

BANK INDONESIA

REPORT FOR THE YEAR 1955 – 1956



R E P O R T

**OF THE GOVERNOR OF BANK INDONESIA
FOR THE FINANCIAL YEAR 1955-1956**

BANK INDONESIA

Head Office :
DJAKARTA

Branch Office :
AMSTERDAM

Agencies :

DJAWA
BANDUNG, JOGJAKARTA, KEDIRI, MALANG,
SEMARANG, SOLO, SURABAJA, TJIREBON

SUMATERA
MEDAN, PADANG, PALEMBANG

KALIMANTAN
BANDJARMASIN, PONTIANAK

SULAWESI
MAKASAR, MENADO

MALUKU
AMBON

Report of the Governor

I. GENERAL REVIEW

In the year under review the economic development of Indonesia progressed under the influence of favourable external factors. Not only did economic activity in West and East Europe increase, but also in the United States of America, in contrast to 1954 when that country experienced a recession. Moreover, the general stock position was such that demand for raw materials and other primary commodities could no longer be satisfied without increasing recourse to production areas. This meant for the export markets a stepping-up of demand resulting in better prices and higher foreign exchange proceeds. Indonesia participated in this propitious course of events. Exports from our country rose from Rp 9,759 million in 1954 to Rp 10,618 million in 1955 (including oil and oil products). The balance of payments showed a surplus of net Rp 1,015 million (against a deficit of Rp 374 million in 1954), which was reflected by an improvement in the foreign exchange position from Rp 1,758 million at the end of 1954 to Rp 2,771 million at the end of 1955.

Besides external factors, the development of the Indonesian economy was influenced also by internal measures in the monetary and real sphere. In September 1955 the new Cabinet of Mr. Burhanuddin Harahap submitted the existing complicated import system to a revision of multi-form purport. By (a) improving the method of handling applications for import licences, (b) streamlining and actually raising the manifold extra levies on import goods, and (c) the un-tying of strings which linked imports with exports, it was expected to bring about not only speedier imports, but also more imports, which would also be relatively cheaper. In order to satisfy the expected higher demand for foreign exchange for imports—made possible by better export proceeds, manifest from July 1955. onwards—but nevertheless to keep this demand within the limits of practicability (i.e. of the available foreign exchange reserves), the Government decided to depart from the course followed hitherto, in other words to discontinue the system of quantitative import restrictions by way of foreign exchange allocations for various categories of goods. Instead it was decided to raise the extra levies on imports and, in the

monetary field, to broaden the existing system of partial pre-payments in such a manner that henceforth the amount needed for obtaining foreign exchange plus the extra levies due for the imports concerned (T.P.I. or additional import tax) had to be pre-paid in full. In this way a considerable part of the money in circulation was temporarily tied-up (approximately 25%). Furthermore, the Government expected to eliminate the major part of the budget deficit by the above-mentioned raise of extra levies on imports.

The principles mentioned above, in regard to the new method of handling import applications, were brought into practice by the following measures.

To start with, Kantor Pusat Urusan Impor (Central Bureau for Imports) was closed and replaced by a new agency, Biro Devisen Perdagangan—B.D.P. or Bureau for import exchange licences. Whereas previously import applications were handled directly by K.P.U.I., henceforth the foreign exchange banks were co-opted in the system. Import applications had to be entered with the banks who passed them on to B.D.P. Simultaneously precautions were taken to prevent the public (i.e. importers) from having direct and personal contact with B.D.P. officials. Thus a previous source of corruption which had made K.P.U.I. notorious, was to a large extent overcome. The handling of import applications is now conducted in a more businesslike manner.

Notification of B.D.P. decisions, whether positive or negative, is given to the bank concerned.

From the internal measures described above the results were the expediting of import applications, which together with more foreign exchange made available, resulted in imports to the extent of Rp 650 million per month in the period September—December 1955, against Rp 485 million per month in the preceding period of 1955 (on the strength of data provided by Biro Pusat Statistik — Central Bureau for Statistics — exclusive of oil and oil products). This course of events was further strengthened by tighter money brought about by the imposed pre-payments. Thus importers with ready stock had to dispose of it, at any rate in part,

in order to obtain means for the financing of new imports. Liquidation of stocks also took place through fear of a fall in prices because of speedier and increased imports. All this resulted in an appreciable fall in prices in the import sector. Nevertheless, total imports were less in 1955 than in 1954, viz. Rp 6,888 million and Rp 7,172 million respectively. This came about because, in the period up to September last' imports had to be restricted drastically in order to preserve the monetary reserves. The fall in prices of import goods is therefore explained for the most part by the increased turnover of goods resulting from scarcity of money brought about as described above. In the monetary sphere these measures contributed to a levelling off of the increase in the supply of money which amounted to + Rp 1,817 million at the end of 1955 as compared with + Rp 3,474 million at the end of 1954. The floating debt of the Government with the Central Bank totalled Rp 5,996 million at the end of June 1955 against Rp 4,494 million at the end of 1955 (end of March 1956: Rp 4,097 million). On the other hand, the debt of the Government with importers rose from Rp 1,173 million at the end of 1954 to Rp 3,200 million at the end of 1955 and to Rp 3,386 million at the end of March 1956.

From the fall in curb prices of gold and foreign currency during the period under review the conclusion may be drawn that confidence in the value of the rupiah was strengthened (see the relative chapter).

Yet it would be imprudent to assume that Indonesia passed through a year of prosperity.

There were, first of all, exceptional rains and floods causing failure of crops, particularly of such a vital product as rice. The stockpile of rice kept by the Government was not sufficient to meet the ensuing shortage. Although there was plenty of rice available on world markets, it had to be shipped, which involved loss of time as well as foreign exchange and the expense had not been budgeted for. In contrast to the fall in prices of imported goods the rice price rose alarmingly, with all its consequences. The same climatic conditions caused scarcity of another essential consumer article, salt, the price of which soared also. It is obvious that, due to the inevitable increased cost of such essential commodities as rice and salt, the

cost of living was influenced unfavourably. Since 1951 there has always been, in the midst of most difficult economic and financial circumstances, stability in prices of foodstuffs in the rural areas, in contrast to the situation in the towns. This relative quietness came to an end in 1955 because of the unavoidable decrease in the production of rice and salt. The index number of 12 foodstuffs in the rural areas of the most densely populated part of Indonesia, the Island of Djawa, rose from 3,334 in 1954 to 4,990 in 1955 (July 1938 = 100), the highest figure for the last five years. It is self-evident that this situation did not improve the domestic level of prices and costs. It was thus all the more fortunate that at least in the import sector prices fell. The effect of the latter however, on the domestic price level would have been greater without the adversity befalling rice and salt. If the domestic price level could have displayed an overall decrease, it would have benefitted the real wages of labour and thus the sales of Indonesian export produce. This sector, of such vital importance to the economy of Indonesia, was helped by the increased demand from the expanding industrial areas of the world. Even so, export proceeds, foreign exchange reserves and the balance of payments would have shown better results if the level of prices and wages in Indonesia could have been stabilised. In this context it is significant that notwithstanding more favourable external conditions, and to a certain extent improved internal conditions as well, the Government was compelled in the year under review to give support to exports by means of export premiums. Of little assurance also, is the fact that exports increased in value but not in volume (1954: 2,857,026 tons, 1955: 2,716,622 tons excluding oil and oil products; inclusive of oil and oil products 1954: 12,743,612 tons' 1955: 12,189,480 tons).

It has of course to be taken into account that not all produce was exported, for some was either consumed internally or retained as stock. The latter practice was common in 1954 and preceding years, due to the prevailing preference for goods rather than for money, as mentioned in my previous annual reports. Although there is not yet a stable currency, nevertheless the Indonesian rupiah was quoted in 1955 at a higher level than before, so that there was less reason for keeping stocks of goods as an investment— in spite of the fact that some tendency in this respect could still be noted — especially in view of higher prices of export pro-

duce. As for internal consumption, there was undoubtedly an increase in some places through the growth of the population as well as by demands of certain industries for basic materials. If however, home consumption shows an upward trend, production must be stepped up in order to prevent foreign exchange proceeds from decreasing. The economic development of Indonesia is still in an initial stage. For many years to come foreign exchange will be needed for the purchasing of consumer goods as well as capital goods, raw materials and semi-manufactured goods.

Output of important export products however, gives little reason for satisfaction.

Estate production (000 kilogrammes)	1953	1954	1955
Rubber	175,078	285,854	265,648
Tea	80,538	46,742	43,368
Coffee	45,479	13,749	15,761
Cinchona bark	10,955	1,662	2,602
Cocoa	1,584	1,131	1,210
Sugar	1,175,510	713,571	819,129
Palm oil	226,668	168,325	165,792
Palm kernels	48,036	43,287	41,891
Hard fibres	40,769	29,958	35,345

Compared with 1953 estate production is still low, with the exception of rubber. In comparison with 1954 there was a decrease in the production of rubber, tea, palm oil and palm kernels, all of which are typical export products. The improvement in sugar production is of course encouraging, and the same applies to hard fibres and coffee, but from the point of view of exports these do not have the same significance as rubber. Besides, it is known that the marketing of such an important export product as copra is in a disorganised state, with the result that exports in 1955 totalled about half of the 1954 exports.

More serious still is the state of affairs in the oil industry. Production of three out of the four operating oil companies will decline during the ten years as from 1955 onwards by an average of 5%, unless measures are taken in due time.

The above mentioned decline in production during 1955 and presumably to continue, of commodities which are the very source of foreign exchange proceeds, has far reaching consequences for the economy of our country. True, because of the prevailing instability of export markets, increased production by itself does not necessarily guarantee higher foreign exchange proceeds. On the other hand the fact remains that lower prices can be compensated to some degree by a larger volume of exports. If however, volume as well as prices shrink, the foreign exchange income of the country will of necessity show a further decline. At least a minimum production level should be maintained.

Less foreign exchange will result in a deterioration of the balance of payments, of the budget and the monetary equilibrium, which will in turn have an unfavourable impact on production and therefore exports.

I deem it urgent to dwell longer on this important problem of production. When tracing the causes of the decline in production, it becomes clear that this is due to economic as well as non-economic factors. I will not go into the non-economic influences. They belong in part to the complex realm of politics and psychology, which hampers the solving of problems, such as checking the illegal occupation of lands, granting new concessions, the admittance of foreign experts, etc. Much patience and wisdom will be needed to find the right course and, finally, solutions acceptable to all parties concerned.

The economic factors which influence production unfavourably, can be in principle, condensed to one problem, namely the tension between costs and prices.

The level of costs in Indonesia has increased from year to year as a result of inflationary impulses, emanating in the first place from budget deficits—i.e. from public finance—and sometimes, as for instance during the Korea boom and to a lesser degree in the year under review, from external influences, namely when export proceeds result in surpluses on the balance of trade and balance of payments. By the expanding volume of money domestic prices and wages are pushed up. Equally, the propensity to import increases, so that the Government, if they do

not want to run monetary reserves down to an unjustifiably low level in less than no time, are compelled to take resort to import restrictions. Restrictions however, cause local prices of imported goods to rise. In this way prices of both locally produced and imported goods go up and consequently wages also. This means that the cost of production, the component parts of which are locally produced goods, imported goods and wages, inevitably increases.

The consequences of a rising cost of production are not the same for enterprises producing for the home market and for those producing for foreign markets. Prices of the first category can be adjusted to the domestic price level; in other words, they can seek compensation in a brisk home market brought about by the inflationary situation. Different is the case of enterprises producing for exports. Only when very high prices on world markets are prevailing, such as during the Korea boom, can not only the cost of production be met, but also a reserve account be funded for maintenance and expansion of the enterprise. Output of many enterprises producing for exports did indeed increase immediately after the Korea boom. This increase of volume has given some support to export proceeds in the period of falling world prices of primary commodities. In principle however, there is for exporting enterprises a disparity between export proceeds as expressed in local currency and local costs. If the inflationary situation continues it is unavoidable that at a certain time not only increased production but even the necessary replacement and modernisation must be foregone, resulting inevitably in a declining production. It is precisely this situation that Indonesia experiences at present. One has not to be deluded by profits which exporting enterprises are said to make. These profits are often declared without reserves being provided for depreciation and/ or replacements needed for the maintenance, let alone for the expansion of the enterprises concerned. The fact that the sugar industry could expand in spite of the higher level of costs, finds its explanation in other circumstances. In contrast to the situation before the war, the sugar industry produces at present more for the home market than for markets abroad. In other words the sugar industry is supported by the high prices, due to increased demand, ruling in Indonesia. In principle an important product such as copra could have profited also by a brisk home market. That this did not happen was due to the disintegration of the organisation which brought about considerable confusion.

When stating that enterprises producing partly or entirely for the home market, can seek compensation by higher prices, it must not be taken for granted that I approve of such a state of affairs. First of all there is the latent danger of the notorious price and wage spiral. If wages increase, the possibility of profit will decrease or even vanish. If on the other hand the demand recedes, due to high prices, these enterprises will suffer similarly. Actually they are existing in a way which could be called highly artificial, i.e. by the grace of an inflationary situation. These troubles are already evident with regard to some young industries in Indonesia, which have financial difficulties due to the fall in prices of imported goods. Their high cost of production does not allow competitive selling prices. Besides that, the problem of the progress of the young industries has other aspects making assistance very necessary. In this respect the measures taken in the import sphere were lacking in consideration of this category of enterprise. I will return to this subject later.

For enterprises producing entirely or chiefly for export the inflated cost of production constitutes a great impediment with regard to the maintenance and the expansion of their business. In addition to this, export markets are subject to short term fluctuations. This economic condition, particularly in the industrialised countries, during the last two years was overlooked because the predominant thought has been that expansion of industry throughout the world such as has prevailed in recent years, provides a guarantee for stable or increasing prices of export commodities. However the presence of large American surplus stocks, together with the difficulties experienced by countries such as Burma, Thailand (rice) and also Cuba (sugar) gives proof that such conditions are not a panacea against the fluctuations of prices of our export produce. When domestic cost of production is high due to an inflationary situation, and moreover, when export proceeds decrease, it is obvious that output of those enterprises producing entirely or chiefly for export will decline rapidly. Thus Indonesian exports are not only exposed to the dangers of unstable prices on world markets, but production itself, owing to local inflation, is under steady downward pressure. Reasonable and stable prices of commodities which stimulate exports will not yield adequate profits if supply of produce, that is production, diminishes.

Thus the improvement of export markets in 1955 was by no means sufficient to halt the process of decreasing production, which actually is a process of disinvestment or de- capitalisation. The price increase of primary commodities was not strong enough to stop it. Neither could the reduction in prices of some imported goods which included so important a category as textiles, influence the local cost of production to such an extent that the tension between costs and prices could be reduced in any substantial degree. Compensating the fall in prices of some imported goods was a considerable price increase of many, and for the exporting enterprises often very essential, basic materials and auxiliary goods such as fertilisers, gunny bags, etc. Moreover, due to the new measures of September 1955, the cost of maintenance and expansion of enterprises including exporting enterprises, rose considerably by the levy of 50% T.P.I. tax on imports of capital goods, including not only heavy machinery capable of a long lease of life, but also the most elementary tools such as hammers, axes, knives, etc., which are subject to wear and tear or are easily lost. Thus the new import measures brought some relief to some consumers, but for the exporting enterprises these measures in many cases meant new and heavy burdens, which for a very small number of export products classified as "weaker products", could be compensated by export premiums varying from 5% to 10% and later from 5% to 25%.

Going deeper into the causes which are responsible for the tension between costs and prices which not only undermines our capacity to export and to compete in foreign markets, but moreover threatens production itself, the predominant factors—besides serious setbacks such as the unseasonable rains and floods in the previous year— are to be found in the persistent and precarious monetary situation.

There was in the previous year monetary contraction in the business sector, particularly in imports. No less than about Rp 3.2 billion was frozen temporarily, including unsettled pre- payments from a preceding period. Against this contraction was the inflationary trend from abroad—via the balance of payments—aggregating Rp 1.0 billion. Furthermore, money creation by banks increased by Rp 1.2 billion. There would have been Rp 1 billion less purchasing power within the community if the third source of new money, i.e. public finance, had remained

stationary. On balance however, the money supply increased by about Rp 1.8 billion (1954: Rp 3.5 billion). For a further analysis of the monetary and budgetary situation I may refer to the relative chapters of this report. From the overall figures mentioned above it is however, already evident that public finance in 1955 continued to be inflationary. When interpreting the monetary trends, one must not be misguided by the (temporary) tying-up of money in the import sector.

Particularly, the conclusion must not be drawn that Indonesia has entered into a period of disinflation.

Actually, in the year under review two inflationary forces were active, namely the budget deficit and exports. As a result thereof the propensity to import increased. This urge to import was kept in check better than previously by revising the import system and putting forward pre-payments to an earlier date, but nevertheless the fact remains that it was the inflationary state of affairs and nothing else, which led to money contraction via imports. This disinflation however, as already mentioned above was neutralised in part in the import sector itself by the expansion in credits granted by banks to importers, which increase amounted to Rp 400 million, against a *decrease* of Rp 59 million in the preceding year.

Regarding the two sources of inflation in the previous year, it can be stated that surpluses on the balance of payments emanating from exports are welcome for the time being, because they reinforce the foreign exchange position.

As to the internal inflationary effect, if this should assume too wide a dimension it could be checked by rather simple measures, so that the advantage of more plentiful foreign exchange could be preserved with the avoidance or, anyhow, partial neutralisation of increased money supply.

The budget deficit is quite another matter. This deficit is costing foreign exchange, the consequences are more difficult to combat and it leads to distortions in prices and costs, all of which seriously impede economic development. It is due mainly to the budget deficit that the money supply in Indonesia has increased.

From 1950 up to and including 1955 the money supply totalled respectively Rp 4.3 billion, Rp 5.0 billion, Rp 6.6 billion, Rp 7.5 billion, Rp 11.0 billion and finally Rp 12.8 billion. The increase reached its summit in 1954, viz. 46.4% as compared with the preceding year. The rise in 1955 being 16.5% was higher than the percentages of increase before 1954, when from 1950 up to and including 1953 they amounted to 12.2%, 11.3% and 13.49% respectively. Within a period of five years the money supply has almost trebled. When comparing the production figures relating to agricultural export commodities with the above, it is self-evident that there is no question yet of "neutral" money or monetary equilibrium. Neither by putting the total production—supposing the data were available—against the money supply, could the conclusion be reached that production had increased proportionally.

Notwithstanding efforts in 1955 to reduce the budget deficit, which was actually cut down to about Rp 2 billion (initially estimated at Rp 2.5 billion, but later re-estimated at Rp 3.5 billion), the Government could not avoid an eventual expansion of the money supply. The deficit was reduced mainly by better control of purchasing and other expenditure by Government agencies, and also by improving the method of tax collection, and finally by increasing levies on imports (T.P.I.) by nearly Rp 700 million. The inflationary financing of the budget would have been larger still if the Government had not applied the pre-payments by importers as a means of financing. As a matter of fact these pre-payments have the character of a compulsory short-term and interest free loan. To the extent of the amount of these pre-payments there has been therefore, no inflationary financing of the deficit but the tying-up effect of money was by contrast undone.

Admittedly the year 1955 has brought Indonesia some positive results by way of improvement in the balance of payments and in the foreign exchange position, as well as increased volume of imported goods resulting in lower prices and more stability in this sector.

On the opposite side there was:

- 1.the higher cost of living in the rural areas through climatic causes,
- 2.the difficulties encountered by the young industries because of increased and speedier imports,
- 3.the still existing budget deficit.

Above all however, coming more and more to the fore is the threat of the diminuation of an important part of enterprise, i.e. the foreign exchange earning sector, principally on account of the inflationary method of financing the budget deficit over successive years. At the present time this is the fundamental defect in the economy of Indonesia, namely that money supply grows more rapidly than production, which even in such a vital sector as agricultural exports shows signs of a decline.

Due to the change of Government the budget for 1956 has not yet been completed. The draft budget presented to Parliament in January 1956 by the predecessor of the present Minister of Finance indicates a deficit of Rp I billion.

Compared with preceding years, this reduced deficit is not a result of retrenchment in expenditure as the following figures (Rp million) illustrate :

	1953 ¹⁾	1954 ¹⁾	1955	1956
Gross expenditure	15,659	15,141	17,053	18,978
Gross income	13,591	11,539	13,556	17,978
Deficit	2,068	3,602	3,497 ²⁾	1,000

¹⁾ Actual results ; the figures for 1955 and 1956 are estimates.

²⁾ The actual budget deficit due to the measures of September 1955, totalled Rp 2,090 million.

The increase in expenditure budgeted for relates to the rise in salaries of Government personnel (in round figures Rp 1.6 billion). The question is whether or not income will actually rise as forecast by the former Minister of Finance. Doubts exist, particularly on the possibility of higher revenue from taxes. According to recent provisional calculations of the Ministry of Finance tax revenue was esti-

mated Rp 1 billion too high. In that case the deficit will be larger than Rp 1 billion. It is most desirable that at an early date a definite answer will be given regarding the exact amount of the estimated deficit.

In any event, it seems fairly certain that for 1956 a substantial deficit must again be reckoned with.

This will mean that in the not too distant future the measures taken in September last to check inflation and protect the foreign exchange position of the country, will prove yet again to have been inadequate. The cause is that the Government have principally focussed their attention on combating symptoms, while efforts to get at the root of the evil, i.e. the budget deficit, so far proved not very successful. Thus each measure so far taken by the Government to restore the monetary and balance of payments equilibrium has provided only a very transient spell of rest—after a short interval of extreme unrest—to be followed again by a situation of confusion and uncertainty, destructive and exhausting for economic development, the first symptoms of which are beginning now to display themselves again. Until now insufficient attention has been paid to the fact that every drastic operation to restore the said equilibrium by way of raising the levies on foreign exchange expenditure — especially those weighing upon imports — comes essentially at the expense of the production potential. Each time the number of marginal enterprises and their forced closing increases. In other words, the improvement in the ready foreign exchange position following upon measures such as were taken in September 1955, is actually achieved each time by penetrating disinvestment. It is thus that at a certain moment such measures will have no further effect for the mere reason that more and more enterprises will have drifted into an extra-marginal position, so that production will decline and little or nothing will be left for exportation.

In connection with the present and future budget deficit the intention of the Government to commence with the implementation of the five year plan deserves note. It is not quite clear yet how the financing will be dealt with, as the plan has first to be presented to Parliament for approval. It is however certain that the

Government will have to contribute as regards the public sector. The provisional total estimates known vary from Rp 8 billion to Rp 11.4 billion, which implies a yearly contribution by the Government of Rp 1.6 billion up to Rp 2.28 billion. Since the budget for 1956 has not been completed yet, it is not known by what means the Government intends to finance the plan. For the monetary effect on the Indonesian economy, already under pressure by inflation, it is of the utmost importance whether the Government will apply inflationary or deflationary methods of financing. Furthermore there is the foreign exchange aspect. If considerable expenditure abroad will be needed the rupiah financing will be monetary-neutral, but on the other hand the foreign exchange position will come under pressure, unless a foreign long term loan or grant can be obtained.

The private sector also, in so far as it may be connected with the implementation of the five year plan, may become a source of inflationary financing, particularly if the private investor does not resort to savings but to money creating institutions.

Investment is imperative for raising the national income and for prosperity. Investment activates money supply. This can lead to tensions. If investment yields the goods expected, then the tensions will lessen because against the increase of money supply there will be more goods. In this trend of thought the premise is a situation of monetary equilibrium which, when disturbed temporarily, will redress itself at some time.

The important thing in this process of adjustment or bridging the “inflationary gap” is its length of time. If the duration is a long one, then the redress of equilibrium will be more difficult and possibly may be feasible only on another, higher level.

In Indonesia however, a different and more complicated situation has to be faced. The country is already in a state of monetary dis-equilibrium resulting from the financing of budget deficits by inflationary means. If at this time large investment schemes are floated, which might well produce equilibrium disturbing forces,

the existing inflationary tensions will increase even more, involving the danger that:

- (a) prices and wages rise, whereby
- (b) the implementation of the plan and production become hard pressed because of the higher cost of production, and finally
- (c) the balance of payments via a greater propensity to import will show a deficit.

It is essential that the authorities concerned, first the Cabinet and later Parliament, when scrutinising the five year plan should judge it not only on its own merits but also and above all, in the wider frame of the prevailing monetary situation. The question is not whether or not the plan is desirable. This is easy to answer. For many years a structural change has been advocated whereby the onesidedness of the Indonesian economy could be rectified, and thus our national income increased and diversified. My point is to draw attention to the problem of financing which unfortunately is more difficult to solve on account of the already existing monetary dis- equilibrium. Therefore every effort must be made to avoid further disturbances in the monetary situation, because otherwise the consequences will be difficult to control.

Henceforth, therefore, as a cause of inflationary impulses we have not only to consider the budget deficit, but also the effect of increasing investment in the business sector.

It seems to me that in 1956 the following problems will come up for solution. I will differentiate between problems of a short term and long term character.

On short term problems, it is desirable that the relative stability of the price level of imported goods be maintained, especially as there is now, on account of the arrivals of rice and salt, a reasonable chance that the cost of living will show some improvement. In view of the large orders already placed (and pre-paid) and

the voluminous stocks, it is to be hoped that no further large amounts of foreign exchange will be needed for such purposes. The agreement for the purchase of American agricultural surpluses concluded at the beginning of March 1956 to the amount of approximately U.S. \$ 100 million and comprising such essential food-stuffs as rice, wheat flour and milk, as well as a quantity of cotton to be supplied to local spinning mills and more to be processed by third countries, and finally the popular amenity tobacco, constitutes for Indonesia under her present circumstances a very welcome source of regular supply of goods and means at the same time an appreciable saving of foreign exchange during 1956 and 1957. Furthermore, there is the possibility of utilising increasingly suppliers' credits in Western and Eastern Europe as well as in the United States of America.

On short term it is urgent also to pay attention to the needs of many local industries which for reasons easy to understand are not yet able to compete with foreign goods. This is always a problem facing countries commencing industrialisation. Even in highly industrialised countries there are sectors of industry which often are not able to cope with the competition from other countries. In any case it is not difficult for Indonesia to introduce measures which will meet the needs of young industries. In my opinion, the recent measures have paid too little attention to this matter and should be revised.

Finally, on short term the confusion existing in the buying-up and selling of copra must be terminated. There is still time to recover the lost ground in Europe whereby the foreign exchange income of the country can increase considerably.

The long term problems are of course more difficult.

The least complicated of these problems are in the sphere of broadening the basis of Indonesian exports and expanding quick-yielding foreign exchange saving industries. Not only is Indonesia a producer of primary commodities dependent on export markets, but moreover Indonesian exports are in fact founded on too small a basis. Rubber, oil, tin and copra are our principal export commodities. There are however, other possibilities particularly in the mining sector. Iron ore,

nickel and manganese ore could be added to the Indonesian export list. The financing in foreign exchange for these purposes, and also the necessary know-how are available and to be acquired abroad.

Firstly, the decline of production in the export sector must be stopped. Secondly, there is the problem of the budget deficits. Thirdly and finally, an investment problem is on the verge of appearing. These three problems have one common tangent: the monetary equilibrium. If this equilibrium could be accomplished or approximated, then real progress will be achieved. In Indonesia restoration or approximation of monetary equilibrium is almost synonymous with rationalisation, better control of expenditure and application of non-inflationary methods of financing the budget. Intensifying of tax collection, new sources of income, raising of savings which fortunately show good progress, will undoubtedly bring relief. It will not be possible to bring about all this within one year, but it is feasible to make a beginning.

The same applies to the sector of foreign exchange-saving industries of small and medium size, which will be able to start production within a few years.

It is obvious that a broader basis of exports and an expansion of the home industries will benefit the country's foreign exchange reserves.

The major long term problems are of three kinds.

Firstly, the decline of production in the export sector must be stopped. Secondly, there is the problem of the budget deficits. Thirdly and finally, an investment problem is on the verge of appearing. These three problems have one common tangent: the monetary equilibrium. If this equilibrium could be accomplished or approximated, then real progress will be achieved. In Indonesia restoration or approximation of monetary equilibrium is almost synonymous with rationalisation, better control of expenditure and application of non-inflationary methods of financing the budget. Intensifying of tax collection, new sources of income, raising of savings which fortunately show good progress, will undoubtedly bring re-

lief. It will not be possible to bring about all this within one year, but it is feasible to make a beginning.

Now that the general elections are over and the present Parliament will hold office for four years, thus enhancing the possibility of a stable Government, the time seems opportune to devise a long term plan regarding the problem of the budget deficit and the monetary equilibrium. In this respect it would be logical if, next to the five year (investment) plan, concurrently a plan would be drafted for the stabilisation of the budget within a period of five years, or if so desired four years, so as to have the implementation of the latter synchronised with the present Parliamentary period. It is evident that the Indonesian national income is in itself too low to solve all problems in this respect without inflicting damage to the daily necessities of life. The possibilities however, to obtain additional means from abroad are in my opinion undoubtedly more favourable. They have to be investigated carefully and incorporated in the four year plan.

Finally, beside all this, it is urgent to strive continuously for a solution on the international level of the problem of unstable export markets, hampering as they are and to such a high degree the development of Indonesia and other similarly troubled countries. It warrants praise that there are signs pointing to co-operation in the control of international business cycles. It may happen that this co-operation will increase, as world economic activity at present seems in some places either to be over-expanded such as in some countries of Europe, or to display recessionary symptoms as in the motorcar industry in the United States of America, making it less certain that the boom will continue uninterruptedly into 1957. The world in general profits by the continuance of favourable trading conditions but the less developed countries need, beside this, guarantees with regard to the stability of their export markets.

Before coming to the end of this general review, I have to mention the abrogation of the Round Table Conference agreements by Indonesia. Concluded at the end of 1949 they were in April this year declared void by virtue of a bill of Parliament. This bill had retro-active force as from 15 th February 1956.

At present it is still too early to assess the financial-economic consequences of the termination of these agreements. In any case they do not fall within the period under review. For the time being, payments to the Netherlands of redemption and interest on loans are suspended. Pensions are transferred at the official rupiah-guilder rate. An ad hoc Government Commission is entrusted with the task of studying the problems resulting from the termination of the Round Table Conference agreements.

II. INTERNATIONAL DEVELOPMENTS

Introductory

In the highly developed countries of the world the business cycle moved upward in 1955. The American recession which lasted from mid-1953 till mid-1954, was superseded by a boom. During the past year West European economy advanced again to a higher level. Industrial production in Eastern Europe—with the Soviet Union in the lead—showed further expansion. Implementation of the 6th Russian five year plan, having as its target to reduce and ultimately close the gap vis-a-vis Western Europe and the United States, was started. The tempo of economic activity in the U.S.A., Western Europe and Eastern Europe is reflected in the increase of industrial production over 1954, amounting to 11%, 9% and 12% (Soviet Union) respectively.

By reason of the growing interdependence between the economies of various countries it is obvious that the prevailing high level of the business cycle has its influence on underdeveloped areas. Theoretically the profit that falls to the latter is twofold. More activity in highly developed countries leads to increasing demands for raw materials, thus giving support to export markets. On the other hand, higher foreign exchange income affords the opportunity to make more purchases needed for the progress of underdeveloped countries. Expansion of industrial production not only makes these purchases feasible—in contrast to the period of the Korea boom—but they are, moreover, often facilitated by means of credit facilities offered by various industrialised countries, which are urged on by the necessity to sell their manufactured goods. Unfortunately, this does not imply that the advantageous trade cycle had its full impact on the economic conditions in underdeveloped countries. The reason is that in many countries belonging to this group no monetary equilibrium has so far been achieved, so that the high and ever increasing cost price prevents the full utilisation of the boom. It can be reasoned, however, that without the favourable business cycle the difficulties of many underdeveloped countries, which in the event of a world depression might even prove disastrous, would be greater than they are at present.

It is a matter of importance both to the highly developed and to the underdeveloped countries, and therefore to the world at large, that the prevailing trend will not only last but intensify. The imperative need of this is fully understood in the industrialised countries, and attention is focussed on the course of the business cycle. Theoretically two risks are involved. Either the business cycle recedes, as happened twice in the U.S. after World War II, or it intensifies, but then in such a way that maleficent shifts occur causing inflationary phenomena, which in their turn may lead to retrogression. Actually the question is to prevent both deflation and inflation, or in other words care must be taken that neither under-investment nor over-investment will take place. As the de facto development of the business cycle in one country or another may imply, it will be necessary to introduce anti-deflationary means in one case and anti-inflationary means in another, in the real as well as in the monetary sphere.

Underdeveloped countries must endeavour to cure, as quickly as they can, any existing monetary instability to be able to derive full profit from the favourable international business cycle.

United States of America

Though the year 1954 will go down to the history of American business cycles as a year of recession—the G.N.P. decreased from \$ 365 billion in 1953 to about \$ 361 billion in 1954—developments in the second halfyear 1954 indicated that the downward tendency would end before long. In fact the recession was by then already at dead tide, as in the last quarter of 1954 the G.N.P., calculated on seasonally adjusted annual rates, amounted to \$ 367 billion, signifying that by the end of 1954 the business cycle moved on a higher level than in the record year 1953. The question then remained whether, and in how far, this trend would endure in 1955.

Present available data give evidence that the improvement then started not only continued but even gained momentum. The American G.N.P. in 1955 went

up from quarter to quarter until it ultimately amounted to \$ 387 billion. For the second time since World War II the U.S.A. business cycle displayed sufficient vitality to halt a recession and even transform it into a boom.

