the United States, have started to rise. The increase in the dollar interest rate is closely related to the improvements in the United States economy, especially since the fourth quarter of 1993. This development caused the Federal Reserve Bank (Fed) to increase the fed fund rate several times in 1994, in addition to increasing the discount rate in anticipation of rising inflationary pressures. Increased interest rates disadvantages Indonesia's balance of payments.

Another conspicuous development in the past five years is the increased flow of funds, especially short and medium term funds, from industrial countries to developing nations. This reflects better economic prospects in developing countries, especially in Asia, and the relatively low interest rates in most industrial countries. Capital inflows into Indonesia have increased especially since 1990. This development has, on the one hand, had positive impacts on the balance of payments, especially the capital account, and increased Indonesia's foreign exchange reserves. On the other hand, large inflows of short term capital have complicated the application of monetary policies, since such capital flows provide inflationary pressures. In order to reduce these, Bank Indonesia attempted to sterilize these flows through open market operations. Incoming capital flows have also caused the capital market in Indonesia to become more active, and it became bullish at the end of 1993. Signs existed during the early part of 1994 of a capital flight out of Indonesia. This situation was apparently a general phenomena in the Asian region, and reflected, among other things, decreased activities of capital markets in some other Asian countries.

In the past few years, the world economy has also been marked by strengthened regionalism in trade and investment. The inclusion of Mexico in the North American Free Trade Agreement (NAFTA), which became effective as of January, 1994, has caused concern about trade and investment diversion from developing countries, including Indonesia, which has now become a supplier to the US and Canadian markets. In the meantime, under the ASEAN Free Trade Area (AFTA), tariffs and import duties on several types of goods traded among ASEAN members were reduced on 1 January 1994. This development is aimed at increasing the efficiency and competitiveness of the Indonesian economy.

3. Problems in external markets

External factors which affect Indonesia's exports take the form of trade protectionism, including the application of quotas on specific commodities by some trading partners, and the less favourable development of primary commodity prices, including petroleum. Indonesia's exports of manioc and textiles are subject to quotas imposed by importing countries.

Export Quota

Manioc

Indonesia has been allocated an export quota of 2,475,000 tons, or 825,000 tons per annum, by the European Union for the period 1993-1995. The quota is relatively small compared to Indonesia's manioc production. In the period 1989-1993, the value of Indonesia's cassava exports, on average, increased by only 0.84 per cent per annum. The quota of manioc exports to the EU countries for each exporter is allocated by Indonesian authorities on the basis of past performance and/or the ability of the exporter to export manioc to non-EU countries. These exports are evidenced by the landing certificate issued by the Customs and Excise institution at the port of destination, and the loading certificate issued by P.T. (Persero) Sucofindo. Developments of the value of manioc exports can be seen in Table 22.

Table 22

MANIOC EXPORT

(US$ million)

Commodity	1989	1990	1991	1992	1993	Trend (%) 1989-93
Manioc	77.5	141.8	105.0	108.7	92.3	0.84

Source: BPS.

Indonesia's cassava exports are mostly directed to the European Union, especially the Netherlands and Germany. China is the main non-EU market for cassava. The average annual growth of cassava exports to the European Union is 4 per cent, while sales to other countries decreased by 7.4 per cent. Developments in cassava exports according to countries of destination are shown in Table 23.

Table 23

MANIOC EXPORTS, BY DESTINATION

(US$ million)

Countries	1989	1990	1991	1992	1993	Trend (%) 1989-93
European Union	51.8	126.3	89.5	89.0	75.2	4.04
Non-European Union	26.1	19.5	15.5	20.0	17.1	-7.82
Total	77.5	141.8	105.0	108.7	92.3	0.84

Source: BPS.

Textiles and Apparel

Indonesia's textile and textile product (TPT) exports were obstructed by the quota systems applied by certain importing countries. The quota allocated to Indonesia is relatively small compared with Indonesia's production capacity of TPT. The countries which apply quotas on these products to Indonesian exports are the United States, Canada, Norway, and the European Community. Textile and apparel exports in the period 1989-1993 increased, on average, by 34.39 per cent per annum. Developments in Indonesia's textile and garment exports can be seen in Table 24.

Table 24

TEXTILE AND CLOTHING EXPORTS

(US$ million)

No.	Products	1989	1990	1991	1992	1993	Trend (%) 1989-93
1.	Fibre textile and waste	21.5	19.5	31.2	36.5	37.1	18.75
2.	Yarns, textile and product textile	839.1	1,241.3	1,755.3	2,837.5	2,636.9	36.57
3.	Garment	1,169.6	1,646.5	2,264.9	3,164.2	3,502.0	32.93
	Total	2,030.3	2,907.2	4,051.4	6,038.3	6,176.0	34.39

Source: BPS.

Textile and apparel exports in 1989 and 1990 were mainly directed to countries which applied TPT quotas. However, since 1991, Indonesia's TPT exports have been directed principally to non-quota countries. TPT exports to quota-countries increased, on average, by 24.39 per cent per annum, while exports to non-quota countries increased by 46.17 per cent. Developments in the destination of TPT exports are shown in Table 25.

Table 25

TEXTILE AND GARMENT EXPORTS, BY DESTINATION

(US$ million)

Destination	1989	1990	1991	1992	1993	Trend (%) 1989-93
Quota countries	1,212.3	1,645.3	1,966.7	2,632.6	2,854.1	24.39
Non-quota countries	818.0	1,261.9	2,084.6	3,405.7	3,321.9	46.17
Total	2,030.3	2,907.2	4,051.4	6,038.3	6,176.0	34.39

Source: BPS.

Anti-dumping measures

Being one of the newcomers to international trade, specifically in exports of manufactured products, Indonesia encounters various dumping accusations from major developed markets. Indonesia has been accused of dumping by several countries, mostly from Australia and the European Union. Indonesian products subject to dumping allegations have been canned tuna, clear float glass, exercise books, processed glass, photocopy papers, lead acid batteries, phthalic anhydride, polyolefin bags, sorbitol, desiccated coconut, photo albums, bicycles, cotton fabrics, denims, footwear, glutamic acid, polyester fabrics and glassware.

