Exports are restricted by state monopoly, quotas or license requirements. Proceeds must be repatriated within six months of shipment unless otherwise authorized by the Reserve Bank. Some incentives are available to exporters and may be open to Western companies involved in joint ventures in India.

INDONESIA

The Indonesian government introduced a counterpurchase policy to increase and diversify the country's non-oil exports in January 1982. The policy is applicable to all government-funded projects valued in excess of 500 million rupiah — approximately $450 000 (US) — and obliges foreign suppliers to undertake exports from Indonesia equal to the FOB value of their contracts, within the time span of these contracts. Exempt from this policy are private-sector transactions, projects financed by the multilateral development banks or through bilateral development assistance, and professional services.

The policy has been considerably refined since its introduction. It calls for incremental exports, over and above Indonesia's traditional trade, and extends to all products and exports except crude oil and its derivatives. A company that is subjected to a counterpurchase obligation can transfer that obligation to a third party. In the same vein, exports that go to third countries are eligible, provided that the "additionality" criterion is met. Failure to comply with counterpurchase provisions by a foreign party can result in a penalty equal to 50% of the value of any unfulfilled export obligation.

Although a number of countries initially objected to the imposition of this new regulation, they have come to accept it over time. Interestingly, the actual cost of counterpurchase to the foreign supplier has been reduced significantly since the policy was introduced.

Indonesia remains committed to its counterpurchase policy. It is not an easy program to administer and the government has shown some flexibility in extending the life of counterpurchase obligations in cases where Indonesia is unable to offer goods of suitable quantity, quality or price. Since 1982, a total value of $1.3 billion (US) of counterpurchase obligations were entered into, of which $635 million has actually been realized. Twenty-two countries have been involved, led by the Federal Republic of Germany ($369 million) and Japan ($283 million). Canadian companies have assumed $92.7 million (US) in such obligations.

Indonesia does not actively assist foreign contractors in finding suitable goods to qualify for counterpurchase. However, international commodity trading houses have been used by Canadian companies to handle their obligations. Both the Canadian Embassy in Jakarta and the Department of External Affairs can assist in bringing Canadian exporters into contact with such agencies.

Where the counterpurchase policy is applicable (e.g., government projects where EDC financing has been extended), bids that do not include an agreement to enter into countertrade will not be considered for evaluation. A letter of undertaking (LOU) must, where applicable, accompany all bids. This commits the potential supplier to comply with the counterpurchase obligation. The actual bid is evaluated first by the executing agency for technical and price compliance, before it is forwarded to the state secretariat (Sekneg) where the final decision on contract award will be made according to other criteria, including adherence to such policies as level of domestic procurement and attractiveness of financing package. The Department of Trade (DOT), which oversees countertrade policy, must approve the LOU. The terms of the LOU are not negotiable, but DOT will accept the transfer of a counterpurchase obligation to a third party if the appropriate assignment agreement is submitted, reviewed and then authorized by DOT.

To show compliance with the countertrade requirements, the supplier (or third party) must submit an Indonesian export certificate (PEB) to DOT. This PEB is issued by banks after a letter of credit has been opened for the purchase of Indonesian goods. After review, DOT will notify the supplier that the export under question satisfies the policy and the outstanding counterpurchase obligation is reduced accordingly. All documentation is closely scrutinized by DOT.

Trade and Foreign Exchange Restrictions

Only Indonesian nationals qualify for registration with the Ministry of Trade and Co-operatives as importers, although foreign investors are permitted to import such items as are necessary for their own projects. As part of its policy to reduce imports, the government has banned the importation of non-essential goods and does not allow second-hand or used goods into the country. A number of commodities are imported exclusively by state enterprises, while others are restricted to approved importers.

Forbidden exports include gold, silver, cattle hides and specific categories of rubber, timber (such as logs) and agricultural produce. Other exports may be subject to quotas, may require authorization from the Ministry of Trade and Co-operatives, or may be unregulated. Authorized exporters are registered with the Ministry.

There is no requirement to surrender foreign exchange proceeds from the sale of exports. Exporters who sell specified products made with imported materials or parts may qualify for a rebate of customs duties and other taxes. In 1981, export taxes were lifted from a number of non-oil commodities including pepper, tea, tobacco and some spices.

Transactions with Angola, South Africa, Israel and China are prohibited, although discussions are on-going concerning a more liberalized trading policy with China.

Indonesia is undergoing a major overhaul of its tax system, including the introduction of VAT, with the goal of simplifing the system and reducing the country's dependence on oil. Oil presently accounts for three-quarters of the nation's export earnings and two-thirds of the government's revenues.

IRAN

Iran's economy is firmly linked to its oil exports and its practice has been to tie imports to oil purchases, even insisting on barter in some situations. The Iran-Iraq war has caused financial havoc and the reliability of oil deliveries is suspect. However, Iran continues to see oil as its bargaining unit in countertrade deals.

There is a need for imports in almost every sector of the economy. Iran imports substantial quantities of foodstuffs and pharmaceuticals, along with capital plant, machinery parts and raw materials. It requires agricultural equipment and fertilizers, construction and electrical power equipment. The war necessitates the purchase of military equipment thought to be valued at around $5 billion (US) per year. Consumer goods have a low priority and some basic items, including glassware and cutlery, are banned for import as luxuries. Unfortunately, because the nation has so many high priorities, officials find themselves embroiled in a bureaucratic war with each other, all claiming a pressing need for shares in the limited foreign exchange allowances.

In 1981 and 1982, oil barter deals often collapsed because the state-owned importing enterprise promised payment in oil that the National Iranian Oil Company did