As known, the reduction in public expenditure in 1954 was one of the main causes of the recession. This downtrend continued to some extent into 1955. All in all public expenditure — federal, state and local — totalled \$ 75.9 billion (1954: \$ 77 billion). The decline was most significant in the federal sector (1954: \$ 49.2 billion; 1955: \$ 45.8 billion), but was in part offset, however, by heavier expenditure on account of states and lower public bodies (1954: \$ 27.8 billion; 1955: \$ 30.1 billion). On balance public expenditure fell off by \$ 1.1 billion, therefore much less than the retrenchment from 1953 to 1954, which amounted to \$ 6.5 billion.

It deserves mention that the U.S. Government revised their expenditure during 1955, particularly with regard to defence. In the third and fourth quarter of 1955 federal expenditure increased, as revealed by the following figures :

(\$ billion; seasonally 1st quarter 2nd quarter 3rd quarter 4th quarter
adjusted annual rates)

Federal 46.4 45.2 45.5 46.3

Total 75.8 74.9 75.8 77.2

All other things being equal, the American G.N.P. would have receded in 1955 as a result of diminished public expenditure. That this could be prevented and that in fact a fresh boom developed, was due to the expansion in the private sector where consumption and investment expenditure went up. Personal consumption expenditure rose from \$ 236.5 billion in 1954 to \$ 252.3 billion in 1955, gross private domestic investment increased from \$ 47.2 billion to \$ 59.3 billion. On balance the plus items (increase of personal consumption expenditure and of

private investment) exceeded the relatively small minus item which consisted of the decline in public expenditure, since halted.

It is still difficult to arrive at a satisfactory explanation of the conduct of consumers and investors. Business as well as psychological motives play their part. Obviously business circles in the United States had confidence in the future; they believed that investments would yield profits. This faith was not misplaced, as corporate profits before taxes increased from \$ 34 billion in 1954 (1953: \$ 38.3 billion) to \$ 43.4 billion in 1955; the corresponding figures after taxes amounted to \$ 17 billion (1953: same amount) and \$ 21.6 billion respectively. On the con-

TABLE 1 — BUSINESS INDICES OF THE UNITED STATES

	Industrial production (physical volume) unadjusted 1947/49=100	Persons unemployed in % of total employed	Wholesale commodity prices 1947/49=100	Consumer prices 1947/49=100	Stock market prices 1939=100
1938	48	—	51	60	—
1950	112	5.2	103	103	154
1951	120	3.1	115	111	185
1952	124	2.7	112	114	195
1953	134	2.6	110	114	193
1954	125	5.3	110	115	230
1955 1st quarter	135	5.5	110	114	277
2nd quarter	138	4.3	110	114	293
3rd quarter	137	3.5	111	115	320
October	147	3.3	112	115	310
November	144	3.7	111	115	328
December	141	3.8	111	115	334
4th quarter	144	3.6	111	115	324

Source : Federal Reserve Bulletin

sumer side, income from wages rose from \$ 202.8 billion in 1954 to \$ 215.5 billion in 1955, total disposable income from \$ 254.8 billion to \$ 269.4 billion. Of this income less was saved in 1955 than in 1954, viz. 6.3% and 7.2% respectively. With all the means at their disposal American consumers continued to satisfy their ever increasing demands, stimulated by advertisements in all forms.

Similarly as at the end of 1954 the question arises to what extent the briskness of the American economy will last.

There is one element which to all appearances will act advantageously. The retrenchment of public finance came to an end. The U.S.A. budget for 1955-1956 and 1956-1957 provides for higher defence expenditure, inter alia for guided missiles. On the other hand the budget will show larger surpluses resulting from higher tax receipts, which can be held in reserve either to slow down too speedy an expansion of the economy, or to stimulate, if need be, a weakening business cycle.

Budget totals (fiscal years; \$ billions)	1956 (estimated)	1957
Receipts	64.5	66.3
Expenditures	64.3	65.9 (+ 1.6)
Budget surplus	0.2	0.4

Actually, the de facto figures for the current fiscal year 1955/1956 seem to point to higher expenditure (\$ 1 billion more than estimated), but on the other hand the surplus is estimated by the Congressional Joint Economic Committee not at \$ 200 million, but at \$ 2 billion, expected from higher tax

With regard to other components of the G.N.P., the situation is less clear, either in a favourable or unfavourable sense. In the investment sector the expansion levelled off during the second halfyear 1955. Calculated on annual rates the increase of gross private investment from the first to the second quarter amounted to \$ 6 billion, from the second to the third quarter to \$ 4 billion, and from the third to the fourth quarter to \$ 2.7 billion. A similar trend could be noted in consumption, the respective figures being as follows: first to second quarter \$ 4.7 billion, second to third quarter \$ 5.2 billion, and third to fourth quarter \$ 1.5 billion. Because consumption expenditure, although on the increase, levelled off a reverse trend was to be expected for savings which amounted to 5.9 % of the disposable income in the first quarter, 6.2% in the second quarter, and to 5.9% and 7% in the third and fourth quarter respectively.

When investigating in which sectors investment and consumption expenditure levelled off, it appears that inter alia new construction remained below expect-

tations, while consumers were less responsive to new motor cars than producers had expected originally.

Taking into account the distinctly slower rate of expansion in consumption as well as investment expenditure, the G.N.P. cannot but have been affected, too. This is indeed confirmed by a further analysis, as the rate of the quarter to quarter increase — calculated on seasonally adjusted annual rates—of the G.N.P. slackened and fell off from \$ 9.5 billion from the first to the second quarter, to \$ 7.2 billion from the second to the third and \$ 5.3 billion from the third to the fourth quarter.

Thus the G.N.P. continued to grow in 1955 to arrive finally at a hitherto unknown level, though there can be no question that there was some stagnation during the second halfyear. It should be pointed out that the waning increase of investment was counterbalanced to some extent by stockpiling. It is well known that inventories play an important role in the American business cycle. In the year under review the continuous running down of stocks that occurred in 1954 gave way to a positive trend; on annual rates mutations in inventories amounted to \$ 5.1 billion in the fourth quarter, against \$ 2 billion in the third quarter. For the whole year 1955 the figure was \$ 3 billion, against minus \$ 3.2 billion in 1954.

Presumably a mutation in inventories to the extent of \$ 3 billion can be considered as normal for the American business cycle. Arising from the liquidation of stocks after the Korea boom, however, there is on the whole some replenishing-demand; in other words an increase of more than \$ 3 billion, in relation to the present stock position, would for the present (i.e. in 1956) be justified in order to restore the stock-sales ratio to normal or bring it into equilibrium. Next to higher public expenditure, greater accumulation of stocks can provide appreciable support to the business cycle, or in any case assist in counterbalancing further stagnation in the other sectors of investment and consumption expenditure.

Data on developments in the first quarter 1956 are not yet available. As far as publications go, they point towards higher amounts contracted for in the building

construction sector as at March 1956. According to the Federal Reserve Bank of New York (Weekly News Review Vol. 6, no. 16) the situation is that “the total of March contract awards for all types of construction— residential, non-residential and heavy engineering—was \$ 2.4 billion”. This is a large sum, surpassed only by the May 1951 level. As regards consumption, motor car sales were still dragging in the first quarter 1956, but it is expected that the spring-season will bring improvement. On the other hand retail sales advanced in March, aggregating \$ 15.8 billion against \$ 13.7 billion in February. This represents an increase of 2% when discarding seasonal influences and the difference in sale- days.

Demand for steel continues to be brisk. Production is still on the increase and on 10 th March reached its theoretical capacity of 2,462,000 net tons (1954: 1,694,000 net tons; 1953: 2,245,000 net tons).

All in all, the trend of the American business cycle is still favourable, despite some stagnation in the third and fourth quarters of 1955, which found however its counterbalance in higher public expenditure and possibly in an increase of stocks. The Government and other responsible authorities are vigilant. For the present they are more concerned about preventing a tendency which would surpass full employment in production and thereby provoke inflationary forces, than they are

TABLE 2 — BALANCE OF TRADE OF THE UNITED STATES
(U.S. \$ million)

	Exports	Imports	Surplus
1951	15,041	11,071	3,970
1952	15,206	10,785	4,421
1953	15,782	10,968	4,814
1954	15,110	10,295	4,815
1955	15,525	11,454	4,071
1954 3rd quarter	3,562	2,451	1,111
4th quarter	3,843	2,572	1,271
1955 1st quarter	3,751	2,756	995
2nd quarter	3,904	2,781	1,123
3rd quarter	3,758	2,810	948
4th quarter	4,112	3,107	1,005

Source : International Financial Statistics

about strengthening a situation leaning towards recession. In other words there is more anxiety over excess demand than the opposite. Twice already, in November 1955 and April 1956 the bank rate was raised, each time by $1\frac{1}{4}\%$ (now $23\frac{1}{4}\%$). Obviously the reason was to prevent too big an increase in purchasing power, which might lead to inflation. Developments on the stock exchange and general price trends are watched closely.

The Government was compelled to give further support to the problem child of American economy, viz. agriculture, of which the realised gross farm income went down from \$ 34 billion in 1954 to \$ 33.2 billion in 1955. The net income also fell back, namely from \$ 2,413 per farm in 1954 to \$ 2,192 in 1955 respectively (computed on the basis of current prices; in prices of 1955 the figures are \$ 2,403 and \$ 2,192 per farm respectively).

Until now no adequate solution has been found to deal with the farm problem in U.S.A.

Another matter of anxiety is unemployment. In spite of the expanding economy and the decline in unemployment, the number of unemployed was still over 2,6 million in 1955 (1954: 3.2 million) or 4% of the civilian labour force (1954: 5%). Activity will have to increase further before the problem of unemployment will be solved. By a somewhat retarded growth of the economy, unemployment is more likely to go up than to decrease.

Summarising, it can be stated that on the whole economic activity in the U.S.A. is for the present still developing satisfactorily. There are no signs indicating a downturn in the business cycle. The G.N.P. will probably reach the \$ 400 billion mark, or even surpass it, but it may happen that the rhythm of its growth will slacken somewhat.

Europe

Western Europe

In 1955 Western Europe again enjoyed a state of boom and prosperity. This development has been lasting now for three successive years, as from 1953. Even

the American recession of 1954 could not reverse this upward trend, as the West European economy could deal with the unfavourable consequences without much effort. Within its own continent and abroad (except in the American market) it encountered sufficient purchasing power for its high production. The boom continued through 1955.

TABLE 3 — INDUSTRIAL PRODUCTION IN SOME EUROPEAN COUNTRIES
(Index numbers : 1948 = 100)

	1954	1955	1955			
			1st quarter	2nd quarter	3rd quarter	4th quarter
France	109	120	120	123	109	128
Western Germany	112	131	120	129	129	143
Italy	109	118	113	119	117	122
Netherlands	111	119	111	119	119	125
Belgium	105	116	113	115	116	121
Sweden	105	111	113	117	95	118
United Kingdom	107	113	115	113	105	118

Source : International Financial Statistics.

The West European G.N.P., that is the sum of the G.N.P. of the individual O.E.E.C. countries, totalled \$ 194 billion in the year under review (at prices and exchange rates of 1951), against \$ 183 billion in 1954 and \$ 174 billion in 1953. Thus the G.N.P. increased from 1953 to 1954 by over 5%, while the rise from 1954 to 1955 was even 6%.

Public consumption expenditure in the civilian as well as in the military sector remained rather stable. The increase was small, as will be seen from the following figures (\$ billion, at 1951 prices and exchange rates).

	1953	1954	1955
Defence	11.3	10.9	10.7
Civilian	15.6	16.2	16.7
Public consumption	26.9	27.1	27.4

Personal consumption expenditure on the other hand rose from \$ 1 2 3 billion in 1954 (\$ 118 billion in 1953) to \$ 131 billion in 1955 (calculated at 1951 prices and exchange rates). The same trend could be noticed in gross domestic fixed capital formation, for which the successive figures were: \$ 28.9 billion in 1953, \$ 31.5 billion in 1954 and \$ 34.4 billion in 1955. Concurrently stockpiling advanced also and totalled \$ 1.8 billion in 1953, \$ 2.2 billion in 1954 and \$ 2.9 billion in 1955.

It is obvious, therefore, that the drive for personal consumption expenditure as well as for investment in the West European economy was still capable of expansion in 1955.

As known, foreign trade is to the West European countries, in contrast with the U.S.A., an important component of the business cycle. A considerable part of their national production is dependent on foreign markets. Exports of merchandise and services were also higher in 1955. The figures at 1951 prices and exchange rates are: \$ 26 billion in 1953, \$ 29 billion in 1954, and \$ 31 billion in 1955.

When analysing the pattern of personal consumption expenditure, it appears that the share of durable consumer goods was relatively large. Motor cars, other motorised articles, vacuum- cleaners, television sets, furniture, houses were purchased in increasing numbers owing to higher wages and other income as well as the growing system of consumer credits.

Investment in the productive equipment sector was stepped up. Means of transport, industrial and agricultural machinery were produced in larger quantities. All in, fixed investment rose by 9% in 1955 (the same percentage as for 1953 and 1954).

Per caput consumption in 1955 was higher by 5% representing an increase of 14% over 1952 and of 18% over the prewar level.

The share of the individual countries in the growth of the West European economy varies as illustrated by the following figures indicating the increase in per cent. of industrial production:

Rise in % of the preceding year	1954	1955
West-Germany	+ 12.3	+ 16.9
France	+ 9.2	+ 9.7
Belgium	+ 6.3	+ 8.9
Italy	+ 9.0	+ 7.7
Netherlands	+ 10.5	+ 7.1
United Kingdom	+ 7.4	+ 5.1
Western Europe	+ 9.5	+ 9.0
U.S.A.	— 6.7	+ 12.0

The growth in per cent. in countries such as Western Germany and France was above the West European average, in other countries it was below the 9,% mentioned above. The increase in per cent. in per caput consumption in the various countries was as follows:

Rise in % of the preceding year	1954	1955
West-Germany	+ 7.3	+ 7.7
France	+ 3.8	+ 5.6
Italy	+ 2.8	+ 5.5
Netherlands	+ 3.9	+ 4.7
Belgium	+ 1.0	+ 2.9
United Kingdom	+ 4.8	+ 1.9
Western Europe	+ 3.8	+ 5.5
U.S.A.	—	+ 3.9

Similarly as in the U.S.A. the question is how the favourable business cycle can be retained. A levelling off of the expansion as witnessed in the States is less apparent in Western Europe. Equally as in the U.S.A. the problem centres around excess demand, which would provoke inflationary forces. In this respect the task of the responsible authorities in Western Europe is likely to be more difficult than in the U.S.A. For one thing, the fact exists that the overall occupation rate of West European production is higher than in the U.S.A. Almost all means of production, including manpower, are fully employed. Any excess demand will not lead to utilising unemployed and inactive means of production, but merely rob Peter to pay Paul. This means inflationary pressure. A striking example is offered by the labour market in Western Europe. In the United Kingdom, Switzerland, the Scandinavian countries and the Netherlands the number of unemployed is low.

For example in the United Kingdom the number of unemployed at mid-July 1955 was only 216,000 or 1% of the total labour force, contrasting with 500,000 vacancies. This state of affairs naturally leads to pressure on the wage level, with all the consequences. Not only does manpower require attention, but coal, iron and some other essential raw materials are relatively scarce also.

For the time being there is no inflationary situation in Western Europe. Price index numbers for consumer goods went up from zero to 2% in Austria, France, Western Germany, the Netherlands and Switzerland. An increase between 2% and 4% however was noted in the United Kingdom, Italy and Sweden. In Denmark, Greece, Iceland and Turkey the index numbers rose more than 4%. Therefore, even though in most countries the situation cannot yet be regarded as dangerous, constant vigilance will be required.

Apart from the high rate of employment, there are other obstacles in the way of business cycle control in Western Europe as compared with the U.S.A. The West European economy is more sensitive to payment problems than the American economy. This is best demonstrated by the development in the United Kingdom. Other countries in Western Europe are trying hard to stave off similar threats. Basically the economy on the Continent is exposed to the same dangers as in Britain. The picture in Britain is one of a fully employed economy experiencing the additional stimulus of increasing domestic demand created by higher wages, higher income and a flexible credit system. In consequence, less goods were available for export, while on the other hand a larger demand for import goods developed. Thus the balance of payments came under pressure. Monetary reserves shrunk. It is typical of the situation that the United Kingdom with more liabilities at a given time held about the same amount of reserves as France, and less than Western Germany.

It is fortunate that in general the improvement in the business cycle led to an expansion in monetary reserves, which to some extent might check possible repercussions emanating from balance of payments difficulties. In the middle of 1952 gold and dollar reserves of Western Europe totalled \$ 8.1 billion, at mid- 19

5 S: \$ 1 3.4 billion, at the end of December 1955 about \$ 13.8 billion. The rate of increase is however falling off, viz 1953: \$ 2.3 billion, 1954: \$ 1.8 billion, while the 1955 increase was lower still at \$ 0.8 billion.

Thus it is manifest that the third problem facing West European economy — in addition to full employment and sensitivity of the balance of payments — is the dollar problem. In 1955 trade expanded mainly within Europe, and to some extent outside Europe with the exception however of the dollar area, especially the United States. As a matter of fact the dollar difficulties are camouflaged by large U.S.A. expenditures for European defence and other aid programmes. Without this assistance the dollar shortage would have been more acute.

The growth of the West European economy leads to more imports of raw materials which are moreover made possible by further liberalisation vis-à-vis the dollar area. Grains, coal, iron, non-ferrous metals, pulp and paper, wood, chemicals, oils and fats belong to the goods imported from the U.S.A. In the first half year 1955 the dollar deficit of Western Europe amounted to about \$ 1 billion. It is entirely due to higher dollar funds appropriated for military purposes that Western Europe was ultimately able to book a surplus on its current account 1955 (2nd half year 1953: \$ 1.4 billion on annual rates, 1st half year 1954: \$ 2.2 billion military funds).

Seen in this light the prerequisites for convertibility are still insufficient, though this remains the ultimate aim. Therefore the liberalisation of trade with the dollar area and of intra-regional trade continues. The inter-European liberalisation amounted per end- 1955 to 85.8% (1954: 83%).

When summing up the position of the West European economy in 1955, the conclusion is favourable. The high rate of full employment of all means of production that has been achieved necessitates alertness for inflationary trends which might threaten the balanced progress now pursued. In the United Kingdom the characteristics of the West European economy came to the fore. The difficulties experienced there, are present in a latent form in other West European countries

also. There is reason for satisfaction that in the United Kingdom energetic measures have been taken and that the Continent is aware of these dangers.

Eastern Europe

The economic task undertaken by the Soviet Union and other East European countries is above all the development of heavy industry. During a short period in 1954 there was some switch towards the manufacturing of consumer goods, but in 1955 the full emphasis was again on the heavy industry sector. There can be no doubt that the past year witnessed extraordinary progress, as illustrated by the following figures.

Index numbers regarding gross output of industry :

(Previous corresponding period = 100)	1955 Plan	First half Actual
Soviet Union	109	112
Albania	110	117
Bulgaria	107	106 (2nd quarter)
Czechoslovakia	109	111
Eastern Germany	105	112
Hungary	106	110
Poland	109	112
Rumania	...	112 (2nd quarter)

Production of crude oil, tractors and cement in the Soviet Union was above the registered increase of 12% as compared with 1954.

It stands to reason that the orientation towards heavy industry must have repercussions in one way or other in the other sectors of economy. Though production of certain consumers' durables, such as furniture, refrigerators and sewing machines was more than 12% above the 1954 output, the manufacturing of other consumer goods, such as cotton, woolen and silk textiles, leather shoes and paper lagged relatively behind and rose by less than 12%. Production of fats and margarine barely registered any progress at all.

Fortunately the 1955 crop yielded well. In sequence thereof two million more tons of food- grain were allotted by the Government of the Soviet Union per 1st November 1955 than in the preceding year. In the other East European countries the harvest was good also; only in Czechoslovakia and Eastern Germany the outturn was somewhat disappointing through lack of manpower, a problem which constitutes a kind of bottleneck throughout Eastern Europe. It is one of the factors underlying the Soviet decision to reduce their armed forces per end-1955 by 640,000 men. The same is happening in other East European countries, except in Eastern Germany where armed forces will be increased.

In 1954 both intra-East European trade and trade with countries outside the Soviet bloc expanded, due in part to the desire existing at the time to improve supplies of consumer goods. The re-orientation towards heavy industry in 1955 gave rise to the question in how far foreign trade would be affected. It is clear from data now to hand that foreign trade in no way suffered, but on the contrary staged an increase. It did however differ in character as compared with 1954.

Remarkable is the increase in the trade of Czechoslovakia, Eastern Germany and Rumania with the western world which proportionally surpassed the rise in trade with the East European countries. At the end of the first halfyear 1955 the total volume of foreign trade of these countries had expanded by 16%, 7% and 37% respectively compared with the preceding year. In per cent their trade with the Western countries was up by 45%, 10% and 90% respectively. As regards Eastern Germany, intra-German trade advanced by 14%.

In contrast to 1954, trade with the Western world in 1955 developed in general in an active sense for the East European countries.

Finally, it should be noted that the trade of some highly industrialised countries such as Eastern Germany and Czechoslovakia with some less developed countries like Turkey, Egypt, Syria and Indonesia, likewise increased. The Czechoslovakian trade with less developed countries in 1954 amounted to 6.5% of its total foreign trade; the figure for 1955 was 9.5%.

The problem facing the East European countries is that given the resolute and energetic drive to develop heavy industry, no mishaps must befall other sectors of economy, in particular consumer goods industries and last but not least agriculture. Without adequate development especially in the latter sector it will be extremely difficult to keep up the tempo in heavy industry; no wonder that much attention is paid to agriculture. Apart from this the availability of manpower is a factor of great importance, as without manpower the end in view will never be attained.

From 1956 onwards the responsible authorities will have to keep a constant eye on the providing for consumption demands through light industries and agriculture, as well as on the manpower problem. The 6th five year plan published by the Soviet Union aims toward keeping up with Western Europe and the U.S.A. and ultimately surpassing these countries in the future.

Below some figures are given :

	1955	1955	1955	1960
(million tons ; billion kwh)	U.S.A.	U.K., France and W. Germany	U.S.S.R.	U.S.S.R. (plan)
Coal	448	414.5	390	593
Oil	332	4	71	135
Electricity	623	200	170	330
Raw steel	106	54.2	45.2	68.3

Through planned development the Soviet Union expect to have their national income increased by 60% per 1960, and their industrial production by 65%.

Thus the world is witnessing in 1956 the beginning of a tremendous race in the field of economy to achieve an increase in production by applying the latest scientific discoveries and the newest finds in technology. It is to be hoped that this development will pursue a peaceful course and benefit the welfare of mankind.

Asia

General

The year 1955 has not been unfavourable for the Asian countries. This applies to their domestic economic development as well as to their economic relationship with other countries. Table 4 reveals that gold and foreign exchange reserves increased, with the exceptions of Burma and the Philippines.

TABLE 4 — OFFICIAL GOLD AND FOREIGN EXCHANGE HOLDINGS OF
SOME ASIAN COUNTRIES
(U.S. \$ million)

	1952	1953	1954	1 9 5 5			
				1st quarter	2nd quarter	3rd quarter	4th quarter
Indonesia	314	212	248	272	257	268	307
Burma	198	211	124	107	92	86	91 ¹⁾
Ceylon	163	114	169	182	188	201	204
India	1,729	1,765	1,782	1,780	1,751	1,758	1,791
Japan	1,101	895	1,022	1,083	1,113	1,243	1,338
Pakistan	296	296	328	326	327	322	370
Philippines	236	240	207	189	192	191	154
Thailand	352	302	273	294	315	298	297
¹⁾ October							

Source : International Financial Statistics

This favourable development resulted in general from higher foreign trade proceeds in 1955; only the deficit on the trade balance of the Philippines increased. Excluding the Philippines, exports from Asian countries went up as a result partly from good crops, favourable world prices for a number of commodities such as rubber, jute and tin, and from measures taken in various countries to promote exports. Besides, the high level of demand in North America and West Europe undoubtedly made its impact too.

Notwithstanding the advantageous course of exports, the overall share of the Asian countries in total world exports showed only a slight increase during the year under review. Compared with 1950, 1951 and 1952 this share was even less than in those years.

TABLE 5 — BALANCES OF TRADE OF SOME ASIAN COUNTRIES
(U.S. \$ million)

	1938			1952			1953			1954			1955		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Indonesia	381	275	+ 106	934	948	— 14	840	765	+ 75	856	629	+ 227	931	606	+ 325
Burma	181	79	+ 102	264	192	+ 72	238	178	+ 60	249	204	+ 45	227	180	+ 47
Ceylon	104	86	+ 18	315	358	— 43	329	338	— 9	380	293	+ 87	407	307	+ 100
Hong Kong	185	188	— 3	510	663	— 153	480	678	— 198	424	601	— 177	444	651	— 207
India	—	—	—	1,295	1,695	— 400	1,116	1,197	+ 81	1,182	1,291	— 109	1,247	1,357	— 110
Japan	767	759	+ 8	1,273	2,028	— 755	1,275	2,410	— 1,135	1,629	2,399	— 770	2,010	2,473	— 463
Malaya and Singapore	327	315	+ 12	1,280	1,265	+ 15	987	1,058	— 71	1,016	1,026	— 10	1,358	1,248	+ 110
Pakistan	—	—	—	532	611	— 79	439	349	+ 90	359	335	+ 24	461	289	+ 112
Philippines	117	153	— 36	352	484	— 132	404	534	— 130	396	545	— 149	392	613	— 221
Thailand	89	57	+ 32	329	304	+ 25	323	336	— 13	283	312	— 29	332	334	— 1
Exports : f.o.b. Imports : c.i.f.															

Source : International Financial Statistics

TABLE 6 — EXPORTS OF ASIAN COUNTRIES
(U.S. \$ billion)

	1950	1951	1952	1953	1954	1955
a. Total world exports ¹⁾	56.4	76.4	73.7	74.7	77.3	83.8
b. Asian countries ²⁾	6.6	9.6	7.5	6.8	7.1	8.2
c. b in % of a	11.8%	12.6%	10.2%	9.1%	9.2%	9.8%
¹⁾ exclusive of China, USSR and some East-European countries ²⁾ Burma, Cambodia, Laos, Vietnam, Ceylon, Hong Kong, India, Indonesia, Malaya, Singapore, North-Borneo, Philippines, Pakistan, Serawak, Taiwan and Thailand.						

Source : International Financial Statistics

In the first instance this development was due to the Korean boom. The deeper cause however is the extremely narrow basis of exports of the Asian countries, to the extent that total results depend upon fluctuations in world prices of a small number of commodities only. It is therefore characteristic of these exports that the relative importance of the individual commodities in the overall picture fluctuates strongly from year to year. Furthermore, the fact that a large part of Government revenues is dependent on export proceeds, adds to the unstable character of the economic situation in these raw materials producing countries. Because of the above mentioned reasons the various governments are endeavouring to broaden the basis of their exports, to promote the production of import-replacing goods and to improve their tax systems.

Indonesia, Burma and Pakistan excepted, imports of the Asian countries also displayed a general upward tendency, although to a lesser degree than exports. It has to be noted however, that the still precarious position of their balance of payments compels most countries to maintain import restrictions which in some cases were even extended. On the whole priority is granted to imports of capital goods and raw materials for local industries. The same applies to imports of machinery spare parts to prevent stagnation in production. Imports of luxury and semi-luxury goods are largely restricted.

Overall, the food situation was satisfactory thanks to good crops. This was reflected inter alia in the cost of living which did not fluctuate unduly, except in Burma and the Philippines. On account of lower rice prices a relative switch from

other grains to imports of rice was noticeable in some countries which usually import grains. On the short term, this provided a welcome assistance to those countries who are mainly dependent on rice exports, such as Burma. The total per caput output of agrarian production in the period 1954-1955 was however, according to the "Economic Survey of Asia and the Far East", still 14% below the average of the years 1934-1938 (excluding China) .

TABLE 7 — COST OF LIVING INDEX OF SOME ASIAN COUNTRIES ¹⁾
(1953 = 100)

	Burma	Ceylon	India	Japan	Pakistan	Philippines	Thailand
1950	110	95	95	77	85	102	74
1951	108	99	99	89	88	111	82
1952	103	98	97	93	90	103	90
1953	100	100	100	100	100	100	100
1954	96	99	95	105	98	99	99
1955 1st quarter	91	99	91	104	95	98	103
2nd quarter	93	99	87	105	92	97	106
3rd quarter	104	98	90	103	95	97	105
4th quarter	103 ²⁾	99	92	104	95	99	107
¹⁾ Average figures ²⁾ Based on 2 months							

Source : International Financial Statistics

Very nearly all South East Asian countries are energetically engaged in the implementation of the drafted development programmes. In particular the results achieved so far by India and Pakistan are very important. To harmonise with the economic structure and the corresponding stage of development of the individual countries, the sphere of production emphasised by the plans naturally varies. In most of the countries special attention is paid to energy supply, as this constitutes an indispensable requisite for the development of industry. By land reclamation and promoting small industries, the most pressing problem of unemployment is tackled. The ever-increasing population aggravates this problem enormously. In several countries financing institutions are established for the promotion of small industries. Generally speaking, shortage of non-inflationary means of finance and lack of trained personnel are the bottlenecks impeding the pace with which development projects can be completed. For each of these essentials the countries are dependent largely on

foreign assistance, supplied by organisations of the United Nations, the International Bank for Reconstruction and Development, the United States of America and the Colombo Plan organisations.

Table 8 illustrates the foreign economic aid granted in the fiscal year 1954-1955 to various Asian countries.

TABLE 8 — ECONOMIC AID TO ASIAN COUNTRIES ¹⁾
(U.S. \$ million)

	Loans from I.B.R.D. ²⁾	Economic aid through Colombo Plan ³⁾	Net economic aid from U.S.A.				Sales of U.S.A. agrarian com- modities against local currency ⁴⁾
	1950/51 — 1954/55 ⁵⁾		1955				
			Grants	Loans	Grants	Loans	
Indonesia	—	—	20	56	7	2	—
Ceylon	19	3	—	—	—	—	—
India	26	9	128	187	88	— 2	11
Indo-China	—	—	303	—	265	—	2
Japan	—	—	451	46	13	2	11
Korea	—	—	812	—	222	—	32
Pakistan	14	13	118	15	63	—	1
Philippines	—	—	555	65	12	— 1	6
Taiwan	—	—	374	— 14	81	2	20
Other Asian countries	—	2	85	21	20	— 3	5
Total Asian countries	59	27	2,846	376	771	0	88
Economic aid to all countries	410	27	10,075	9,334	1,842	— 101	341

¹⁾ Incl. defence support
²⁾ Authorised loans; source: Annual Report 1954/1955 International Bank for Reconstruction and Development
³⁾ Authorised aid; source: Fourth Annual Report of the Consultative Committee of the Colombo Plan
⁴⁾ Less local currency which is converted into grants and loans
⁵⁾ Fiscal year

At the meeting of the Consultative Committee of the Colombo Plan held in India in October last, it has been decided to prolong the Plan as from June 1957 for another four years. It was established that an important contribution had been made to the development of the South and South East Asian countries. By now the projects implemented during the past four years are beginning to bear fruit. Several countries including the United Kingdom and Canada undertook to increase their assistance to the Colombo Plan.

TABLE 9 — MONEY SUPPLY IN SOME ASIAN COUNTRIES
(end of month figures in billions)

	Indo- nesia	Burma	Ceylon	India	Japan	Pakistan	Philip- pines	Thailand
	Rupiah	Kyat	Rupee	Rupee	Yen	Rupee	Peso	Baht
1950 December	4.31	0.55	0.91	18.33	789.—	2.97	1.15	3.97
1951 December	5.03	0.61	1.01	17.74	1,048.—	3.76	1.05	4.91
1952 December	6.60	0.63	0.90	16.83	1,265.—	3.23	1.09	4.93
1953 December	7.49	0.78	0.83	17.15	1,439.—	3.58	1.11	5.44
1954 March	7.86	0.98	0.81	18.46	1,277.—	3.71	1.12	5.69
June	8.69	0.95	0.86	18.13	1,262.—	3.69	1.08	5.42
September	9.67	0.92	0.88	17.74	1,221.—	3.60	1.09	5.68
December	10.96	0.86	0.96	18.49	1,463.—	3.86	1.11	6.06
1955 March	11.48	1.03	0.95	19.81	1,285.—	3.93	1.10	6.49
June	12.55	1.04	0.92	19.88	1,369.—	3.98	1.12	6.62
September	12.57	1.12	1.01	19.65	1,327.—	4.12	1.10	7.18
December	12.78	1.12	1.07	20.59	1,370.— ¹⁾	4.52	1.19	6.92
Percent increase 1955	16.6	30.2	11.5	11.4	— 6.4	17.1	7.2	14.2
¹⁾ October								

Source : International Financial Statistics

Money in circulation as set forth in table 9 indicates a considerable increase in 1955 for most Asian countries. Japan is the exception. Yet it can be reported that no serious inflationary repercussions occurred.

In the following pages a survey is given of each of the Asian countries, dealing with the most important aspects of their economic development during 1955.

Pakistan

Substantial foreign aid was one of the reasons why Pakistan succeeded in expanding its industrial capacity to such an extent that at present some industries are already in a position to satisfy domestic demand. This is true, for instance, of the manufacturing of lower grade textiles, while chemicals, cement and paper industries also achieved considerable progress. In the period 1954-1955 foreign aid, including technical assistance and donations in goods totalled U.S. \$ 132 million, of which in round figures U.S. \$ 117 million was rendered by the United States of America.

Moreover, three loans were provided by the World Bank in 1955, viz. U.S. \$ 14.8 million for harbour works, U.S. \$ 13.8 million for electric power supply, and U.S. \$ 4.2 million for paper making.

