

WORLD TRADE ORGANIZATION

WT/DS54/17
WT/DS55/16
WT/DS59/15
WT/DS64/14
4 June 1999
(99-2304)

Original: English

INDONESIA – CERTAIN MEASURES AFFECTING THE AUTOMOBILE INDUSTRY

Status Report by Indonesia

The following communication, dated 3 June 1999, from the Permanent Mission of Indonesia to the Dispute Settlement Body, is circulated pursuant to Article 21.6 of the DSU.

Status Report on the Implementation of the Recommendations and Rulings in the dispute Regarding Indonesia – Measures affecting the Automotive Industry

Pursuant to paragraph 6 of Article 21 of the DSU, Indonesia wishes to hereby submit its status report of implementation of the rulings and recommendations of the DSB concerning “Indonesia – Measures Affecting the Automotive Industry” adopted by the DSB on 23 July 1998.

The DSB rulings and recommendations cover two measures i.e. (i) the National Car program of February 1996 and June 1996, and (ii) the 1993 car program. It is recalled that the arbitration held under paragraph 3(c) of Article 21 of the DSU awarded, on 7 December 1998, a twelve-month reasonable period of time for Indonesia to implement the rulings and recommendations of the DSB concerning the 1993 car program adopted by the DSB. It was agreed by all parties that the measures constituting the 1996 National Car program were not at issue in the arbitration.

With regard to the National Car program of February and June 1996, the Government of Indonesia (GOI) took the necessary measures which repealed the program. Such measures appear as an annex to this report.

As stated in our communication dated 21 August 1998, (document WT/DS54/12, WT/DS55/11, WT/DS59/10, WT/DS64/9, 27 August 1998) the Government of Indonesia believes that those measures taken by it on 21 January 1998 to repeal the 1996 National Car program and the subsequent actions taken constituted appropriate implementation of the rulings and recommendations of the DSB concerning the 1996 program.

With regard to the 1993 car program, the DSB requested Indonesia to bring its measures into conformity with its obligations under the WTO Agreement, within the time frame decided by the arbitrator which awarded a 12-month period to comply.

In fact, the issuance of a new policy consistent with Indonesia’s WTO obligations could not be materialized as expeditiously as expected. This was primarily due to the decision taken during the

course of the inter-agency discussions to include not only domestic industry but also automotive producers from the complaining parties as well as potential investors in Indonesia's automotive industry.

As a result of comprehensive discussions involving relevant government authorities and domestic producers/manufacturing associations as well as consultations with automotive manufacturers and associations of Japan, the European Communities and the United States, the Government of Indonesia has formulated a final draft Decree of the Minister of Industry and Trade with the following features:

Basic considerations:

Indonesia's obligations and commitments under the WTO.

Objectives:

To enhance efficiency and competitiveness of the automotive industry.

Main thrusts of the decree:

- a. Revocation of the Minister of Industry Decree No. 114/M/SK/6/1993 of 9 June 1993 on the Determination of Local Content Levels of Domestically Made Motor Vehicles or Components.
- b. Elimination of the sales tax discrimination aspects of the 1993 car policy in favour of domestic motor vehicles incorporating a certain value of domestic program;
- c. Elimination of the local content requirements which are linked to (i) sales tax benefit on finished motor vehicles incorporating a certain percentage value of domestic products and (ii) custom duty benefits for imported parts and components used in finished motor vehicles incorporating a certain percentage value of domestic products.
- d. Promoting the development of automotive and component industries through tariff and other WTO-consistent instruments.

The draft decree is now in the process of finalization. The decree itself will be issued and effective not later than 23 July 1999.

In accordance with paragraph 6 of Article 21 of the DSU, I kindly request that this letter be circulated to Members of the WTO and the matter be included in the agenda of the Dispute Settlement Body meeting of 16 June 1999.

ANNEX

Measures taken by the Government of the Republic of Indonesia to implement the recommendations and rulings of the DSB concerning the 1996 National Car program

1. The issuance of the following decrees, effective as of 2 February 1998:
 - (1) Presidential Decree No. 20/1998 dated 21 January 1998 revoked Presidential Decree No. 42/1996 and Presidential Instruction No. 2/1996 and thereby terminating the authority for further import duty and luxury tax exemption subsidies to producers of national car.
 - (2) Minister of Industry and Trade Decree No. 19/MPP/Kep/1/1998 dated 21 January 1998 revoked Minister of Industry and Trade Decree No. 31/MPP/SK/2/1996 and all the implementing regulations issued pursuant to it and to the Presidential Instruction No. 2/1996.
 - (3) Minister of Industry and Trade Decree No. 20/MPP/Kep/1/1998 dated 21 January 1998 revoked Minister of Industry and Trade Decree No. 142/MPP/Kep/6/1996, which authorized production of national cars to be carried out overseas for a one-year period, in implementation of Presidential Decree No. 42/1996.
 - (4) Government Regulation No. 14/1998 dated 21 January 1998 amended Government Regulation No. 50/1994, as previously amended by Government Regulation No. 20/1996 and by Government Regulation No. 36/1996, so as to eliminate the exemption of national cars from payment of the luxury sales tax.
 - (5) Minister of Finance Decree No. 19/KMK.01/1998 dated 21 January 1998 revoked Minister of Finance Decree No. 404/KMK.01/1996, which had exempted national cars produced overseas (during the one-year period specified in Minister of Industry and Trade Decree No. 142/MPP/Kep/6/1996) from payment of the customs imports duty.
 - (6) Minister of Finance Decree No. 20/KMK.01/1998 dated 21 January 1998 amended Minister of Finance Decree No. 36/KMK.01/1997 to delete the authority to exempt parts and components for assembly or manufacture of national cars from payment of the customs import duty.
 2. Necessary follow-up actions taken in accordance with the Indonesian Law No. 10/1995 on Customs to recover the foregone benefits from PT. Timor Putra Nasional (PT. TPN) due to its noncompliance with the program requirements.
-