1. INDONESIA'S EXPORTS BY COMMODITY DIVISION

No.	SITC Code	Description	Value (US$ millions)					Trend (%)
			1989	1990	1991	1992	1993	
1	0	**Food and live animals**	2,078.2	2,292.8	2,539.1	2,468.7	2,922.9	7.85
	00	Live animal for food	9.0	15.6	16.7	15.7	18.5	15.68
	01	Meat and meat preparation	19.4	16.5	24.6	32.2	25.2	12.64
	02	Dairy product and eggs	9.9	16.6	14.5	8.9	5.2	-17.47
	03	Fish, crust.,molluscs and their prep.	763.6	970.7	1,173.3	1,169.8	1,416.1	15.28
	04	Cereal and cereal preparations	50.4	26.9	17.4	46.2	88.1	18.05
	05	Fruits and vegetables	161.7	248.0	282.9	305.6	296.4	15.27
	06	Sugar, sugar prep. and honey	25.6	40.4	41.5	66.1	52.7	21.41
	07	Coffee, tea, cocoa, spices	922.2	840.5	826.3	683.7	858.6	-3.43
	08	Feeding stuff for animals	100.4	93.2	116.7	115.8	126.1	6.95
	09	Misc. food preparations	16.1	24.6	25.1	24.6	36.0	17.47
2	1	**Beverages and tobacco**	114.6	135.7	154.4	218.1	192.5	16.32
	11	Beverages	6.8	10.9	8.5	11.7	15.9	19.43
	12	Tobacco and tobacco mfd.	107.9	124.8	145.9	206.4	176.7	16.06
3	2	**Crude material, inedible**	2,796.5	1,969.6	2,372.6	2,625.4	2,553.9	1.07
	21	Hides, skins and fur skins	4.4	1.0	0.8	0.1	0.1	-61.01
	22	Oil seeds, nuts and kernels	3.7	4.7	12.0	12.3	7.6	27.58
	23	Crude rubber	1,019.3	854.9	974.5	1,047.3	980.3	1.26
	24	Wood, lumber and cork	909.1	279.5	385.8	374.9	400.1	-12.61
	25	Pulp and waste paper	36.5	77.7	61.6	51.5	42.4	-1.12
	26	Textile fibres and their waste	21.5	19.5	31.2	36.5	37.1	18.75
	27	Crude fertilizers and crude minerals	41.1	45.1	66.0	78.9	103.7	27.23
	28	Metalliferous ores and metal scr.	700.7	619.2	772.9	950.9	899.2	9.72
	29	Crude anim. & vegetable mat., n.e.s.	60.2	68.1	67.9	72.9	83.4	7.50
4	3	**Mineral fuels, lubricants, etc.**	8,760.1	11,239.2	11,169.5	11,273.4	10,390.5	3.50
	32	Coal, coke and briquettes	81.4	168.1	274.6	602.7	645.1	71.91
	33	Petroleum and petroleum products	6,060.3	7,403.8	6,714.3	6,618.8	5,692.7	-2.34
	34	Gas, natural and manufactured	2,618.4	3,667.3	4,180.5	4,052.0	4,052.7	10.22
	35	Electric current	-	0.0	-	-	-	-
5	4	**Animal and vegetable oils and fats**	456.6	420.0	561.6	762.4	848.1	20.14
	41	Animal oils and fats	4.0	8.0	12.4	8.5	3.1	-4.35
	42	Fixed vegetable oils and fats	409.0	330.6	468.3	669.5	708.4	19.78
	43	Animal and vegetable oils and fats	43.6	81.4	80.8	84.4	136.5	26.12
6	5	**Chemical**	499.4	621.1	852.8	795.2	829.5	13.45
	51	Organic chemicals	81.0	84.0	128.8	217.2	243.6	37.04
	52	Inorganic chemicals	39.6	32.5	35.1	41.8	41.1	3.31
	53	Dyeing, tanning and colouring mat.	23.6	35.9	36.4	47.6	54.1	21.40
	54	Med. and pharmaceutical prod.	17.0	18.5	21.6	18.7	26.2	9.18
	55	Ess. oils and perfume materials	105.5	150.2	213.3	161.3	132.7	5.44
	56	Fertilizers manufactured	164.2	192.8	297.2	183.7	151.8	-2.02
	57	Plastics, primary form	38.3	48.1	55.7	44.8	68.4	11.53
	58	Plastics, non-primary form	10.4	20.3	30.1	40.9	48.8	46.13
	59	Chem. materials and products, n.e.s.	19.8	38.7	34.6	39.2	62.7	26.06

(Cont'd)

No.	SITC Code	Description	Value (US$ millions)					Trend (%)
			1989	1990	1991	1992	1993	
7	6	**Manufactured goods**	5,112.8	5,643.7	6,488.5	8,434.0	9,667.9	18.24
	61	Leather, leather mfd, nes.	68.9	63.8	46.6	61.5	45.2	-8.39
	62	Rubber, manufactures nes.	70.0	72.1	68.2	109.4	106.0	13.29
	63	Wood and cork manufactures	2,538.9	3,064.7	3,289.6	3,826.1	5,129.1	17.68
	64	Paper, paperboard and mfd. thereof	166.4	154.4	266.0	340.8	494.3	34.58
	65	Textile yarns, fabrics and prod.	839.1	1,241.3	1,755.3	2,837.5	2,636.9	36.57
	66	Non metallic minerals, mfs.	258.4	244.3	230.6	360.9	333.1	9.40
	67	Iron and steel	407.0	236.5	288.3	269.1	309.8	-4.08
	68	Non ferrous metals	679.0	455.0	384.0	406.1	295.3	-16.30
	69	Manufactures of metal, n.e.s.	85.2	111.7	160.0	222.7	318.0	39.43
8	7	**Machinery & transport eqp.**	202.2	367.0	668.4	1,448.1	2,206.5	85.05
	71	Power generating mach. and eqp.	5.9	12.3	15.6	17.8	28.8	42.58
	72	Mach. special for partic. inds.	6.0	16.0	9.9	55.0	34.0	59.89
	73	Metal working machinery	0.8	2.6	0.8	2.2	5.4	42.87
	74	General industrial mach. and eqp.	15.7	21.2	33.1	49.2	112.1	61.24
	75	Office mach. and aut. data proc.	0.3	0.8	27.4	139.6	156.7	503.08
	76	Telecommunication and rep. app.	49.9	105.2	205.7	598.7	963.6	115.11
	77	Electrical mach. and apparatus	72.8	98.6	197.7	335.9	418.3	60.39
	78	Road vehicles	25.1	38.7	61.2	181.5	334.2	95.82
	79	Other transport equipment	25.5	71.6	117.0	68.3	153.4	42.51
9	8	**Misc. Manufactured articles**	1,882.6	2,864.1	4,190.3	5,790.2	7,030.7	39.64
	81	Sanitary, plumbing, fittings	12.2	13.5	35.7	28.9	33.5	32.18
	82	Furniture	166.5	286.2	385.0	490.5	675.5	39.64
	83	Travel goods	11.3	20.5	36.2	62.4	81.6	65.82
	84	Clothing	1,169.6	1,646.5	2,264.9	3,164.2	3,502.0	32.93
	85	Footwear	220.4	569.5	994.1	1,323.6	1,661.3	62.96
	87	Prof., scientific and cont. inst.	1.7	6.8	5.7	6.5	12.2	47.08
	88	Photographic app., eqp. and opt.	29.5	45.9	70.9	106.6	200.1	59.51
	89	Misc. manufactured articles	271.4	275.1	397.8	607.4	864.6	36.47
10	9	**Commodities and transaction, n.e.s.**	256.1	122.1	145.2	151.5	180.5	-4.73
	96	Coin, not being legal tender	-	0.0	0.0	0.0	0.0	-
	97	Gold, non monetary	256.1	122.1	145.2	151.5	180.2	-4.75
	98	Gold, monetary	-	-	0.0	-	0.2	-
	99	Gold coin and current coin	-	-	0.0	0.0	0.0	-

Source: Central Bureau of Statistics.

2. INDONESIA'S EXPORTS BY COUNTRY OF DESTINATION

Country of destination	Value (US$ Millions)					Trend (%)
	1989	1990	1991	1992	1993	
EAST ASIA	11,964.5	14,624.7	15,683.1	16,418.5	16,990.5	8.51
Japan	9,321.2	10,923.4	10,766.8	10,760.5	11,172.2	3.53
Hong Kong	548.7	617.8	703.2	881.1	900.4	14.40
North Korea	27.9	34.0	16.0	14.8	8.3	-27.84
South Korea	921.5	1,363.3	1,947.7	2,083.3	2,220.5	24.40
Taiwan	576.0	849.2	1,056.4	1,279.3	1,435.6	25.06
People Rep. of China	568.5	834.4	1,190.9	1,396.4	1,249.5	23.24
Other East Asia	0.8	2.6	2.1	3.1	4.1	41.71
SOUTH AND SOUTH EAST ASIA	2,708.4	2,768.2	3,585.8	4,908.0	5,437.2	21.73
ASEAN	2,429.3	2,515.1	3,196.7	4,360.4	4,745.8	20.80
- Thailand	234.3	188.5	267.1	352.8	467.7	22.25
- Singapore	1,817.9	1,902.1	2,409.8	3,313.5	3,372.0	19.61
- Philippines	149.1	160.6	167.6	181.3	285.0	15.23
- Malaysia	220.1	253.2	341.8	487.5	586.0	29.87
- Brunei	7.8	10.7	10.4	25.3	35.1	47.16
Papua New Guinea	7.0	7.9	10.1	32.2	23.6	46.93
Myanmar	1.5	3.8	6.6	14.2	39.7	119.39
Vietnam	33.7	27.3	140.9	165.3	171.6	65.85
India	51.0	59.8	56.1	69.6	99.9	16.13
Pakistan	46.3	46.0	68.1	80.8	122.6	28.56
Bangladesh	61.7	62.0	66.1	88.6	101.0	14.36
Sri Lanka	21.5	31.1	30.3	60.4	85.1	40.68
Other South and South East Asia	56.5	15.2	10.9	36.5	47.8	5.62
WEST ASIA	559.7	698.7	937.4	1,242.5	1,369.9	26.69
Iraq	127.5	83.8	0.3	0.1	0.4	-83.66
Iran	36.4	54.4	88.4	55.0	14.7	-16.47
Arab Saudi	184.4	322.8	458.0	583.1	556.3	32.31
Kuwait	40.8	32.3	12.1	45.2	55.9	10.13
Jordan	18.9	15.4	24.7	25.0	44.6	24.62
Yemen	5.9	9.9	13.0	27.8	41.8	64.28
Oman/Oman	5.0	4.2	6.3	6.9	6.8	12.04
Turkey	6.6	9.9	15.5	45.6	77.4	90.47
United Arab Emirates	116.7	140.8	265.6	376.9	490.3	47.04
Other West Asia	17.4	25.4	53.6	76.9	81.7	52.19
AFRICA	216.6	199.2	393.9	418.9	460.8	25.27
Egypt	42.3	70.0	154.4	164.1	175.2	44.67
Morocco	18.6	14.2	13.1	13.4	15.5	-4.16
Tunis	8.4	1.4	2.0	2.4	2.7	-16.18
Algeria	61.0	46.7	78.1	41.6	64.6	-0.02
Sudan	10.8	3.2	3.4	6.3	5.6	-6.09
Sierra Leone	0	0.1	0.7	0.6	1.0	203.10
Mozambique	3.1	2.9	3.5	3.3	6.2	16.24
Nigeria	11.0	16.4	26.1	47.9	53.9	53.08
Senegal	0.1	0.5	1.6	4.0	3.7	140.62
Uganda	0.1	0.0	0.9	1.5	0.8	156.70
Rep. of South Africa	0.4	0.6	1.4	5.1	0	-
Other Africa	60.8	43.4	108.7	128.7	131.8	30.17