It is worthy of note that as a result of the growing demand of industry for locally produced agrarian raw materials exports showed a downward trend. In view of the fact that the agrarian sector comprises about 80% of total exports, it stands to reason that the Government is paying special attention to extension of the area under cultivation and to promotion of agricultural production in general, among other measures by improving the irrigation system. It is estimated that in West Pakistan three fifths of the total acreage suitable for reclamation is still uncultivated, while in East Pakistan, which is more important than West Pakistan as an agricultural producer, large areas are waiting for cultivation.

Notwithstanding a slight decrease in the production of agrarian foodstuffs during the year under review, home demand could be met. The cost of living showed in general an inclination to fall, but this was halted by the devaluation of the rupee at the end of July 1955. This devaluation was one of the most important measures affecting foreign economic relations that have been taken during the period under review. As is known, Pakistan was the only country within the sterling area which abstained from devaluation in 1949. In the following years too, revision of the monetary parity was in principle foregone on the strength of the argument that industrialisation had to be promoted to the utmost, while in all probability considerations of prestige also played their part. It should be noted in this respect that capital goods and industrial raw materials make up for about 70% of total imports. Only when a turning point towards better balanced economic relations became apparent, was the right moment for devaluation deemed to have arrived and the Pakistan rupee placed at par with the Indian rupee. It is expected that this measure will greatly strengthen inter alia the growing domestic jute industry, and in this way influence exports favourably.

Furthermore, in October last an export promotion scheme was launched aiming more specifically at exports of those products which up to then were not marketed abroad.

As for imports, a substantial liberalisation can be reported in that discriminatory measures against imports of goods from dollar countries were abolished with a view to expanding foreign trade. In this context, it should be noticed that despite a larger surplus on the balance of trade in 1955 than in the previous year, the volume of foreign trade decreased in no small measure as compared with 1952 and 1953.

India

The first five year plan, put into operation in 1951, was mainly directed towards the agrarian development of the country, inter alia by the construction of irrigation works. Besides the plan envisaged extension of the power supply, in order to provide for a speeding up of industrialisation in the future. On the whole the implementation of the first five year plan has brought about a substantial improvement in the economic situation. Although not all targets have been fulfilled, development in certain sectors of production was higher than expected. In general a considerable increase of agrarian and industrial production could be noted. Production of food grains and cotton textiles for instance exceeded their targets. Naturally, these developments exerted a favourable influence on the balance of payments.

In the past five years the real national income rose by 18% this is 7% more than the original estimate. The real per caput income was also higher than expected. Even so, unemployment still presents a pressing problem. It is estimated that the population of working age increased during the past few years by 9 million, whereas only 5 million of these could be actually engaged in production.

In spite of the substantial increase in agrarian and industrial output, the development of investments lagged relatively behind. There are, however, grounds for the assumption that during the last two years the pace both of private investment and of Government expenditures for development projects has quickened. The latter were responsible for a mounting cash deficit, i.e. an increase of the net float-

ing debt of the Government. The resultant expansion in the volume of money could be absorbed without inflationary symptoms, thanks to higher activity. In this connection it can be reported that the cost of living has been showing a downward tendency ever since the end of 1953.

Although considerable amounts are again earmarked for agriculture, the emphasis in the second five year plan which comes into operation on 1st April, 1956, has been laid on industrial development, in which first priority is given to the expansion of heavy industries. It is estimated that the national income will be higher by approximately soon an average, and that employment will increase to such an extent that at the end of the plan-period about 11 million more people will participate in the production process.

It appears, however, that the success of the plan largely depends on the available chances of securing the finance required. Total costs are estimated at nearly Rs 70 billion, or round twice as much as for the first five year plan. It is estimated that at least 75% can be financed without recourse to banks.

Foreign aid extended to India over the period March 1951 to end-1955 totalled U.S. \$ 630 million, of which U.S. \$ 294 million was made available by the United States of America. About half of the amount received has already been spent effectively, the other half will help to finance the second five year plan.

The deficit on the balance of trade was in 1955 of about the same order of magnitude as in the previous year, notwithstanding higher exports, in particular of tea. The still larger increase of imports is to be attributed to the relaxation of import regulations in 1955, designed in the first place to satisfy the industrial demand for raw materials and capital goods. Imports of consumer goods were higher also. In the second half of the year India too, urged on inter alia by the devaluation of the Pakistan rupee, undertook to stimulate exports. The export duties on pepper and coffee, and on products of jute, iron and steel, were abolished, while duties on other products were lowered.

The Reserve Bank of India strives to play an important part in the extension of credit facilities in areas where up to now no banks have been established. For that purpose, the State Bank of India was founded in July 1955 by merging the nationalised Imperial Bank of India and a number of other banks into one. The newly established bank has a commercial function, while it will act concurrently as agent for the Reserve Bank at such places where the latter has no branches. It is hoped that in this way farmers will become less dependent on money lenders, who as a rule charge extreme rates of interest.

Ceylon

The favourable economic development of Ceylon already apparent in the previous year continued in 1955. The surplus on the balance of trade increased as compared with 1954 from Rs 412 million to Rs 478 million, thus setting a record. It was mainly tea exports, constituting approximately 60% of the total value of exports, which despite lower export prices contributed to this satisfying result. Rubber exports too, taking advantage of rising world prices, yielded more. Consequently gold and foreign exchange reserves went up by Rs 259 million to Rs 1.159 million, thereby expanding about twice as much as the volume of money. The above has to be seen in the light of the deflationary effect of public finance. The budget policy pursued to this end by the Government in 1954 and 1955, has to be considered as a reaction to the severe depletion of gold and foreign exchange reserves in previous years. In this context it deserves mention that reserves at the end of 1953 were only about 52% of those per end 1955.

The monetary stability finds expression, amongst other things, in the level of the cost of living which was remarkably stable again in 1955.

Notwithstanding the favourable outcome of foreign trade the urgency remains to render the economy less dependent on exports of mainly three commodities, viz. tea, rubber and coconut products. Government development projects have as special targets transport, agrarian production and power supply. For development

of industries no more than 5% was earmarked in the 1947-1953 and 1954-1960 plans. Nevertheless since September 1954 the Government has taken steps to foster private industrial production, especially small-scale industries. At present specific attention is paid to the production of import-replacing goods. Amongst the most important measures taken in the field of industrial development are the following: tax facilities, protective import duties and a liberal policy towards foreign investments. Special efforts are made to attract foreign capital for oil refineries, the production of fertilisers, sugar and motor tyres as well as for fisheries.

Finally, it should be borne in mind that up to now Ceylon has not been eligible for American aid in view of the barter agreement with China, under which Ceylon sells rubber against rice.

Burma

Burma's balance of payments suffered a rather severe deterioration since 1953. This is due in part to lower foreign exchange earnings caused by falling rice prices— as known, rice is by far the most important export product— while on the other hand Government spending went up in connection with the implementation of the economic development plan started in 1953. While gold and foreign exchange reserves amounted to U.S. \$ 211 million at the end of 1953, a decline was registered in the years 1954 and 1955 by U.S. \$ 87 million and U.S. \$ 31 million respectively i at the end of 1955 reserves therefore stood at U.S. \$ 93 million.

In order to improve the economic condition of the country—in the last quarter of 1955 some improvement did indeed begin to materialise—the Government decided upon drastic import cuts, while at the same time Government expenditure was reduced. Additionally, attempts were made to increase exports of specific products, such as rubber, cotton, timber and ores.

With regard to import restricting measures the Government decided as early as March 1955 that only half the value of import licences issued could actually be

spent, while at the same time the import system under so called open general licences was temporarily suspended. It can be readily understood that the said measures resulted in a rise of the cost of living.

In the field of exports the Government was compelled by stagnation in exports of rice to enter into barter agreements. The two most important rice purchasers in 1955. were Japan and Ceylon, while China took third place. Also with the Soviet Union, some Middle European countries and Indonesia, barter transactions were concluded in the year under review. Barter agreements generally entail the disadvantage that often high prices are quoted for the import goods, while the choice of these goods is restricted.

Gross investments in fixed capital goods are steadily increasing. In view of the fact however, that since 1953 the value of Government investments has been exceeding private investment, directives have been issued to provide incentives to investment by domestic and foreign private enterprise. Certain tax and transfer facilities have been allowed, while guarantees have been given to the effect that newly established enterprises will not be nationalised within a period of ten years. In case of nationalisation after this period a reasonable indemnification will be awarded. Besides the need of foreign capital — a request to be eligible for a loan by the World Bank has not been conceded to as yet—Burma is in great need of foreign technical assistance. To a large extent this assistance is provided by the Colombo Plan.

In spite of the difficulties mentioned above the implementation of the development programme is making progress, which is evident also from the increase in investments as reported above. In particular in the sectors of transport, electric power supply and industry advance is noticeable. On the other hand less attention is paid to the improvement of irrigation works; the preparation of the large irrigation projects is still in its initial stages.

Meanwhile it is obvious that as long as the foreign exchange shortage prevails, the realisation of various plans will be hampered considerably.

Thailand

Like the economy of most other Asian countries Thailand's economy, too, is based on a very limited number of export commodities. Rice and rubber constitute 55 % and 15% of total exports respectively.

The overall picture of the country's economic condition brightened during 1955. In contrast with 1954, when a deficit of more than U.S. \$ 29 million was incurred, the trade balance was in balance during the year under review, thanks to larger export proceeds.

As for exports, the volume of rice exports, totalling more than one million tons in 1955, was slightly higher as compared with the previous year. Since world prices of rice declined, yields from exports were on about the same level as in 1954. In contrast with this stood the noticeable increase in export proceeds from rubber, in correspondence with the upward trend of rubber prices.

A fact worth mentioning is the handing over of rice exports, which were formerly a state monopoly, to private trade as per 1st January, 1955. Furthermore rice exporters were permitted in August 1955 to dispose of their foreign exchange earnings in the free market. In September the obligation imposed on rubber exporters to hand over 20% of their foreign exchange proceeds at

the official rate, was also abolished. The exchange equalisation fund established in July 1955, which derived its means from profit made on the revaluation of gold and foreign exchange holdings that took place in March 1955, was entrusted with the task to stabilise short term fluctuations in the exchange market.

The serious fall in Government income caused the Government in September last to abolish the majority of the import restrictions introduced at the end of 1953, and at the same time to raise import duties. Although these measures afflicted the balance of trade, Government revenue increased in no small measure, while the rising trend of the domestic price level was checked. Taking the year as a whole

the cost of living was higher by 10%, resulting mainly from higher local rice prices; wholesale prices rose by more than 20%.

Economic and technical aid from the United States of America, including donations in goods, during 1955 amounted to around U.S. \$ 46 million. For the major part this aid concerned transport. In view of the still unstable balance of payments position the Government strives to promote industrialisation wherever possible. Difficulties are encountered, however, such as lack of capital, managerial skill and technicians, as well as cheap fuel.

Viet Nam, Cambodia and Laos

As from 1st January, 1955 the economic union of Viet Nam, Cambodia and Laos with France has ceased to exist, although these countries for the time being still pertain to the French franc zone. During the course of the year separate currencies were introduced for each country. The Viet Nam piaster, the Cambodian riel and the Laos kip relate to the French franc at the rate of one to ten.

The Government of Viet Nam decided to terminate per 1st January, 1956, the trade and payments agreement with France concluded at the end of 1954. Consequently the freedom of transfer to France, the preferential custom tariffs and the reciprocal obligation to purchase certain quantities of goods that had been agreed upon, lapsed. Meanwhile a new trade agreement more limited in scope has been signed. There can be no doubt that as a result of these measures trade with France will crumble away. As a matter of fact this tendency was already discernible in 1955 the share of French trade which in 1954 was still estimated at 70% of total Vietnamese trade activities fell back by half during the period under review.

The implementation of the two year plan for Vietnamese industry, drafted in 1954, is still in its initial stages. The same goes for the implementation of the three year plan for agriculture. Progress is to a large extent dependent upon foreign aid. Apart from French aid, which in 1955 amounted to approximately U.S. \$ 18 mil-

lion, Viet Nam receives substantial contributions from the United States of America. During the year 1954-1955 these amounted to U.S. \$ 300 million, of which U.S. \$ 86 million was earmarked for economic projects.

Owing to the bad rice crop and the decline in exports caused by this and other factors, *Cambodia*, in contrast to 1954, incurred in 1955 a deficit on its balance of trade. But for foreign aid, Cambodia too would be unable to finance its development projects, which aim in particular at harbour and road construction.

Laos, covered by forests and endowed with rich ore deposits such as copper and gold, can exploit only a small part of its sources of wealth owing to lack of technicians and shortage of capital. Indications are that American, British, Japanese and Thai interest for Laos is now beginning to bear fruit. It can further be reported that a customs union has been concluded between Laos and Thailand resulting in duty free imports via Thailand into Laos.

Philippines

Despite higher production and employment the development of the Philippine economy has not quite come up to expectations. The fall of world prices of its principal export products such as copra, coconut oil and sugar evoked recessionary forces. The upward volume of exports was not sufficient to compensate this fall of prices. On the other hand there was a considerable increase of imports, due to liberalisation measures taken at the beginning of the year, as well as higher Government expenditure for development projects which caused a deficit in Government financing, and the expansion in bank loans to private enterprise which was actually encouraged. Consequently, the net gold and foreign exchange reserves fell by about 20% in 1955. For these reasons import restrictions were again tightened in the second half of the year. This induced a rise in demand for local products, the supply of which is often rather inelastic, which fact, together with the increased price level of import commodities, interrupted in the middle of 1955 the downward trend which during three successive years had been so characteristic of local prices.

The revision of the trade agreement between the Philippines and the U.S.A., the so called Bell Trade Act of 1946, was beneficial to the Philippines. Alterations in the parity of the pesos will no longer require prior consent of the U.S.A.; moreover, for the first time since fifty years, American goods are liable to import duties as from 1st January, 1956, to the rate of 25% of the tariffs imposed per the same date on goods from other importing countries. The taxation of goods imported from U.S.A. lends support to the Philippine efforts to broaden their foreign trade, because this measure heightens the possibilities for other exporting countries to compete with U.S.A. in the Philippine market. Besides spreading foreign trade over a larger number of countries, a broadening of the basis of exports has to be sought after lest the Philippine economy be too vulnerable to unfavourable price trends for a limited number of export commodities.

Taiwan (Formosa)

One of the most pressing problems facing Taiwan is its rapidly increasing population. Because enlargement of the agricultural acreage is no longer possible, it is readily understood why in the drafting of development plans emphasis is laid mainly on the expansion of industry. On the whole the targets laid down in the four year plan (1953-1956), in particular as regards the consumer goods industry, will be fulfilled. Three fifths of the value of industrial output falls to Government enterprises. A beginning has been made to foster the expansion of private industry by transfer of Government undertakings to private ownership. The prospects of industrial development are closely related to the solution of problems which spring from lack of capital and from shortage of raw materials and energy supply during the dry season. American assistance to Taiwan in the form of financial aid as well as the sending of experts is playing a very important part in raising the level of agrarian and industrial production. Rice and sugar are the main agricultural crops to which due attention is paid at present. Fertilisers, aluminium products, paper and cement are the commodities in the industrial sector of which production will be stepped up.

So long as the threat from the Chinese mainland continues there will be little hope of a balanced budget for Taiwan. Military expenses are estimated to swallow up approximately four fifths of the total outlays for the fiscal year 1956. Here is another case where American aid brings relief from otherwise almost insoluble problems.

Taiwan's balance of payments improved during 1955. Exports rose from U.S. \$ 98 million in 1954 to U.S. \$ 133 million in 1955, while imports decreased from U.S. \$ 198 million to U.S. \$ 173 million. Regarding imports it can be stated that U.S. \$ 88 and U.S. \$ 82 millions worth of goods respectively were imported under arrangements of the American aid programme.

Japan

For Japan 1955 has been the most prosperous of all postwar years. There were distinct indications of a boom, which was, however, not marred by inflationary symptoms thanks to the deflationary measures taken in 1953 and tightened further later on.

Among the most important incentives to the Japanese economy were higher exports. Their increase resulted in part from the high level of demand in North America and West Europe, while on the other hand export-promoting measures proved effective. Export proceeds went up by about 27% compared with the preceding year, totalling U.S. \$ 1,954 million. About U.S. \$ 759 millions worth of exports went to the dollar area (1954: U.S. \$ 487 million), while the total value of exports to the sterling area amounted to U.S. \$ 729 million (1954: U.S. \$ 508 million). The chief items by which exports rose, are iron and steel products, ships and textiles. A serious threat for the textile industry is the pressure exerted in the U.S.A. to curtail imports of Japanese textiles.

Payments for imports fell from U.S. \$ 1,962 million in 1954 to U.S. \$ 1,848 million in 1955, for the most part due to diminishing imports of foodstuffs. If

however, deferred payments to the amount of U.S. \$ 169 million and imports of American agrarian surplus commodities are taken into account, the outcome is that in 1955 the total import value was higher by round U.S. \$ 125 million than in 1954.

On account of the favourable trend in the balance of payments, gold and foreign exchange reserves increased in the year under review by U.S. \$ 431 million to U.S. \$ 1,555 million.

Over and above higher exports, another important factor favouring the economic position in 1955 was the good rice crop. This amounted to 39.5 million bushels or 20% above the year average. The problem of chronic food scarcity, which together with unemployment is one of Japan's greatest worries, was allayed. Despite the bumper harvest Japan continues to import rice for stockpiling. A stabilisation policy is expected in 1956, so that in all probability the cost of living, which remained fairly steady in 1955, as well as wages will fall.

Industrial production in 1955 went up by about 8%. Yet employment in manufacturing did not improve to any appreciable degree, which constitutes a serious threat in view of the ever growing population. In part this state of affairs is due to the advance of mechanisation in large enterprises.

Although income of enterprises and individuals went up as a result of higher exports and favourable harvest yields, new investments as well as consumer expenditure lagged behind. The rise in private income went for a large part into savings, to be used for redemption of debt.

Korea

An amount of over U.S. \$ 1 billion in foreign aid, mostly from U.S.A., had been extended to *South Korea* up till 30th June, 1955. Reconstruction— which would be practically impossible without this foreign aid—is hampered by the pre-

vailing inflationary climate. Moreover the fact that 10 % of the population of working age is engaged in military service, which thus absorbs a substantial amount of labour of the most productive age-group, undoubtedly has strong repercussions. In the course of 1955 a number of short term reconstruction projects in various branches of activity could be accomplished. The carrying out of a small number of long term development projects, relating inter alia to fertiliser production, industrial facilities and electricity supply, is making good progress. It is expected that these projects will start production in 1956.

The implementation of the five year plan for South Korea, having as its target economic independence by 1960, will require an amount of U.S. \$ 2,300 million. It is hoped that the scheme can be financed as follows: \$ 1,500 million out of American aid, \$ 500 million by Government finance, \$ 130 million out of World Bank loans and \$ 30 million by private means. Prospects are that for 1956 U.S. \$ 628 millions worth of American aid will be rendered to South Korea, of which U.S. \$ 450 million are intended for military purposes.

The trade balance for the year closing at 30th June, 1955, showed a smaller deficit than in the preceding twelve months' period. Exports as well as imports fell however by about 50%. On the export side this is caused by diminishing exports of tungsten, while on the import side the fall resulted from lower imports of grain and consumer goods. The high income from services, mainly related to the stationing of foreign troops in South Korea, has on balance brought about a slight increase in foreign exchange holdings. Considering that income from services, which is of a temporary character, amounted in 1954-1955 to U.S. \$ 66 million, while exports were valued at merely U.S. \$ 15 million, the precarious position of the balance of payments of South Korea is all the more obvious.

The scarce data available on *North Korea*, which has of old a more industrial character than South Korea, give the impression of a rapidly expanding production.

Chinese People's Republic

In July 1955 the first five year plan, covering the period 1953-1957, was introduced and passed by the First National People's Congress. State outlays for the plan are estimated at Yuan 77 billion or U.S. 33 billion. The emphasis is on industry, to which 41 % of the public means earmarked for the implementation of the scheme will be allotted. Of this amount, 79 % will go to the big projects, which nearly all relate to the capital goods industry and energy supply. As for the capital goods industry, priority is given in particular to the iron and steel industry, the machine manufacturing industry and further to coal production and electricity supply. Large amounts are appropriated also for take improvement of the railway system. The network in operation at the end of 1955 had been extended by about 20%. as compared with 1950.

The target for industry is a rise in production by 98 % over the full plan-period, up to 70% of which has to be contributed by the existing industries. The relatively small attention paid to the consumer goods industry is justified by the authorities by pointing at the fruits which the promotion of the basic industries will bear in the long run to the common welfare, as well as at the over-capacity of consumer goods industries, the utilisation of which is, however, largely dependent on the availability of raw materials.

No more than 8% of total public means allocated to the plan has been set aside for the agrarian sector and for waterworks. Because priority is given to industry, it will not be feasible for the time being to use fertilisers on a large scale, while also the mechanisation of agriculture will take place at a very slow rate. It will be understood that for these reasons, and because of the already intensive use of the soil, the target for agrarian production lags far behind that for industry. The object in view is an increase of agrarian production by 23% over the present plan-period.

The scanty data that are to hand seem to indicate that industrial production went up considerably in 1955. In particular machine manufacturing industries,

electricity plants and heavy industries contributed largely to this increase. Agrarian production too has been very satisfactory, on account of good harvests of food crops and cotton.

Agrarian production co-operatives were reported to number round 1.9 million by the end of 1955, comprising about 60% of all farmer families. There are however, also lower estimates. Until now these co-operatives were in no large measure supported by state credit, neither were they favoured by the providing of seeds and fertilisers. In 1956 this will be different, so that: a very speedy growth of the agrarian co-operative movement may be expected.

China shares with other Asian countries the problem of skilled labour shortage. Therefore the plan pays much attention to the training of technicians and the rational use of available labour. In this respect the U.S.S.R. renders important assistance by sending instructors and experts, as well as by training Chinese personnel in Russia.

High hopes are held by the Chinese authorities with regard to foreign trade. In 1955 there was a substantial increase, particularly in trade with other communist countries. Besides, trade with Western and Asian countries was on the increase too.

British Colonies in South East Asia

The prospect of self-government and independence of *Malaya* within the Commonwealth—possibly to be proclaimed in August 1957—was the most important achievement of the conference between Malaya and the United Kingdom which took place in London in January 1956. Concurrently Malaya will by then act as an independent member of the sterling area. Talks with the *Singapore* Government in December 1955 led to the drawing up of the agenda for a conference to be held in April 1956, where amongst other things self-government for Singapore will be down for discussion

Thanks in part to favourable world prices for rubber and tin the trade balance of Malaya enjoyed a surplus. In addition, the increased volume of rubber exports contributed largely to this development. Malaya, being one of the most important dollar-earning countries of the sterling area, succeeded in enlarging its dollar surplus in 1955. Owing to higher exports, Government income likewise rose substantially during 1955. By this course of events the budget deficit originally estimated at M\$ 148 million will be greatly reduced. On the strength of provisional figures it is even anticipated that public finance will result in an estimated cash surplus of M\$ 42 million. The budget for 1956 introduced in November last envisaged a deficit of M\$ 50 million. Higher income tax as urged by Singapore will not materialise before the whole tax policy will have been revised.

A mission of the World Bank has drawn up five year plans for Malaya and Singapore. In the Malaya plan the emphasis is laid principally on replanting of rubber acreage and on rice production. Furthermore extension of the road and communication system was recommended, while the urgency for better power supply was stressed. The proposed development projects for Singapore concern mainly building construction, social services and public utilities.

Compared with 1954 the deficit on the trade balance of *Hong Kong* increased. Imports were higher by 8% chiefly because of more imports from China, while on the other hand imports from European countries were lower. Exports (including re-exports) increased by only 5,%. Striking is the fall in exports to China by 53%, which is largely attributable to the extension of China's direct trade with European and other exporting countries. Whereas in 1954 China took first place among the destinations of Hong Kong exports, that country dropped to fifth place in 1955.

In view of the uncertainty regarding the future development of Hong Kong's foreign trade, it is understandable that much attention is paid to the promotion of local industry. In recent years a remarkable increase of production could be registered. The significance of Hong Kong industry was demonstrated by the fact that voices were raised abroad advocating measures to counter the import of its products.

The three British colonies *Brunei*, *Serawak* and *North Borneo* are mainly agricultural countries. Among the most pressing problems of these areas are irrigation, anti-erosion measures and improvement of agrarian production methods. The expanding oil industry in Brunei has a favourable impact on the economy of this colony, while the same may be said of Serawak, where oil is refined and shipped abroad.

In a similar manner as in 1954 North Borneo and Serawak profited in 1955 by advantageous rubber prices. In order to check loss of foreign exchange as much as possible, measures to combat smuggling were tightened.

III. MONETARY DEVELOPMENTS

Introductory

It must be recalled that in 1954 the general trend in the internal monetary situation was definitely adverse, culminating in a large cash deficit of the Government to the amount of Rp 3,342 million and thereby aggravating inflationary forces. In the year under review there was an improvement in that the new import system which came into force per 1st September last not only brought about higher and accelerated T.P.I. levies but also speeded up pre-payments by importers, thus resulting in a considerable money contraction which benefited the Treasury. On account of this public finance displayed a cash surplus of Rp 25 million. It must be noted however, that domestic credits granted by banks increased by no less than Rp 1,191 million, thereby generating an inflationary effect three times as big as in the preceding year. Moreover, there was in the year under review no compensating influence emanating from a deficit on the balance of payments as happened in 1954, the reason being on the one hand that imports recorded an overall decrease resulting from the restrictive import policy in the period January up to and including August 1955, while on the other hand export proceeds reached a much higher level due mainly to favourable rubber prices.

When scrutinising further the above mentioned course of events, it is certain that compared to 1954 the monetary and economic situation has improved, even though this improvement was actually not achieved before the last four months of the year. Against an expansion in the money supply of about 46% in the preceding year, the 1955 increase did not exceed 17%. Furthermore, since September last a more voluminous and continuous supply of imports on behalf of the production and consumer goods spheres could be effectuated, which halted the almost daily rise of prices, even to the extent that in some sectors a rather considerable price fall could be noted. For the first time in many years the debt of the Government with Bank Indonesia declined, viz. by Rp 140 million, and this in spite of an initial upswing of Rp 1,362 million during the first halfyear of 1955. The decrease in the second halfyear therefore amounted to Rp 1,502 million. Finally, the balance of

payments position revealed a betterment in that a striking improvement in the foreign exchange position could be achieved on account of favourable export results, while overall import figures were still on the low side.

Notwithstanding the fact that generally speaking the monetary position improved in the past year, I must stress that there is no room for complacency.

Above all the increased receipts were due to the new import regulations (T.P.I.), which brought about some improvement in the budgetary situation.

For the rest this improvement, which is reflected inter alia in a reduction of Government debt with Bank Indonesia, is entirely attributable to the fact that pre-payments by importers were booked as receipts (which receipts were not entered into the budget) in favour of the Government. Taken over the whole year however this reduction amounted to no more than Rp 140 million, though the total increase of pre-payments (including T.P.I.) on account of applications for import licences submitted but not yet granted, could be put at Rp 2,027 million. If therefore these “receipts”—which are in fact short term loans enforced on importers—had not benefited the Treasury, Government debt with Bank Indonesia would have displayed a rise of Rp 1,887 million. Though in that case the upsurge would have lagged behind by Rp 1,276 million compared to the accumulation of debt during the preceding year, yet the amount is significant, the more so when taking into account that after the change of Cabinet in the middle of August 1955 there was during the remaining months of the year a severe retrenchment on capital expenditure.

Fully acknowledging that the Government did succeed in reducing the actual cash deficit in some measure, I am very much afraid that this achievement will be of a temporary nature. Recently published budget figures for the year 1956 reveal that a deficit of Rp 2,800 million must be anticipated, or Rp 1,800 million more than originally estimated. Moreover, it must be expected that pre-payments of importers will show no further uptrend in the near future, but will on the contrary tend to fall off owing to the fact that the “normal” monthly average of imports lies

below the present high level, which must be seen as a reaction to the removal of import restrictions and serves inter alia to satisfy the replenishing demand. The conclusion therefore is that the inflationary effect generated by public finance will be greatly enhanced and presumably attain a level comparable to 1954. Truly, bank lending in the private sphere can be cut down to some extent without too much difficulty while also deflationary counter-forces will be enacted by the inevitable running down of foreign exchange reserves (the downtrend of rubber world prices will certainly influence total export proceeds). But these two factors will provide only a very limited counter- force to the inflationary effect emanating from public finance.

It is imperative therefore that the Government take measures in good time to prevent as much as possible or to compensate for any undesired consequences.

Monetary balance sheet

No basic alterations were made during the year under review in the drawing-up of the monetary balance sheet. The balance sheet per end-December 1955 has been computed on the basis of data supplied by the Government regarding the volume of money put into circulation by or on behalf of the Government, and the

TABLE 10 — MONETARY BALANCE SHEET
(as at December 31 ; Rp million)

	1953	1954	1955		1953	1954	1955
Currency issued by the Government (less bank notes balance with Government pay offices)	340	480	574	Currency in circulation :	5,030	7,270	8,474
Advances of Bank Indonesia to the Government	5,309	8,472	8,332	a) Bank notes	—160	—146	—202
Treasury notes and bills with banks	114	153	174	minus: Bank notes balances with Government	4,870	7,124	8,272
Domestic, non-Government credits granted by banks	2,394	2,826	4,017	b) Government notes	367	470	599
Gold and foreign exchange holdings	2,025	1,758	2,771	c) Coin	133	156	177
Sundry items	416	759	1,018	minus: Cash balances with banks	—152	—208	—217
					5,218	7,542	8,831
				Demand deposits :	2,269	3,419	3,947
				Domestic creditors	7,487	10,961	12,778
				Total money supply	3,111	3,487	4,108
				Non-monetary liabilities of banks	10,598	14,448	16,886
	10,598	14,448	16,886				

Sources : Ministry of Finance; Bank Indonesia

combined balance sheet of Bank Indonesia, Bank Negara Indonesia, Bank Industri Negara and nine privately-owned foreign exchange banks operating in this country. This implies that the number of foreign exchange banks increased by two since end-1954.

Unfortunately, as it has not been practicable yet to include the figures of the other money-creating institutions, viz. Bank Rakjat Indonesia and the national private banks, the monetary balance sheet cannot yet claim completeness. I should like to point out however that in spite of these shortcomings the various data incorporated in the monetary balance sheet do permit of gaining an insight into the most important causes that influenced the movements in the money supply, and thus can serve as a starting-point for an analysis of the monetary developments in our country.

For the sake of clarity it should be mentioned that the credit side of the monetary balance sheet shows the liabilities of the Government and banks in as far as they have a money character by being demand liabilities, as well as non-demand or non-monetary liabilities of the banks. These non-monetary liabilities, together with the items entered on the debit side, constitute the counter-items of the liabilities relating to money in circulation.

Total money supply was up in the year under review by Rp 1,817 million. On the one hand currency in circulation was higher by Rp 1,289 million, while on the other hand cash balances increased by Rp 528 million.

Summarising, it can be stated that the following factors have influenced the movements in the money supply (money-expanding factors are marked +, money-contracting factors are marked —; Rp million).

	1954	1955
A. Public finance	+ 3,342	— 25
B. Domestic credits granted by banks	+ 433	+ 1,191
C. Gold and foreign exchange holdings	— 267	+ 1,012
D. Miscellaneous causes	— 34	— 361
	<hr/>	<hr/>
Total	+ 3,474	+ 1,817

A more detailed survey of the causes of the movements in the money supply is given in table 11.

On the strength of the data in this table, the monetary trend during the the year under review can be briefly described as follows.

In contrast to the preceding year when there was a cash deficit of Rp 3,342 million, public finance in 1955 showed a cash surplus of Rp 25 million. On the one hand Government debt with Bank Indonesia receded by Rp 140 million, while on the other hand Treasury notes and bills with banks were more by Rp 21 million and currency issued by the Government (less bank notes balances with Government pay-offices) was higher by Rp 94 million.

It is beyond doubt that the marked improvement in public finance in the year under review was entirely due to the new import regulations imposed per 1st September last, which resulted in a steep increase as well as an acceleration in pre-payments by importers. Total pre-payments registered a net rise of Rp 2,027 million, against only Rp 145 million in 1954. Without this item entered as receipts there would of course have been no cash surplus in the past year; on the contrary, an inflationary cash deficit would have emerged to the extent of about Rp 2,000 million.

Finally, I have to mention that net Government expenditure abroad amounted to Rp 702 million in the year under review.

Taking all this into account when calculating the monetary effect of public finance, the overall deflationary effect created by it can be assessed at Rp 727 million.

