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POLICY

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Indonesia

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Ministry of Trade Changes Horticulture Import Regulation

Report Categories:

Citrus

Fresh Fruit

Potatoes and Potato Products

Trade Policy Monitoring

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Report Highlights:

The Indonesian Ministry of Trade (MOT) issued regulation 71/2015, updating Indonesia's import rules on horticultural products. The new import rules outlined in MOT 71/2015 supersede MOT 16/2013, 47/2013, and 40/2015, but makes few substantial changes. Import licenses are still required and quantities will be allocated subject to the importer's cold storage capacity. MOT eliminated the 80 percent rule, which imposed punitive measures on importers that used less than 80 percent of the quota allotted under their import permits. The new regulation also specifies that the total import allocation will be set annually and that importers are no longer required to register as horticultural product importers.

General Information:

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MOT 71/2015 reestablishes a quota for horticultural imports via the declaration that import permits will be issued based on an import allocation that is set annually. Under the preceding regulations, Indonesia had eliminated quotas, installing other import-limiting mechanisms such as the "80 percent rule" and cold storage capacity limits on import permits. Under the new regulation, however, the 80 percent rule has been eliminated. According to the old 80 percent rule, importers were obligated to import at least 80 percent of the volume allotted or risk losing the right to import in the future. Import permits issued under the 80 percent rule specified country of origin for specific horticultural goods, and could not be transferred in the event of price differences or crop shortages in the issuing country. Under these conditions, importers were obligated to speculate on supply and demand months prior to actually taking delivery on imported goods. The overall effect was to encourage importers to underestimate their total demand.

Import permits will continue to be issued on a biannual basis, remaining valid for a six month duration. They remain divided into three categories: fresh, processed, and chilies and shallots. Import permits will be issued to any general importer or importer-producer, implying that importers no longer have to register as horticultural importers or importer-producers. In the case of a general importer, applications for import permits are required to include the general importer's number, proof of cold storage and transportation ownership (includes capacity and appropriateness), proof of contract sales of horticultural products with 3 distributors for a year, proof of experience as a distributor of horticultural products for a year, and an import recommendation (RIPH) of horticultural products from the Ministry of Agriculture (MOA). Importer-producer applications for permits must include the importer-producer's number, proof of cold storage and transportation ownership (includes capacity and appropriateness), and an RIPH issued by MOA.

Although documentation requirements for import permit applications have declined, the process formalizes import limitations based on cold storage capacity. The new regulation does not specify how the evaluation of cold storage is relevant, or how the exact volume an importer is eligible for will be evaluated. However, current practice within MOT is to limit the volume of import permits to the absolute capacity of an importer's cold storage, with no consideration for turnover during the course of the import period.

Overall, MOT 71/2015 makes the welcome move of removing the 80 percent rule. However, this is offset by the re-establishment of annual import allocations and the continuation of import limits based on cold storage capacity.