(Cont'd)

Country of destination	Value (US$ Millions)					Trend (%)
	1989	1990	1991	1992	1993	
AUSTRALIA AND OCEANIA	445.7	487.4	666.8	798.8	851.8	19.59
Australia	386.6	403.0	628.0	746.1	773.7	22.18
New Zealand	55.1	76.8	27.5	37.4	61.3	-4.92
Other Oceania	4.0	7.6	11.3	15.3	16.8	42.68
NORTH AMERICA	3,604.4	3,503.1	3,680.4	4,708.3	5,534.0	12.22
United States	3,496.6	3,364.6	3,508.4	4,419.1	5,229.8	11.38
Canada	107.8	138.5	172.0	289.2	304.2	32.46
CENTRAL & SOUTH AMERICA	50.5	101.9	184.0	328.0	468.1	75.45
Mexico	25.7	36.0	56.7	87.3	140.4	53.45
Panama	7.1	19.0	68.7	113.2	130.7	113.84
Surinam	0.5	0.3	1.6	2.2	1.4	53.37
Chile	1.6	5.1	8.6	20.9	32.4	110.24
Venezuela/Venezuela	0.4	0.7	3.2	7.4	9.0	140.39
Colombia	3.1	3.7	2.0	5.7	9.9	31.97
Guyana	0.0	0.2	0.3	0.4	0.9	149.08
Trinidad and Tobago	0.2	0.3	0.8	1.2	2.0	80.69
Other South & Central America	12.0	36.6	42.1	89.7	141.3	79.12
WEST EUROPE	2,414.2	3.138.0	3,883.7	4,987.4	5,470.1	23.36
EUROPE UNION	2,338.4	3,029.2	3,742.6	4,842.9	5,295.4	23.42
- United Kingdom	383.6	516.8	653.9	843.8	1,004.9	27.33
- Netherlands	681.3	723.1	837.5	1,100.3	1,086.4	14.49
- France	208.9	285.7	385.9	494.7	499.9	25.78
- West Germany *	492.9	750.7	907.5	977.8	1,178.2	22.23
- Belgium and Luxembourg	173.0	209.9	257.7	401.2	365.7	23.93
- Denmark/Denmark	35.5	54.0	74.2	96.8	97.7	29.78
- Ireland	21.8	34.6	43.1	46.3	40.5	16.51
- Italy	234.1	276.1	381.5	582.8	614.8	30.71
- Greece	3.8	9.3	18.2	28.9	45.4	84.54
- Spain	79.9	152.2	169.2	254.6	332.7	40.04
- Portugal	23.6	16.9	13.9	15.7	29.1	3.53
Austria	5.4	14.5	22.0	24.0	32.1	50.23
Switzerland	14.4	25.5	30.6	39.5	52.0	34.99
Norway	7.6	13.4	13.6	14.5	21.5	24.06
Sweden	25.9	34.3	47.4	45.1	46.3	15.44
Finland	18.9	14.8	18.7	17.1	18.3	0.78
Other West Europe	3.5	6.4	8.8	4.3	4.4	0.64
EAST EUROPE	194.8	154.2	127.1	156.5	240.5	4.46
Czechoslovakia	12.1	11.1	7.1	10.9	10.8	-2.38
East Germany	12.2	0	0	0	0	-
Hungary	23.0	18.2	20.6	12.0	11.2	-16.84
Poland	35.0	21.3	25.9	39.7	60.8	18.88
Romania	2.2	5.3	7.7	4.9	13.2	41.82
Bulgaria	1.3	10.0	17.4	15.8	10.1	56.73
USSR	99.8	80.9	39.8	69.9	125.2	3.12
Yugoslavia	9.2	7.5	8.5	3.4	9.2	-7.55
TOTAL EXPORT	22,158.9	25,675.3	29,142.4	33,967.0	36,823.0	13.83

* Since 1990, figures are for "unified" Germany.

Source: Central Bureau of Statistics.

3. INDONESIA'S IMPORTS BY COMMODITY DIVISION

No.	SITC Code	Description	Value (US$ Millions)					Trend (%)
			1989	1990	1991	1992	1993	
1	0	FOOD AND LIVE ANIMALS	910.9	851.8	1,080.6	1,274.1	1,342.0	12.50
	00	Live animal for food	26.1	16.9	9.0	19.1	28.9	3.34
	01	Meat and meat preparation	6.2	10.5	13.6	20.7	16.8	30.56
	02	Dairy product and eggs	79.9	71.6	100.3	118.8	125.1	15.06
	03	Fish, crust., molluscs and their prep.	5.2	5.7	3.8	13.5	15.2	35.29
	04	Cereal and cereal preparations	385.9	321.2	493.1	608.2	542.6	14.11
	05	Fruits and vegetables	43.5	59.3	76.2	101.9	131.6	31.70
	06	Sugar, sugar prep. and honey	118.0	132.6	119.9	125.1	85.5	-6.78
	07	Coffee, tea, cocoa, spices	9.0	16.7	10.9	13.2	15.3	8.77
	08	Feeding stuff for animals	214.8	192.4	225.5	213.8	334.0	10.39
	09	Misc. food preparations	22.4	25.1	28.2	39.8	47.0	21.49
2	1	BEVERAGES AND TOBACCO	33.6	54.0	74.4	88.9	119.2	35.37
	11	Beverages	6.3	6.8	6.7	10.3	19.6	31.07
	12	Tobacco and tobacco mfd.	27.4	47.2	67.7	78.6	99.5	36.22
3	2	CRUDE MATERIAL, INEDIBLE	1,673.9	1,885.0	2,150.9	2,408.8	2,428.1	10.40
	21	Hides, skins and fur skins	1.1	4.4	5.6	14.5	15.8	91.42
	22	Oil seeds, nuts and kernels	149.1	172.2	220.6	223.6	271.1	15.68
	23	Crude rubber	60.4	81.7	87.7	99.9	115.1	16.07
	24	Wood, lumber and cork	5.5	20.0	13.3	31.1	27.8	44.61
	25	Pulp and waste paper	311.3	268.0	286.1	446.4	479.0	14.71
	26	Textile fibres and their waste	490.6	621.6	802.2	900.2	802.2	14.50
	27	Crude fertilizers and crude minerals	190.3	225.3	284.1	242.3	177.0	72
	28	Metalliferous ores and metal scr.	447.2	464.0	419.8	412.2	503.6	1.20
	29	Crude anim.& vegetable mat., nes.	18.3	27.7	31.5	38.5	36.4	18.62
4	3	MINERAL FUELS, LUBRICANTS, ETC.	1,252.6	1,937.2	2,323.0	2,104.3	2,154.9	12.39
	32	Coal, coke and briquettes	72.1	39.2	40.9	29.2	31.9	-17.51
	33	Petroleum and petroleum products	1,180.4	1,898.0	2,282.0	2,071.6	2,122.8	13.44
	34	Gas, natural and manufactured	0.1	0.0	0.1	3.5	0.2	126.79
	35	Electric current	0.0	0.0	0.0	0.0	0.0	-
5	4	ANIMAL & VEGETABLE OILS & FATS	150.5	25.5	41.2	148.9	100.5	10.03
	41	Animal oils and fats	3.6	4.9	4.3	4.5	3.5	-1.83
	42	Fixed vegetable oils and fats	139.6	12.2	29.9	137.2	87.2	15.88
	43	Animal and vegetable oils and fats	7.2	8.4	7.0	7.3	9.9	4.87
6	5	CHEMICAL	2,873.3	3,393.6	3,432.3	3,776.1	4,042.5	8.22
	51	Organic chemicals	820.5	970.7	946.6	1,040.5	1,207.4	8.79
	52	Inorganic chemicals	452.1	455.4	450.4	433.2	390.4	-3.37
	53	Dyeing, tanning and colouring mat.	231.2	290.0	301.2	347.1	401.3	13.68
	54	Med. and phamaceutical prod.	109.4	137.1	138.6	181.3	187.9	14.58