Domestic credits granted by banks comprising credits to semi-Government institutions such as Jajasan Urusan Bahan Makanan, Jajasan Kopra and Jajasan Kredit, and to private enterprise (including participations and discounting of bills), expanded by Rp 1,191 million in 1955 (1954- increase: Rp 433 million), which

had an inflationary effect. This increase is mainly due to credit expansion in the purely private sphere. Credits to this sector went up by Rp 1,105 million, a considerable rise occurring not only in the import sector but also in the categories exporters, industrial enterprises, sugar estates and other agricultural estates. Credits

TABLE 11 — CAUSES OF CHANGES IN THE MONEY SUPPLY
(Rp million)

	1954	1955				
	Total	Total	1st quarter	2nd quarter	3rd quarter	4th quarter
<i>A. Public Finance</i>						
(1) Government debt with Bank Indonesia	+ 3,163	— 140	+ 430	+ 932	— 279	— 1,223
(2) Treasury notes and bills with banks	+ 39	+ 21	— 1	—	+ 22	—
(3) Currency issued by the Government (less bank notes balances with Government pay-offices)	+ 140	+ 94	— 69	+ 27	+ 37	+ 99
Total A	+ 3,342	— 25	+ 360	+ 959	— 220	— 1,124
<i>B. Domestic credits granted by banks to :</i>						
(1) Semi-Government institutions	+ 160	+ 86	— 184	—	+ 17	+ 253
(2) Private business and individuals (inclusive of participations and discounting of domestic bills)	+ 273	+ 1,105	+ 220	+ 427	+ 265	+ 193
Total B	+ 433	+ 1,191	+ 36	+ 427	+ 282	+ 446
<i>C. Gold and foreign exchange holdings</i>						
(1) Gold holdings with Bank Indonesia	— 596	— 102	— 102	—	—	—
(2) Ready foreign exchange position of the Foreign Exchange Fund	+ 610	+ 760	+ 341	— 146	+ 214	+ 351
(3) Foreign bills and bank balances	— 281	+ 354	+ 9	— 58	+ 78	+ 325
Total C	— 267	+ 1,012	+ 248	— 204	+ 292	+ 676
Grand total (A + B + C)	+ 3,508	+ 2,178	+ 644	+ 1,182	+ 354	— 2
<i>D. Miscellaneous causes</i>						
(1) Margin deposits with banks	— 80	+ 58	+ 12	+ 32	+ 53	— 39
(2) E.C.A., I.M.F. and I.B.R.D. accounts	+ 217	+ 18	+ 10	+ 3	+ 3	+ 2
(3) Capital and reserves of banks	+ 75	+ 130	+ 48	+ 4	+ 41	+ 37
(4) Time deposits	+ 11	+ 26	+ 42	— 10	+ 4	— 10
(5) Claims of the Government on the Foreign Exchange Fund	— 32	—	—	—	—	—
(6) Foreign creditors (Rurni)	— 33	— 2	— 2	+ 22	+ 19	— 41
(7) Sundry accounts	— 124	+ 131	+ 19	+ 56	+ 218	— 162
Total D	+ 34	+ 361	+ 129	+ 107	+ 338	— 213
<i>E. Money supply</i>	+ 3,474	+ 1,817	+ 515	+ 1,075	+ 16	+ 211
Grand total (D + E)	+ 3,508	+ 2,178	+ 644	+ 1,182	+ 354	— 2

to semi-Government institutions were higher by Rp 86 million, owing to the substantial imports of rice in the last quarter of 1955 which were necessitated by the unfavourable crops. More will be reported on credits granted by banks in Chapter V.

Gold and foreign exchange reserves in the year under review were up by Rp 1,012 million, which increase produced an inflationary effect. In 1954 the reserves had fallen by Rp 267 million. As to the causes of the rather large extension in 1955, I may refer to the section "Balance of payments" in this report. It is only mentioned here that the increase was due chiefly to higher export proceeds, while on the other hand total imports over the year remained below the 1954 level on account of the restrictive import policy pursued in the period January-September last. A closer examination of the movements in the gold and foreign exchange reserves reveals that the gold holdings of Bank Indonesia (inclusive of balances in convertible foreign exchange and the claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.) declined by Rp 102 million, which decline relates to the conversion of gold into convertible foreign exchange on behalf of the Foreign Exchange Fund. Including the foreign exchange obtained by this conversion, the ready foreign exchange position of the Foreign Exchange Fund improved by Rp 760 million. The item "foreign bills and bank balances" showed a rise to the extent of Rp 354 million over the whole year. Taking into account net Government expenditure abroad referred to in the foregoing, it may be stated that the semi-Government and private sectors together have brought about an improvement in the foreign exchange reserves of Rp 1,714 million, which generated an inflationary effect.

As regards the various other causes which influenced the volume of money—this relates to the non-monetary liabilities of banks—the so called "turni" balances (blocked rupiah accounts of non-residents) decreased by Rp 2 million, while on the other hand the items "Margin deposits with banks", E.C.A., I.M.F. and I.B.R.D.-accounts", "Capital and reserves of banks", "Time deposits" and "Sundry accounts" were higher by Rp 58, Rp 18, Rp 130 and Rp 26 and Rp 131 million respectively. The overall deflationary effect generated by these movements can therefore be calculated at Rp 361 million.

A comparison with the preceding year gives proof that inflationary forces—though still largely influencing the monetary situation in 1955 — had lost considerably in strength. As stated above this emanated entirely from the pre-payments made by importers on behalf of the Government, whereby public finance resulted in a deflationary cash surplus of Rp 25 million, against an inflationary cash deficit of Rp 3,342 million in 1954. On the other hand credit expansion of the banks created money in this sector to a much larger extent than in tile preceding year. Finally, in contrast to the fall in the gold and foreign exchange reserves and its attendant deflationary effect in 1954, an appreciable uptrend in these reserves entailing an inflationary effect could be noted in the year under review.

Money supply

As mentioned above, the total money supply expanded during 1955 by Rp 1,817 million, against Rp 3,474 million in 1954.

TABLE 12 — MONEY SUPPLY IN INDONESIA
(Rp million)

End of	Currency	Deposits	Total money	% currency	% deposits
1938 March(cstimated	240.0	180.0	420.0	57.1	42.9
1951 December	2,581.6	1,726.3	4,307.9	59.9	40.1
1951 December	3,328.1	1,705.8	5,033.9	66.1	33.9
1952 December	4,349.2	2,254.6	6,603.8	65.9	34.1
1953 December	5,217.7	2,268.8	7,486.5	69.7	30.3
1954 December	7,542.3	3,418.9	10,961.2	68.8	31.2
1955 January	7,695.1	3,507.6	11,195.7	68.8	31.2
Februaryx	7,669.6	3,650.9	11,320.5	67.8	32.2
March	7,672.7	3,802.3	11,475.0	66.9	33.1
April	7,861.3	3,859.5	11,720.8	67.1	32.9
May	8,430.6	3,974.3	12,404.9	68.0	32.0
June	8,462.4	4,087.5	12,549.9	67.4	32.6
July	8,513.1	4,119.4	12,632.5	67.4	32.6
August	8,475.1	4,053.6	12,528.7	67.6	32.4
September	8,565.6	4,000.6	12,566.2	68.2	31.8
October	8,362.0	3,786.5	12,148.5	68.8	31.2
November	8,323.6	3,716.1	12,039.7	69.1	30.9
December	8,831.0	3,946.7	12,777.7	69.1	30.9

A further scrutiny of the movements in the component parts of the money supply reveals, that the expansion occurred mainly in currency as this item was higher by Rp 1,289 million, while deposits went up by Rp 528 million. Expressed in per cent. currency constituted about 69.1% and deposits 30.9% of the total volume of money per end-December 1955. At the end of 1954 the ratio was 68.8% to 31.2%.

Lack of sufficient data forestalls an exact quantitative explanation of the above mentioned trend. It is therefore only possible to define superficially the character of the movements in the money supply.

As for currency it can be stated that the increase in the month of May, similarly as in previous years, related principally to Lebaran bonuses, the buying up of paddy and the opening of the sugar campaign. By reason of the introduction of the new import system, the amount of currency in circulation diminished considerably in October and November, but rose steeply again in December. This uptrend, which has to be viewed in connection with drawings of Government and semi-Government institutions towards the year-end, is a normal feature as there is usually an inclination to spend allocated funds before the close of the budget-year. Additionally, salaries of Government personnel were revised, thereby requiring a larger sum than in previous months.

Deposits followed in general a similar trend as currency, although the increase in May was less pronounced. During the period January up to and including July total deposits went up gradually by over 20% to Rp 4,119 million. The following four months witnessed a decrease of Rp 400 million, which naturally enough, was in conjunction with the new import system coming into force per 1 st September last. An explanation of the relatively steep rise during the month of December can be found in the expansion of bank credits to the import sector.

IV. PUBLIC FINANCE

General

Data recently published by the Ministry of Finance reveal that the actual budget deficit for the fiscal year 1954 amounted to Rp 3,602 million, or the same figure as intimated in my previous annual report. I should like to recall that the deficit was initially estimated at Rp 1,200 million, whereas the budget presented to Parliament at the beginning of September 1954 forecast a deficit of Rp 2,600 million.

The draft-budget for 1955 was submitted to Cabinet for approval at the end of January 1955. Discussions by Parliament were postponed by reason of a change of Cabinet in the middle of August 1955, followed by the general elections; approval by Parliament is still pending. Anticipating a deficit of Rp 2,500 million, the Government found themselves obliged to ask for the consent of Parliament to raise the limit fixed for Government advances with Bank Indonesia by the Bank Act 1953, article 19 (2), which limit amounts to 30% of Treasury revenues collected in the budget-year preceding the year in which the advances are drawn. Consent was sought to raise the maximum to Rp 7,100 million, calculated on the basis of the aggregate advances already drawn at the beginning of 1955 and amounting to Rp 4,600 million, plus the estimated budget deficit of Rp 2,500 million. When consent was given at the end of June 1955 (see also Appendix F), the Government debt with Bank Indonesia totalled already in round figures Rp 6,000 million. By that time the possibility of exceeding the limit of Rp 7,100 million had to be taken seriously into account. It appeared almost inevitable that the limit would be exceeded when, shortly after the change of Cabinet, the new Minister of Finance stated that on the strength of data at hand the conclusion had to be drawn that the deficit would eventually be much higher than originally estimated, and would in all probability touch a level of Rp 3,500 million. Due to rigorous measures however, which I will mention in the following, the actual budget deficit could be reduced eventually to Rp 2,090 million.

Because the most important cause of the disturbed equilibrium in the monetary and economic sectors was the deficit of the Government, these measures aimed primarily at restoring public finance to a healthier state. Furthermore, it was decided to reduce the excessive velocity of money by a severe monetary contraction, and to alter the import system in such a way that the supply of goods could be stepped up on short term. The direct object to be attained was to induce a general fall of prices which in its turn would enable exports to resume an upward trend. This, together with expanding imports, would benefit the Treasury.

It can be stated that the new import system classifying goods in four categories, viz. essential, semi-essential, luxury and super-luxury goods, each liable to a T.P.I. levy of 50%, 100%, 200% and 400% respectively (only very few goods were exempted, see also section “Imports” in the this report), has in so far answered the purpose that on the one hand a rather large contraction of money in circulation was achieved, which increased in efficaciousness by accelerated pre-payment of importers including T.P.I. —in contrast to the old system these pre-payments had to be made when entering applications for licences — while on the other hand, by reorganising the handling of applications for foreign exchange licences, the procedure of imports was greatly simplified. Despite an upward tendency in imports resulting from these measures — the average value of imports per month (including oil) according to C.B.S. data rose from Rp 515 million to over Rp 690 million— foreign exchange reserves augmented considerably over the period September through December 1955. This was due to much higher export proceeds, following upon the successive “un-linking” of imports and exports, and the decline of smuggling, but undoubtedly also, and particularly so, from the favourable trend of world prices of rubber. As a further stimulant to exports measures were promulgated per 24th October 1955 by which export duties were lowered or abolished while moreover support was given to the so called “weaker products” by way of export premiums (see also section “Exports” in this report).

As for restoring public finance to a healthier state, it is certain that it was above all the higher T.P.I. revenue which brought about an appreciable brightening of the budget position. Taken over the whole year this revenue amounted to

Rp 1,843 million, against Rp 1,179 million in 1954. Also due to the preventive control imposed by the Ministry of Finance on plans of Government services, it was possible ultimately to reduce the deficit, within short, to quite below the estimated level, which factor naturally supported the stabilising effect of the monetary measures. It will be obvious however, that the “introductory” measures described above must be followed by more definite measures in the budgetary and fiscal fields if the ultimate goal, viz. a well-balanced budget, is to be attained.

The draft-budget 1956 which was approved by the Cabinet on the 6th December last, shortly afterwards was presented to Parliament. Although the budget specification and the concomitant Financial Note have not yet been released, it is possible on the strength of figures already made known to gather a general impression regarding the most important items of expenditure and revenue.

The situation is depicted by the following figures (Rp million) :

	Ordinary account	Capital account	Total
Expenditure (gross)	15,968	3,686	19,654
Expenditure directly related to revenue	2,199	250	2,449
Expenditure (net)	13,769	3,436	17,205
Revenue (net)	15,649	556	16,205
Surplus or deficit	+ 1,880	— 2,880	— 1,000

Gross ordinary budget expenditure is sub-divided into personnel, materials and miscellaneous amounting to Rp 6,999 million, Rp 4,560 million and Rp 4,409 million respectively. Generally speaking, expenditure has been strongly influenced by the new salary scheme for officials involving an increase in round figures of Rp 1,600 million over 1955, and also, in part, by capital expenditure on account of commitments entered into in 1955. With reference to ordinary expenditure—as explained above ordinary expenditure, i.e. routine expenditure, consti-

tutes the major part of total budget outlays viz. about 83% (in 1955 about 86%) — the planned retrenchment will not immediately have its full impact neither produce complete results. Equally so, the stepping- up in efficiency of Government institutions and the application of the priority-principle with regard to capital expenditure can be followed out only gradually.

The rise in revenue over previous years, has been allowed for on the assumption of an improvement in the basic system and the mode of collecting direct taxes in the first place, as well as an expected increase of income from duties, excise and T.P.I. levies. Receipts from taxes alone are estimated at about Rp 1,000 million more than in 1955; duties, plus excise and T.P.I. are expected to yield Rp 950 million and Rp 3,100 million more respectively.

It can be stated that on the expenditure as well as on the revenue side the 1956-budget turns out much higher than the budget for 1955. Though the deficit, in spite of a higher level of expenditure and revenue, was reduced to Rp 1,000 million, it seems extremely flattering. On the one hand, when studying the expenditure side for some real retrenchment on ordinary expenditure, that is to say for the most part consumption expenditure, by which the ratio between ordinary and capital expenditure would improve, the result is disappointing, while on the revenue side the yield from taxes and additional levies on imports (T.P.I.) has been greatly exaggerated. I felt in no way surprised therefore, when at the time of completing this report (end-May 1956) the new Cabinet, who came into office on 26th March 1956, after much rumination announced that revenue from taxes forecast in the draft-budget at Rp 4,500 million, had been approximately Rp 1,000 million over-estimated, so that total gross revenue for 1956 will not amount to Rp 18,600 million but to Rp 17,600 million. As moreover, for the implementation of the first five year plan commencing in 1956, according to tentative estimates a contribution from the State will be required totalling Rp 8,000 million at the least, whereas in the draft-budget only 50% of the annual contribution or Rp 800 million was provided for, the actual deficit for the year 1956 will be within the region of Rp 2,800 million.

Unfortunately, no exact data are available on the five year plan 1956-1960. Suffice it to mention that it is the intention to divide expenditure as follows:

(a)	agriculture, cattle breeding, fisheries and forestry	13 %
(b)	irrigation and multi-purpose projects	25 %
(c)	transport and communications	25 %
(d)	mining and industry	25 %
(e)	social services (education, health, housing, etc.)	12 %

It is obvious that the financing of the plan will have considerable consequences. Above all, the Government must reduce the present budget deficit to the utmost if the inflationary effect emanating from the financing of the plan is to be kept in check. It seems to me that there can be no successful implementation of the five year plan until this has been achieved.

Cash deficit of the Government

On the computation of the cash deficit of the Government the following can be reported (see also table 13).

In the year under review movements in the Treasury account resulted in a deficit of Rp 2,064 million. It is noteworthy that this deficit originated for the major part (80%) from the first halfyear. In the third quarter there was even a surplus of Rp 83 million; in the fourth quarter the deficit could be restricted to Rp 497 million. Since cash balances of various Government services were up by Rp 144 million in 1955, the aggregate cash deficit of the Government can be computed at Rp 1,920 million, or Rp 1,613 million less than in 1954. In the preceding year the movements in the Treasury account resulted in a deficit of Rp 3,904 million, whereas cash balances of various Government services increased by Rp 371 million. Thus the aggregate cash deficit in 1954 amounted to Rp 3,533 million.

Table 13 explains also how the cash deficit was financed.

TABLE 13 — GOVERNMENT CASH DEFICIT AND ITS FINANCING
(Rp million)

	1954	1955				
	Total	Total	1st quarter	2nd quarter	3rd quarter	4th quarter
<i>Computation of the deficit</i>						
Movements in Treasury Account	3,904	2,064	669	981	— 83	497
Decrease of Government cash and balances	— 371	— 144	—425	12	—173	442
Total	3,533	1,920	244	993	—256	939
<i>Financing of the deficit</i>						
Debt increase with Bank Indonesia	3,163	— 140	430	932	—279	—1,223
Issue of notes and coin	140	94	— 69	27	37	99
Issue of Treasury bills and notes	85	17	— 2	— 3	11	11
Prepayments by importers	145	2,027	— 49	1	71	2,004
Decrease in current account balances of various Government services	—	— 78	— 66	36	— 96	48
Total	3,533	1,920	244	993	—256	939

In the first place it has to be stated that Government debt with Bank Indonesia dropped by Rp 140 million. In connection with the above it has to be borne in mind that prepayments by importers, which were much higher as a result of the new import measures imposed per 1st September 1955 — I went into this matter earlier in this chapter—were booked in favour of the Government, in other words were deducted from the debt of the Government as accounted for in the ledgers of Bank Indonesia. Scrutinising the quarterly movements in this account, the influence of these pre-payments can be ascertained. When in fact during the first two quarters of the year under review there was a considerable accumulation of debt, in the third and fourth quarters however, the decline was such that taken over the whole year the deficit fell by Rp 140 million, which compares with an increase of Rp 3,163 million in 1954. The net rise in pre-payments by importers can be calculated for the year under review at Rp 2,027 million. Secondly, an expansion in currency issued by the Government (including movements in banknotes' balances with Government pay-offices) and of Treasury bills and notes, to the amounts of Rp 94 million and Rp 17 million respectively was accounted for. Finally, current account balances of various Government services went up by Rp 78 million.

When calculating the monetary effect that has eventually been caused by public finance, viewed from the financial angle, one has to probe whether the cash deficit was financed in a deflationary or in an inflationary way. Each deflationary covering will neutralise the monetary effect of the cash deficit for a corresponding amount; on the other hand there will be no question of neutralising should an inflationary method of financing be pursued.

From data embodied in table 13 it appears that the net increase in prepayments by importers totalled Rp 2,027 million. Beside this deflationary source of financing it must be taken into account that Treasury bills and notes with non-banks fell off by Rp 4 million, whence the total of deflationary means of financing can be put at Rp 2,023 million. Considering the fact that the total cash deficit amounted to Rp 1,920 million, the conclusion is that public finance resulted in a gross deflationary effect of Rp 103 million. After deducting movements in current account balances of various Government services amounting to Rp 78 million, the remaining sum total is equal to the deflationary effect caused by public finance as calculated in the monetary analysis (see Chapter III of this report).

Mention must be made that in the foregoing, when determining the gross deflationary effect, no reckoning was made of the monetary neutral effect of the Government deficit abroad, which deficit amounted to Rp 702 million in the year under review. When calculating the net or primary internal monetary effect of public finance, the aforesaid amount must be taken into account. In this instance, the net deflationary effect totalled Rp 805 million, viz. Rp 103 million plus Rp 702 million. Ad informandum I may mention that in the year under review Government expenditure abroad amounted to Rp 1,238 million and revenue to Rp 536 million. In 1954 expenditure and revenue abroad totalled Rp 1,470 million and Rp 695 million respectively.

B u d g e t s

On the strength of budget figures mentioned in table 14 it can be stated that the budget deficit for 1955 is estimated at Rp 2,498 million, or in round figures Rp

100 million less than in the preceding year. On the one hand net revenue is estimated at Rp 1,013 million higher; on the other hand an increase in net expenditure of Rp 920 million is accounted for.

TABLE 14 — BUDGETS 1954 AND 1955 AND PROVISIONAL RESULTS
(Rp million)

	Net expenditure		Net revenue		Balance	
	1954	1955	1954	1955	1954	1955
Budget	10,754	11,674	8,163	9,176	— 2,591	— 2,498
Provisional outturn	12,069	12,397	8,467	10,307	— 3,602	— 2,090
Difference	+ 1,315	+ 723	+ 304	+ 1,131	— 1,011	+ 408

Source : Ministry of Finance

According to provisional results as assessed by the Ministry of Finance, the actual budget deficit in the year under review amounted to Rp 2,090 million, which is Rp 408 million less than originally estimated. Obviously this is related to the new import regulations imposed at the beginning of

September last, which resulted inter alia in higher T.P.I. levies. On balance actual net revenue exceeded estimates by Rp 1,131 million. Net expenditure was Rp 723 million more than intimated by the budget, which is associated with the revision of salaries of Government officials.

As for results in 1954 the actual deficit totalled Rp 4,102 million, or Rp 1,500 million over and above the originally estimated deficit. The chief reason was higher expenditure for the maintenance of public security. Actual net expenditure was Rp 1,815 million higher and net revenue on the other hand only Rp 304 million more than originally estimated.

A tabulation of gross Government expenditure is given in table 15.

The figures in this table show that total actual gross expenditure—these are provisional results — aggregated Rp 16,316 million in the year under review, or

TABLE 15 — GROSS GOVERNMENT EXPENDITURE
(Rp million)

	1954		1955		Difference between 1954 and 1955 out- turns
	Provisional estimate	Provisional outturn	Provisional estimate	Provisional outturn	
<i>General sector</i>					
High Colleges of State	1,197.1	1,249.7	1,170.0	1,329.2	+ 79.5
Finance	1,047.7	1,027.7	1,209.7	1,183.5	+ 155.8
Sub total	2,244.8	2,277.4	2,379.7	2,512.7	+ 235.3
<i>Security sector</i>					
Defense	3,000.0	3,327.4	2,900.0	3,937.5	+ 610.1
Justice	257.6	243.4	217.0	323.4	+ 80.0
Home Affairs	1,639.9	2,911.9	2,330.6	2,940.8	+ 28.9
Sub total	4,897.5	6,482.7	5,447.6	7,201.7	+ 719.0
<i>Economic sector</i>					
Agriculture	555.5	498.9	502.0	519.4	+ 20.5
Economic Affairs	775.5	1,345.2	1,206.0	963.8	— 381.4
Financing Service	2,309.2	1,413.2	1,816.3	1,854.7	+ 441.5
Transport and Communications	421.1	424.5	284.1	232.3	— 192.2
Navigation	90.8	138.0	88.2	114.4	— 23.6
Public Works/Energy	500.0	570.7	477.4	683.0	+ 112.3
Sub total	4,661.1	4,390.5	4,374.0	4,367.6	— 22.9
<i>Cultural sector</i>					
Information	150.3	172.8	138.5	154.6	— 18.2
Education and cultural affairs	750.2	856.1	899.5	975.1	+ 119.0
Religious affairs	163.1	209.0	155.1	223.3	+ 14.3
Sub total	1,063.6	1,237.9	1,193.1	1,353.0	+ 115.1
<i>Social sector</i>					
Health	328.7	314.0	253.4	314.6	+ 0.6
Social affairs	189.3	193.1	195.8	228.6	+ 35.5
Labour	67.7	72.9	55.1	45.5	— 27.4
Sub total	585.7	580.0	504.3	588.7	+ 8.7
<i>Foreign sector</i>	109.2	172.1	92.6	292.8	+ 126.7
Grand total	13,561.9	15,140.6	13,991.3	16,316.5	+1,175.9

Source : Ministry of Finance

Rp 2,325 million more than the budget intimated. Striking is the exceeding of estimates for expenditure in the public security sector by no less than Rp 1,754 million; especially expenditure on behalf of the Ministry of Defence and the Min-

istry of Home Affairs contributed to this result. Actual expenditure in the economic and social sectors on the other hand, did not vary from the estimates to any extent.

When comparing gross expenditure in 1955 with the preceding year, an increase in the public security sector of Rp 419 million must be noted. Also in the general, cultural and foreign sectors gross expenditure was higher, viz. by Rp 235 million, Rp 115 million and Rp 90 million respectively. In contrast, expenditure in the economic sector decreased by Rp 193 million. In the social sector practically no change occurred.

Government revenue

Provisional results indicate that the receipts for the year under review totalled Rp 10,307 million, representing an increase of Rp 1,840 million as compared with 1954. Net receipts for 1955 were estimated at Rp 8,226 million.

The figures mentioned in table 16 reveal that revenue from direct taxes amounted to Rp 3,131 million, being Rp 691 million higher than originally estimated and Rp 692 million more than the corresponding revenue in the preceding year. This very satisfactory result was due mainly to higher yields from company tax; transition tax and income tax yielded more, too.

Revenue from indirect taxes increased as well, resulting from higher yields of import and export duties, and excise. Total revenue from indirect taxes was Rp 4,436 million, against Rp 3,957 million in 1954. The actual yield was approximately 20% above estimates.

The operating of Government enterprises as referred to in the Indonesian Enterprises Act resulted in a surplus of Rp 98 million in the year under re-

TABLE 16 — GOVERNMENT RESOURCES
(Rp million)

	1953	1954	1955	
	Provisional outturn	Provisional outturn	Provisional outturn	Provisional estimate
A. Taxes				
1. <i>Direct taxes</i>				
Transition tax	655	805	945	740
Income tax	229	244	299	250
Company tax	1,083	1,330	1,804	1,386
Free sales tax	22	14	10	9
Other direct taxes	38	46	73	55
Sub total	2,027	2,439	3,131	2,440
2. <i>Indirect taxes</i>				
Turnover/sales tax	634	611	557	500
Import duties	1,283	995	1,105	1,050
Normal export duties	101	107	143	101
Other export duties	912	437	609	565
Excise	1,355	1,593	1,830	1,295
Other indirect taxes	189	214	193	172
Sub total	4,474	3,957	4,436	3,683
Total of A	6,501	6,396	7,567	6,123
B. Balances of Government industries	205 ¹⁾	61	98	229
C. Sundries				
Foreign exchange certificates and T.P.I. levy	1,914	1,179	1,843	1,100
T.P.T.	—	296	337	400
Share of profits	87	121	144	95
Mining concessions	114	74	85	106
Court fines, etc.	14	15	18	10
L.A.A.P.L.N.	530	100	47	80
Miscellaneous	342	225	168	83
Total of C	3,001	2,010	2,642	1,874
Grand total	9,707	8,467	10,307	8,226
¹⁾ Estimate				

Source : Ministry of Finance

view. In the preceding year receipts from this source amounted to Rp 61 million.

Revenue classified as “sundries” yielded in total Rp 2,642 million, or Rp 632 million more than in 1954, and exceeded estimates by Rp 768 million. For the larger part this increase was due to higher revenue from T.P.I. levies through the new import regulations. Receipts of the Foreign Exchange Institute fell from Rp 100 million in 1954 to Rp 47 million in 1955.

Public debt

In the year under review aggregate public debt rose from Rp 16,833 million to Rp 18,580 million, thus advancing by over 10%. In the preceding year the increase was 26%.

TABLE 17 — GOVERNMENT DEBT POSITION
(Rp million)

End of	Consolidated debt		Floating debt (internal)	Total debt	Movements
	External	Internal			
1949	3,882	—	3,012	6,894	+ 1,400
1950	3,792	1,540	3,302	8,634	+ 1,740
1951	4,463	1,511	1,672	7,646	— 988
1952	5,330	1,439	5,107	11,876	+ 4,230
1953	5,248	5,134	3,004	13,386	+ 1,510
1954	5,237	5,027	6,569	16,833	+ 3,447
1955	5,027	4,986	8,567	18,580	+ 1,747

Table 17 reveals that the proportion of the floating debt went up in 1955 from 39% to around 46%, mainly because of a steep rise in debt to importers.

TABLE 18 — FLOATING DEBT
(Rp million)

At the end of	Debt to Bank Indonesia	Currency and notes put into circulation by the Government	Treasury bills and notes	Debt to importers (pre-payments to Foreign Exchange Fund)	Claim on Foreign Exchange Fund	Total floating debt
1951 December	1,359	280	136	—	— 103	1,672
1952 December	4,730	256	130	588	— 597	5,107
1953 December	1,471	340	197	1,028	— 32	3,004
1954 December	4,634	480	282	1,173	—	6,569
1955 March	5,064	411	280	1,124	—	6,879
June	5,996	438	277	1,125	—	7,836
September	5,717	475	288	1,196	—	7,676
December	4,494	574	299	3,200	—	8,567
MOVEMENTS IN FLOATING DEBT IN 1955						
1st quarter	+ 430	— 69	— 2	— 49	—	+ 310
2nd quarter	+ 932	+ 27	— 3	+ 1	—	+ 957
3rd quarter	— 279	+ 37	+ 11	+ 71	—	— 160
4th quarter	— 1,223	+ 99	+ 11	+ 2,004	—	+ 891
Total	— 140	+ 94	+ 17	+ 2,027	—	+ 1,998

This increase took place chiefly after the introduction of the new import system at the beginning of September last. With the exception of the first quarter when there was a decrease, the volume of money brought into circulation by the Government rose constantly. The overall expansion in currency issued by the Government during the year under review was Rp 94 million. Treasury bills and notes were issued to a net amount of Rp 17 million. A survey of the composition of the floating debt and the quarterly movements of same is given in table 18.

During the year under review the aggregate consolidated debt fell off in round figures by Rp 2 51 million, which decline for the most part (about 90%) has to be attributed to redemption on the consolidated external debt. On the pre-war debt to the Netherlands an amount of Rp 104 million was redeemed, and on the post-war debts an amount of Rp 106 million. Expressed in rupiahs, re-imbursements on the Exim-Bank loan were received to a total of Rp 46 million in 1955.

TABLE 19 — CONSOLIDATED DEBT
(Rp. million)

	Debt as at the end of		Movements in 1955					Debt as at the end of 1955
	1953	1954	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	
<i>External debt</i>								
1. <i>Prewar loans</i>								
Netherlands	2,191	2,086	— 16	— 4	— 10	— 74	— 104	1,982
2. <i>Postwar loans</i>								
Australia	174	146	— 29	— 1	—	—	— 30	116
Canada	70	35	—	— 17	—	— 18	— 35	—
United States (surplus credit)	635	615	—	—	— 24	—	— 24	592
E.C.A.	196	196	—	—	—	—	—	196
Eximbank	500	718	—	—	+ 37	+ 9	+ 46	764
Japan	684	684	—	—	—	—	—	684
Netherlands	798	756	—	— 32	—	— 31	— 63	693
Total postwar loans	3,057	3,151	— 29	— 50	+ 13	— 40	— 106	3,045
Total external consolidated debt	5,248	5,237	— 45	— 54	+ 3	— 114	— 210	5,027
<i>Internal debt</i>								
1. Public loan 1950	1,296	1,189	—	+ 1	—	— 42	— 41	1,148
2. Bank Indonesia	3,838	3,838	—	—	—	—	—	3,838
Total internal consolidated debt	5,134	5,027	—	+ 1	—	— 42	— 41	4,986
Total consolidated debt	10,382	10,264	— 45	— 53	+ 3	— 156	— 251	10,013

The consolidated internal debt decreased in 1955 by Rp 41 million as a result of a further reduction of the outstanding 3% Republik Indonesia Loan 1950 from Rp 1,189 million to Rp 1,148 million. In the preceding year the outstanding amount was reduced by Rp 107 million, which reduction however was then entirely the result of adjustment entries. There was no change in the consolidated debt with Bank Indonesia in 1955.

V. BANKING AND CREDIT

Supervision of the credit system

Supervision of the credit system was concentrated during the year under review on credits to the import sector.

It may be recalled that foreign exchange banks were requested in April 1953 to restrict, for the time being, credits to importers and as a general line of conduct to keep advances within the limits of the level attained per end March 1953. Simultaneously, pre-payments due by importers were raised from 40% to 75 % of the official rupiah counter-value of the amounts allocated for imports in foreign exchange. The background of these measures was the inflationary trend originating from large budget deficits.

In order to prevent stagnation in the supply of goods, as well as to secure a smoothly running procedure for imports, it was decided following the new import regulations imposed per 1st September 1955 that after 12th October last the credit ceiling mentioned above need no longer be observed. These new regulations ordained inter alia that pre-payment by importers be raised to 100% plus T.P.I., while also the stipulated date of pre-payment was advanced. (I may refer to the section "Imports" in this report).

When after the introduction of these measures it became evident that the liquid assets of the banks were insufficient to relieve the pressure on liquidity ensuing from the new import system, and consequently the internal supply of goods was again threatened, Bank Indonesia undertook to grant rediscounting facilities if required, with the proviso that the emphasis had to be on the foreign exchange-accruing or foreign exchange-saving sector of enterprise. Besides the opportunity was given to banks to draw on credits with the Central Bank to the extent of 40% of the amounts deposited with the Foreign Exchange Fund on account of import financing. It was stipulated that drawings on these credits—granted

against security of promissory notes—could be made only if the balances of banks with the Central Bank were entirely depleted, whilst these credits were available solely for “pre-financing” of imports, i.e. to finance the pre-payments due by importers, in order to prevent stagnation in the internal distribution of import goods which might arise in the case of “post-financing”.

Finally, the national banks obtained pro tempore special re-discounting facilities on behalf of national importers up to an amount equivalent to 75% of the value (exclusive of T.P.I.) of the imports concerned. This amount is limited however to a maximum of 50% of the total pre-payment, i.e. inclusive of T.P.I. Where goods are not liable to T.P.I. as is the case for instance with imports of weaving yarns, the credit to be granted may not exceed 50% of the import value. On credits granted under the said facilities—which credits are of a temporary character—no higher interest may be charged to national importers than 1 1/2% per month including commission.

Credit facilities granted by banks

The combined balance sheet as embodied in table 2 0 illustrates inter alia the trend of credits extended by Bank Indonesia, Bank Negara, Bank Industri Negara and nine privately-owned foreign exchange banks.

For credits granted by smaller national private banks, I may refer to the section “National private banks” in this report.

It will be seen from the combined balance sheet that credits granted by the banks mentioned above (excluding advances to the Government) were higher by Rp 1,191 million in 1955, against an increase of Rp 433 million in 1954.

