

## Letter of Credit Obligation on Certain Commodity Exports Removed

In an abrupt change of policy, the Minister of Trade recently issued Regulation No. 27/M-DAG/PER/6/2010 ("2010 Regulation"), removing the obligation for Indonesian exporters of certain commodities to obtain a Letter of Credit (L/C) from foreign importers in transactions valued above USD 1 million. Those commodities are: mining products, coffee, cacao, rubber, and crude palm oil.


Letters of Credit are guarantees issued by banks on behalf of a purchaser (i.e., importer) that a given transaction will go through; obtaining them can take time, and add to the importer's transaction cost. Without that obligation on foreign purchasers - and the stipulation that associated goods may not be released from Indonesian Customs without an L/C - Indonesian exporters of aforementioned commodities in large-scale transactions may enjoy a more streamlined transaction process (though they may take on uninsured risk).

Last year (5 January 2009), the Minister of Trade issued Regulation No. 01/M-DAG/PER/1/2009 (see ILB No. 1008 15/1/2009), which set out the L/C obligation in the first place. But the regulation was later perfected through Minister of Trade Regulation No. 10/M-DAG/PER/3/2009 (as last amended by Minister of Trade Regulation No. 57/M-DAG/PER/10/2009).

For a brief overview of Minister of Trade Regulation No. 10/M-DAG/PER/3/2009, see ILB No. 1048 10/3/2009.

With the release of the 2010 Regulation, which reverses the previous policy, it appears that the government is endeavoring to clear away regulatory barriers to trade (well-intentioned as they may be) as Indonesia moves towards cultivating a more attractive business environment.

Indeed, Minister of Trade Regulation No. 10/M-DAG/PER/3/2009 (as last amended by Minister of Trade Regulation No. 57/M-DAG/PER/10/2009) has been repealed and replaced.

The regulation was issued on, and takes force from 24 June 2010. 

### ❖ Past Issues

- ✓ Supreme Court System Instructed to Publicize Operational Information (Issue 1443 - 28/06/2010)
- ✓ Minister of Finance Regulation on Paying Income Tax on Dividend Income (Issue 1442 - 25/06/2010)
- ✓ Procedures for the Promotion/Advertisement, Training, and Meetings Relating to Commodity Futures Trading (Issue 1441 - 24/06/2010)
- ✓ Indonesian Palm Oil Exporters Are Safe From

### ❖ Documents

The Minister of Trade Regulation No. 27/M-DAG/PER/6/2010  
(PERMEN\_DAG\_27MDAGPER62010\_2010.pdf - 13.Kb)

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