

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

Questions from the UNITED STATES to INDONESIA²

The following communication, dated 14 June 2006, is being circulated at the request of the delegation of the United States.

**Question from the United States to Indonesia Concerning Import Licensing Restrictions
on Textiles**

1. The United States is deeply concerned by the fact that for almost three years we have requested information on Indonesia's import licensing requirements on certain textile products and have not received any substantive response. We are transmitting comments and questions in advance of the meeting of the Import Licensing Committee of 21 June 2006, in order for the Indonesian authorities to be prepared to respond fully at that meeting.

2. At the October 2003 and May 2004 meetings of the Committee on Import Licensing, the United States requested that Indonesia submit information concerning import licensing requirements for certain textile products under Decree No. 732/2002. Questions were also circulated in documents G/LIC/Q/IDN/1 and G/LIC/Q/IDN/3.

3. The United States appreciates Indonesia's responses in G/LIC/Q/IDN/2 and G/LIC/Q/IDN/5. However, from these responses, and its responses to Australia's similar questions, in G/LIC/Q/IDN/6 and 6/Add.1, it appears that the principal purpose of the restrictions is protection of domestic production. The United States remains concerned that the use of non-automatic import licensing procedures to restrict imports and protect domestic production is not consistent with Indonesia's WTO commitments, and that the import licensing requirements established by the decree are restricting and distorting trade. Specific U.S. concerns include:

- Restricting the use of a wide range of imported fabric, as well as who can import such fabric. According to our information, only approved local garment or textile producers are authorized to import such fabric and such imported fabric may only be used as inputs in the production of other products, and may not be sold or otherwise transferred.
- Requiring that authorized importers seek approval from the Ministries of Industry and Trade for both the quantity and timing of its imports. Such approval is apparently not automatically granted.

¹ G/LIC/N/2/IDN/1.

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

- Requiring that importers submit to the Ministries of Industry and Trade a monthly report that tracks each importation of fabrics by date, destination, quantity, price, duty, and country of origin. We understand that failure to submit such a report results in the suspension of approval of import licenses for that importer. The United States questions whether this requirement is necessary, and whether the penalty for non-compliance is greater than necessary.
4. At the June 2005 and September 2005 meetings of the Committee on Import Licensing, the United States requested that the Government of Indonesia either eliminate or modify its existing licensing regime.
 5. According to the minutes of the June 2005 meeting, the representative of Indonesia said that his delegation was still studying Decree No. 732/2002 and associated U.S. questions and that he would request his capital to obtain the information as soon as possible from the Ministry of Industry and the Ministry of Trade in order to forward it to the United States (G/LIC/M/21).
 6. According to the minutes of the September 2005 meeting, the representative of Indonesia said that his delegation had not received any mandate from its capital and that he believed that his authorities were still studying the matter (G/LIC/M/22).
 7. This issue has also been raised a number of times in the past years in bilateral discussions without much success. This issue was raised most recently at the April 2006 Trade and Investment Framework Agreement discussions.
 8. We again request the Government of Indonesia to either eliminate or modify its existing licensing regime under Decree No. 732/2002 to remove provisions that restrict or distort trade and to bring its import licensing regime into conformity with WTO requirements. We also look forward to the results of the Government of Indonesia's studies on this issue.
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