A closer examination of the pertinent data shows that borrowing to semi Government institutions, comprising inter alia Jajasan Urusan Bahan Makanan (Food Fund), Jajasan Kopra (Copra Fund) and Jajasan Kredit (Credit Fund), ad-

TABLE 20 — COMBINED FIGURES OF BANK INDONESIA, BANK NEGARA INDONESIA, BANK INDUSTRI NEGARA AND NINE FOREIGN EXCHANGE BANKS
(Rp million; end of period figures)

	1953 ¹⁾	1954 ¹⁾				1955					1953 ¹⁾	1954 ¹⁾				1955			
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.		Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.
Cash in hand	152	138	177	216	208	219	199	207	217	Private capital and reserves invested in Indonesia Domestic creditors Foreign banks' accounts (Rurni) Non-residents' accounts (Rurni) Time deposits Sundry credit accounts	984	997	1,017	1,059	1,059	1,107	1,111	1,152	1,189
Balances of the other banks with Bank Indonesia	760	713	815	1,405	1,176	1,006	880	811	398		2,269	2,529	2,576	3,096	3,419	3,802	4,087	4,000	3,947
Treasury notes and bills	114	115	115	153	153	152	152	174	174		—	—	—	—	—	—	—	—	—
Investments in securities	51	50	50	58	57	60	62	73	78		155	151	122	119	122	120	142	161	120
Advances and debtors, domestic bills and participations	2,394	2,605	2,669	2,495	2,826	2,862	3,289	3,571	4,017		119	113	131	107	130	172	162	166	156
Foreign bills and balances	1,261	1,078	1,008	892	980	989	931	1,009	1,334		1,239	1,244	1,182	1,350	1,345	1,406	1,550	1,958	1,794
Real estate	230	207	216	221	232	250	252	277	306		4,766	5,034	5,028	5,731	6,075	6,607	7,052	7,437	7,206
Sundry debit accounts	165	166	190	242	299	307	359	459	464										
	5,097	5,072	5,240	5,682	5,931	5,845	6,124	6,581	6,988										
Gold and bullion, balances in convertible foreign exchange and claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.	1,651	1,358	1,256	1,055	1,055	953	953	953	953		Foreign Exchange Fund, foreign liabilities Debt of Bank Indonesia to the other banks in Indonesia Bank notes in circulation E.C.A. counterpart account I.M.F. and I.B.R.D. accounts	1,097	1,314	1,592	1,612	1,738	1,714	1,704	1,667
Foreign Exchange Fund, foreign currency account	210	289	316	1,002	1,461	1,778	1,622	1,799	2,038	760		713	815	1,405	1,176	1,006	880	811	398
Advances of Bank Indonesia to the Government	5,309	6,176	7,248	8,098	8,472	8,902	9,834	9,555	8,332	5,030		5,218	6,000	6,440	7,270	7,481	8,224	8,297	8,474
Claim in rupiahs on the Government on account of payments made on its behalf to I.M.F.	—	—	—	171	171	171	171	171	171	614		616	623	634	645	655	658	661	663
	12,267	12,895	14,060	16,008	17,090	17,649	18,704	19,059	18,482	—		—	2	186	186	186	186	186	186
											12,267	12,895	14,060	16,008	17,090	17,649	18,704	19,059	18,482
¹⁾ Bank Indonesia, Bank Negara Indonesia, Bank Industri Negara and seven foreign exchange banks																			

¹⁾ Bank Indonesia, Bank Negara Indonesia, Bank Industri Negara and seven foreign exchange banks

vanced only slightly in the year under review, viz. by Rp 86 million, while credits granted in the purely private sphere (inclusive of participations and discounting of domestic bills) were higher by Rp 1,105 million. This compares with a credit expansion by Rp 160 million and Rp 273 million respectively in the preceding year.

As for advances to semi-Government institutions, at first some credit contraction could be noted in this sector resulting from lower imports of rice in the first halfyear 1955. When it became evident however, that on account of unfavourable weather conditions crops would fall considerably behind estimates, thus necessitating imports of large quantities of rice in the last quarter, credits rose steeply.

In the purely private sphere credits expanded in practically all sectors. Only the categories "rice hulling plants", "domestic produce trade" and "wharfage, warehouses and transport companies" are the exceptions. Diminished credit demands from rice hulling plants find their explanation, naturally, in the reduced crop and consequently in the lower buying-up of paddy which was also below expectations. Undoubtedly, the bad weather conditions influenced the volume of domestic produce trade too. Lastly, wharfage, warehouses and transport companies were limited in their activities by lower imports in general, as well as by shortage of spare parts and tyres brought about by import restricting measures in the period January/August 1955. Additionally, the rather bad state of the road system often caused stagnation in transport.

Credits granted to importers were higher by Rp 400 million in 1955, against a decrease of Rp 59 million in 1954. This development must be seen in the light of the reversal of the restrictive import policy as from September last. It stands to reason that the removal, as per mid-October, of the credit ceiling imposed on the banks as from 31st March 1953, likewise had a direct bearing on this expansion. It should be noted that in January and February 1955 two more foreign exchange banks were included in the reporting, which were at first not subject to any credit ceiling. Though on the whole lending by

these two banks was still rather moderate in size, it cannot be denied that their operations influenced the aggregate credit amount. In September a ceiling on import credits was imposed on these two banks also, in which the state of the accounts per end-June 1955 was taken as a basis.

Advances to exporters in 1955 were higher by Rp 35 million, against a rise of Rp 102 million in 1954. The increase is attributed entirely to the rather substantial credit expansion in the first halfyear of 1955. The course of events in this sector was related closely to the fall in world prices of a number of export products, such as tea, coffee, palm oil and palm kernels, copra, etc., which enlarged the discrepancy between local and world quotations and thus constituted a further impediment to exports. Exporters were thus forced to carry stocks for a longer period, or in larger quantities than usual, which made them call on banks for more credit.

An increase of Rp 182 million was recorded in 1955 in the volume of credits to industrial enterprises, against Rp 127 million in 1954. This was due mainly to the establishing of new plants, such as a gunny bag mill at Surabaya, a caustic soda plant at Waru, a match factory at Medan, a plant for the manufacturing of sheet units at Pontianak, a bicycle-lyre factory at Amuntai, a cement factory at Gresik, etc.

Credits granted to sugar mills went up by Rp 60 million in 1955, against a decrease of Rp 46 million in 1954.

This credit expansion was caused in some measure by the extension of the planted acreage, higher working expenses and stagnation in the disposing of produce due to transport difficulties.

The chief reason for the increase of credits to other agricultural estates was the steep rise in cost prices, while the transport problem had a bearing on the matter also.

TABLE 21 — CREDITS GRANTED BY BANK INDONESIA, BANK NEGARA INDONESIA, BANK INDUSTRI NEGARA AND NINE FOREIGN EXCHANGE BANKS
(Rp million ; end of period)

To :	1954 ¹⁾	1955			
	December	March	June	September	December
<i>A. Semi Government institutions</i>	321	137	141	154	407
<i>B. Private business and individuals</i>					
Banks and credit-institutions	60	78	96	139	186
Insurance companies and savings banks	4	4	5	8	8
Rice hulling works	8	8	6	6	6
Domestic produce trade	103	91	99	88	84
Exporters	359	419	433	429	394
Importers	457	628	780	755	859
Dock and transport companies	127	78	82	91	85
Sugar plantations	444	399	460	534	504
Other plantations	156	169	183	179	245
Industrial enterprises	366	396	474	569	548
Other enterprises	239	256	305	390	433
Individuals	16	24	37	44	41
Sub-total	2,339	2,550	2,960	3,232	3,393
Grand total	2,660	2,687	3,101	3,386	3,800
¹⁾ Bank Indonesia, Bank Negara Indonesia, Bank Industri Negara and seven foreign exchange banks					

Although credits by way of participation and discounting of domestic bills constitute a relatively small part of total credits granted, this category was higher by Rp 51 million in 1955, largely by expansion of the number of participations.

Dealing with the spreading of credits granted by Bank Indonesia and the other banks, the following particulars can be reported.

Of aggregate credits outstanding (participations and discounting of domestic bills excluded), totalling Rp 3,800 million per end-December 1955, Rp 2,471 million or 65% were granted to Indonesian and Rp 1,329 million or 35% to non-Indonesian enterprises/individuals. At the end of the preceding year the ratio was Rp 1,692 million or 64% and Rp 968 million or 36% respectively. As previously remarked upon, the Indonesian sphere includes also semi-Government institutions. Advances to purely private enterprises,/ individuals of Indonesian na-

tionality totalled Rp 2,064 million per end December 1955, against Rp 1,371 million per end-1954.

State Banks

Bank Negara Indonesia

As mentioned already in my previous report, the capital of this bank has been fixed at Rp 300 million. The other sources of finance are derived chiefly from balances of private current accounts, time deposits and balances held by semi-Government institutions. Per end-1955 balances of private current account and other demand deposits totalled in round figures Rp 300 million against Rp 290 million at the end of 1954.

Aggregate credits granted in the purely private sphere of enterprise amounted to nearly Rp 660 million per end-December 1955, representing a credit expansion of Rp 50 million as compared with the preceding year. Over 53% of credits outstanding related to the category importers and exporters, against about 38% in 1954. Important as this rise is by itself, it may be stated that Bank Negara Indonesia, next to the field of imports and exports, displayed much activity in the other credit sectors also.

In order to recruit within a short period a well trained staff, the management have started cadre courses for its personnel, as well as sending employees abroad to gain the banking experience required.

As a matter of interest it can be reported that Bank Negara Indonesia opened its first foreign branch office in Singapore in the middle of November last.

Bank Industri Negara

A final ruling by law on the status of this bank, which operates in the field of long term financing and participations in the industrial, mining and agricultural estates sectors, has not been given yet. As mentioned in my previous report, Bank

Industri Negara was established by Emergency Law No 5 1952 with retro-active effect as from 4th April 1951. The capital of the bank was fixed at Rp 500 million, half of which was fully paid up. In addition to this, Bank Industri Negara has at its disposal Government deposits and proceeds from the issue of 3% Bonds per 1969 and 1970 (per end-1955 the issue totalled Rp 194 million). Subscription to these loans as reported previously was open only to holders of *runi-balances* (blocked rupiah accounts of non- residents).

Credits outstanding per end-December 1955 totalled Rp 515 million; participations at that date amounted to Rp 120 million. This compares with Rp 426 million and Rp 90 million respectively at the end of the preceding year. Credit operations were directed mainly towards the financing of industrial enterprises and sugar estates. These two categories comprised 47% and 30% respectively of total credits outstanding at the end of 1955, against 39% and 40% respectively per end-1954. Participations are for the larger part in the sugar industry sector.

This bank too, is still handicapped by lack of trained personnel. By granting scholarships for University as well as high school courses to promising young applicants, it is hoped to amend this shortage reasonably soon.

Bank Rakjat Indonesia

Tabulation 22 illustrates the trend of credits granted by Bank Rakjat Indonesia.

TABLE 22 — CREDITS GRANTED BY BANK RAKJAT INDONESIA
(Rp million)

End of	In the agrarian sphere		To people with fixed income		Middle class and current account loans		Total amount
	Amount	%	Amount	%	Amount	%	
1938	11.0	41	10.2	38	5.5	21	26.7
1951	63.5	49	10.9	8	55.8	43	130.2
1952	88.0	35	21.4	8	146.3	57	255.7
1953	98.2	21	59.6	13	302.5	66	460.3
1954	92.6	19	66.6	14	321.1	67	480.4
1955	106.3	18	84.4	14	415.5	68	606.2

Source : Bank Rakjat Indonesia

In the year under review loans outstanding were higher, in round figures, by Rp 126 million, which depicts an average rise of Rp 10.5 million per month. Corresponding figures for the year 1954 -were Rp 20 million and Rp 1.7 million respectively.

The monthly average of aggregate new loans was Rp 86 million, against Rp 66 million in the preceding year. Repayments per month on loans outstanding aggregated Rp 75.5 million on an average, against Rp 63.9 million in 1954.

In a relative sense, credits in the agrarian sphere showed a further drop of 1%; on the other hand credits to the retail trade increased by 1%. Of total loans outstanding per end-December 1955 68% went to the retail trade, 18% to the agrarian sphere and 14% to the fixed income group.

Table 23 summarises the number of desa (village) banks in operation, the total amount of loans outstanding and aggregate loans made during 1955 and preceding years.

TABLE 23 — DESA BANKS

	Number of banks in operation	(Rp million)	
		Loans outstanding	Loans issued
	(end of period figures)		during year
1938	7,114	3.9	20.7
1951	1,769	6.0	28.7
1952 ¹⁾	2,230	15.0	50.1
1953	4,409	49.2	150.9
1954	4,640	57.5	200.2
1955	4,693	65.1	223.8
¹⁾ Adjusted figures			

Source : Bank Rakjat Indonesia

During the year under review the number of desa banks increased by 53, while the total amount of lending went up by Rp 24 million, against Rp 49 million in 1954. The average per bank of loans outstanding rose from Rp 43,000 in 1954 to Rp 47,000 in 1955.

National private Banks

The number of national private banks increased further in the year under review. It is reckoned that their number at present is about 75.

With the object of preventing an uncontrolled expansion of private banks, Government Ordinance No: 1 of January 1 955 was promulgated so as to provide for supervision of the credit system in our country, as mentioned in my previous report, page 71. It is worthwhile recalling that this ordinance inter alia states that a bank may be established only when the paid up capital amounts to at least Rp 2.5 million (for savings banks Rp 500,000). Moreover, a licence of the Ministry of Finance must be obtained. As a transitory measure, banks already established but not possessing the minimum paid up capital decreed by law, are permitted to continue business on the strength of a temporary licence valid for no longer than two years, which license can however be extended, with the approval of the Monetary Board.

It has to be noted that up till now it has not been possible to adopt strict supervision over these banks, through lack of qualified personnel for this control on the one hand, while on the other hand the administration of various banks is still so difficult to scrutinise that it is only by much effort that any insight into their activities can be gained. Because an efficient system of supervision is absolutely essential to promote a sound development of the credit system and to safeguard the interest of creditors, there is without question much useful work to be done by us in the near future.

With the purpose of developing and promoting national banking, 17 banks founded a society called the “Perhimpunan Bank-Bank Nasional Indonesia” (Perbana). In order to overcome the scarcity of trained personnel as quickly as possible, Perbana has started a banking course which is progressing well. The opinion in Perbana circles is that the national banks are in general entitled to more support from the Government, and they feel that restrictions should be imposed on foreign banks operating in this country.

TABLE 24 — COMBINED FIGURES OF TWENTY NATIONAL PRIVATE BANKS
(Rp '000)

	December 31st			December 31st	
	1954	1955		1954	1955
Cash in hand	26,480	20,489	Capital and reserves	28,661	29,538
Balances with other banks	72,604	29,215	Fixed liabilities	26,091	13,574
Treasury notes and bills	340	340	Domestic creditors and		
Investments in securities	3,979	4,319	bills payable	192,725	144,540
Debtors, domestic bills and			Time deposits	74,208	76,355
participations	222,584	186,087	Sundry credit accounts	79,482	82,917
Real estate	11,054	10,841			
Sundry debit accounts	64,126	95,633			
	401,167	346,924		401,167	346,924

On the strength of the combined balance sheet of 20 national private banks it can be concluded that the paid up capital and reserves increased only slightly during the year under review. The item "fixed liabilities" was less by about 50%. A rather substantial decline occurred also in the item "creditors and bills payable". Although the composition of the banks as included in the reporting underwent some change in comparison with the preceding year (two banks obtained the status of foreign exchange banks at the beginning of 1955, in place of which two other smaller banks were included), the decrease in the balance sheet items mentioned above was due mainly to the money tightening measures taken by the Government. "Time deposits" rose slightly. Apparently the increase in the item "Sundry credit accounts" resulted from the carryingover of some items, as "Sundry debit accounts" showed a corresponding rise.

On the debit side of the balance sheet the items "Cash in hand", "Balances with other banks", and "Debtors, domestic bills and participations" experienced a rather substantial decline. As mentioned above, the item "Sundry debit accounts" increased. The other items underwent little change. The liquidity ratio fell from 51%, per end-1954 to 30% at the end of the year under review.

Table 25 illustrates the spread of credits granted by national private banks. The figures mentioned in this table disclose that lending by national private banks (excluding participations and discounting of domestic bills) aggregated in round figures Rp 185 million per end-1955, against Rp 199 million at the end of the

preceding year. Trade retained first place. Per end-1955 the share of this category in total credits outstanding was 55%, against 57% per end 1954. Loans to industrial enterprises rose from Rp 30 million to Rp 45 million.

TABLE 25 — DEBTOR SPECIFICATION OF TWENTY NATIONAL PRIVATE BANKS
(Rp '000)

	December 31st	
	1954	1955
Trade	114,966	101,943
Industry	30,221	45,250
Transportation	4,347	6,011
Estate agriculture	9,430	10,911
Individuals	17,200	9,682
Sundry	23,039	10,833
Total	199,203	184,630

Per end-1955 this category constituted about 24% of total credits outstanding.

A comparison with the 12 banks mentioned in Chapter III of this report displays that the 20 national private banks took 10% of the total amount of lending in the purely private sphere. At the end of 1954 their share was 7 %. The percentage of balances held by creditors decreased from 6 % in 1954 to 3.5 % per end-1955.

Pawnshop Service

TABLE 26 — PAWNSHOP SERVICE

(million)						
End of	Number of pawnshops	Pawning		Redemption		Outstanding loans (Rp)
		Number of pledges	Amounts loaned (Rp)	Number of articles redeemed	Amounts repaid (Rp)	
1940	468	50	88	45	85	33
1950	354	16	268	15	216	82
1951	370	29	516	25	431	167
1952	388	34	773	33	690	250
1953	398	36	1,076	36	952	384
1954	410	38	1,216	38	1,223	377
1955	414	42	1,606	38	1,423	595

Source : Pawnshop Service

Pledges and redemptions as well as amounts borrowed and repaid showed an increase in 1955. The number of Government pawnshops was up by 4.

Outstanding loans aggregated Rp 595 million at the year-end, displaying a rise of Rp 218 million over end-1954. This illustrates clearly that pawnshops still play an important part in serving the credit demands of the people. The average time during which pledges stood on deposit was 95 days.

Savings Banks

Similarly as in 1954, deposits with Bank Tabungan Pos (General Post Office Savings Bank) rose considerably in 1955. This expansion was due in part to the opening of 28 new branch offices. In round figures 106,000 more new savings books were issued during 1955 than in 1954.

Deposits with privately owned savings banks showed a satisfactory upward trend also, as revealed in table 27.

TABLE 27 — CREDIT BALANCES AT SAVINGS BANKS
(Rp '000)

End of	Post Office Savings Bank	Private savings banks	Total
1940	50,607	15,941	66,548
1950	50,030	11,918	61,948
1951	65,311	11,840	77,151
1952	91,034	13,001	104,035
1953	122,842	18,448	141,290
1954	158,910	21,227	180,137
1955	188,710	25,182	213,892

At the end of December 1955 the number of branches operated by the General Post Office Savings Bank throughout Indonesia amounted to 783. The number of privately owned savings banks — only the banks of some importance are taken into account—was six.

Encouraging as the increase of deposits with the savings banks may be, unfortunately it must be stated that there is still little inclination amongst the population in general to save. Per end-1955 the balance of savings per capita was only Rp 2.68.

Jajasan Pemusatan Djaminan. Kredit Rakjat

Speaking generally Jajasan Kredit, established in 1950, still meets with much criticism in regard to external as well as internal affairs. Though the Fund's right of existence, considering its purpose and endeavours, cannot be denied when keeping in mind that at the present stage of economic development our society is much in need of credit which, as a rule, cannot be obtained from banks, it would be premature to state that the organisation has come up to expectations. In some respects, however, definite results have been achieved.

When reviewing the Fund's development since its reorganisation in 1952, it is evident that credit granting has spread over a wider field than before the reorganisation, to the extent that it covers now all provinces. This has been achieved mainly by establishing branch offices of Jajasan Kredit in all provincial capitals, and by securing the services of national private banks to act as intermediaries of the Fund. Until the middle of 1952 credits were made available by Jajasan Kredit via two state banks, namely Bank Rakjat Indonesia and Bank Negara Indonesia. Since the reorganisation of 1952 however, nine banks are involved in effectuating credits of Jajasan Kredit, namely three state banks (Bank Rakjat Indonesia, Bank Negara Indonesia and Bank Industri Negara) and six national private banks. It was expected that by enlisting the services of national private banks, in addition to the state banks, the handling of credit applications would be expedited and, simultaneously, the development of national banking promoted. It is worthy of note that 25% of the credits granted are handled by national private banks.

In the year under review the credit accorded to Jajasan Kredit by Bank Indonesia—under guarantee of the Government— did not increase. The credit limit could be maintained at Rp 93 million.

TABLE 28 — OPERATIONS OF JAJASAN KREDIT
(figures covering period of September 1952/ December 1955; including Jajasan Kredit Daerah)

Sectors of activity	Credit applications						Credits in administration with the controlling banks		Reported arrears in the accorded redemptions				
	Received		Rejected		Granted				Number of credits reported about	Number of arrears		Amount of arrears	
	Number	Amount (Rp '000)	Number	Amount (Rp '000)	Number	Amount (Rp '000)	Number	Amount (Rp '000)		Total	As % of cre- dits reported about	Total (Rp '000)	As % of cre- dits reported about
General economic affairs	866	155,177	532	80,835	313	62,429	282	52,813	192	136	71	6,392	31
Industry	1,601	168,261	874	97,762	612	25,611	584	25,146	422	331	78	9,178	58
Co-operatives	205	22,473	60	6,890	143	9,813	137	8,621	90	44	49	1,190	24
“Jatra”	1	44,000	—	—	1	44,000	1	24,000	—	—	—	—	—
“Perrin”	1	29,000	—	—	1	16,000	1	8,100	—	—	—	—	—
Total	2,674	418,911	1,466	185,487	1,070	157,853	1,005	118,698	704	511	73	16,760	41

Source : Jajasan Kredit

Table 28 illustrates (a) the trend of credit granting by Jajasan Kredit since September 1952, (b) the development in various sectors of economic activity, and (c) arrears in redemption on loans granted by the controlling banks.

The same table reveals also that credits made available to the industrial sector exceed by far the amount of loans made to other sectors. Individual credits in the industrial sector amounted to 612, representing 57% of the aggregate amount outstanding. The majority of industrial credits went to North Sumatera, Central Sumatera, East Djawa and Sulawesi. In these areas industrial credits total from 5 to 8 times the amounts granted to other sectors of enterprise. It is further disclosed in table 28 that there is little reason for satisfaction when viewing the arrears. It appears that 511 debtors, representing about 73% of the aggregate credit granted, did not meet their obligations as stipulated with regard to redemption.

It is true that the field of credit granting broadened in comparison with previous years, while also credits were handled in a more businesslike manner, but the point is that applicants are not sufficiently aware of the meaning of credit and are inclined still to look upon Jajasan Kredit as a social institution for aid.

Furthermore, there is the fact that the procedure followed by Jajasan Kredit at their head office as well as in the provinces, takes considerable time as each application has to be screened beforehand by the Government services and controlling banks concerned. Moreover, the way in which Jajasan Kredit guarantees the liquidity risk of the controlling banks results in a loss of profit on interest for the Fund which is charged 3 % by Bank Indonesia, calculated from the date of credit-opening in favour of the controlling bank up to the date that the money is placed at the disposal of the applicant.

In connection with the above there is every reason for satisfaction that the ad hoc Committee established by Decree Nr 3112/M of the Minister of Economic Affairs of March 6th, 1953 and entrusted with the task of preparing the way for a further reorganisation of Jajasan Kredit, has succeeded in drawing up a realistic and clear proposal which has met with a favourable reception.

This proposal on the reorganisation of Jajasan Kredit was approved- by the Minister of Economic Affairs (Resolution Nr 2100/M of February 28th, 1956). By this Decree the Fund's statutes were altered both in regard to principles and operating techniques.

Not only was the name changed into "Jajasan Lembaga Djaminan Kredit" (L.D.K.—Credit Guarantee Board), but the new statutes also contain various important alterations.

The Fund's purpose will remain the same, on the understanding that L.D.K. will undertake only to satisfy the credit needs in the people's primary production sector. Apart from this, the granting of credits will be based more than before on consideration of sound business management and banking technique, while the screening of applications will be shifted from the Government services to the controlling banks. Thus the procedure is shortened considerably, while at the same time the purpose and supplementary character of L.D.K. credits stand out more clearly and, last but not least, national banking is promoted.

In the first place L. D. K. will function as a "credit guarantee board", which is to provide guarantees to back up general and liquidity risks involved in credits approved by L.D.K. and to be financed, whenever possible, by the controlling banks from their own liquid resources. Only in those cases where the liquid assets of the controlling bank are insufficient to finance the credits concerned, will L.D.K. assist—on account of its obligation to warrant the credit—by supplying the working capital needed to make the respective loan, by way of opening a current account on behalf of the controlling bank. In this manner loss of profit on interest by L.D.K. will be avoided.

Finally, the structure of organisation of L.D.K. has been simplified also. Full authority to make decisions has been entrusted to an Executive Committee composed of three members. This Executive Committee is subordinated directly to a Supervisory Board who outlines the general policy of management to be followed by L.D.K.

The branch offices of L.D.K. superseding the various Jajasan Kredit Daerah in the provinces, will perform their task under direct instructions and supervision of the L.D.K. Executive Committee.

In the light of the above it seems appropriate to express the hope that the recent revision of principles and the reorganisation of the Fund's techniques will open the way for better achievements than were possible in the past.

Stock Exchange

Like most underdeveloped countries Indonesia cannot boast of a well functioning capital market yet, because investment funds offered are negligible. Another factor is having a hand in this too, namely that entrepreneurs rarely, if ever, have an opportunity to satisfy their capital needs through the Stock Exchange, i.a. in consequence of the fact that shares of national companies proper must be registered, which considerably reduces their negotiability. On the other hand few difficulties are encountered in obtaining long term credits on fairly lenient terms by private arrangement or from the banks. Whereas for 1954 one issue of shares—

TABLE 29 — SALES AND QUOTATIONS ON THE DJAKARTA STOCK EXCHANGE OF THE MOST IMPORTANT SECURITIES

	Sales (nominal value)		Highest price		Lowest price	
	1954	1955	1954	1955	1954	1955
	(Rp '000)					
3% R.I. bonds 1950	180,819	183,871	58 ⁷ / ₈	65	46 ⁵ / ₈	55 ¹ / ₂
5% bonds Grand Hotel Preanger	39	14	98	100	80	80
3% B.I.N. bonds 1954	8,065	56,307	85	86	75	76 ³ / ₄
3½% Ned. Indië bonds 1935	12	5	79	78	—	76
3% Ned. Indië bonds 1937	38	53	80	79 ¹ / ₂	75	76
3% Ned. Indië bonds 1937A	231	837	85	80 ¹ / ₂	79	76
Escomptobank	4,072	3,888	308	475	257	270
Stroohoedenveem	236	223	425	710	360	410
Vereenigd Prauwenveren	565	933	380	700	260	325
Semarangsch Stoomboot en Prauwenveer	708	637	245	335	153	170
Tagalsch Prauwenveer	226	194	270	495	185	260
G.E.B.E.O.	748	415	470	1,035	240	465
Pandjie & Tandjoongsari	518	348	242	420	160	175
	(Neth. Gld '000)					
H.V.A.	25	23	875	1,450	680	880
Nationale Handelsbank	89	149	1,500	1,700	730	850
Vereenigde Vorstenlandsche Cultuur Mij	62	53	135	625	75	140
Koninklijke Olie	89	102	4,650	5,750	1,990	3,000

although moderate in size, viz. Rp 80,000—by Grand Hotel Preanger Ltd. could be reported, no normal issues were offered either by the Government or by private enterprise during the year under review. I wish to point out that the issue in 1955 of two new blocks of 3% 15-year debentures Bank Industri Negara per 1970—the first two blocks of this debenture loan per 1969, totalling Rp 100 million, were issued in 1954 —cannot be considered as a normal issue, because subscription was open solely to non-residents of Indonesia, holders of blocked rupiah accounts. To these two new blocks also, the facility was granted that redemption and interest will be transferable at the official rate to the country of domicile of the rumi-holder. The debentures are negotiable on the Djakarta and Amsterdam Stock Exchanges.

On the strength of table 29 the conclusion must be drawn that turnovers on the Stock Exchange were very limited.

Trade in 3 % of Republic of Indonesia bonds, still the most important equity on the Exchange, totalled in 1955 in round figures Rp 184 million nominal, against Rp 181 million nominal in the preceding year. Highest and lowest quotations were 65% and 55 1/2% respectively, against 587/8% and 465/8% in 1954.

A comparison between turnovers in 3% debentures Bank Industri Negara in 1954 and 1955 is not practicable, as trade in these debentures actually did not commence before the fourth quarter of 1954. Total turnover in this stock amounted to Rp 56 million nominal in the year under review. In the second halfyear a rather strong downward trend set in. This downtrend was instigated in the first place by the tighter money policy of the Government which led in the third quarter, particularly in September last, to a marked increase in supply from private enterprise to alleviate the pressure on liquidity, which supply fell off again when portfolios were exhausted. In addition to this, institutional investors preferred to direct savings towards private loans in view of the relatively higher yield of the latter, thus reducing demand and consequently lowering the turnover in these debentures.

Trade in pre-war bonds Netherlands East Indies and shares quoted on the Stock Exchange was still trivial. Prices showed an upward trend.

VI. FOREIGN TRANSACTIONS AND ARRANGEMENTS

Introductory

In contrast with the three preceding years, Indonesia's foreign transactions with other countries resulted in 1955 in a surplus. Foreign exchange reserves showed an overall increase of Rp 1,015 million in the year under review (see table 30).

TABLE 30 — GOLD AND FOREIGN EXCHANGE HOLDINGS ¹⁾
(Rp million)

End of	Gold holdings of Central Bank and Foreign Exchange Fund	Ready foreign exchange position of the Foreign Exchange Fund		Sub total	Bank balances abroad	Other foreign exchange holdings	Total	Total movement within year period
		Assets	Liabilities					
1950 Dec.	791	391	— 289	893	620		1,513	
1951 Dec.	1,103	563	— 251	1,415	659		2,074	+ 561
1951 Dec. ²⁾	3,309	1,691	— 753	4,247	1,977		6,224	
1952 Dec.	2,777	123	— 874	2,026	1,557	26	3,557	— 2,667
1953 Dec. ³⁾	1,688	173	— 1,097	764	1,263	10	2,037	— 1,520
1954 Dec. ³⁾	1,055	1,460	— 1,738	777	856	30	1,663	— 374
1955 Dec.	953	2,038	— 1,555	1,436	1,236	6	2,678	+ 1,015
1954 March	1,395	253	— 1,315	333	1,041	6	1,380	— 657
June	1,293	279	— 1,592	20	953	16	949	— 431
Sept.	1,055	1,002	— 1,612	445	816	6	1,267	+ 318
Dec.	1,055	1,460	— 1,738	777	856	30	1,663	+ 396
1955 March	952	1,778	— 1,714	1,016	929	6	1,951	+ 288
June	952	1,622	— 1,704	870	922	6	1,798	— 153
Sept.	952	1,799	— 1,667	1,084	1,007	7	2,098	+ 300
Dec.	953	2,038	— 1,555	1,436	1,236	6	2,678	+ 580

¹⁾ Figures appearing in the above table differ from those mentioned in Chapter III in that foreign bills have been excluded because the respective data have been calculated on cash basis. For this reason bank balances abroad also show a difference. Finally, in Chapter III other foreign exchange holdings have been left out of account.

²⁾ At the post-February 4, 1952 rate

³⁾ Revised figures

Source : Bank Indonesia

Though this outcome by itself is very gratifying, it would be erroneous to presume that this favourable development which actually commenced in the second halfyear of 1954, indicates a more or less permanent improvement in our balance of payments position. Such a presumption is unjustified for the mere reason that the structure of our balance of payments underwent no change. Receipts still consist almost entirely of export proceeds which, because they largely depend

upon international trade cycles, are unstable in character. On the other hand the debit side of the balance of payments shows—apart from outlays for import demands which cannot be reduced below a certain economic minimum to maintain or achieve a stable domestic price level — payments for invisibles and redemption on capital which are more or less constant in size.

From the foregoing it is obvious that the sensitivity of our balance of payments position is related mainly to fluctuations in export proceeds. Since normally the volume of exports, in the short run, does not vary very much, higher proceeds from exports can be obtained, generally speaking, only by higher world prices of our export produce. The improvement in our balance of payments over the past year has therefore to be viewed in the light of the above. It so happened that proceeds from exports, favoured by good world prices especially of rubber, our leading export product, could reach a level of Rp 10,037 million, or in round figures Rp 1,230 million more than in 1954.

The fact that the outcome of our foreign payments transactions is deeply influenced by factors beyond the control of our country—a producer and seller of commodities—should be a constant reminder that a sudden turn of the tide in world prices may easily change the surplus on our balance on goods into a deficit. In this context I should like to draw attention once again to the survey of the Department of Economic Affairs of the United Nations — mentioned in my annual report 1953-1954, page 18 a.f.—on the unstable character of prices of export products, i.e. raw materials and agricultural produce, which is responsible for the great instability of export proceeds of underdeveloped countries who are in general the sellers of these products.

To the surplus of foreign transactions in the year under review the low level of imports (Rp 6,247 million against Rp 6,650 million in 1954) has contributed also. The policy of restricting imports—necessitated at the time by the precarious foreign reserves position — was imposed in 19 54 and vigorously pursued in the first halfyear of 1955. There can be no doubt that in addition to this the reduction in foreign exchange spending thus achieved enhanced the prevalent internal

inflationary tensions. It appears that the deadline of the economic minimum for import demands was fairly well reached in the middle of 1955. After a relative improvement in foreign reserves had set in and the prospect for export proceeds had brightened again, the new Cabinet was able to abolish the restrictive import policy. Thus the strong demand for import goods could be amply met and the scarcity that had developed during the preceding policy of restriction was greatly relieved.

