

**NOTIFICATION UNDER ARTICLE 5 OF THE AGREEMENT ON IMPORT
LICENSING PROCEDURES FROM INDONESIA¹**

Questions from the UNITED STATES to INDONESIA²

The following communication, dated 8 May 2003, has been received from the Permanent Mission of the United States.

Indonesia's submission, G/LIC/N/2/IDN/1, raises a number of questions concerning the actual operation of the licensing provisions notified, and does not appear to fully reflect the scope and level of the measures as they are being experienced by exporters.

On 22 October 2002, Indonesia implemented an import licensing regulation, Decree No. 732/2002 of the Minister of Industry and Trade on Procedures for Importing Textiles. We are seriously concerned that the import licensing requirement established by the Decree is restricting and distorting trade contrary to the Agreement on Import Licensing Procedures.

When we raised this issue bilaterally in November 2002, we were told that the measure was simply a requirement for importers of textiles to re-register with the Ministry of Trade and Industry, and that the import licensing system was being used to help overcome weaknesses in Indonesia's Customs Service and to combat anti-competitive behaviour and smuggling.

1. Our review of the Decree indicates, however, that various provisions go far beyond a registration requirement or licensing procedure, in the following manner:

- Textile fabrics can only be imported by local textile producers.
- Imports can only be used as raw material or supplements for the production process of the importers-producers and may not be sold or transferred to others.
- All authorized importers must seek approval from the Ministry of Industry and Trade for the amount and the time schedule of their imports.
- Importers must also submit a monthly report on their imports to the Ministry of Industry and Trade. Failure to submit monthly reports will result in the revocation of import licences, according to the Decree.

¹ G/LIC/N/2/IDN/1.

² See Understanding on Procedures for the Review of Notifications (G/LIC/4).

These limits on the use of imported textiles restrict the amount and type of imports of these products. The ban on sale of imported textiles in Indonesia and the requirement that imports only can be used as raw materials or auxiliary materials for production processes appears to us to provide imported textile products less favorable treatment than textiles produced in Indonesia. Such restrictions would appear to conflict with the provisions of Articles III and XI of the GATT as well as Article 7 of the Agreement on Textiles and Clothing, which requires all Members to abide by GATT 1994.

2. We have serious additional concerns regarding whether the provisions of the Agreement on Import Licensing Procedures were followed in issuing the Decree.

- There was no advance notice to the Committee, nor notification in a timely manner after implementation, which occurred on 22 October 2002.
- The notification itself, which was circulated on 14 April 2003, does not appear accurate and we believe is missing attachments.
- It is not clear whether the required licences are automatically granted or not, assuming a firm meets the conditions of the Decree.
- Nor is it clear whether the licences are valid indefinitely if a firm files the required monthly reports, or whether firms need to renew the licences. If firms need to renew licences, what is the procedure for doing so?
- Furthermore, the required monthly reports appear to require firms to provide excessive amounts of information, and possibly to require firms to provide business confidential information.

3. As a Member with an interest in textile trade, the United States requests additional information and explanations from Indonesia on the operation of this licensing system, and all relevant information concerning the following:

- (i) the administration of the restrictions;
 - (ii) the import licences granted over a recent period;
 - (iii) the distribution of such licences among supplying countries; and
 - (iv) where practicable, import statistics (i.e. value and/or volume) with respect to the products subject to import licensing.
-