(Cont'd)

No.	SITC Code	Description	Value (US$ Millions)					Trend (%)
			1989	1990	1991	1992	1993	
	55	Ess. oils and perfume materials	89.9	115.2	137.5	137.4	166.5	15.13
	56	Fertilizers manufactured	117.0	96.4	57.5	141.8	99.9	0.70
	57	Plastics, primary form	662.8	888.2	860.6	895.5	902.8	6.46
	58	Plastics, non-primary form	56.8	72.3	79.4	104.1	110.6	18.51
	59	Chem. materials and products, n.e.s.	333.6	368.3	460.5	495.1	575.8	14.88
7	6	MANUFACTURED GOODS	2,638.0	3,552.9	4,138.4	4,668.1	4,842.8	16.04
	61	Leather, leather mfd, n.e.s.	33.6	96.2	185.6	263.4	320.8	73.67
	62	Rubber, manufactures n.e.s.	68.4	82.7	77.1	97.3	89.9	7.34
	63	Wood and cork manufactures	3.9	8.1	9.2	21.3	27.1	61.95
	64	Paper, paperboard and mfd. thereof	178.1	199.0	221.8	207.3	225.4	5.26
	65	Textile yarns, fabrics and prod.	510.7	785.1	885.7	1,100.2	1,124.5	21.12
	66	Non metallic minerals, mfs.	176.5	200.6	209.2	217.9	245.8	7.73
	67	Iron and steel	995.6	1,288.8	1,401.2	1,465.9	1,612.1	11.54
	68	Non-ferrous metals	321.3	410.4	494.4	478.6	517.6	11.71
	69	Manufactures of metal, n.e.s.	349.8	481.9	654.2	816.2	679.6	20.39
8	7	MACHINERY & TRANSPORT EQP.	6,181.9	9,327.8	11,630.5	11 700.1	12,158.3	17.11
	71	Power generating mach. and eqp.	576.5	731.5	1,108.6	1,678.2	1,616.8	33.55
	72	Mach. special for partic. inds.	1,886.8	2,973.2	3,893.2	2,832.8	2,963.9	8.92
	73	Metal working machinery	216.3	323.5	428.3	505.4	369.2	16.36
	74	General industrial mach. and eqp.	1,041.4	1,450.7	1,912.7	2,317.0	2,169.3	21.36
	75	Office mach. and aut. data proc.	170.8	246.0	215.5	181.3	200.7	0.17
	76	Telecommunication and rep. app.	317.0	490.4	634.4	874.4	999.1	33.30
	77	Electrical mach. and apparatus	601.1	835.6	1,049.6	1,514.1	1,737.1	31.22
	78	Road vehicles	849.5	1,403.2	1,306.9	1,040.0	1,324.1	6.06
	79	Other transport equipment	522.5	873.8	1,081.4	756.8	778.0	6.74
9	8	MISC. MANUFACTURED ARTICLES	633.6	796.7	980.2	1,095.7	1,133.4	15.97
	81	Sanitary, plumbing, fittings	20.3	31.0	36.2	40.1	28.3	9.65
	82	Furniture	9.2	30.3	17.9	11.3	9.5	-8.85
	83	Travel goods	1.6	1.3	1.9	3.8	1.2	5.38
	84	Clothing	11.1	16.0	23.7	28.1	23.3	22.71
	85	Footwear	27.4	61.3	91.3	95.1	108.6	37.66
	87	Prof., scientific and cont. inst.	258.8	318.3	375.5	385.0	411.0	11.80
	88	Photographic app., eqp and opt.	121.8	148.8	159.7	165.7	200.0	11.62
	89	Misc. manufactured articles	183.5	189.7	274.0	366.6	351.6	21.65
10	9	COMMODITIES & TRANSACTION n.e.s.	11.2	12.5	17.4	14.7	6.1	-9.89
	91	Postal packages	0.0	0.0	0.0	0.1	0.0	-
	93	Special transactions, ncak	1.1	2.5	0.5	0.4	0.4	-32.32
	96	Coin, not being legal tender	10.1	9.8	16.7	14.1	4.7	-11.03
	97	Gold, non-monetary	0.0	0.2	0.2	0.1	1.0	85.31
	98	Gold, monetary	0.0	0.0	0.0	0.0	0.0	-
	99	Gold coin and current coin	0.0	0.0	0.0	0.0	0.0	-
		TOTAL IMPORTS	16,359.6	21,837.1	25,868.8	27,279.6	28,327.8	14.12

Source: Central Bureau of Statistics.

