


Implementation of Compulsory Letters of Credit for Certain Commodities - Delayed

The Minister of Trade has issued Regulation No. 38/M-DAG/PER/8/2009 which amends regulation No. 10/M-DAG/PER/3/2009. In essence, the amendments put back the implementation date for the compulsory letters of credit and the various reporting requirements to 1 November 2009 from the previous date of 1 September 2009 (see ILB No. 1048 10/3/2009).





The regulation refers specifically to the commodities of rubber, coffee, and cacao. It also refers to the implementation of the letters of credit provisions for mining, tin bars, and crude palm oil, which were supposed to have been in force since 1 April 2009. The reason for the delay is that the Minister of Trade has recognized that those subject to the provisions would not be able to comply as it was taking longer to renegotiate contracts and other agreements than had initially been anticipated. This is particularly the case with many of the exporters tied to contracts that require profits to be channeled through offshore banks.

The Department of Trade's own estimates suggest that there are still 70% - 80% of transactions still using non-letter of credit mechanisms for payment.

This is the second delay regarding the implementation of these provisions.

It is expected that a greater number of exporters should be in compliance by 1 November 2009. However, it remains to be seen whether this is the final delay with respect to the implementation of these provision on the compulsory use of letters of credit. 

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Documents

The Minister of Trade Regulation No. 38/M-DAG/PER/8/2009
(PERMEN_DAG_38MDAGPER82009_2009.pdf - 66.Kb)

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