The above explains why the satisfying development in the past year does not call for too much optimism over a lasting improvement in our balance of payments position.

I should like to state therefore that in principle, as long as our balance of payments position due to its present structure is strongly dependent on repeatedly and often widely fluctuating export proceeds, expenditures must be tuned in with receipts. As this will not always be feasible in practice, it seems to me that the only solution is to build up substantial reserves during the years when foreign exchange income surpasses foreign payments. The question then still remaining is merely whether during the good years sufficient reserves can be accumulated to make up for the deficits in the lean years.

The temporary “short term” deficits, now showing up as a result of less favourable developments in export proceeds, in conjunction with the urgency to keep up a continuous supply of goods to meet domestic demands, in my opinion have to be covered from the available foreign exchange reserves. It stands to reason that careful watch must be kept to see that foreign exchange will be made available exclusively for short term demands, while there must be also a good timing between payments and receipts.

As for the financing of “long term” requirements, such as development projects etc., it is my view that for the time being this should be accomplished through additional means. In this connection it may be mentioned that generally speaking, there is some willingness abroad to grant us medium-term loans and credits. Since it is assumed that after the general elections held at the end of 1955 there will be a greater

internal political stability, I think there is every likelihood that this willingness will not only last but even increase. It is disappointing however, that credit facilities made available by exporters, banks, and also by certain Government agencies in some European countries to Indonesian importers for the importation of capital goods—this relates to the so called Band C credits—were utilised until now only to a very moderate extent. As I see it, it is this particular type of credit, usually granted on an average term of approximately two years, which is most suitable for financing the requirements of capital goods needed for small and medium size projects in the framework of developing our country's productivity. It would be heartening if not only official and semi-official quarters but private enterprise, too, would pay heed to these facilities. The Government has decided to aid applicants for these credits by establishing a fund with an initial capital of Rp 100 million, appropriated for the partial financing of the outlays in rupiahs.

To attract foreign capital a Government statement of policy was issued in the past year concerning the possibilities of foreign capital investment in Indonesia. As no new investments of any importance have been made since the war except by the oil companies operating in this country, it is hoped that the clarification given by the Government will help to achieve the object in view. It will be necessary however, to outline more distinctly the somewhat vague contents of this statement of policy. Taking a long-range view at our country's development, these investments are of primary importance, not in the last place because of the growing population.

Finally, I should like to mention the purchase of American agricultural surplus commodities to an amount of U.S. \$ 100 million, decided upon in the beginning of 1956, in which no foreign exchange will be involved. Although this transaction cannot be regarded as a loan or a credit in the proper sense of the word—the counter value in rupiahs will be entered in a special account—it embodies a very welcome economisation of foreign exchange.

Balance of payments

Indonesia's balances of payments relating to the calendar years 1954 and 1955 are displayed in table 31. For a clear understanding of the items mentioned therein the following notes may be of use.

In conformity with the balances for 1953 and 1954 (see also my previous report), the 1955 balance of payments is calculated on cash basis, or in other words the figures represent amounts which during the period under review were actually received or paid. Receipts and payments comprise transactions effectuated by foreign exchange banks and by enterprises which hold special licences to collect receipts and to make payments in foreign currency regarding their own exports and imports, or on account of services extended and received. In contradistinction to the method followed in previous years, transactions of all enterprises are now included in the various items of the balance of payments. A similar method was adopted in revising the balance of payments for 1954, so that it can be stated that the 1954 and 1955 balances now provide a complete picture of receipts and payments in foreign currency, carried out between Indonesia and the rest of the world during the said two years.

One of the consequences of including all actual income and payments in the various items of the balance of payments is, that the item "Oil companies" (formerly item 8. 1.) appearing in the 1954 balance of payments as published in my previous report, has been eliminated. In fact this figure comprised miscellaneous amounts which at that time, for technical-administrative reasons, were difficult to specify in any of the respective items of the balance of payments, for which reason they were then temporarily combined under one single item.

In the revised balances of payments for 1954 and 1955 a new item has been introduced under the heading "Long term capital", viz. 11. 1. "Oil companies' investment". In previous computations this item, comprising in a technical-administrative sense the net movements in current foreign currency, accounts held by the oil companies, was entered under the heading "Other foreign exchange holdings", together with the fluctuations in foreign exchange balances held by other institutions. In view however of the entirely different character of the oil companies' accounts, it seemed appropriate to separate the net movements in the latter from those appearing in the current accounts held by other institutions. In fact the net movements (i.e. decreases) in the first mentioned balances—disregarding overlapping items—represent investments made by the oil companies, whereas the current account balances of other institutions form part of the Government's foreign reserves.

Current transactions on the 1955 balance of payments, comprising also receipts and payments relating to investment income and donations, show a positive balance of Rp 1,184 million. Bearing in mind that the revised balance at the end of 1954 amounted to Rp 504 million, it can be stated that during the year under review the improvement in these items totalled Rp 1,688 million. A further perusal of the overall current account makes it clear that this improvement is due almost entirely to the favourable development of the balance on goods; in particular in the second half of 1955 export proceeds were far beyond expectations. Taking the year as a whole, the increase in receipts from exports amounted to Rp 1,230 million. This was entirely due to considerably higher yields from rubber (Rp 1,778 million more than in 1954); the decline to be noted in exports of some other products, such as copra, tin, tea, coffee and tobacco, was therefore fully compensated. As overall payments for imports in 1955, despite the large expansion of imports since September, remained below the 1954 level in consequence of the restrictive import policy imposed during the first halfyear, the balance on goods over the year under review showed a surplus of receipts over payments of Rp 3,790 million, as against Rp 2,157 million in 1954.

A comparison of receipts and payments on the balance on goods during 1954 and 1955 (Rp million) is given below :

	1954			1955		
	First halfyear	Second halfyear	Total	First halfyear	Second halfyear	Total
Exports	4,072	4,735	8,807	4,431	5,606	10,037
Imports	3,958	2,692	6,650	3,052	3,295	6,247
Surplus on the balance of trade	+ 114	+ 2,043	+ 2,157	+ 1,379	+ 2,311	+ 3,790

The balance on services (items 3 up to and including 8) shows a deficit of Rp 2,623 million, against a deficit of Rp 2,709 million in 1954. Changes of some importance have occurred in items 6 (investment income) and 8.2 (other miscellaneous items). The increase in payments on investment income resulted in fact from a rise in profit transfers on behalf of the oil companies on the one hand, and

TABLE 31 — INDONESIA'S BALANCE OF PAYMENTS FOR 1954 AND 1955
(Rp million)

CURRENT TRANSACTIONS										
	Yearly totals						Halfyearly totals			
	1954			1955			1st hy. '54	2nd hy. '54	1st hy. '55	2nd hy. '55
	Credit (receipts)	Debit (payments)	Net credit or debit	Credit (receipts)	Debit (payments)	Net credit or debit	Net credit or debit	Net credit or debit	Net credit or debit	Net credit or debit
<i>A. Goods and Services</i>										
1.1 Exports and imports (exp: fob, imp: cif)	8,807	6,650	+ 2,157	10,037	6,247	--- 3,790	+ 114	+ 2,043	+ 1,429	+ 2,361
1.2 Other	325	312	+ 13	15	14	--- 1	+ 12	+ 1	+ 1	---
2. Non-monetary gold movement (net)	4	---	+ 4	1	---	+ 1	+ 2	+ 2	+ 1	---
3. Foreign travel	7	85	--- 78	8	89	--- 81	--- 25	--- 53	--- 70	--- 11
4. Transportation	117	265	--- 148	130	282	--- 152	--- 71	--- 77	--- 88	--- 64
5. Insurance	36	183	--- 147	21	163	--- 142	--- 65	--- 82	--- 73	--- 69
6. Investment income	107	1,211	--- 1,104	104	1,335	--- 1,231	--- 607	--- 497	--- 568	--- 663
7. Government, not included elsewhere	65	151	--- 86	60	157	--- 97	--- 43	--- 43	--- 45	--- 52
8. Miscellaneous:										
8.1 Foreign workers	50	695	--- 645	45	703	--- 658	--- 296	--- 349	--- 324	--- 334
8.2 Other	61	562	--- 501	108	370	--- 262	--- 293	--- 208	--- 121	--- 141
Total goods and services	9,579	10,114	--- 535	10,529	9,360	+ 1,169	--- 1,272	+ 737	+ 142	+ 1,027
<i>B. Donations</i>										
9. Private	7	---	+ 7	4	---	---	+ 3	+ 4	+ 2	+ 2
10. Official	24	---	+ 24	11	---	+ 11	+ 8	+ 16	+ 5	+ 6
Total current transactions	9,610	10,114	--- 504	10,544	9,360	+ 1,184	--- 1,261	+ 757	--- 149	+ 1,035
MOVEMENTS OF CAPITAL AND FOREIGN EXCHANGE AND GOLD HOLDINGS										
<i>C. Private</i>										
11. Long term capital:										
11.1 Oil companies' investment	181	---	+ 181	293	---	+ 293	+ 188	--- 7	+ 270	+ 23
11.2 Other long term capital movements	15	200	--- 185	29	317	--- 288	--- 107	--- 78	--- 197	--- 91
12. Short term capital	10	19	--- 9	20	12	+ 8	--- 1	--- 8	+ 4	+ 4
<i>D. Government</i>										
13. Long term capital	270	298	--- 28	65	247	--- 182	+ 28	--- 56	--- 15	--- 167
14. Short term capital:										
14.1 Liabilities to I.M.F. and I.B.R.D.	171	---	+ 171	---	---	---	+ 171	---	---	---
15. Foreign exchange and gold holdings:										
(increase = ---, decrease = +)										
15.1 Foreign Exchange Fund			--- 646			--- 761	+ 389	--- 1,035	--- 216	--- 545
15.2 Foreign exchange banks			+ 407			--- 380	+ 203	+ 204	--- 117	--- 263
15.3 Other foreign exchange holdings			--- 20			+ 24	--- 5	--- 15	+ 20	+ 4
15.4 Gold with Bank Indonesia			+ 596			+ 102	+ 395	+ 201	+ 102	---
15.5 Gold with Foreign Exchange Fund			+ 37			---	---	+ 37	---	---
Total movements of capital and foreign exchange and gold holdings			+ 504			--- 1,184	+ 1,261	--- 757	--- 149	--- 1,035

Source : Bank Indonesia

on the other hand from a slight fall (Rp 26 million) in profit transfers on behalf of other foreign enterprises operating in this country. The latter phenomenon is a consequence of the regulation made in 1955, imposing on said enterprises the obligation to deposit, prior to any transfer, 40% of their total profits after taxes in a blocked account with Bank Indonesia. Reference is made in this respect to the paragraph on “Foreign exchange system and measures”. Item 8.2 (“Other miscellaneous items”) showed a change of minus Rp 501 million in 1954, against minus Rp 262 million in 1955. This large difference finds its explanation mainly in the subscription (Rp 201 million) paid in the preceding year by Indonesia for membership of I.M.F. and I.B.R.D., which amount has been included in the revised figure of the respective item in the 1954 balance of payments. The decrease in this item was due also to reduced operating expenses for foreign branches of some enterprises.

Official donations in 1955 amounting to Rp 11 million consist solely of donations by I.C.A. (formerly E.C.A.-F.O.A.).

Viewing the overall picture of the flux of capital, a comparison of the years 1954 and 1955 brings out the following :

- (a) long term private capital shows a net movement in 1955 of Rp 288 million, against Rp 185 million in 1954;
- (b) long term capital in the public sector amounted in 1955 to no more than Rp 65 million for liabilities accepted (credit side), against Rp 270 million in 1954, while the debit side —comprising redemption on liabilities— shows an amount of Rp 247 million for the year 1955 against Rp 298 million for 1954.

Regarding the above the following explanation may be added.

- (a) As revealed in table 31, the net movement is attributable to fluctuations in the amounts appearing on the debit side (Rp 200 million in 1954, Rp 317 million in 1955). For the larger part these items represent depreciation on capital of

TABLE 32 — PARTIAL BALANCES OF PAYMENTS
(Rp million, excl. oil)

	U.S.A. + Canada						E.P.U.-area (excl. England)						£.-area						Other						Total					
	1954			1955			1954			1955			1954			1955			1954			1955			1954			1955		
	C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)		C (+)	D (—)	
<i>Current transactions</i>																														
A. Goods (incl. Switch- transactions)	1,678	1,274	+ 404	1,816	854	+ 962	2,710	1,849	+ 861	2,150	2,253	— 103	2,130	1,643	+ 487	2,174	1,291	+ 883	708	1,795	— 1,087	1,701	1,312	+ 389	7,226	6,561	+ 665	7,841	5,710	+ 2,131
B. Services (incl. donations)	92	382	— 290	57	197	— 140	263	1,224	— 961	181	1,141	— 960	66	324	— 258	72	306	— 234	9	65	— 56	39	96	— 57	430	1,995	— 1,565	349	1,740	— 1,391
<i>Capital movement</i>	1,770	1,656	+ 114	1,873	1,051	+ 822	2,973	3,073	— 100	2,331	3,394	— 1,063	2,196	1,967	+ 229	2,246	1,597	+ 649	717	1,860	— 1,143	1,740	1,408	+ 332	7,656	8,556	— 900	8,190	7,450	+ 740
C. Private	17	7	+ 10	5	7	— 2	1	81	— 80	26	59	— 33	—	3	— 3	6	2	+ 4	—	—	—	—	—	—	18	91	— 73	37	68	+ 31
D. Government & Banks	389	66	+ 323	28	59	— 31	52	184	— 132	37	159	— 122	—	29	— 29	—	29	— 29	—	19	— 19	—	—	—	441	298	+ 143	65	247	— 182
	2,176	1,729	+ 447	1,906	1,117	+ 789	3,026	3,338	— 312	2,394	3,612	— 1,218	2,196	1,999	+ 197	2,252	1,628	+ 624	717	1,879	— 1,162	1,740	1,408	+ 332	8,115	8,945	— 830	8,292	7,765	+ 527

Source : Bank Indonesia

some big enterprises, amongst which the oil companies are the most important, and to a small degree relate also to redemptions on foreign loans made by local autonomous councils before the War. In fact, the total amount of these redemptions remains practically constant from year to year, so that the difference between the 1954 and 1955 figures can be explained mainly by larger depreciation on capital effectuated by the said companies during 1955. Moreover, the depreciation includes some items which in fact should have been written off in the preceding year.

- b) Liabilities undertaken in conjunction with loans from abroad were much less in 1955 than in 1954. During the year under review for instance, only Rp 28 million was loaned from the Eximbank against Rp 218 million in 1954. On the other hand it should be noted that during 1955 medium term loans were received to the amount of round Rp 37 million. These are suppliers' credits from foreign countries (see pages 108 and 109 of my previous report). On the credit side of the above mentioned capital items, 1955 witnessed a decline of Rp 51 million as compared with the previous year. This finds its explanation *inter alia* in the fact that in 1955 no redemptions were made on the trade deficit that had emerged on the clearing account with Japan in 1954 (Rp 19 million was paid). Besides, no payments were due on the so called "F-sterling" credit, as the final redemption amounting to Rp 23 million was made in 1954.

Overall, payments to and from abroad resulted in 1955 in a rise of foreign exchange and gold reserves by Rp 1,015 million, as illustrated in table 31 (items 15.1 up to and including 15.5).

If the oil companies are left out of account, the increase amounts to Rp 527 million.

The share of various monetary areas in Indonesia's payments transactions is revealed in the following tabulation (Rp million).

	<i>1954</i>	<i>1955</i>
U.S.A. and Canada	+ 447	+ 789
E.P.U. countries (excluding U.K.,	— 312	— 1,218
Sterling area	+ 197	+ 624
Other areas	— 1,162	+ 332
	-----	-----
Total	— 830	+ 527

For the purpose of ascertaining the movements that have occurred in Indonesia's payments transactions with the abovementioned areas during the years 1954 and 1955, abridged partial balances of payments are shown in table 32. The figures mentioned therein lead to the following notes.

Whereas imports from the U.S.A. and Canada, the Sterling area and other areas were lower in 1955 as compared with the preceding year, owing in the first place to the restrictive import policy pursued during the first halfyear of 1955, imports from E.P.U. countries showed an increase of Rp 404 million. Overall, imports were less by Rp 8 51 million.

Exports showed an opposite trend. On the one hand exports to the three first-named areas were higher by a total amount of Rp 1,175 million, on the other hand exports to E.P.U. countries dropped by Rp 560 million.

Striking is the fact that the large deficit in payments transactions with other areas that emerged in 1954 changed into a small surplus in the year under review.

This was brought about by a steep rise in export proceeds as well as a substantial fall in payments for imports.

As for capital movements, there too a rather impressive change took place as a result mainly of decreased receipts (loans) in dollars. Whereas in 1954 these receipts amounted to Rp 389 million, only Rp 28 million was received in loans in 1955.

Balance of trade

As stated above Indonesia's balance of trade showed an appreciable surplus in the year under review. For the most part this satisfactory result was due to high world prices of rubber, while the tightening-up of imports during the period January-September had a bearing too.

TABLE 33 — INDONESIA'S BALANCE OF TRADE
(Rp million)

	T o t a l			Oil companies not included		
	Exports ¹⁾	Imports ²⁾	Balance	Exports ¹⁾	Imports ²⁾	Balance
1938	687	478	+ 209	524	470	+ 54
1950	3,038	1,673	+ 1,365	2,478	1,416	+ 1,062
1951 ³⁾	4,908	3,318	+ 1,590	4,205	3,041	+ 1,164
1951 ⁴⁾	14,724	9,954	+ 4,770	12,615	9,123	+ 3,492
1952	10,652	10,806	— 154	8,471	9,690	— 1,219
1953	9,343	8,584	+ 759	7,052	7,652	— 600
1954	9,759	7,172	+ 2,587	7,180	6,372	+ 808
1955	10,618	6,888	+ 3,730	8,197	6,124	+ 2,073
¹⁾ F.o.b.; excluding postal parcels, passengers' goods, ship's chandlery, gold and silver ²⁾ C.i.f.; excluding postal parcels, passengers' goods, gold and silver ³⁾ Rate : U.S. \$ 1 = Rp 3.80 ⁴⁾ Rate : U.S. \$ 1 = Rp 11.40						

Source : C.B.S

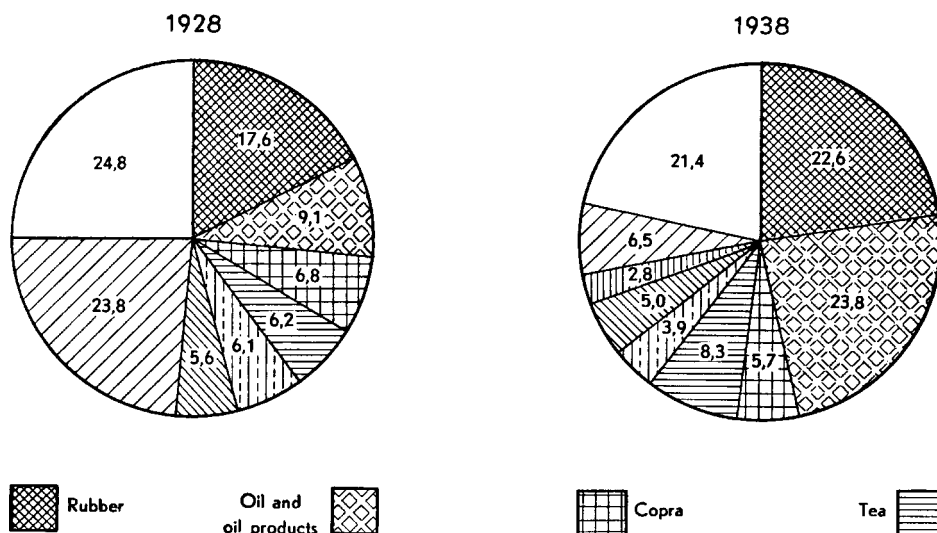
According to data of Biro Pusat Statistik the surplus was more by 44.2% as compared with the previous year. It has to be borne in mind that these data are calculated on transaction basis in contrast to the cash basis on which the balance of payments is computed.

The total value of exports was higher by 8.8% whereas the total value of imports fell about 4% below the preceding year's level. When expressing export proceeds in per cent. of the total value of imports, an increase from 135% in 1954 to 155% in 1955 can be registered.

Exports

Notwithstanding a fall in the total volume of exports, proceeds went up in the past year by Rp 859 million, i.e. from Rp 9,759 million in 1954 to Rp 10,618

CHART Ia — PROPORTIONAL SHARES OF THE PRINCIPAL PRODUCTS
IN THE VALUE OF EXPORTS

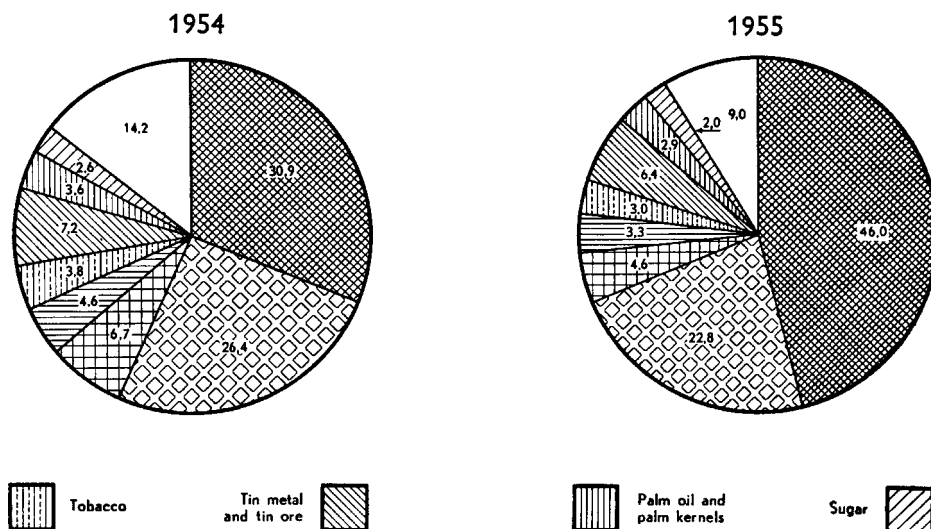


million in 1955. It was in particular the favourable world prices of rubber which contributed to this result. In weight exports stayed in round figures 550,000 tons below the 1954 level, the volume totalling 12,189,000 tons against 12,744,000 tons in 1954. This was due mainly to the rather steep fall in the exported quantities of tea, coffee, tobacco, copra and palm oil (see tables 34 and 35).

A breakdown of total exports (excluding oil and oil products) by economic categories shows that the proportional share of agricultural produce, measured in weight, was less as compared with the preceding year, while the share of mining products remained more or less unchanged. In value however, the share of exported agricultural commodities went up from 88.2% to 89.6%. Consequently the share of mining and other products in the total export value decreased.

As for destinations of Indonesian exports, the proportional shares of Europe and America expressed in per cent. of total sales were above the preceding year's level, while in contrast Asia and Australia were relatively less important as markets.

CHART 1b — PROPORTIONAL SHARES OF THE PRINCIPAL PRODUCTS
IN THE VALUE OF EXPORTS



The main feature of exports to Europe was a rather heavy contraction in exports to the Netherlands; exports to the United Kingdom displayed an Opposite trend. Also the Middle European countries, especially Czechoslovakia and Poland achieved more importance as buyers than in 1954.

Even though exports to the U.S.A. were up over the preceding level of 1953 and 1952 was not yet reached. A very satisfactory expansion could be noted in exports to Central and South America, with emphasis on rubber to Brazil.

Relatively speaking the importance of Asian countries as markets for Indonesian produce diminished slightly during the year under review. This was due inter alia to the serious stagnation in sugar exports to Japan, while exports to Indo-China, Hong Kong and Singapore were less also, partly because of tighter controls imposed by the Government on exports with the object of preventing loss of foreign exchange.

To counter-act the discrepancy between local prices and world prices and to improve our export position, new measures were taken by the Government on

TABLE 34 — VALUE OF EXPORTS
(Rp million, including revenue from export duties)

	1938	1952	1953	1954	1955 ¹⁾	1955 as % of 1954
Rubber	158	4,778	3,080	3,013	4,888	162.2
<i>of which : estate rubber</i>	84	2,258	1,561	1,156	1,931	167.0
<i>smallholders rubber</i>	71	2,520	1,519	1,857	2,957	159.2
Petroleum and petroleum products ...	163	2,181	2,292	2,579	2,421	93.9
Tin and tin ore	34	981	926	700	683	97.6
Copra and copra cakes	43	641	728	657	483	73.5
Coffee	14	206	343	455	182	40.0
Tea	57	267	267	454	355	78.2
Tobacco	39	265	278	372	316	84.9
Palm oil and palm kernels	19	346	380	347	305	87.9
Sugar	45	2	111	255	210	82.4
Pepper and other spices	18	243	206	193	158	81.9
Tapioca and tapioca products	9	3	27	70	68	97.1
Forest products (timber, gums, resins)	7	59	54	66	84	127.3
Hard rope fibres	18	118	71	52	71	136.5
Ground nuts and groundnut oil	4	4	38	50	12	24.0
Rattan	3	29	45	46	41	89.1
Pinang nuts	6	35	31	34	22	64.7
Hides and skins	4	46	25	22	17	77.3
Shells	1	13	15	17	14	82.4
Sago and sago products	1	18	20	13	9	69.2
Cattle	2	20	18	9	11	122.2
Coal	2	10	13	7	4	57.1
Soya beans	1	—	10	—	—	—
Total	648	10,265	8,978	9,411	10,354	110.0
Other export products	39	387	366	348	264	75.9
Total exports ²⁾	687	10,652	9,344	9,759	10,618	108.8
Total exports, excl. of petroleum and petroleum products ²⁾	524	8,471	7,052	7,180	8,197	114.2

¹⁾ Provisional figures

²⁾ Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver

Source : C.B.S.

24th October, 1955. The reason was that during 1954 and the first halfyear 1955 exports dwindled almost continuously, partly on account of the linking-up of part of the exports with imports. This gearing system caused traders to be less and less interested in export trade as such, as it averted attention to the often lucrative profits on imports linked with exports. In general the measures referred to above boiled down to a lowering or abolishing of export duties, and additionally, for the so called weaker products, to support by way of export premiums.

Qualified as stronger products were primarily copra, coffee, rubber, oil products, and tin, while palm oil and palm kernels, tobacco and sugar — although

classified in the same category—also obtained general exemption from export duties. Exports of all other products were granted a premium of 10% of their f.o.b. value, with the exception of pepper, the premium on which was fixed at 5%.

Finally, it is worthy of note that in June 1955 already, tighter controls were imposed to check the ever increasing smuggling. In order to prevent loss of foreign exchange also in other respects than the above, the inducement system dating from October 1953 and originally intended to stimulate exports of weaker products, was abolished by the Monetary Board as from 1st June last. As from the beginning of September 1955 the so called counter-import system was likewise abolished.

Imports

To secure a smoothly- running import procedure and also with a view to establishing a sound and bonafide class of importers, the new Cabinet soon decided upon a rigorous simplification of the existing import regulations. Hence all regulations on additional payments for imports, compensation and barter trade with Hong Kong and Singapore (with the exception of the arrangements under the so called Singapore agreement), parallel transactions, foreign exchange-free imports, as well as imports via Jajasan Perbekalan dan Persediaan (Central Fund for Stores and Supplies) were abolished as per 1st September. At the same time the liquidation of Kantor Pusat Urusan Impor (Central Import Office) and J.P.P. (see above) was decided upon. Substituting the former multiple regulations, one new regulation came into force by which imported goods were divided into four categories, viz. essential, semi- essential, luxury and super luxury goods. Imports classified in category I became liable to an additional levy (T.P.I.) amounting to 50 % of the c & f value, while for the categories II, III and IV an additional T.P.I. was levied amounting to 100%, 200% and 400% respectively; some goods of vital importance, such as rice, were exempt from T.P.I. Regarding the two last mentioned categories, the percentage of T.P.I. was originally intended to be fixed on the basis of prices to be bidden by importers on auction, with the restriction however, that the Monetary Board would fix minimum prices. After all the auction system was not put into operation, while the percentages for the categories III and IV were fixed temporarily at 200% and 400% respectively (see Appendix G and H).

TABLE 35 — VOLUME OF EXPORTS
(‘000 tons gross, unless otherwise stated)

	1939	1952	1953	1954	¹⁾ 1955	1955 as % of 1954
Rubber (net)	304	745	667	710	702	98.9
<i>of which : estate rubber</i>	157	293	288	238	237	99.6
<i>smallholders rubber</i>	147	452	379	472	465	98.5
Petroleum and petroleum products...	6,067	7,883	9,599	9,887	9,473	95.8
Tin and tin ore	27	51	48	49	46	93.9
Copra and copra cakes (net)	659	429	414	434	389	89.6
Coffee (net)	68	19	32	37	23	62.2
Tea (net)	72	32	29	40	29	72.5
Tobacco (net)	49	10	14	19	13	68.4
Palm oil and palm kernels (net)	268	157	174	182	155	85.2
Sugar (net)	1,175	1	92	210	174	82.9
Pepper and other spices	131	13	16	27	26	96.3
Tapioca and tapioca products	250	1	30	153	184	120.3
Forest products (timber, gums, resins)	429	156	164	179	183	102.2
Hard rope fibres (net)	90	28	26	24	34	141.7
Ground nuts and groundnut oil	33	1	13	18	5	27.8
Rattan	36	21	27	30	30	100.0
Pinang nuts	64	22	20	24	22	91.7
Hides and skins	6	2	1	1	1	100.0
Shells	1	2	2	2	2	100.0
Sago and sago products	28	36	45	34	24	70.6
Cattle	12	8	7	4	5	125.0
Coal	368	108	136	87	48	55.2
Soya beans	9	—	7	—	—	—
Total	10,146	9,725	11,563	12,151	11,568	95.2
Other export products	848	579	630	593	621	104.7
Total exports ²⁾	10,994	10,304	12,193	12,744	12,189	95.6
Total exports, excl. of petroleum and petroleum products ²⁾	4,927	2,421	2,594	2,857	2,716	95.1

¹⁾ Provisional figures

²⁾ Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver

Source : C.B.S.

The implementation of the new import regulation is entrusted to Biro Devisen Perdagangan (Bureau of import exchange licences), which bureau, although administered by the Foreign Exchange Institute, was to receive its directives straight from the Monetary Board. As from March, 1956 the management has been placed directly into the hands of the Foreign Exchange Institute. Importers, after having made pre-payment, may enter application: with B.D.P. via the banks.

It is now ascertained that the streamlining of imports has not failed to exert a favourable influence on the internal supply of goods, thus bringing

TABLE 36 — EXPORTS BY DESTINATION
(Rp million)

	1938	1952	1953	1954	1955
EUROPE					
Netherlands and f.o.	137.49	2,277.70	2,103.87	1,882.49	1,674.78
United Kingdom and Irish Republic ..	37.32	292.19	194.98	455.27	1,062.49
Germany	25.46	386.76	445.53	451.24	463.13
France	12.00	89.52	97.52	97.27	100.79
Belgium and Luxemburg	5.69	86.74	57.43	63.33	49.12
Italy	9.73	117.71	162.80	173.09	88.67
Denmark.....	10.09	55.34	30.92	25.96	28.88
Norway	5.38	27.78	60.39	25.00	25.29
Sweden	2.12	17.66	60.78	58.36	33.79
Other countries	10.15	147.03	92.74	114.11	338.59
Total exports to Europe	255.43	3,498.43	3,306.96	3,346.12	3,865.53
Percentage of total exports value.	37.2	32.8	35.4	34.3	36.4
AMERICA					
Canada	1.25	14.44	4.57	4.74	8.90
United States	97.88	2,698.25	1,929.95	1,635.63	1,865.36
Other countries	8.85	122.49	134.73	121.22	632.83
Total exports to America	107.98	2,835.18	2,069.25	1,761.59	2,507.09
Percentage of total exports value.	15.7	26.6	22.1	18.1	23.6
AFRICA					
Egypt	26.66	17.77	21.34	14.46	10.80
Portugese East Africa	0.59	21.27	34.64	19.16	19.74
Union of South Africa	5.28	46.47	29.32	31.70	30.07
Other countries	5.33	16.93	30.44	17.09	12.71
Total exports to Africa	37.86	102.44	115.74	82.41	73.32
Percentage of total exports value.	5.6	1.0	1.3	0.8	0.7
ASIA					
Iraq	2.53	8.12	20.20	9.86	2.33
India	5.15	17.70	64.52	8.00	32.06
Pakistan		2.91	—	—	5.78
Burma	0.11	0.77	1.59	7.17	27.87
Thailand	2.76	73.26	83.66	96.27	87.21
Malayan Union.....	3.51	144.37	155.11	143.63	135.76
Penang	7.72	141.01	120.78	234.94	173.08
Singapore	116.65	2,632.39	2,011.42	2,120.23	2,081.03
Indo-China	1.95	120.92	128.43	98.57	58.70
Hong Kong	13.49	31.09	129.92	455.66	29.07
China.....	9.88	0.40	—	26.38	71.08
Japan	21.43	283.02	423.61	571.13	788.25
Philippines	6.02	89.19	78.15	117.73	145.31
Other countries	9.90	13.72	34.09	19.62	11.53
Total exports to Asia.....	201.10	3,558.87	3,251.48	3,909.19	3,649.06
Percentage of total exports value.	29.1	33.4	34.8	40.1	34.4
AUSTRALASIA					
Australia	28.89	266.47	214.82	344.88	223.94
New Zealand	7.64	52.41	39.79	25.18	43.68
Oceania	0.26	14.88	20.15	20.29	15.35
Total exports to Australasia	36.79	333.76	274.76	390.35	282.97
Percentage of total exports value.	5.4	3.1	2.9	4.0	2.7
<i>Via free ports :</i>					
Sabang, Tandjung Uban and unknown.	47.89	322.81	325.55	269.39	240.08
Percentage of total exports value.	7.0	3.1	3.5	2.7	2.2
Grand Total	687.05	10,651.50	9,343.74	9,759.05	10,618.05

Source : C.B.S.