4. INDONESIA'S IMPORTS BY COUNTRY OF ORIGIN

Country of origin	Value (US$ Millions) 1989	1990	1991	1992	1993	Trend (%) 1989-93
EAST ASIA	6,029.9	8,604.9	10,186.0	10,204.7	10,867.6	14.44
Japan	3,766.7	5,299.9	6,326.9	6,013.7	6,248.4	12.06
Hong Kong	179.1	273.3	232.0	229.0	247.1	4.78
North Korea	16.9	52.2	24.9	23.4	16.7	-7.91
South Korea	562.3	985.1	1,438.9	1,894.1	2,103.1	38.99
Taiwan	977.5	1,341.2	1,328.0	1,292.3	1,315.6	5.73
People's Rep. of China	527.4	652.3	835.0	751.5	936.0	13.76
Other East Asia	0.1	0.9	0.3	0.7	0.6	59.00
SOUTH AND SOUTH EAST ASIA	2,059.1	2,170.9	2,891.4	3,030.1	3,147.0	12.55
ASEAN	1,765.3	1,835.8	2,463.9	2,592.9	2,604.1	11.88
- Thailand	209.6	183.4	277.5	344.7	235.3	9.01
- Singapore	1,122.1	1,271.5	1,698.4	1,670.7	1,793.3	12.87
- Phillipines	63.0	55.0	81.0	52.2	57.1	-2.43
- Malaysia	369.0	325.6	406.7	524.6	517.4	12.22
- Brunei	1.5	0.3	0.3	0.7	1.0	-0.66
Papua New Guinea	0.3	1.0	1.2	3.4	14.9	142.06
Myanmar	1.5	1.5	1.9	11.0	15.2	93.26
Vietnam	21.5	42.8	86.9	32.5	38.1	9.08
India	79.9	149.5	226.4	215.5	335.4	38.18
Pakistan	60.1	63.4	47.9	99.9	59.3	4.38
Bangladesh	0.7	1.0	2.9	13.5	16.3	146.62
Sri Lanka	0.5	0.5	2.0	0.4	2.0	31.38
Other South and South East Asia	129.3	75.4	58.3	61.0	61.7	-15.56
WEST ASIA	825.5	1,266.5	1,101.6	1,096.9	1,056.7	3.56
Iraq	298.8	177.8	0.6	1.1	0.3	-85.12
Iran	179.2	611.4	127.9	124.8	503.0	4.86
Arab Saudi	223.1	364.5	837.3	852.0	351.1	19.20
Kuwait	39.0	22.6	0.4	0.4	70.1	-24.86
Jordan	47.9	54.8	59.4	59.8	35.4	-5.04
Yemen	0.2	0.6	0	0.7	31.8	-
Oman	0.1	0.2	0	4.9	0.3	-
Turkey	17.5	16.0	35.3	19.8	17.2	1.80
United Arab Emirates	2.1	1.4	4.3	9.7	9.2	62.97
Other West Asia	17.7	17.5	36.4	23.7	38.4	20.34
AFRICA	210.3	170.3	195.0	213.3	140.5	-5.65
Egypt	2.8	2.9	2.9	1.1	2.3	-12.73
Morocco	36.9	52.0	72.4	56.8	6.4	-29.03
Tunisia	49.1	26.0	22.1	24.9	2.2	-46.47
Algeria	0.3	0.0	0.0	28.5	18.2	-
Sudan	0.8	0.7	0.0	0.3	0.2	-
Zimbabwe	8.2	10.7	18.3	18.1	24.2	30.76
Mozambique	26.9	2.4	1.2	5.6	1.8	-36.37
Nigeria	0.1	0.4	1.7	0.6	0.7	73.29
Senegal	0.6	1.2	0.9	0.9	1.2	12.91
Uganda	0	0.2	0.3	5.5	2.2	364.22
Other Africa	84.5	73.76	75.17	71.00	81.1	-1.21

(Cont'd)

Country of origin	Value (US$ Millions) 1989	1990	1991	1992	1993	Trend (%) 1989-93
AUSTRALIA AND OCEANIA	1,022.8	1,300.6	1,495.6	1,549.0	1,560.5	10.74
Australia	924.8	1,186.0	1,377.9	1,413.0	1,399.4	10.56
New Zealand	97.9	114.6	117.3	136.0	161.0	12.37
Other Oceania	0	0	0.4	0.1	0.1	-
NORTH AMERICA	2,528.3	2,926.9	3,751.2	4,281.8	3,664.5	11.88
USA	2,217.9	2,520.2	3,396.9	3,822.4	3,254.5	12.56
Canada	310.5	406.7	354.3	459.3	410.0	7.01
CENTRAL & SOUTH AMERICA	762.8	518.6	597.2	487.9	625.4	-4.48
Mexico	51.9	63.1	81.4	56.1	58.2	1.15
Panama	0.2	0.4	0.4	0.8	2.5	77.05
Chile	69.4	87.3	117.5	112.8	134.7	17.15
Venezuela	0.3	7.5	4.0	1.5	3.7	42.87
Argentina	18.3	116.0	108.2	128.1	107.1	43.80
Brazil	290.1	204.1	256.3	174.6	288.3	-1.67
Colombia	0.7	4.8	5.0	0.1	0.6	-34.97
Trinidad and Tobago	14.1	4.6	0.2	4.1	2.9	-27.86
Other Central and South America	317.9	30.8	24.2	9.8	27.4	-45.34
WEST EUROPE	3,068.8	4,706.4	5,471.5	6,274.7	7,066.6	21.60
EUROPE UNION	2,574.5	4,073.8	4,170.2	5,400.6	5,652.0	20.38
- United Kingdom	359.6	439.8	602.7	719.4	782.0	22.70
- Netherlands	247.7	550.2	505.0	506.5	626.0	19.38
- France	405.2	643.2	543.8	316.3	853.4	18.86
- West Germany*	920.4	1,514.9	2,067.0	2,141.1	2,072.4	21.76
- Belgium and Luxembourg	167.1	232.3	253.7	324.3	339.8	19.15
- Denmark	31.2	61.0	49.1	124.0	158.4	48.55
- Ireland	8.0	74.2	12.7	23.3	21.1	8.16
- Italy	348.2	409.6	535.9	558.2	523.2	11.90
- Greece	2.9	6.2	5.2	7.5	12.3	36.34
- Spain	81.8	136.4	131.1	178.0	261.8	29.62
- Portugal	2.3	6.0	4.0	2.0	1.5	-18.08
Austria	95.9	89.0	115.7	203.6	277.7	34.36
Switzerland	156.4	234.7	254.6	253.0	333.4	17.21
Norway	28.6	49.3	44.2	34.7	78.1	18.00
Sweden	165.2	197.9	264.1	267.6	455.5	26.24
Finland	38.2	51.5	79.4	105.8	265.5	58.33
Other West Europe	9.8	10.0	3.3	9.4	4.5	-15.17
EAST EUROPE	168.8	172.0	179.3	141.2	198.9	1.33
Czechoslovakia	18.2	25.8	31.9	38.1	47.9	26.15
East Germany	15.1	0	0	0	0	
Hungary	29.8	18.1	20.4	12.3	16.9	-14.14
Poland	17.5	42.6	42.3	28.9	25.3	3.49
Romania	28.7	6.5	12.3	2.0	4.3	-39.08
Bulgaria	1.1	6.4	3.3	1.9	4.8	18.36
USSR	50.8	53.4	47.5	46.6	96.5	12.17
Yugoslavia	7.5	19.1	21.5	11.5	1.7	-29.70
TOTAL IMPORT	16,359.6	21,837.1	25,868.8	27,279.6	28,327.8	14.12

* Since 1990, the figures are for "unified" Germany

Source: Central Bureau of Statistics.

APPENDIX

INDONESIA'S PARTICIPATION IN THE URUGUAY ROUND AND ITS EXPECTED IMPACT

Successful completion of the Uruguay Round at end-1993 was one of the highest priorities of the Government of Indonesia. Indonesia fully recognizes the significance of the Uruguay Round Agreement and the milestone it represents in the context of the post-war multilateral trading system.

The Minister of Trade of the Republic of Indonesia signed the Uruguay Round Final Act in Marrakesh in April 1994. Legislation to enable the adoption of the Uruguay Round Agreement into domestic law was put before the Indonesian Parliament in September 1994. Ratification of the Uruguay Round Final Act is expected by the Government of Indonesia in October 1994 following approval by Parliament. Indonesia fully expects to be a founding member of the new World Trade Organization as of January 1995 and attaches the highest importance to full participation in this new body.

The results of the Uruguay Round Agreement represent a comprehensive attempt towards strengthening the rules and disciplines of the multialteral trading system, to which Indonesia attaches great value in its trading relations. The Uruguay Round Agreement will govern trading relations among GATT contracting parties and among members of the World Trade Organization well into the 21st Century. Liberalization commitments agreed under the Uruguay Round should bring substantial concrete benefits for all participating countries and for the trading system as a whole.

The quantitative impact which the Uruguay Round will have on members of the multilateral trading system will be augmented through the qualitative improvements in the GATT system. Both trade rules and trade disciplines have been significantly strengthened under the various Agreements composing the Uruguay Round Final Act. In particular, expedited and binding dispute settlement procedures will ensure that all countries receive equal treatment in resolving trade disputes. The confidfence generated in the GATT system through the success of the Round lessens the danger of fragmentation of the trading system through competing regionalism and bolsters the principles of most-favoured-nation treatment and non-discrimination, to which Indonesia is strongly commited.

The possibilities for expanded trade which the Uruguay Round offers will be extremely important for Indonesian exporters, and should facilitate efforts to continue with the remarkable pace of export diversification and expansion that the country has known over the past 15 years. Recognition of the potential benefits and the importance of these negotiations were behind Indonesia's substantive participation in the Uruguay Round.

Gains from the Uruguay Round Agreement for Indonesia will come from two sources. The first is the more efficient use of domestic productive resources that will result from the reduction of trade barriers. The second is the increased access to markets of other countries that will arise from trade liberalization.

