

**NOTIFICATION UNDER ARTICLE 5 OF THE AGREEMENT ON IMPORT  
LICENSING PROCEDURES FROM INDONESIA<sup>1</sup>**

**Replies from INDONESIA to questions from the UNITED STATES<sup>2</sup>**

The following communication, dated 29 September 2003, has been received from the Permanent Mission of Indonesia.

Indonesia wishes to refer to questions from the United States as contained in document G/LIC/Q/IDN/1 regarding textiles import procedures under Article 5 on import licensing procedures. On those questions, Indonesia would kindly reply as follows:

*Question 1:* *The US is of the view that various provisions of Decree 732/2002 go far beyond a registration requirement or licensing procedures, in the following manner:*

- *Textile fabrics can only be imported by local textiles producers.*

Reply: No provision in the Decree that provides discriminative treatment between local and foreign producers as long as they fulfilled all requirements as provided in the Decree.

- *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 other.*

Reply: As stated in the Decree, 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. The idea behind the Decree is that since late 2001, the bulk of textiles entering the Indonesian market are from smuggling activities which ultimately distorts the market as it creates unfair trade practices (sell the products under value/price). In this context, we cannot ignore that smuggling activities will very adversely affect fair trade as well as significantly reducing the government revenue.

*Notes:* According to the research and survey done by Indonesia University Research Institution, the smuggled textiles entering the Indonesian market have resulted in a loss of Rp. 50 trillion in terms of government revenue. In fact, smuggling activities have not only adversely affected the producers, but directly have great impacts of employment in 7,000 factories which absorb more than 3.5 million labourers with the investment value of Rp. 135 trillion. Among the instruments taken, we believe that licensing procedures are one of the keen policies to combat smuggling. Since Indonesia is an archipelago with almost 17,000 islands, smuggling activities could be very easily done by smugglers if the government is not fully aware.

<sup>1</sup> G/LIC/N/2/IDN/1.

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

- *All authorised importers must seek approval from the Ministry of Industry and Trade for the amount and the time-schedule of their imports.*

Reply: According to Article 3 of the Decree all authorised importers must seek approval from the Ministry of Industry and Trade for the amount and the time schedule of their imports within one year. These requirements are not merely to restrict or control trade in textiles, but rather to monitor imported textiles sold under value (monitoring system).

- *Importers must also submit a monthly report on their imports to the Ministry of Industry and Trade. Failure to submit a monthly report will result in the revocation of import licences, according to the Decree.*

Reply: In order to effectively enforce and for achieving the ultimate goals of the Decree (Article 7 of the Decree), 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.

*Question 2: The US has serious additional concerns 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.*

Reply: Indonesia fully recognises that the notification was submitted late and we have requested apology in the cover letter submitting the notification.

- *The notification itself, which was circulated on 14 April 2003, does not appear accurate and we believe is missing attachments.*

Reply: We feel that the notification is accurate and is not missing attachments.

- *It is not clear whether the required licences are automatically granted or not, assuming a firm meets the conditions of the Decree.*

Reply: Indonesia confirms that licences are automatically granted if a firm meets all conditions and if it so requests.

- *Nor is 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?*

Reply: Without prejudice to the past performance of the firm, the new licence will be automatically granted to a firm which has been fulfilling the requirements and following the procedures as contained in Article 3, paragraph 2 of the Decree.

- *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.*

Reply: The monthly report to be submitted by a firm is very simple and not complicated as it is totally related to the amount of textiles imported within one month and does not contain any confidential information.

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

(i) *The administration of restrictions:*

Reply: The administrative procedures to get a licence are very simple.

(1) The firm files application and sends it to Directorate-General for Foreign Trade. The application should be attached with required documents, namely:

- Industrial business licence/Industry registry number
- Special Textiles and Textiles Product Importer Identity Number (NPIK-TPT)
- Producers-Importer Identity Number (API-P) or Approved Importer Identity Number (API-P)
- Corporate Registry Number (TDP)
- Taxpayer Code Number (NPWP)
- The Statement on the Plan for the Need of Raw Material or Auxiliary Material and the Marketing of the Products in one year which is legalised by the responsible person of the company, in the form as mentioned in Attachment II of the Decree

(2) Approval or rejection of the licence will be issued within ten working days since the filing of this application.

(3) Firm which has been approved is obliged to submit monthly report to the Ministry of Industry and Trade cq. Directorate for Import.

(4) The licence will be frozen if the firm fails to submit two monthly reports.

(5) The licence will be revoked if the management of the firm has been changed, violates provision regarding the use of raw material and/or sells the products to third parties, and by the decision of court due to the criminal law.

(6) Import licence will be valid for one year and can be renewed or extended according to the request of the firm.

(ii) *The import licences granted over a recent period.*

Reply: Up to now there have been 558 licences granted.

(iii) *The distribution of such licences among supplying countries.*

Reply: Indonesia does not distribute licences based on supplying countries.

(iv) *Where practicable, import statistics (value and/or volume) with respect to the products subject to import licensing.*

Reply: See Annex.

## Annex

<b>Total net import of textile and clothing (in metric ton) according to country of origin</b>					
Period: June-August 2003					
<b>Loading country</b>	<b>Total NW</b>	<b>Percentage/ country</b>	<b>June</b>	<b>July</b>	<b>August</b>
Quantity/month	41,533.12		2,557.62	37,033.76	1,941.74
TW	21,786.76	52.46	441.44	20,762.50	582.82
HK	8,679.50	20.90	156.18	8,406.28	117.04
KR	4,063.89	9.78	1,318.42	2,374.29	371.18
CN	2,546.41	6.13	445.88	1,560.36	540.18
DE	1,286.14	3.10	3.34	1,280.81	1.99
TH	919.15	2.21	36.14	858.29	24.72
GB	558.42	1.34	0.50	512.15	45.78
SG	542.97	1.31	24.61	490.56	27.80
JP	293.19	0.71	41.03	235.69	16.47
BD	215.43	0.52	36.19	36.81	142.23
BE	200.94	0.48		173.13	27.81
IN	92.18	0.22	0.34	77.32	14.51
MY	91.32	0.22	10.27	79.94	1.11
EG	51.68	0.15		61.68	
IT	40.17	0.10	2.15	32.69	5.34
CH	37.80	0.09	37.80		
PH	23.44	0.06	2.21	19.17	2.06
VN	22.58	0.05		22.43	0.15
SA	19.60	0.05		12.15	7.45
TR	14.57	0.04		8.79	5.78
PK	13.76	0.03		13.76	
ES	8.12	0.02	0.94	5.64	1.54
US	3.80	0.01		0.95	2.85
NL	3.35	0.01		3.35	
FR	2.60	0.01		1.54	1.06
AU	1.75	0.00		0.44	1.31
CA	1.23	0.00		1.23	
BR	0.73	0.00	0.17	0.19	0.37
ZA	0.73	0.00		0.73	
SE	0.44	0.00		0.44	
FI	0.20	0.00		0.20	
PE	0.20	0.00		0.20	
MX	0.09	0.00		0.09	