TABLE 37 — IMPORTS BY ORIGIN
(Rp million)

	1938	1952	1953	1954	1955
EUROPE					
Netherlands	106.17	1,417.15	1,006.79	750.33	807.60
United Kingdom and Irish Republic .	38.16	775.15	604.22	388.99	396.96
Germany	49.05	709.95	568.69	490.98	702.32
France	9.41	99.82	75.49	111.12	141.25
Belgium and Luxemburg	13.19	259.42	260.50	155.07	216.39
Italy	5.05	214.04	95.30	135.08	106.54
Czechoslovakia	4.75	30.90	32.38	88.53	197.93
Switzerland	4.42	65.65	68.30	71.50	63.05
Sweden	3.54	126.86	132.52	114.29	76.22
Spain	0.28	30.74	1.36	5.08	0.93
Other countries	5.77	151.37	139.19	213.52	351.78
Total imports from Europe	239.79	3,881.05	2,984.74	2,524.49	3,060.97
Percentage of total imports value .	50.1	35.9	34.8	35.2	44.4
AMERICA					
Canada	3.67	68.35	11.23	12.39	8.91
United States	60.21	1,852.63	1,539.37	1,034.87	1,088.79
Other countries	0.54	340.20	40.03	1.28	5.01
Total imports from America	64.42	2,261.18	1,590.63	1,048.54	1,102.71
Percentage of total imports value .	13.4	20.9	18.5	14.6	16.0
AFRICA					
Egypt	0.43	6.06	10.35	6.53	19.44
British East Africa	3.21	94.74	68.75	66.53	68.42
Union of South Africa	0.17	8.59	9.69	7.85	13.61
Other countries	0.59	39.98	8.96	33.89	9.53
Total imports from Africa	4.40	149.37	97.75	114.80	111.00
Percentage of total imports value	0.9	1.3	1.1	1.6	1.6
ASIA					
Serawak, Brunai, Br. North Borneo . .	1.68	373.47	331.25	67.95	36.22
India	11.17	219.98	216.38	160.96	325.70
Pakistan	1.33	0.97	—	—	0.40
Burma	7.20	343.78	476.98	347.45	172.40
Thailand	2.58	565.13	187.03	181.06	103.35
Malayan Union	0.30	14.42	12.99	9.67	6.76
Penang	4.28	2.04	0.53	2.12	2.61
Singapore	36.18	191.78	112.39	56.76	105.96
Indo-China	2.11	142.03	91.86	90.23	1.00
Hong Kong	6.47	899.36	623.63	430.16	363.24
China	8.25	22.57	24.27	40.32	113.19
Japan	71.83	1,453.45	1,447.01	1,559.03	985.98
Philippines	0.89	7.00	5.27	2.77	1.36
Other countries	1.40	125.05	168.50	376.72	240.44
Total imports from Asia	154.34	4,361.39	3,699.06	3,325.20	2,458.61
Percentage of total imports value .	32.3	40.3	43.1	46.4	35.7
AUSTRALASIA					
Australia	13.24	149.50	199.60	147.27	142.68
New Zealand and Oceania	0.05	0.63	0.49	0.07	0.10
Total imports from Australasia . . .	13.29	150.13	200.09	147.34	142.78
Percentage of total imports value .	2.8	1.4	2.3	2.0	2.1
Via free ports :					
Sabang, Tandjung Uban and unknown	2.22	3.15	11.52	11.29	11.60
Percentage of total imports value .	0.5	0.2	0.2	0.2	0.2
Grand Total	478.46	10,806.27	8,583.79	7,171.66	6,887.67

Source: C.B.S.

prices down. Besides, the new import system contributed in no small way to reduce the velocity of money, because the extensive and much accelerated pre-payments due by importers resulted in a considerable monetary contraction.

Lastly, it is noteworthy that the new import regulation strengthened Government revenue, thereby enlightening the budget position (see under "Public Finance").

According to data of Biro Pusat Statistik imports in 1955 totalled 3,258,000 tons, representing a value of Rp 6,888 million against 3,908,000 tons and Rp 7,172 million in 1954.

Table 38 gives a breakdown of total imports by economic categories. It will be seen that the downward trend of consumer goods continued as from 1952, while on the other hand the share in total imports of raw materials and auxiliary goods was proportionally on the increase.

Capital goods, however, decreased in percentage as compared with the preceding year.

Expressing 1955 imports (measured in weight) in per cent. of 1954 figures, the percentages are: consumer goods 75% raw materials and auxiliary goods 84%, and capital goods 100%.

Excluding imports by oil companies the percentages are 75%, 127% and 100% respectively. This is evidence that imports of raw materials and auxiliary goods by oil companies fell off considerably when compared with 1954, viz. by 738,000 tons.

On the strength of data mentioned in Appendix L, M and N the conclusion may be drawn that as for consumer goods, it was imports of rice and textiles which declined most. Raw materials and auxiliary goods were decidedly higher with regard to the following goods: chemicals, fertilisers, yarns, paper and paper ware, and cement. Imports of oil and oil products dropped. Compared with 1954

TABLE 38 — IMPORTS INTO INDONESIA

	Value (Rp million)					Per cent share in total value of imports				
	1938	1952	1953	1954	1955	1938	1952	1953	1954	1955
<i>Total imports:</i>										
Consumer goods	207	5,377	3,740	2,686	2,133	43.3	49.8	43.6	37.5	31.1
Raw materials and auxiliary goods	154	3,440	3,232	3,048	3,451	32.2	31.8	37.6	42.6	50.3
Capital goods	117	1,989	1,612	1,425	1,279	24.5	18.4	18.8	19.9	18.6
<i>Imports excluding oil companies:</i>										
Consumer goods	205	5,293	3,691	2,645	2,077	43.7	54.6	48.1	41.6	34.1
Raw materials and auxiliary goods	148	2,682	2,537	2,447	2,926	31.4	27.7	33.1	38.5	48.0
Capital goods	117	1,716	1,441	1,266	1,096	24.9	17.7	18.8	19.9	17.9

Source : C.B.S.

imports of capital goods were lower in value in 1955. This was due mainly to Government orders placed abroad in 1954 for railway carriages and railway material.

Table 37 gives a breakdown of imports by countries of origin. The shares in per cent. of Europe and America increased at the expense of Asia, while relatively speaking the position of Africa and Australia remained more or less unchanged.

Remarkable shifts with respect to individual countries did not occur. Imports from West Germany, Czechoslovakia, China and India were up, while imports from Japan and Hong Kong fell off.

Terms of trade

The improvement in the terms of trade already noticeable in 1954 continued during the year under review.

The price index number for exports showed on the whole an upward trend. This was due mainly to higher proceeds from rubber exports. Apart from this in October 1955 increasing export proceeds of oil and oil products and of tin also made their impact. On the other hand, the price index number for imports fell in

the same month, for which the rather severe decline in prices of rice and cotton piece goods was largely responsible. Relatively speaking the drop in the rice price had the greater influence, because considerable quantities of rice had to be imported to make up for the failure of part of the crops in our country. Following the satisfactory trend of the terms of trade in October, the price index number for exports fell again in November, in contrast to the number for imports which rose steeply. This was due to declining proceeds from rubber on the one hand, while on the import side rice had a strong bearing because much more rice was imported in November than in October; furthermore the price per ton was higher. The price index number for the item "other capital goods" displayed a rather steep rise too. Taking the year as a whole, the price index number for exports was appreciably higher than in 1954, while the number for imports remained on about the same level.

The conclusion therefore is that all in all there has been an improvement in the terms of trade in 1955.

TABLE 39 — TERMS OF TRADE FOR INDONESIA
(1950 = 100)

	Price index numbers		Terms of trade	
	Exports (f.o.b.)	Imports (c.i.f.)		
1951	144	138	104	
1952	101	131	77	
1953	90	119	76	
1954	86	108	80	
1955	98	108	91	
			monthly average	5 months' moving average
1955 January	91	116	78	87
February	97	99	98	89
March	93	104	89	90
April	97	106	92	92
May	94	104	91	89
June	94	106	88	90
July	94	109	85	91
August	102	109	94	94
September	107	108	99	93
October	109	107	102	95
November	104	121	85	...
December	109	114	96	...

TABLE 40 — PRICE INDEX NUMBERS OF SOME MAIN EXPORT AND
IMPORT COMMODITIES
(1950 = 100)

Exports (f.o.b.)	1953	1954	1955	Imports (c.i.f.)	1953	1954	1955
Rubber	79	73	115	Consumer goods	110	92	86
Copra	95	87	76	of which :			
Petroleum products	86	94	92	Rice	162	141	133
Tin ore	155	113	120	Wheat flour	125	104	91
				Cotton piece goods	94	92	87
				Raw and auxiliary materials	118	115	130
				Capital goods	139	138	121

Of the principal export products it was rubber that unquestionably revealed the greatest price increase as compared with the preceding year. The copra price on the other hand dropped, likewise prices of tea and coffee.

Imported goods were lower in price with regard to consumer and capital goods, in contrast to raw materials and auxiliary goods (see table 39).

Foreign exchange system and measures

With regard to exports, measures were taken in the period under review for the purpose of further protecting export proceeds on behalf of the Foreign Exchange Fund and stimulating production for exports.

The first group of measures included an amendment to the existing regulation of November 1955 on export contracts to Singapore, Malaya and Hong Kong. This regulation contains a penalty clause in case of non-fulfilment by exporters of their obligations as declared to, and approved by, the Bureau for Exports. From May 1955 the penalty clause was extended to *all* destinations, to be applied however only to those exporters who had failed repeatedly to meet their obligations under export contracts. Next, in March 1956 a more rigid regulation came into force regarding rubber: a guarantee deposit (or bank guarantee) of 20% of the declared export value was required henceforth from

all exporters of rubber and for all destinations. This guarantee will be forfeited in proportion to the foreign exchange that has not been handed over to the Foreign Exchange Fund.

Furthermore, in September 1955 it was decreed that shipping companies operating in Indonesia were obliged to pass bills of lading (title documents) issued by them and relating to exports from Indonesia, to foreign exchange banks only and not to exporters. This measure was taken in order to prevent unscrupulous exporters from not handing over their export proceeds to the Foreign Exchange Fund.

Finally, in March 1956 a new regulation was promulgated regarding exports of tobacco on consignment basis, the purpose of which was to improve control of consignment proceeds.

As regards measures to stimulate production by enlarging rupiah proceeds of bonafide exporters, the following can be reported. Although, to begin with, the remnant—in itself insignificant—of the so called export inducement regulation was revoked in May 1955 and also the system of parallel transactions was abolished in September last (the latter action taken within the frame *of* the revision of the import system, see below), a really important step was taken in October 1955 to improve export proceeds in rupiahs and thereby stimulate production for exports, by introducing an export premium system to the effect that actually a subsidy in rupiahs was granted to exporters' amounting from 5 % up to 10 % Of the export value, particularly for the so called weaker Indonesian products. Simultaneously, these products were exempted from export duties. Only the so called stronger products, viz. copra, coffee, palm oil and palm kernels, oil and derivatives, tin, tobacco leaves, sugar and rubber were not included in the premium system, but for these products also export duties were lowered or abolished. In March 1956 the export premium for fibres and kapok was even raised, viz. from 10% to 25% and to 15% respectively.

With regard to imports into Indonesia, first, in the beginning of the period under review further steps were taken along the path already commenced in 1954,

of severely restricting the issue of foreign exchange licences for imports, based on a quota system and combined with an increase in special levies on imports. In September 1955 the course was changed completely by the introduction of a new and fundamentally simple system of import licensing, based on much enhanced levies on imports, together with full pre-payments by importers—prior to the issue of licences—of the rupiah counter-value of the foreign currency needed for the imports concerned, as well as the aforesaid levies.

Reviewing first the period April-September 1955, in July a provisional import certificate (Bukti Impor Sementara—B.I.S.) was introduced, required by the importer to obtain his final import- foreign exchange licence. This B.I.S. was sold to the importer by his bank for the account of the Foreign Exchange Fund, at a price varying from 25 % up to 100 % of the foreign exchange value of the goods to be imported. Exempt from this tax were a rather limited number of essential commodities as well as goods for which measures had already been taken (e.g. certain textiles for which a Bukti Impor Tekstil — B.I.T. or textile import certificate — was required, see annual report 1954-55, page 108). To clarify the matter further, it must be added that the introduction of the B.I.S. certificate did not alter, but became concurrent with the already existing system of import levies (T.P.I.—Tambahan Pembayaran Impor, or additional import tax) varying from 33 1/3 % up to 200% of the import value.

In this way import levies on articles qualified as luxury could reach a maximum of 300% of the foreign exchange value.

The purport of the subsequent revision of the import-foreign exchange system in September 1955 can be defined as follows:

- (1) Although a licensing system had to be maintained, the method was greatly simplified by abolishing
 - (a) all special regulations regarding parallel, barter and compensation transactions;

- b) compulsory imports of certain goods via special foundations created for that purpose;
 - (c) special levies (B.I.T. and B.I.S.) with the exception of T.P.I.
 - (d) the sequence of provisional import-foreign exchange certificate, payment of the foreign exchange value of imports plus levies, and final import-foreign exchange licence;
 - (e) the quota system.
- (2) Subsequently, an import-foreign exchange licence could be applied for on the surety that when entering the application payment had been made:
- (a) for the import value of the goods;
 - (b) for T.P.I. (see above).

Upon thorough revision of the existing classification following division was arrived at :

Category I : essential goods	:	5 0% T.P.I.
Category II : semi-essential goods	:	100% T.P.I.
Category III : luxury goods	:	200% T.P.I.
Category IV : super luxury goods:	:	400% T.P.I.

The implementation of this new system was entrusted to a newly formed Government bureau, Biro Devisen Perdagangan (B.D.P.) or Bureau for import exchange licences. The existing agencies went into liquidation and had merely to wind up import business entered into before September 1955.

The new system can be characterised as an endeavour to balance, with a bare minimum of (quantitative) control and formalities but keeping a firm eye on the monetary aspect, the demand for import goods and the ability to provide for these goods.

Some mitigation of the system had to be made in October and December in order to prevent tensions in the supply of goods. For this purpose it had been decided already at the time of imposing the new import system to exempt a lim-

ited number of very essential goods, such as rice, from T.P.I. In November pre-payments for imports of semi-manufactured goods and raw materials needed by industry, were modified somewhat. In December 1955 an instalment system was introduced for payment of T.P.I. on materials needed in the transport sector and imported in completely knocked-down condition. These mitigations, however, did not influence the system substantially.

Furthermore, it is worthy of note that the introduction of the new import foreign exchange system was combined with a re-registration of all importers. Continuation of the recognition of foreign importers was made dependent on the payment of an individual and single levy of Rp 5 million, to be used for future pre-payments of imports and T.P.I. In March 1956 a new regulation was promulgated bringing Indonesian enterprises who wanted to be recognised as importers under obligation to enter an application with the Government after depositing Rp 500,000 per application, which amount, after recognition is granted, can be used in the same way as described above with regard to the Rp 5 million payment of foreign importers.

Finally, mention must be made that the regulation on credit facilities classified as "A" and "D" (see previous annual report, page 109) were abolished in April and July 1955 respectively. Imports under "B" credit facilities (financing by the Export Financing Corporation, The Hague) decreased in importance, but imports on "C" credits (long term foreign suppliers' credits granted to Indonesian importers) increased considerably. Thus, as of 31st March 1956, import credits had been established abroad or payment-instructions of another nature had already been issued up to a total rupiah equivalent of Rp 347 million (calculated at the rate of Rp 11.40 to the U.S.-dollar) regarding the import of foreign goods—essentially capital goods—under suppliers' credits, other than via the Export Financing Corporation, The Hague. The said amount of Rp 347 million therefore represents aggregate outstanding commitments, irrespective of the question in which stage the relative part-financing is moving.

No new measures need be reported with regard to payments on services, but new arrangements were made regarding capital movements. In June 1955

foreign enterprises who wanted to transfer their net profit (i.e. profit after taxes) came under obligation to deposit an amount in rupiahs, equivalent to 40% of their net profit, on a blocked account in their name with Bank Indonesia. Utilisation is subject to the bank's instructions, who sees to it that the money will be used to step up the potential of domestic production, to construct new offices and factories, to finance the re-juvenation of agricultural estates, etc. In compliance with the existing regulations the remaining 60% can be transferred abroad.

Trade and payments agreements with foreign countries

During the period under review no new monetary agreements with foreign countries were concluded. On the contrary, the opinion is gaining ground that in more than one respect stringent trade and payments agreements are not in the interest of Indonesia so that the termination of a number of them is to be expected. Generally speaking, these agreements have fulfilled their purpose as they facilitated the acquaintance of foreign countries with Indonesian produce and vice-versa. Moreover, they promoted direct contacts between Indonesia and many foreign countries.

The expectation is that the trend towards multilateralism in foreign trade and payments, both contacts from old and new relationships established by the above mentioned agreements, will benefit all parties concerned.

International Monetary Fund and International Bank for Reconstruction and Development

During the year under review there was no change in the relationship between Indonesia and the organisations named above. An official parity for the rupiah as to gold and U.S.-dollar has not yet been agreed with the Fund.

VII. PRODUCTION, PRICES AND SOCIAL DEVELOPMENT

Food producing agriculture

Production and food situation

Contrary to expectations at the end of the previous year when prospects of the standing crop were promising well, the 1955 crop remained very much below the record yield of 1954. Rice production estimated at 7 1/4 million tons, was less by 404,000 tons or about 5.4% as compared with 1954.

In the first instance this less favourable result is due to incessant heavy rains which caused floods, already commencing at the end of 1954, to continue throughout the following year. The chief reason of these floods is the increasing erosion resulting from illegal felling of trees and injudicious use of the soil. Since moreover, because of the erosion, rivers become shallow and therefore quickly overflow their banks, the urgency of repairing dams and reservoirs comes to the fore. On top of all this an extensive acreage was damaged by mice and hogs as well as other plagues. The diminished imports of fertilisers in consequence of heavily reduced Government expenditure, was another reason for lower production per hectare.

TABLE 41 — MOST IMPORTANT FOOD CROPS IN DJAWA AND MADURA
(’000 tons)

	1937	1953	1954	1955	1955 as % of	
					1937	1954
Rice { irrigated	3,682	4,120	4,439	4,279	116	96
{ non-irrigated	223	141	192	144	65	75
Maize (kernels)	2,037	1,303	2,154	1,448	71	67
Cassava (roots)	7,637	6,468	6,430	6,475	85	101
Batatas (roots)	1,182	1,231	1,064	983	83	92
Ground nuts (peeled)	181	164	204	177	98	87
Soya beans (peeled)	269	275	362	307	114	85

Sources : C.B.S ; Service for Indigenous Agriculture

The maize crop for a large part suffered badly due to the bad weather conditions. Similarly yields of other crops were less. As mentioned above the rice crop fell in no small measure, although it was still somewhat above the 1953 level.

Maize suffered a decline in production by 839,000 tons or 31%. Cassava output fell by 189,000 tons or 2%, while batatas production was lower by 12% or 246,000 tons. For groundnuts and soyabeans the decrease amounted to 31,000 tons and 55,000 tons respectively, or 13% and 14%.

TABLE 42 — MOST IMPORTANT FOOD CROPS IN OUTER ISLANDS
(‘000 tons)

	1953	1954	1955	1955 as % of 1954
Rice { irrigated	2,208	2,231	2,130	95
non-irrigated	563	667	572	86
Maize (kernels)	512	567	434	77
Cassava (roots)	2,485	3,139	2,905	93
Batatas (roots)	945	1,048	883	84
Ground nuts (peeled)	40	43	39	91
Soya beans (peeled)	32	38	38	100

Source : Service for Indigenous Agriculture

The quantity of rice available for consumption is computed in table 43. In comparison with the previous year 6% less was obtainable. Other food crops, shown in Appendix O, also reveal a decrease.

As the road system was in like manner damaged by floods, and moreover, on considerations of retrenchment, the frequency of trains on the less important routes in Djawa had to be curtailed, hindrances were encountered in the distribution of available foodstuffs, bringing about dire scarcity in a number of so called minus areas. The supplying of the Outer Islands stagnated also to a smaller or larger extent.

Following on the deterioration of the domestic food situation exports of food fell considerably. Of soya beans there was actually no exports at all during 1955. Exports of maize and groundnuts amounted to 10,127 tons and 4,228 tons respectively, representing a decrease of 41% and 74% respectively as compared with the

TABLE 43 — RICE SITUATION IN INDONESIA

	Djawa and Madura		Other islands		Indonesia	
	1954	1955	1954	1955	1954	1955
(<i>'000 ha</i>)						
Harvested area						
Irrigated rice	3,897	3,926	1,571	1,581	5,468	5,507
Non-irrigated rice	260	264	884	779	1,144	1,043
(<i>'000 tons of rice</i>)						
Production of irrigated rice	4,439	4,279	2,231	2,120	6,670	6,409
Production of non-irrigated rice	192	144	667	572	859	716
Imports from abroad	p.m.	p.m.	p.m.	p.m.	253	125
Mutation of J.U.B.M. stocks	p.m.	p.m.	p.m.	p.m.	+ 74	— 387
Available for domestic consumption	4,631	4,423	2,898	2,702	7,856	6,863

Sources : C.B.S. ; Service for Indigenous Agriculture ; J.U.B.M.

preceding year. Exports of tapioca flour amounting to 179,774 tons were 23% up, thanks to higher exports during the first halfyear, mainly to Japan.

The acreage under paddy at the end of 1955 was 4% more than in the previous year, while the areas under batatas and cassava were larger by 4% and 70% respectively. Other food crops fell in acreage, viz. paddy gogo -19%, maize -11% groundnuts -4 % and soya beans -17%. With reference to maize it is reported that the standing crop is threatened again by hogs and floods.

Government measures for promoting food production

The Djawatan Pertanian (Agricultural Service) is making propaganda for the so called compound cultivation, i.e. planting of fruit trees, tuberous plants and other products on compounds with the object of combating erosion to some extent, while attention is paid to terracing. The funds available however, are limited.

On construction and improvement of dams and reservoirs Rp 91.3 million was spent during 1955 against Rp 66.1 million in 1954. Expenditure for rural irrigation works was about the same as in 1954 and amounted to Rp 10.9 million.

The acreage planted with high quality paddy decreased by 200,000 hectares, aggregating 1,500,000 hectares. The land surface under green fertilisers covered 100,000 hectares, which compared to 1954 represents an increase of 20,000 hectares or 25%.

During the last months of the year Djawatan Pertanian concluded credit agreements with a national bank and a number of national importers, in order to restore the importation of fertilisers for food producing agriculture to a more adequate level.

At present there are 225 farm tractors in use in Indonesia, which are spread over the archipelago as rationally as possible.

Rice

No fundamental changes were made within the internal organisation of Jajasan Urusan Bahan Makanan (Food Fund) during the year under review. The Rice Ordinance 1948 remained in force as well as the system of licences for interregional rice transport. The lower rice production and the unfavourable price trend, however, contributed to speculative practices and smuggling.

From 1st March, 1956 licences for hulling plants are issued exclusively to enterprises owned fully by Indonesian citizens. Hulling met with difficulties in the year under review as paddy could not dry fast enough because of inclement weather conditions. The amount spent by J.U.B.M. for hulling totalled Rp 97 million, which was Rp 22 million more than in the previous year owing to the fact that a quantity of about 400,000 tons of paddy ex-crop 1954 had to be hulled in 1955.

The financial results of J.U.B.M. over 1954 and 1955 were not known when drafting this report. A loss of about Rp 50 million is anticipated for the year 1954; for 1955 revenue and expenditure will probably be in balance.

TABLE 44 — BUYING UP OF PADDY DURING 1955

	Planning (tons)	Results as at end of December 1955	
		tons	as % of planning
Djawa Barat	350,000	220,043	62.9
Djawa Tengah	250,000	73,795	29.5
Djawa Timur	600,000	299,105	49.9
Djawa/Madura	1,200,000	592,943	49.3
Sulawesi	60,000	—	—
Total	1,260,000	592,943	47.1

Source : J.U.B.M.

As a result of the fall in rice production buying-up of paddy was most unsatisfactory. On the strength of the favourable crop in 1954, the 1955 buying-up scheme planned for considerably higher yields but proved too ambitious as only 47% of the planning did materialise. In Sulawesi the impact of insecurity resounded so strongly that buying-up became a total failure. Compared with 1954 net buying-up lagged behind by about 260,000 tons in 1955, or 31% Total buying-up aggregated 592,943 tons.

Because of the disappointing crop there was no sense in withdrawing large quantities of rice from areas where in all probability they would have to be returned sooner or later in the form of rice injections. Moreover, the rise of the free market price above the price fixed officially for buying-up rice, lessened any inclination to sell to J.U.B.M. The Government price has remained practically on the same level during the past years, in contrast to the general price level which rose considerably. Thus the inflationary pressure shifted disproportionately to the farmers. In view of this it was decided in 1955 to raise the buying-up price from an average of Rp 82 per quintal to an average of Rp 93 per quintal; for 1956 a further increase was decided upon, varying from Rp 103 p/qt to Rp 120 p/qt.

The viewpoint held by the Cabinet who resigned in August last, that no further imports of rice were necessary for 1955, led literally to the eating into the so

called iron stock. On account of this it proved impossible in the long run to bring quick and sufficient relief to the threatened areas. Inasmuch as rice injections were given for the purpose of checking the rising price level—in the middle of 1955 a definite rise set in—the effect was lost by stagnation in transport.

TABLE 45 — RICE POSITION OF J.U.B.M.
(tons of rice)

	1953	1954	1955
Initial stocks	346,000	432,000	506,000
Internally procured	400,000	439,000	300,000
Imports	311,000	253,000	125,000
Sales	1,057,000	1,124,000	931,000
	625,000	596,000	814,000
Final stocks	432,000	528,000	117,000

Source : J.U.B.M.

Although in some areas a temporary reaction followed, rice prices in general were continuing their upward trend by the end of the year. Compared with 1950 the rise in the principal towns varies from 36% to 205%, in the countryside the price of rice soared by an average of about 138 % during the last five years.

TABLE 46 — RICE PRICES
(Rp/kg)

End of	Djawa country side	Djakarta	Surabaya	Palem- bang	Medan	Pontia- nak	Makasar
1950 December	1.45	1.23	1.53	1.50	2.70	2.75	1.13
1951 December	3.19	2.94	3.07	3.—	3.—	3.10	2.40
1952 December	2.45	2.38	2.20	2.85	2.40	3.30	1.88
1953 December	2.43	2.31	2.20	2.75	2.50	2.90	1.80
1954 December	2.35	2.35	2.50	3.15	2.65	3.—	2.10
1955 March	2.43	2.48	2.45	3.50	2.70	3.10	2.72
June	2.27	2.31	2.50	3.40	3.40	4.19	3.10
September	2.85	2.86	2.70	4.55	4.20	5.50	3.10
December	3.45	3.42	2.70	3.60	3.68	5.50	3.45

Source : C.B.S.

The quantity to be bought-up in 1956 has been fixed at 800,000 tons of paddy, which agrees with the real amount purchased in 1954. It would appear however, that the estimate for Sulawesi is too high.

In view of the necessity to replenish and maintain the stockpile, the urgency of rice imports became very pressing during the second half of 1955. The new Cabinet taking up office in August, sanctioned imports of rice totalling 635,000 tons. Consequently large contracts were concluded with Thailand and Burma, while smaller orders were placed with Italy and Brazil. Per 31st March, 1956 379,577 tons had been delivered on these contracts. The price per ton was £ 40 for the first contracts; later contracts were closed for prices varying from £ 36 to £ 40 per ton.

The flowing-through of these rice imports did not at first materialise at the desired pace, so that no drop in price occurred. On the contrary, generally speaking the upward trend continued unabated during the first two months of 1956. Only in the second half of March did the price drop a little in various areas.

An agreement has been concluded with the United States of America on the purchase of agrarian surplus commodities, which provides for an amount of 250,000 tons of rice to be delivered to Indonesia over a period of two years.

International rice situation

World rice production 1954-1955 amounted to about 160 million tons and thus remained 4% below the record of the preceding crop year, mainly by climatological factors. It was however the second best year since the War. and many countries had again an export surplus. Burma found to some degree an outlet to communist countries. In general prices inclined to drop, particularly for the better qualities. On the Saigon market the price of white rice 100% first class fell from £ 66 per ton at the beginning of the year to £ 53 per ton in December. Lower qualities were firmer, white rice 45% fell to £ 36 per ton by the middle of the year, but went up again at the end of the year to the previous level of £ 40 per ton.

As most rice exporting countries in Asia are dependent largely on this product for their foreign exchange income, the problem of promoting consumption became more urgent for these countries.

At the regional meeting of F.A.O. held in Ceylon at the end of June, the proposal was made to arrive at an intergovernmental contact group who will study the rice trade in detail, in order to safeguard as much as possible the interests both of the exporting as well as of the importing countries.

Forestry

As rainfall in the previous year was in general more abundant than in 1954, the sequences of the ongoing deforestation were more serious. Time after time large areas particularly in Djawa were inundated. Just how serious the deforestation really is was revealed by the Head of Djawatan Kehutanan (Forestry Service) at a congress held in Bandung during January 1956, when problems facing this service were discussed. Since the War an area of about 500,000 hectares succumbed to illegal felling. On the other hand only 270,000 hectares could be reforested anew. The loss of income incurred by the Government there from has to be reckoned in millions of rupiahs; e.g. the loss in one single district of Djawa Tengah was estimated at Rp 24 million over the last six years. Since distribution of food-stuffs stagnated in various places during the period under review, and bearing in mind the increase of population, the fear is that further large areas will be lost by illegal felling to satisfy food production. Additionally, the steep rise in lumber prices is undoubtedly an inducement for theft.

Livestock

Animal husbandry displayed satisfactory progress in 1954; especially cattle (+ 9%) and smaller livestock (+ 19%) increased in numbers. Figures on pig-breeding are unreliable as reporting was poor.

Difficulties in transport, particularly in connection with the general election, caused temporary difficulties in the supply of slaughter cattle in Djakarta, resulting in higher prices of meat. The reduced number of trains on central and east

TABLE 47 — LIVESTOCK
(‘000 head)

	Cows	Buffaloes	Horses	Goats and sheep	Pigs
1940	4,599	3,176	711	7,891	1,267
1950	4,261	2,734	510	6,576	1,201
1951	4,551	2,759	529	7,305	1,116
1952	4,469	2,851	549	7,845	1,099
1953	4,624	2,867	593	7,948	985
1954	5,025	2,924	631	9,479	1,378

Source : Veterinary Service

Djawa routes was another reason why wholesale prices of slaughter cattle and consequently consumer prices of meat showed an upward tendency.

In the middle of the year a further hundred of Danish dairy cattle was imported by the Government to improve stockbreeding. Also for the account of private dairy farmers, particularly in Djawa Barat, Danish dairy cattle was imported during the last year. Some of these enterprises already have a number of modern milking machines at their disposal.

The present number of cattle breeding stations in Indonesia is 62, of which however, 9 are not operating.

In Djawa Timur (Wonotjolo near Surabaja) a research institute for combating foot and mouth disease will be established. The I.C.A. has assigned U.S. \$ 76,000 for this project, and this sum has been utilised for buying the necessary instruments. The F.A.O. will provide assistance by granting special training facilities and by sending experts. The construction cost of the institute is estimated at Rp 25 million. It is hoped that for the vaccine product the whole of South East Asia will provide a market.

The number of chickens and ducks was estimated at 78 million and 17 million respectively for the year 1954. The fight against newcastle disease was only partly successful, as the population is not yet convinced of the importance of vac-

cination. It is hoped that by intensifying propaganda stronger convictions will be gained, and thus bring about a turn for the better.

Fisheries

Owing to bad weather particularly in the first halfyear of 1955, the production of sea fisheries declined by about 2.1% during the year under review. Catches totalled 393,000 tons against 401,000 tons in 1954. When analysing the figures per region, it appears that catches from the fishing grounds round Djawa, Madura and Kalimantan were larger than in 1954. On the other hand catches off the coasts of Sumatera and Indonesia Timur were less.

TABLE 48 — PRODUCTION OF FISHERIES
(‘000 tons of fresh fish)

	Sea fisheries				Inland fisheries			
	1941	1953	1954	1955	1941	1953	1954	1955
Djawa and Madura	...	71	71	90	37	53	65	77
Sumatera	...	131	132	113	24	64	48	53
Kalimantan	...	75	96	104	64	100	89	98
Indonesia Timur	...	98	102	86	22	25	25	31
Total	315	375	401	393	147	242	227	259

Sources : Sea Fisheries Service ; Inland Fisheries Service

The Government is endeavouring to modernise sea fisheries. In some cases these efforts are facing opposition, due in part to superstition such as a bias against the use of iron for fishing utensils. By means of information and instruction these prejudices could be overcome to a large extent.

Noteworthy is the plan of Dinas Perikanan Laut (Service of Sea Fisheries, Ministry of Agriculture) to materialise with the assistance of the International Co-operation Administration (I.C.A.) a project for sea fisheries at Kota Baru, Kalimantan, which comprises inter alia:

- (a) a plant for the manufacturing of fish-meal;
- (b) a fish cannery;

- (c) establishments for the mechanical drying and salting of fish;
- (d) plants for the manufacturing of fishing-nets;
- (e) a fishermen training centre.