Estimates based on a simulation of the potential trade liberalization effects arising from the Uruguay Round using a computable general equilibrium model show that there may be substantial potential gains for Indonesia from the Uruguay Round, namely an annual increase in real exports of 11 per cent and an increase in real GDP of nearly 1 per cent, assuming full implementation of the liberalization agreed in the Round. More information on this and other estimations is provided in the last section of this document.

I. Indonesia's participation in the Uruguay Round

Indonesia's commitments under the Uruguay Round for both goods and services are contained in its revised Schedule XXI, as attached to the Uruguay Round Final Act. They include the following:

1. The binding of a majority of tariffs across-the-board at a ceiling rate of 40 per cent. These bindings cover 95 per cent of all tariff lines (8,878 out of 9,382 lines on an HS 9-digit basis) and 92 per cent of all imports. These tariff bindings will become effective as soon as Indonesia becomes a member of the World Trade Organization. Indonesia's commitment to bind nearly all of its tariff schedule demonstrates its willingness to accept the GATT rules and disciplines as set out in Article II and offer secure market access to its trading partners. Table 1 summarizes Indonesia's Uruguay Round market access offer for goods. The current situation with respect to levels of import protection in Indonesia is shown in Table 2.

2. The tariffication and binding of all agricultural items, with a reduction in the tariff of at least 10 per cent per line item (24 per cent overall), to be carried out over 10 years. A guaranteed access threshold for rice imports of 70,000 tons annually (at a 90 per cent tariff) will be immediately effective. Subsidization of rice exports is to be kept within a band of between US$27.6 (1995) and US$21.5 million (2004) annually, covering a volume of between 295 and 257 thousand tons, respectively.

3. The removal of all non-tariff barriers (NTBs) on tariff items included in Indonesia's market access offer. These NTBs are to be removed within a 10-year time period. At the time of Indonesia's signature of the Uruguay Round Final Act (April 1994), this commitment affected 179 tariff lines (out of a total of 269 tariff lines with NTBs). The non-tariff barriers to be removed covered US$358 million, or 6 per cent of imports in 1992.

   Following the Deregulation Package of June 1994, Indonesia removed 27 outstanding non-tariff measures, of which 11 applied to manufactured items in Indonesia's market access offer. Another 87 manufactured NTBs still remain which must be phased-out over the coming 10 years as a result of the Uruguay Round offer.

   Product items on the list of exceptions to Indonesia's market access offer, for which licences or NTBs will not have to be removed, included 504 items covering US$2,285 million of imports in 1992 or 8.4 per cent of total tariff lines. Under the Deregulation Package of June 1994, 16 of these NTBs were removed, leaving 488 remaining NTBs at present which will not be affected by Indonesia's Uruguay Round commitments.

4. The elimination of all import surcharges on items included in Indonesia's market access offer. Indonesia commited itself to carry out this elimination during a ten-year period. However, the Government of Indonesia has accelerated trade liberalization in this area. At the time of Indonesia's signature of the Uruguay Round Final Act (April 1994), surcharges were applied to 220 tariff lines. As a result of the Deregulation Package of June 1994, surcharges were removed from 108 tariff lines and reduced on a further 13 lines. Thus surcharges are presently applied to only 112 tariff lines. Most of the surcharges removed were on items included in Indonesia's market access offer.

5. Commitments to liberalization or to the binding of existing market access opportunities for five sectors in the area of services: telecommunications; industrial services; tourism; financial services; and banking.

Table 3 outlines the areas in which Indonesia has made contributions in the area of trade in services under the new General Agreement on Services. These commitments offer either expanded trade liberalization or the binding of existing levels of market access in these service sectors. The Government of Indonesia has not placed any limitations on cross border supply of various service activities under these sectors (with the exception of commercial banking) nor on the consumption abroad of such services.

Certain other qualifications or limitations have been included in Indonesia's schedule of commitments on Trade in Services, nearly all of which involve the requirement of the establishment of a local joint venture company or service partner or insurance company or securities broker/dealer, depending upon the service in question. There are also qualifications on the admission of natural persons (e.g. managers, professionals) into Indonesia. National treatment in the area of banking activities is qualified by a requirement that involves a capital investment requirement of a minimum of 25 years in order to establish a commercial presence.

II. Enhanced market access for Indonesia's exports resulting from the Uruguay Round

Indonesia's main export markets are in the industrialized countries. The United States, the European Union and Japan together accounted for 54 per cent of Indonesia's total exports in 1992, as shown in Table 4. These countries are also Indonesia's major import suppliers, providing again more than half of Indonesia's total imports. In terms of developing markets, the largest single outlets for Indonesia's exports are Singapore and South Korea. The Uruguay Round results will expand access for Indonesian exporters to all major industrial markets as well as to the rapidly growing economies of the East Asian region.

A. Tariff and non-tariff liberalization

For Indonesia, the tariff reductions agreed in the Uruguay Round will provide greatly enhanced market access for exporters in many key product areas. Global tariff barriers on manufactured products of export interest to Indonesia will be reduced by 42 per cent. Tariffs in industrial countries will decline to an average of around 4 per cent. Only 5 per cent of tariffs on industrial items will be higher than 15 per cent following the Uruguay Round.

Table 5 shows the tariff levels pre- and post-Uruguay Round which will face exporters of agricultural and manufactured products into Indonesia's three main industrial markets, namely Japan, the European Union and the United States. The resulting simple average tariff facing Indonesia's exports (all products except petroleum) will fall to 4.4 per cent in Japan, 6.0 per cent in the European Union and 6.5 per cent in the United States. Higher levels of average tariffs will face Indonesian exports to developing country markets following the implementation of Uruguay Round tariff liberalization.

Tariff escalation will also be reduced for some product areas as a result of the Uruguay Round Agreement. This is true for the following products in which Indonesia has an export interest: wood products, paper, tobacco, copper, nickel, aluminium, lead and tin. However, tariff escalation in other product areas remains a concern for Indonesia, particularly in footwear, rubber products and textiles and clothing.

Many of Indonesia's export items will face larger than average tariff cuts. Table 6 shows the tariff cuts applicable to some of Indonesia's major exports in industrial markets. The largest cuts apply to wood, pulp, paper, and furniture items (69 per cent), mineral products and precious metals (59 per cent), oil seeds, fats and oils (40 per cent) and coffee, tea, cocoa and sugar (34 per cent). Indonesia's export earnings from the items in these groups comprise between 21 and 50 per cent of total export receipts. Substantive tariff cuts will also apply to certain export items in which Indonesia has a moderate export interest at present, namely fruit and vegetables (36 per cent). Following the Uruguay Round, Table 7 shows that an increased proportion of Indonesia's exports will receive duty-free treatment in major industrial markets.

However, lesser than average tariff custs will apply to other products of high export interest to Indonesia. These include: leather and rubber footwear and travel goods (18 per cent average tariff reduction only); textiles and clothing (22 per cent); and fish and fish products (26 per cent).

Indonesia should benefit from the various aspects of trade liberalization and deregulation agreed for agricultural products contained in the Uruguay Round Agreement on Agriculture, although the resulting impact of the Uruguay Round liberalization on the prices of agricultural commodities is uncertain and may result in substantial price increases for several of the food items which Indonesia imports at present. Indonesia strongly supported the attempt in the Uruguay Round to bring the agricultural sector under greater GATT disciplines and to begin liberalization in a sector which has been subject to highly protectionist intervention for many years. Indonesia attaches importance to the substantive implementation of the agreed liberalization in the agricultural area.

Indonesia should be a major beneficiary of the trade liberalization agreed in the area of textiles and clothing provided that the commitments under the Uruguay Round Agreement on Textiles and Clothing are impoemented as stated so that the sector is fully integrated into normal GATT rules and disciplines following the ten-year transition period. As a major exporter of textiles and clothing, Indonesia participated in a very substantive way in this part of the Uruguay Round negotiations and will be concerned that the new World Trade Organization faithfully monitor the implementation of this agreement according to the schedules of liberalization which remain to be provided by the importing participants to the Multifibre Arrangement.

