

WORLD TRADE ORGANIZATION

RESTRICTED

G/SCM/Q2/IDN/11

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Committee on Subsidies
and Countervailing Measures

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SUBSIDIES

Replies to Questions posed by JAPAN¹ Concerning the Updating Notification of INDONESIA²

The following communication, dated 23 April 1998, has been received from the Permanent Mission of Indonesia.

Q.1. The status of the Presidential Instruction No. 2/1996

The Presidential Decree No. 20/1988, while revoking the Presidential Decree No. 42/1996 that dealt with overseas produced National Cars, stipulates in its Article 2 that "the Presidential Instruction No. 2/1996 ... is obsolete." Please explain the difference between "obsolete" and "revoked". Please also explain why the revocation of the Presidential Decree No. 42/1996 would automatically cause the situation where the Presidential Instruction No. 2/1996 is "obsolete".

Reply

Obsolete means "no longer applicable". Presidential Instruction No. 2/1996, having been declared "obsolete", no longer has any effect. This is further confirmed by the 50-Point Memorandum of Economic and Financial Policies (MEFP) signed by the President of the Republic of Indonesia and the Managing Director of the International Monetary Fund. Point 13 of the MEFP states, "The Government has also decided to discontinue immediately any special tax, customs or credit privileges granted to the National Car".

Q.2. The termination of the benefits for PT Timor

(i) The treatment of automobiles imported under the June 1996 Programme

Please explain whether PT Timor will be required to pay customs import duties and luxury sales taxes for the Korean made "Timors" that have arrived in Indonesia but not yet passed through the customs, when they go through custom clearance. As far as Japan knows, Indonesia's position on this issue has not been consistent, and Japan would like to confirm the final answer.

¹G/SCM/Q2/IDN/10.

²G/SCM/N/16/IDN/Suppl.1.

If PT Timor will not be required to pay customs duties and luxury sales taxes for such automobiles, please explain the legal basis on which such a treatment is allowed, despite the fact that the Presidential Decree No. 42/1996 has been already revoked.

Reply

However, the Government of Indonesia cannot ignore the large negative impact of the revocation, announced on 21 January 1998, of the National Car Programme. Therefore, for national cars already shipped to Indonesia under the 1996 policy, although not yet released from customs control, the Government will make an exception and allow the cars to clear customs free of import duty and luxury tax. This is a limited, one-time transitional action to enable the TPN to adjust to the sudden policy change. This was necessitated, in large part, by the unforeseen severity of the financial crisis in Indonesia. The imported cars awaiting customs clearance total 10,965 units, as of 2 February 1998.

(ii) The treatment of automobiles produced under the February 1996 Programme

Please explain whether automobiles already assembled in Indonesia under the February Programme will be given import duty and luxury tax exemptions.

If the answer is yes, please explain the legal basis on which such a treatment is allowed, despite the fact that the Presidential Instruction No. 2/1996 has been declared obsolete.

Reply

For the reasons given in the answer to question 2(i), cars already assembled in Indonesia under the February 1996 programme prior to 2 February 1998 (342 cars), will be given import duty and luxury tax benefits.

The benefits will not apply to cars assembled in Indonesia after 2 February 1998, the effective date of the new policy announced on 21 January 1998.

(iii) The effects on the benefits already given to PT Timor

Japan understands that PT Timor failed to meet the requirement under the June 1996 Programme and the first year requirements under the February 1996 Programme. Please explain whether the Indonesian Government will request PT Timor to return the benefits already given to it.

Reply

As stated in answer to question 2(i), the unforeseen severity of the financial crisis required immediate discontinuation of the tax and customs benefits granted to the National Car producer. This action has placed a heavy and unexpected financial burden on TPN. In recognition of the severity of this burden, the Government has decided not to require TPN to return the benefits.
