

**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 20 June 2006, is being circulated at the request of the delegation of Indonesia.

**Additional Replies to Questions Posed by the US**

In addition to the replies made by Indonesia to the US questions as contained in G/LIC/Q/IDN/2, 1 October 2003, we wish to provide some explanation in order to satisfy the US concerns as follows:

1. *(the first concern).*

The Decree (No. 732/MPP/Kep/10/2002 dated 22 October 2002) does not have any provision to prohibit foreign company(ies) to be an approved importer and has the authorization to import certain fabrics. As we have explained in our replies (see G/LIC/Q/IDN/2, 1 October 2003), license to be an approved importer will be automatically granted soon after the application has been fulfilled with all of requirements. This license is open to any bonafide company.

2. *(the second concern).*

We confirm that this license is an "automatic license" and not "non automatic licensing" as the Decree does not specifically request the company to have recommendation from other ministries but should fulfill all of the requirements in order to meet the administrative procedures. And we have explained above that as long as all requirements have been fulfilled, an import license will be automatically granted.

3. *(The third concern)*

We fully agree with the US views that all importers should submit such a monthly report to Minister (now is the Minister of Trade) that tracked each importation of fabrics by date, destination, quantity, price, duty and country of origin. And the failure to submit the report will result in suspension of approval of import licenses as a penalty. As we are all aware that to combat the smuggling activities is the idea behind this regulation/decree. Indonesia is a country of archipelago which consists of thousand islands (around 17.000 islands among which 5 islands are big). There are many entry ports (most of them are small) found all over Indonesia which are very difficult to control in particular the

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

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

smuggling activities. Huge illegal textiles (including clothing) with low prices were flooding the domestic market which is finally resulting in the collapse of many domestic textiles producers. This situation has created an unhealthy competition between illegal textiles products and domestic textiles products which have created jobless. Unemployment was found everywhere, the purchasing power has been significantly decreased and finally there occurred social riots. Finally, this Decree is intended to protect million of poor labours working in the textiles sector.

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