B. Greater security of market access

In addition to tariff reduction, the Uruguay Round has resulted in greater security of market access through an expanded number of tariff bindings. For the first time in the history of the GATT, the coverage of tariff bindings will be comprehensive as concerns agricultural products and nearly comprehensive as concerns manufactured items (for industrial countries). Table 8 shows the increase in the coverage of tariff bindings by developed and developing countries following the Uruguay Round relating to both manufactured and agricultural items. Indonesia has substantively contributed to the guarantee that tariff bindings provide for greater security of market access.

The Uruguay Round also achieved major improvements in the scope and disciplines of multilateral trade rules under the GATT which should promote greater security in Indonesia's trading relations, particularly through the following:

1. An improved safeguard system for Article XIX or "escape clause" action contained in the Agreement on Safeguards;

2. Improved disciplines over export subsidy practices and over domestic subsidy practices affecting trade, as contained in the Agreement on Subisides and Countervailing Measures;

3. Strengthened and binding dispute settlement procedures as contained in the Uruguay Round Understanding on Rules and Procedures Governing the Settlement of Disputes (or the "Integrated Dispute Settlement Procedures").

The Government of Indonesia remains concerned however over the revised provisions of the Uruguay Round Agreement on Implementation of Article VI (Anti-Dumping), and particularly over the way in whch this Agreement may be carried out in the domestic legislation of major industrial trading partners. Indonesia will be anxious to ensure that trade harrassment through the excessive recourse to anti-dumping investigations does not occur under the new World Trade Organization.

III. Expected impact of the Uruguay Round on Indonesia

As stated earlier, the Uruguay Round will be expected to have a positive impact on the trade and income of all members of the multilateral trading system through the agreed trade liberalization it contains. This impact on Indonesia should be substantial and should result in an expansion of Indonesia's trade as well as help to diversify Indonesia's exports.

Table 9 sets out a rough estimation of the potential expansion of Indonesia's trade as a result of the Uruguay Round. The figures in that table were calculated as follows. Assuming that full implementation of the trade liberalization agreed in the Uruguay Round is carried out by 2005, the impact on world trade in that year should result in US$270 billion worth of additional exports, according to the estimates of the GATT Secretariat (including only static and not dynamic effects). This figure was obtained on the basis of a projected growth rate for world trade of 4.5 per cent.

Indonesia's exports represented about 0.85 per cent of world exports in year 1992. If Indonesia were to share proportionally in the increment to trade, then on a pro rata basis, Indonesia should receive around US$2.3 billion in additional exports as of the year 2005 as a result of the Uruguay Round liberalization. This would represent an increase in its exports of 7.5 per cent.

If, however, as a result of on-going deregulation policies in the trade, investment and financial sectors, Indonesia is able to achieve a rate of export growth above this 4.5 per cent base figure and thus to increase its share of the world export market between now and the year 2005, then the benefit it could gain from the Uruguay Round package of trade liberalization will be correspondingly larger. (Note: Indonesia's rate of real average annual export growth over the decade 1980-89 was above 8 per cent; that of non-oil exports was 15 per cent).

Assuming a growth rate for exports identical to that which Indonesia achieved during the 1980s of around 9 per cent, then Indonesia should realize an increase of US$3.7 billion of additional exports as a result of the Uruguay Round by the year 2005. This represents nearly 15 per cent of current exports.

The above possibility is confirmed by the use of the GTAP model or the Global Trade Analysis Project model. This is a computable general equilibrium model which allows for the carrying-out of simulations in which changes in trade policies (and other economic policies) can be modelled and their effects on various economic variables such as output, trade flows, prices and welfare examined. The

GTAP model was developed from the SALTER-III model of the Australian Industries Commission, but was further refined and extended by a team of economists at Purdue University in the United States. This is the same model which the economists of the GATT Secretariat used in their study of November 1994 (An Analysis of the Proposed Uruguay Round Agreement, with Particular Emphasis on Aspects of Interest to Developing Countries).

For the purpose of the Uruguay Round simulation, the trade liberalization agreed in the Round was introduced into the GTAP model in the form of policy shocks and the impact of this liberalization examined for Indonesia. The following aspects of trade liberalization were modelled: tariff reduction for industrial items (roughly 38 per cent by developed countries and 37 per cent by developing countries); tariff reduction for agricultural items (22 per cent for both developed and developing countries); reduction in agricultural export subsidies (36 per cent by developed and 24 per cent by developing countries); and complete elimination of the quantitative restrictions for textiles and clothing (100 per cent removal of the tariff-equivalents in the model of the quotas under the Multifibre Arrangement). Results of the simulation are set out in Table 10.

Estimates by the GTAP models of the resulting stimulus to trade and income which the full implementation of the liberalization agreed in the Uruguay Round could bring to Indonesia are substantial. Indonesia's exports are estimated to increase by 11 per cent annually. This figure is midway between the estimates set out in Table 9 of additional export growth of 7.5 per cent (based on conservative export growth for non-oil and gas exports) and that of 15 per cent (based on moderately rapid export growth for non-oil and gas exports). In terms of increased income, implementation of the Uruguay Round is estimated to add around US$856 million of additional income annually to Indonesia's GDP, over and above what it would otherwise have been. This represents nearly 1 per cent (0.8) of Indonesia's gross domestic product.

Substantial export opportunities for Indonesian firms should result from Uruguay Round liberalization according to the results of the model simulation, especially in the two markets of North America and Western Europe. Other large export opportunities are shown to result for Indonesian exports of agricultural products in the markets of ASEAN members and South Korea.

However, the gains to be realized from the Uruguay Round liberalization go far beyond the trade flows and income effects estimated above. Strong linkages exist between trade and investment, and in turn between investment and growth which the Uruguay Round will help to stimulate. This positive link will serve to introduce dynamic effects that the Uruguay Round will have on Indonesia and other members of the world economy and will serve to strengthen and accelerate this effect over time.

Table 1
Summary of Indonesia's Uruguay Round market access offer

	Tariff lines		Imports 1992	
	Number	Per cent	US$ million	Per cent
A. Tariff binding				
1. Total bound manufactures	7,537	80.3	22,529	82.6
Existing bindings	823	8.8	6,227	22.8
New bindings	6,714	71.6	16,302	59.8
2. Total agriculture (all bound)	1,341	14.3	2,464	9.0
3. Exceptions	504	5.4	2,285	8.4
Total above	9,382	100.0	27,279	100.0
B. Agriculture				
1. Tariffication and binding of all items				
2. Duty reduction of 10% by tariff line over 10 years				
3. Elimination of local content requirement for milk products				
4. Agreed access of 70,000 tons of rice imports annually				
C. Removal of non-tariff barriers on bound tariff items				
NTBs on 98 industrial tariff lines affecting US$358 million of imports to be removed within 10 years.				
D. Elimination of import surcharges on bound tariff items				
Surcharges varying between 5 and 25 per cent on 159 tariff lines affecting US$838 million of imports to be removed within 10 years.				

Source: Ministry of Trade.

Table 2
Trade protection in Indonesia

	1986	1988	1990	1991	1992	1993
			TARIFFS			
Unweighted average tariff	27	24	22	20	20	20
Weighted average tariff: by import value	13	14	11	11	11	12
by domestic production	19	18	17	15	13	13
NTB coverage as:*			NON-TARIFF BARRIERS			
% of CCCN items	32	16				
% of HS items			17	10	5	3.5
% of import value	43	21	17	13	13	12

* It was estimated that NTBs protection 30% of manufacturing and 35% of agriculture in 1993, though their importance in terms of import coverage has fallen.

Source: Ministry of Trade and World Bank.

Table 3
Uruguay Round commitments on trade in services by Indonesia

Indonesia's Uruguay Round commitments on trade in services cover five sectors as follows:

		Limitations on Indonesia's commitments	
		A. Market Access	B. National Treatment
I.	**Telecommunications**	(3), (4) to all	(3), (4) to all
	Voice mail service		
	Electronic mail services		
	Computer time-sharing services		
	Videotex services		
	Electronic mail box		
	File transfer services		
	Home telementing alarm		
	Entertainment services		
	Management information services		
II.	**Industrial services**	(3), (4) to all	(3), (4) to all
	Advisory and consultative		
	Engineering design services		
	Project management services		
	Consultancy services related to computer hardware		
	Software implementation services		
	Interdisciplinary R&D for industrial services		
	Technical testing and analysis services		
	Services of manufacturing		
	Equipment maintenance and repair		
	Architectural services		
	Engineering services		
	Integrated engineering services		
	Urban planning services		
	Construction work for building and for civil engineering and for pre-fabricated building		
	Renting services for construction activities		
III.	**Tourism services**	(3), (4) to all	(3), (4) to all
	Hotel		
	Travel agent and tour operator		
	Tourist resort		
IV.	**Financial services**	(3), (4) to all	(3), (4) to all
	Non-life insurance services		
	Reinsurance services		
	Life assurance services		
	Insurance brokerage services		
	Reinsurance brokerage services		
	Financial lease services		
	Factoring services		
	Credit card business		
	Consumer finance services		
	Securities business		
V.	**Banking**	(3), (4) to all	(3), (4) to all
	Commercial banking business*		
	Bank lending of all types		
	Payment money transmission services		
	Guarantees and commitments		
	Trading (money market investments, foreign exchange, exchange rate instruments, transferable securities)		
	Asset management		

KEY
(1) Limitations on Cross Border Supply
(2) Limitations on Consumption Abroad
(3) Limitations on Commercial Presence (right of establishment)
(4) Limitations on the Presence of Natural Persons

* Limitation (1) also applies.

Table 4
Indonesia's major export markets, 1992
(Percentage of total exports)

I. Developed country markets	
- Japan	16.8%
- European Union	20.5%
- United States	15.5%
II. Developing country markets	
- ASEAN	17.8%
(Singapore)	(8.27%)
- NICs:	
- Republic of Korea	6.6%
- Chinese Taipei	3.6%
- Hong Kong	2.4%
- China	3.3%
TOTAL	86.5%
Note: Indonesia's share in world exports	0.90%

Indonesia's major import suppliers, 1992
(Percentage of total imports)

I. Developed country suppliers	
- Japan	24.46%
- European Union	18.18%
- United States	13.12%
II. Developing country suppliers	
- ASEAN	9.52%
(Singapore)	6.56%
- Republic of Korea	5.56%
- Chinese Taipei	5.13%
- China	3.23%
TOTAL	91.10%
Note: Indonesia's share in world imports	0.72%

Table 5
Tariffs facing Indonesian exporters in major industrial markets before and after the Uruguay Round liberalization
(Tariff rates and percentage reduction)

	I. Agricultural Products			II. Industrial Products			III. All Products*		
	Pre-UR	Post UR	% Red.	Pre-UR	Post-UR	% Red.	Pre-UR	Post-UR	% Red.
Japan									
Simple Arg.	11.4	7.9	-30.6	6.9	3.6	-47.7	7.8	4.4	-43.0
(Weighted Arg.)							(4.4)	(1.5)	(-66.4)
U.S.									
Simple Arg.	8.8	6.4	-28.3	8.8	6.5	-26.8	8.8	6.5	-27.0
(Weighted Arg.)							(8.4)	(7.6)	(-10.0)
E.U.									
Simple Arg.	12.2	8.2	-33.1	8.1	5.6	-31.5	8.7	6.0	-31.9
(Weighted Arg.)							(7.2)	(4.8)	(-32.6)
Canada									
Simple Arg.	2.4	1.5	-39.5	16.8	11.0	-34.6	14.9	9.7	-34.7
(Weighted Arg.)							(7.9)	(5.1)	(-35.9)

* Excluding petroleum.

Source: GATT Secretariat.

Table 6
Tariff reductions on products of major export interest to Indonesia as a result of the Uruguay Round

Product Group	Percentage Tariff Reduction		
	Developed countries	North America	Western Europe
I. Greater than average reduction			
Wood, pulp, paper and furniture	69	76	67
Metal	59	63	35
Mineral products, precious metals and stones	52	31	22
Coffee, tea, cocoa, sugar, etc.	34	35	29
Oil seeds, fats, and oils	40	43	34
II. Lesser than average reduction			
Textiles and clothing	22	15	20
Fish and fish products	26	19	18
Leather, rubber, footwear and travel goods	18	11	23

Source: GATT Secretariat.

Table 7
Indonesian exports subject to tariffs less than 10% in major industrial markets before and after the Uruguay Round liberalization
(Percentage of exports by tariff rate)

	I. Pre-Uruguay Round				I. Post-Uruguay Round			
	Duty free	1-5%	6-10%	Total %	Duty free	1-5%	6-10%	Total %
U.S.	42.1	6.4	22.7	71.2	47.0	6.2	19.2	72.4
Japan	20.6	28.0	4.1	52.7	76.5	11.0	12.0	19.5
E.U.	28.2	15.8	34.0	78.0	40.3	12.1	23.2	75.6
Canada	46.8	0.6	25.7	73.1	50.3	1.3	27.1	78.7

* All products excluding petroleum.

Source: GATT Secretariat.

Table 8
Uruguay Round tariff bindings

I. PRE- AND POST-URUGUAY ROUND SCOPE OF BINDINGS FOR INDUSTRIAL PRODUCTS (EXCLUDING PETROLEUM)
(Number of lines, billions of US dollars and percentages)

Country group or region	No. of lines	Import value	Percentage of tariff lines		Percentage of imports under bound rates	
			Pre-	Post-	Pre-	Post-
By major country group:						
Developed economies	86,968	737.2	78	99	94	99
Developing economies	157,805	306.2	22	72	14	59
Transition economies	18,962	34.7	73	98	74	96
By selected region:						
North America	14,138	325.7	99	100	99	100
Latin America	64,136	40.4	38	100	57	100
Western Europe	57,851	239.9	79	82	98	98
Central Europe	23,565	38.1	63	98	68	97
Asia	82,245	415.4	17	67	36	70

Note: The data on developed economies cover 26 participants; those 26 participants account for approximately 80 per cent of the merchandise imports, and roughly 30 per cent of the tariff lines, of the 93 developing country participants in the Uruguay Round.

I. PRE- AND POST-URUGUAY ROUND SCOPE OF BINDINGS FOR AGRICULTURAL PRODUCTS
(Number of lines, billions of US dollars and percentages)

Country group or region	No. of lines	Import value	Percentage of tariff lines		Percentage of imports under bound rates	
			Pre-	Post-	Pre-	Post-
By major country group:						
Developed economies	14,976	84.2	58	100	81	100
Developing economies	23,615	30.4	18	100	25	100
Transition economies	2,841	4.8	51	100	54	100
By selected region:						
North America	2,297	19.6	92	100	96	100
Latin America	8,867	5.6	36	100	74	100
Western Europe	11,345	38.4	45	100	87	100
Central Europe	3,502	5.7	45	100	50	100
Asia	12,660	49.1	17	100	40	100

Note: The data on developed economies cover 26 participants; those 26 participants account for approximately 80 per cent of the merchandise imports, and roughly 30 per cent of the tariff lines, of the 93 developing country participants in the Uruguay Round.

Table 9
Potential impact of Uruguay Round trade liberalization on Indonesian exports as of year 2005

With Non-Oil/Gas Export Growth of:	Results are:	
	Increased Amount of Exports	Additional Exports as Percentage of Current Exports
4.5%	US$2.3 billion	7.5%
9.0%	US$3.7 billion	15.0%
15.0%	US$4.6 billion	18.1%

Source: Estimations by Ministry of Trade.

Table 10
Computable general equilibrium estimates of Uruguay Round impact on Indonesia

Increase in Exports	**10.94%**
Increase in Income	**US$856 million or 0.8% of GDP**
Change in Terms of Trade	0.03
Major Export Market Opportunities	**Potential Export Increase**
Manufactures	
1. Western Europe	68.67%
2. North America	64.65%
Agricultural items	
1. Thailand/Philippines	18.64%
2. Malaysia/Singapore	14.35%
3. South Korea	13.10%

Source: Estimates from GTAP Model, Ministry of Trade.