In 1954 the required materials were ordered; in the year under review the first deliveries arrived in Indonesia. A start has been made with the construction of the various sections of the project at Kota Baru. It is hoped to complete the whole project in two or three years' time.

Results of *inland* fisheries increased in all regions. Total catches rose from 227,000 tons in 1954 to 259,000 tons in 1955. The largest increase occurred in Kalimantan, thanks to the activity of the population in extending fish ponds. In these ponds mostly "sepat Siam" is bred.

In the Djapara region the population, under the guidance of the Service for Inland Fisheries of Djawa Tengah, is improving the cultivation of oysters. It is of interest to note that one kilogramme of oysters at Djapara at present fetches Rp 8, while the average price of sea fish does not exceed Rp 5 per kilogramme.

Agricultural export commodities

Rubber

Figures published by the International Rubber Study Group disclose that world production of natural and synthetic rubber together totalled 2,984,000 long tons in 1955, being higher by about 465,000 long tons or 18% more as compared with the total production in 1954. World consumption totalling 2,891,000 long tons, was also above the 1954 level by 15%. During the first six months of the year 1955 production of natural as well as synthetic rubber was lower than consumption because of the increased demand from U.S.A. where the motor car industry was working at full capacity. The level of activity in this industry experienced the usual drop during the second halfyear. In contrast rubber production rose during

the same period, so that overall rubber production in 1955 exceeded consumption by 93,000 long tons (in 1954 the surplus amounted to about 44,000 long tons).

TABLE 49 — WORLD PRODUCTION AND CONSUMPTION OF SYNTHETIC RUBBER
(^{000 long tons})

Production	1953	1954	1955	Consumption	1953	1954	1955
United States	848	623	970	United States	785	637	895
Canada	81	86	104	United Kingdom	5	9	20
Western Germany	7	7	12	France	13	14	20
				Canada	36	30	40
				Western Germany	11	17	24
				Other countries	22	33	59
World total ¹⁾	936	716	1,086	World total ¹⁾	872	740	1,058
¹⁾ Exclusive of Russia							

Source: Rubber Statistical Bulletin

As for synthetic rubber, production surpassed consumption in 1955 by 28,000 long tons. The steep rise in production was influenced in addition to favourable market conditions, by the transfer of synthetic rubber factories by the American Government to private enterprise. At present 25 out of the 27 factories are already in private hands.

During 19 55 shifts in production and consumption from natural to synthetic rubber occurred, which resulted in a further deterioration of the position of natural rubber. The share of natural rubber in total rubber production fell proportionately

TABLE 50 — WORLD PRODUCTION AND CONSUMPTION OF NATURAL RUBBER
(^{000 long tons})

Production	1953	1954	1955	Consumption	1953	1954	1955
Indonesia	692	737	734	United States	553	596	635
Malaya	574	584	639	United Kingdom	207	239	246
Ceylon	99	94	94	France	108	127	134
Vietnam and Cambodia	75	78	80	Russia ¹⁾	42	0.4	24
Other countries	285	310	351	Other countries	718	802.6	794
World total	1,725	1,803	1,898	World total	1,628	1,765	1,833
¹⁾ Net imports directly procured from producing countries							

Source : Rubber Statistical Bulletin

from 72% in 1954 to 64% in 1955. Equally the share of natural rubber in total rubber consumption decreased proportionately from 70% to 63%, whilst for U.S.A. the ratio of consumption is 41.5% of natural rubber against 58.5% of synthetic rubber. In 1955 U.S.A. continued to hold first place in world rubber consumption with 84% of all synthetic rubber and 30% of all natural rubber.

TABLE 51 — RUBBER WORLD PRICES (R.S.S.I.)

	Djakarta ¹⁾ Rp/kg f.o.b.	London Sh-d/lb c.i.f.	New York U.S.\$ cts/lb	Singapore Str. \$ cts/lb f.o.b.	Colombo Rupee cts/lb
1938	0.49	0 $77\frac{1}{32}$ ²⁾	14.60	24.06 ²⁾	35.4
1950	1.40	2 $72\frac{1}{32}$	41.10	108.18	155.4
1951	10.05	4 $0\frac{3}{4}$	59.07	169.55	214.7
1952	7.77 $\frac{1}{2}$	2 $32\frac{29}{32}$	38.57	96.07	137.7
1953	6.45	1 $72\frac{2}{32}$	24.23	67.44	135.2
1954	4.97 $\frac{1}{2}$	1 $71\frac{13}{16}$	23.64	67.30	110.9
1955: January	10.—	2 $41\frac{13}{16}$	33.85	98.96	125.4
February	10.75	2 5	34.91	99.11	127.4
March	9.20	2 $1\frac{3}{4}$	31.04	88.12	111.5
April	9.55	2 $25\frac{5}{32}$	31.69	89.71	111.9
May	8.75	2 $25\frac{5}{8}$	31.35	91.02	113.1
June	9.30	2 $67\frac{7}{16}$	34.78	105.26	112.6
July	13.15	3 $01\frac{11}{16}$	40.76	127.35	123.8
August	18.70	3 5	45.88	143.20	131.8
September	12.20	3 $52\frac{29}{32}$	48.38	147.39	135.8
October	11.25	2 $11\frac{9}{16}$	43.91	124.79	140.0
November	9.60	2 $101\frac{15}{16}$	44.85	121.28	151.0
December	13.25	3 $02\frac{29}{32}$	48.39	129.20	151.0
1956: January	12.—	2 $9\frac{9}{32}$	41.74	114.98	151.0
February	9.90	2 $52\frac{29}{32}$	36.46	102.64	151.0
March	8.50	2 $4\frac{3}{32}$	33.68	97.01
¹⁾ at beginning of period					
²⁾ spot					

Sources : Rubber Statistical Bulletin ; Daily Market Service

From April 1955 rubber prices went up until they reached their peak in September last. As mentioned above this rise was due mainly to increased demand of the American motor car industry during the first halfyear 1955. As from October however, prices fell, amongst other things because of lower activity in the motor car industry, as well as the surplus of production; this downward trend continued throughout the first quarter of 1956. Generally speaking quotations for R.S.S.I. in Djakarta followed world prices.

Measures taken by the Government in September which had a deflationary effect caused rubber prices in Djakarta to fall and thereby lessened the disparity in relation to world prices.

With reference to developments in Indonesia regarding rubber the following is worth reporting. As revealed in table 52, production of estate rubber totalled 265,648 tons, which was 8% below the 1954 level. On production of smallholders rubber no data are available.

TABLE 52 — PRODUCTION AND EXPORTS OF ESTATE RUBBER
(net tons)

	Production	Exports
1938	175,066	156,758
1950	177,938	175,528
1951	226,107	205,173
1952	294,449	293,063
1953	306,782	288,209
1954	287,551	237,975
1955	265,648	237,308

Source : C.B.S.

Exports of estate rubber remained on the 1954 level, whilst exports of smallholders rubber dropped by 1% . Overall, the volume of rubber exports was lower by 1 % as compared with 1954, whereas in keeping with the favourable world prices proceeds increased by 62%. Of the said total the share of smallholders rubber amounted to 476,042 tons representing 65% of the total volume exported and 60 % of total proceeds. During 1955 U.S.A. remained the principal buyer of estate rubber, while smallholders rubber was exported for the most part to Singapore and from Singapore re-exported to other countries, i.a. U.S.A.

The total volume of rubber exports to U.S.A. decreased by 41,400 tons or 18% as compared with 1954. In particular exports of estate rubber were affected, dropping by 28% (36,407 tons). Buying by Singapore was less also by 67,488 tons of which 60,230 tons involved smallholders rubber. There were no rubber

exports to Hong Kong (in 1954: 78,433 tons). On the other hand exports to U.K., Mexico, Brazil and Japan showed a rather steep rise. Of our total rubber exports 26% went to U.S.A. (1954: 31%), 19% to Singapore (1954 : 27%), 18% to U.K. (1954 : 5 %) and 14% to South and Central American countries (1954: 2%). The figure for U.S.A. does not include re-exports from Singapore.

Table 53 reveals that exports of smallholders rubber from South Sumatera (Palembang and Lampung-district) fell heavily. Notwithstanding this drop South Sumatera however still takes first place with a share a of 22% of total exports of smallholders rubber, followed by East Sumatera with 21 % and West Kalimantan (West Borneo) with 17% In 1954 the percentages for these areas were 26%, 18%, and 16% respectively.

TABLE 53 — EXPORTS OF SMALLHOLDERS' RUBBER FROM THE PRINCIPAL PRODUCTION AREAS
(tons of dry rubber)

	1938	1952	1953	1954	1955
Kalimantan Barat	30,354	82,135	73,719	74,125	77,895
Kalimantan Selatan and Timur	27,390	56,831	48,978	53,568	69,627
Palembang	23,964	87,413	87,466	86,446	84,950
Sumatera Timur	20,280	63,230	60,399	85,345	96,372
Djambi	22,206	52,320	45,468	54,276	50,934
Tapanuli	4,044	10,699	4,616	3,492	6,077
Lampung	5	33,323	17,544	34,036	15,289
Other areas	18,353	66,106	40,586	80,351	63,732
Total reported exports	146,596	452,057	378,776	471,639	464,876

Sources : C.B.S. ; Rubber Statistical Bulletin

The composition of exports of smallholders rubber according to qualities also underwent various changes. Exports of blankets and barkcrepe went up considerably as compared with 1954, i.e. from 29% to 43%. On the other hand, the share of slabs fell from 25% to 13% in 1955. These developments have to be viewed in relation with the ban imposed by the Government on exports of slabs from South Sumatera, resulting in an increase of exports of blankets and barkcrepe.

As mentioned in my previous report the N.V. Karet Sumatera Selatan (South Sumatera Rubber Company) was founded in 1954 with the object of achieving a

TABLE 54 — EXPORTS OF SMALLHOLDERS' RUBBER
ACCORDING TO QUALITIES
(dry rubber)

	Volume (tons)				Value (Rp '000)			
	1954	%	1955	%	1954	%	1955	%
Sheets Blankets and barkcrepe Scraps Slabs	211,178	44.7	199,215	42.9	965,133	52.0	1,391,634	47.1
	136,240	28.9	198,747	42.7	554,310	29.9	1,263,530	42.7
	3,707	0.8	4,528	1.0	10,199	0.5	15,214	0.5
	120,514	25.6	62,386	13.4	327,104	17.6	286,644	9.7
	471,639	100	464,876	100	1,856,746	100	2,957,022	100

Source : C.B.S.

better quality in slab production. During 1955 this company bought up about 14,000 tons of slabs per month, which is still approximately 2,000 tons below the full capacity of the remilling factories in this area. During the first quarter of the year 1955 the buying- up price of slabs fell from Rp 650 to Rp 480 per quintal 100% dry, but afterwards rose to Rp 550, Rp 610 and Rp 635 at the end of each of the following quarters.

In complying with a request of the Singapore Goodwill Mission to resume exports of slabs to that territory, the Government decided in mid-October 1955 to allow exports of slabs from South Sumatera up to a quantity of 12,000 tons. As a result 6,000 tons of slabs were exported during December 1955 and January 1956 to Singapore.

Copra

Data received from Jajasan Kopra (Copra Fund) reveal that copra bought up by the Fund totalled 365,800 tons, which represents a drop of 9 % as compared with the preceding year. The stagnation in buying-up occurred mainly in the first months of 1955, caused by difficulties in finance and transport. Besides the quantity mentioned above, Jajasan Kelapa Minahasa (Minahasa Coconut Fund) operating independently from the Copra Fund, purchased an amount of about 59,000 tons.

TABLE 55 — PURCHASE OF COPRA BY JAJASAN KOPRA
(‘000 net tons)

	Indonesia Timur	Kalimantan Barat	Other areas	Total
1950	325.9	59.7	12.8	398.4
1951	487.6	75.1	—	562.7
1952	364.5	51.4	—	415.9
1953	406.0	55.3	—	461.3
1954	351.8	50.0	—	401.8
1955	309.7	56.1	—	365.8

Source : Jajasan Kopra

Over the year exports of copra dwindled by 60,276 tons or 20% as compared with 1954. Export proceeds diminished also from Rp 581 million in 1954 to Rp 403 million in 1955. In exports the share of Jajasan Kopra amounts to 159,000 tons or 68% of total copra exports.

In contrast, exports of copra cakes went up by 12% resulting in a rise of foreign exchange proceeds of 10%, thus bringing total proceeds up to Rp 84 million.

With the exception of Czechoslovakia, Poland and Japan, exports to all destinations showed a decrease.

During 1955 buying of copra from Indonesia by West European countries dwindled considerably, even to an extent of 50% of the 1954 total. In particular exports to the Netherlands were lower, viz. by 70%. The reason for this decline

TABLE 56 — EXPORTS OF COCONUT PRODUCTS
(net tons)

	Copra	Copra cakes	Coconut oil
1938	554,481	91,861	20,020
1950	291,183	55,010	204
1951	542,234	67,143	1
1952	342,389	83,395	980
1953	303,907	107,113	2
1954	294,672	138,876	617
1955	234,396	154,852	1,248

Source : C.B.S.

was that the West European countries bought in other markets. mainly the Philippines, because of the uncertain flow of exports from Indonesia. Moreover, the opportunity to buy copra in the London market against sterling has also been conducive to Philippine exports. On the other hand, export of copra cakes to West Europe were appreciably higher, while buying by Singapore and Hong Kong fell off heavily.

No data are available on exports and local sales by Jajasan Kelapa Minahasa. Jajasan Kopra sold 242,000 tons (1954: 218,000 tons) to the domestic coconut oil industry at prices ranging from Rp 180 to Rp 190 per quintal. Stocks held by this Fund at the end of December 1955 were higher by about 2,000 tons as compared with the end of 1954.

World prices of copra displayed the following trends. Apart from rises during the months of April and June, quotations of Straits copra quality F.M. c.i.f. London gradually fell back until the end of August last. In September prices recovered, but later fell again. At the end of December 1955 prices were slightly higher reaching £ 66 per long ton, but stood at £ 64 per long ton by the end of January 1956. Developments in world prices of copra have been deeply influenced by extensive stocks of palm oil and palm kernels in U.S.A. According to estimates world production of oils and fats in 1955 exceeded the 1954 production and totalled about 25,970,000 metric tons. World exports were estimated at 6,400,000 tons, or 200,000 tons more than imports.

Djakarta quotations of copra 95% dry mounted from Rp 215 per quintal in January 1955 to Rp 240 per quintal in November last. At the end of December the price quoted was Rp 230 per quintal, equal to the June level.

Prices of coconut oil increased also from Rp 3.25 per litre at the beginning of 1955 to Rp 4 per litre at the end of the year.

Buying-up prices of copra as fixed by Jajasan Kopra amounted at first to Rp 130 per quintal for Sulawesi and Rp 125 for Kalimantan Barat but were increased at the end of March 1955 by Rp 10 for each of the said areas.

After a decrease of Rp 10 at the end of August, prices were increased again by Rp 10 per quintal which level was maintained until the end of the year. Buying-up prices as fixed by Jajasan Kelapa Minahasa remained at Rp 140 until the year-end.

As already mentioned in my previous report, in order to meet the wishes of the copra producing regions the Government agreed in principle to decentralisation and rationalisation of Jajasan Kopra. Within the scope of these plans, in North Sulawesi Jajasan Kelapa Minahasa (Minahasa Coconut Fund) was founded in January 1955. The aim of this Fund is to pay primary attention to the interests of the coconut growers and also to reserve a certain share of the profits for local development projects.

Though the Government is willing to decentralise Jajasan Kopra by granting semi-official status to local Funds as mentioned above—including the right of single-buying and single-selling in the regions concerned - yet there have been demands of late that Jajasan Kopra be liquidated. Desires are that in this way all buying and selling of copra will be done by the local organisations, under the guidance of the central Government wherever necessary.

Regarding international developments of copra mention should be made of an International Coconut Conference held in Manila at the end of August 1955, which was attended by representatives from India, Indonesia, Ceylon and the Philippines, and by observers from various other countries. This Conference, convened for the purpose of promoting and improving copra production in general, decided inter alia:

- (1) to endeavour to establish a central copra research institute,
- (2) to establish a joint information and promotion board,
- (3) to arrive at a standardisation of coconut products
- (4) to draft a plan for the solution of difficulties regarding storage, transport etc.,
- (5) to ask for more elaborate technical assistance of F.A.O. for the principal copra producing countries.

It is the intention to hold a similar conference in Colombo in 1956.

Palm oil

Compared with 1954, production of palm oil and palm kernels showed a slight decrease of 1% and 3 % respectively in 19 55. Neither labour productivity nor climatological influences differed very much from the preceding year.

A stronger decline can be noticed in exports. The volume of exports of palm oil and palm kernels was lower by 17% and 9% respectively, while proceeds decreased by 13% and 3%. In foreign exchange the export value of palm oil was Rp 253 million and of palm kernels Rp 53 million.

TABLE 57 — PRODUCTION AND EXPORTS OF PALM OIL AND PALM KERNELS
(net tons)

	Production		Exports	
	Palm oil	Palm kernels	Palm oil	Palm kernels
1938	226,668	48,036	220,752	47,439
1950	126,491	30,775	119,936	28,409
1951	121,146	29,965	106,151	29,344
1952	146,351	38,647	120,172	37,065
1953	160,569	42,377	132,171	41,576
1954	168,636	43,319	140,062	42,407
1955	165,792	41,891	116,309	38,757

Source : C.B.S.

As for destinations of palm oil (in gross tons), the Netherlands bought 55,809 tons, or 60% of the quantity purchased in 1954. Exports to U.S.A. and West Germany were much lower too. On the other hand sales to Japan soared to 28,243 tons, representing 220%, of the volume exported to that country in the preceding year.

In like manner as was the case with palm oil mentioned above, exports of palm kernels to Japan amounting to 20,825 tons in 1955, were two and a half times

as much as in 1954. Exports to West Germany were also higher by 41%. Sales to the Netherlands fell to 7,346 tons as compared with 25,536 tons in 1954, so that the latter named country now takes second place after Japan.

World prices of palm oil having shown a downward tendency as from March 1955, went up slightly in July and were stable from then on, to rise again in December last. Prices of palm kernels fluctuated continuously; at the end of the year 1955 there were signs of a recovery.

In general the outlook for Indonesian palm oil and palm kernels seems not so gloomy in view of the increasing world demand for oils and fats.

Producers take the view, however, that the present margin between proceeds and cost of production is not attractive enough to justify rejuvenation and extension of the planted area.

Fibres

Thanks to technical improvements in production methods, production of hard fibres continued its upward trend and rose 15% over 1954, even surpassing the 1952 level. On account however, of high production costs—in which wages claim an important share—estates suffered again considerable losses. In order to provide a counterbalance the Government granted an export premium of 10% of f.o.b. prices as from 24th October 1955, which was raised to 25% as from 1st March 1956. Attention should be paid in this respect to Africa entering the market as a competitor. Although at present output per hectare in Africa is still lower than in Indonesia, production costs overthere are very much below ours.

Compared with 1954, the volume of exports in 1955 was higher by 42%, while proceeds were also up by 39%.

As for destinations of exports of hard fibres (in gross tons), after U.S.A. who bought 9,997 tons, Japan took second place with 9,051 tons, or about 172% more than in the year 1954. Exports to Australia amounted to 6,030 tons.

TABLE 58 — PRODUCTION AND EXPORTS OF
HARD FIBRES
(net tons)

	Production	Exports
1938	approx. 95,000 ¹⁾	90,079
1950	7,025	6,089
1951	16,581	15,545
1952	32,182	28,086
1953	27,435	26,140
1954	30,733	23,723
1955	35,345	33,795

¹⁾ Partly estimated since the majority of the estates did not report

Source : C.B.S.

It can be said that during 1955 prices of fibres were good. With the exception of Manila hemp Non-Davao, fibre prices in 1955 were above the level of the second halfyear 1954.

On the other hand, exports of kapok dropped, in volume as well as in value, to about 60% of the 1954 level, while exports of kapok seeds were lower by 37%.

Next to the use of substitutes abroad, the fall in exports of kapok can be attributed to higher domestic consumption as well as the strong discrepancy between local and world prices. Evidence of the latter is found in the following price developments.

TABLE 59 — EXPORTS OF KAPOK PRODUCTS
(net tons)

	Kapok	Kapok seeds
1938	15,445	7,123
1950	7,612	10,075
1951	5,491	10,534
1952	4,974	13,977
1953	4,746	2,831
1954	4,580	19,073
1955	2,879	11,897

Source : C.B.S.

After a setback during the first quarter of 1955, the price of Quality C at Semarang started to climb till August last. This was followed by a downward trend till October, after which prices rose again.

In contrast, London quotations of Java-average fell continuously since the beginning of 1955 and after a recovery in the months October and November, went down again in December.

As a means to overcome the difficulties in kapok exports, kapok producers have urged for the establishing of a Kapok Fund (Dana Kapok), with the aim of wiping out speculation and regulating the domestic price level.

It is worthy of note that as from 1st October last, exports of kapok have been exempted from export duty, while simultaneously the Government granted a premium to exporters of 10% of f.o.b. prices, which premium was raised to 15% as from 10 th March 1956.

In 1955 export proceeds of hard fibres, kapok and kapok seeds totalled Rp 72.4 million, Rp 27.8 million and Rp 10.2 million respectively.

Cinchona

Production of cinchona bark was up by 47% in 1955, while exports were higher by 96%. On the other hand, value of bark exported was only Rp 3.7 million or 54% more than in the preceding year.

In 1955 exports of quinine were of the same magnitude as in 1954, while proceeds fell from Rp 0.2 million to Rp 0.1 million.

On account of the diminishing world demand of quinine, resulting i.a. from the use of synthetic products, as well as the largely decreased share of Indonesia in world sales since the War, cinchona estates in our country experienced great

TABLE 60 — PRODUCTION AND EXPORTS OF CINCHONA PRODUCTS
(net tons)

	Production (dry bark)	Exports	
		Cinchona bark	Quinine
1938	10,955	6,957	182
1950	5,708	2,425	63
1951	9,080	7,576	57
1952	3,803	2,619	2
1953	1,115	448	13
1954	1,770	617	1
1955	2,602	1,207	1

Source : C.B.S.

difficulties. While on the one hand pressures on the price level have brought sales receipts down below the pre-war average, at the same time production costs have gone up in no small measure.

At present the acreage of estates still planted with cinchona and still in production is only 10,000 hectares, which means a decrease by 45 %., as compared with 1940.

With a view to promoting exports, the premium of 10% of the f.o.b. price has also been granted to exporters of cinchona as from 24th October 1955. Although this measure certainly brought improvement in the ratio of proceeds and cost of production, the position of the cinchona estates is in general still far from satisfactory.

Forest products

According to revised data published recently by Djawatan Kehutanan (Forestry Service) production of timber increased in 1955 in Djawa/Madura and in East Indonesia by 22% and 23% respectively as compared with the preceding year (see table 61). In Kalimantan (Borneo) the increase was 16%. Even so, output in these areas is still below the 1952-level. In Sumatera production reached its

peak in 1953 and decreased in the last two years; compared with 1954 the Sumatera production in the year under review was less by 8%. Total production of timber in Indonesia in 1955 was higher by 10% as compared with the preceding year, but most of the increase was in the lower qualities.

Output of charcoal was higher by 32%, firewood by 13%, Production of *construction-timber* increased by no more than 1 %.

TABLE 61 — TIMBER FELLING IN THE VARIOUS AREAS
(‘000 m³, rough timber equivalent)

	Djawa and Madura	Sumatera	Kalimantan	Indonesia Timur	Total
1939	1.810	1.570	562	92	4.034
1951	1.594	1.140	368	75	3.177
1952	1.898	1.342	560	56	3.856
1953	1.991	1.556	377	57	3.981
1954	1.735	1.374	478	86	3.673
1955	2.118	1.266	555	106	4.045

Source : Forestry Service

On exports of timber and its proceeds the following can be reported. Exports of teakwood were higher by 42%. in volume as compared with 1954 Whereas the percentage of teakwood in total timber exports amounted to 3.7 %, in 1954, this percentage increased to 5 2% in 1955. Proceeds of exports of teakwood however, did not reflect the general rise in world prices; the export value of teakwood was higher by 38% as compared with the 1954-figures. The reason is that teakwood of

TABLE 62 — TIMBER FELLING ACCORDING TO TYPES
(‘000 m³, rough timber equivalent)

	Lumber	Fire-wood	Charcoal	Total
1939	2,009	1,667	358	4.034
1951	1,544	1,271	362	3.177
1952	1,994	1,565	297	3.856
1953	1,880	1,795	306	3.981
1954	1,919	1,411	343	3.673
1955	1,944	1,597	454	4,045

Source : Forestry Service

lower quality took a relatively larger share in exports of this type of timber. The export value of other types of timber did indeed show an increase. Thus, whereas exports of various other types of timber increased by 4% in volume, their value was higher by 6%. Similarly, the fall in export value of firewood (21%) was relatively less than the drop in export volume of this type of wood (23%).

Data on imports of wood and wood-products reveal a price increase of triplex cases and newsprint. The volume of imported triplex cases was on the same level as in 1954, their value however, was higher by 8%. The volume of imported newsprint decreased by 7%, but the value involved was lower by only 3%. A large increase was noted in imports of woodpulp; these were higher by 385% in volume and by 384% in value.

TABLE 63 — IMPORTS AND EXPORTS OF THE PRINCIPAL KINDS AND PRODUCTS OF WOOD
(tons)

	I m p o r t s			E x p o r t s		
	Triplex cases	Wood pulp	News print	Teak	Other kinds of timber	Fire wood
1938	23,586	500	6,196	13,281	304,073	84,536
1950	4,344	3,206	6,953	4,767	84,898	21,049
1951	5,436	1,765	10,105	5,227	86,941	17,273
1952	3,212	2,002	5,287	3,267	143,553	32,588
1953	1,770	1,751	7,610	4,879	149,891	21,528
1954	4,790	303	10,554	5,915	134,583	16,338
1955	4,800	1,168	9,763	8,411	140,190	12,615

Source : C.B.S.

Exports of *copal* decreased by 6% in weight as compared with 1954, proceeds however, increased by 4%. Exports of damar showed an increase in weight and value by 9% and 15% respectively.

Principal buyers of copal were Japan and the Netherlands. The larger part of exports of damar went to Singapore. In general, world prices of copal showed a slight downward trend; on the other hand, world prices of damar revealed an upward trend.

TABLE 64 — EXPORTS OF FOREST BY-PRODUCTS
(gross tons)

	Copal	Damar	Rattan
1938	11,828	8,017	36,068
1950	7,472	4,462	26,612
1951	7,201	3,448	23,066
1952	4,667	4,217	20,526
1953	4,253	5,033	26,979
1954	5,951	5,644	29,364
1955	5,604	6,136	30,350

Source : C.B.S.

Exports of rattan were higher in volume by 3% as compared with 1954, but lower in value by 10%. Not less than 57% of total rattan exports were directed to Hong Kong and Singapore. Exports of rattan to the United Kingdom and West Germany dwindled considerably.

Total exports of copal, damar and rattan in 1955 amounted to Rp 27 million, Rp 19 million and Rp 41 million respectively.

Sugar

As can be seen from table 65, the improvement in sugar cane cultivation and production of sugar continued. According to the latest data that are to hand, production ex 1955 crop totalled 851,000 tons or 14,600 tons more than the original estimate. The number of sugar mills in production amounts to 53, covering a planted acreage of 50,460 hectares, while the area under smallholders cane covered about 18,500 hectares.

On the strength of provisional data, production ex 1956 crop is estimated at 880,000 tons.

N.I.V.A.S. reported that 213,000 tons (gross) were sold in 1955 for exports, including a carry-over of 4,870 tons ex 1954 crop. To avoid misunderstanding it

TABLE 65 — PRODUCTION AND EXPORTS OF SUGAR

	Estates		Overall	
	Planted area (ha)	Yield per ha (qt crystal)	Production in net tons (tel quel)	Exports (net tons)
1938	84,829	164	1,400,340	1,175,292
1950	30,352	91	277,158	2,458
1951	43,016	97	427,793	6,326
1952	47,680	91	457,972	1,568
1953	46,105	122	619,521	101,490
1954	49,256	120	717,742	210,327
1955	50,468	129	851,012	174,087

Sources : C.B.S. ; N.I.V.A.S. ; A.S.S.I.

has to be borne in mind that the figures provided by Biro Pusat Statistik (Central Bureau of Statistics) as mentioned in table 65, relate to sugar exports already effectuated and therefore differ from the N.I.V.A.S. figures concerning sales quoted above.

For local consumption 587,330 tons were reserved, so that average local sales per month in 1955 exceeded the 1954 monthly average by about 6,000 tons.

Yet domestic sugar prices continued to soar, particularly in the second quarter of the year. This rise was caused by transport difficulties affecting distribution and by changes in the system of retail-trade, which undoubtedly stimulated mar-practices amongst merchants. In order to get the situation under control, Indonesia in the middle of September was divided into 6 regions by decree of the Minister of Economic Affairs. For each region a maximum retail-price has been fixed.

Table 65 shows that sugar exports in 1955 were less as compared with the previous year. In this connection, the dispute between Indonesia and Japan regarding sugar prices which continued for several months has to be mentioned.

As Japan has obtained permission from the International Sugar Council to import from Indonesia 150,000 tons of sugar per year during 1955 and the two

TABLE 66 -- SUGAR EXPORTS OF INDONESIA

Destination	Volume (‘000 tons)		Value (Rp million)	
	1954	1955	1954	1955
Japan	165.5	119.0	200.0	138.9
China	3.6	16.5	4.6	21.1
Burma	5.1	20.6	6.3	26.3
Thailand	1.0	—	1.3	—
Singapore	27.2	3.3	33.4	3.9
Penang	3.2	0.5	3.8	0.6
Hong Kong	—	1.0	—	1.3
Rumania	—	10.0	—	13.3
Other countries	4.7	3.2	5.6	4.2
Total	210.3	174.1	255.0	209.6

Source : C.B.S.

following years, we can look forward to further substantial purchases by this country. It must be remembered however, that the price of Indonesian sugar in 1956 will be strongly influenced, firstly, by the possibility of competition from Taiwan, in spite of the fact that until now Taiwan's export-quota is restricted on account of its membership of the International Sugar Agreement, and secondly, by the cir-

TABLE 67 -- WORLD PRODUCTION OF SUGAR
(‘000 tons tel quel)

	Pre-war average	1952/1953	1953/1954	1954/1955	1955/1956
Djawa	1,172	458	620	718	851
Philippines	882	1,033	1,301	1,244	1,150
Rest of Asia	2,340	2,875	2,459	3,141	3,212
Asia	4,394	4,366	4,380	5,103	5,213
United States	1,630	1,927	2,275	2,368	2,225
Cuba	2,835	5,159	4,890	4,530	4,600
Rest of America	4,978	8,438	8,848	9,377	9,126
America	9,443	15,524	16,013	16,275	15,951
Europe	8,970	11,428	14,089	12,568	13,495
Africa	1,111	1,760	1,908	2,054	2,165
Australia	881	1,076	1,465	1,484	1,371
World total	24,799	34,154	37,855	37,484	38,195

Source : N.I.V.A.S.

cumstance that Japan has succeeded in acquiring a considerable amount of sterling, which lessens the urgency to import sugar from “Open account” countries as heretofore.

For world production and consumption of sugar reference is made to table 67 and table 68. World sugar production during 1955-1956 was higher by 711,000 tons as compared with 1954- 1955 and actually surpassed the 1953-1954 level. World consumption registered an even greater increase, i.e. of 982,000 tons.

TABLE 68 — WORLD CONSUMPTION OF SUGAR
(’000 tons tel quel)

	Pre-war average	1952/1953	1953/1954	1954/1955	1955/1956
United States	6,062	7,406	7,563	7,636	7,700
Rest of America	2,603	5,325	5,705	5,902	6,005
America	8,665	12,731	13,268	13,538	13,705
United Kingdom	2,323	2,104	2,481	2,699	2,725
France	1,092	1,175	1,158	1,233	1,300
Germany	1,869	1,850	1,940	2,010	2,030
Rest of Europe	5,975	8,775	9,542	9,288	9,785
Europe	11,259	13,904	15,221	15,230	15,840
India and Pakistan	1,379	1,725	2,030	2,110	2,185
Rest of Asia	2,395	2,926	3,082	3,334	3,475
Asia	3,774	4,651	5,112	5,444	5,660
Africa	874	1,832	1,890	1,969	1,986
Australia	451	629	661	668	680
World total	25,023	33,747	36,152	36,849	37,871

Source : N.I.V.A.S.

Up to May 1955 world prices of sugar showed a favourable trend which was due mainly to purchases made by Eastern Europe. When the demand for sugar—except in September—weakens again, the export quotas of members of the International Sugar Agreement, first raised from 80% to 90% were reduced in July and September consecutively by 5 %. This reduction did not however, bring the expected improvement. The spot-price of Cuba raws which quoted U.S. \$ cts 3.20 per lb f.a.s. at the beginning of July, was U.S. \$ cts 3.28 per lb at the end of September and went on to fall to U.S. \$ cts 3.18 per lb. at the end of December

last. The minimum price as fixed by the International Sugar Agreement of U.S. \$ 3.25 per lb is presumably well known.

In view of the above mentioned developments the International Sugar Council reduced the export-quota of the member countries for the year 1956 by 10%, i.e. from 4,440,000 tons to 3,996,000 tons. Demand in the free market in 1956 is estimated recently at 4,570,000 tons.

Tea

Tea production in Indonesia in 1955 was 7% below the preceding year's level. This drop was due entirely to lower output in Djawa; the other producing regions achieved an increase.

Production from bought-up leaf was also less by 3,000 tons or 35%, as compared with 1954.

As table 69 indicates tea exports declined during the year under review by 28% as compared with 1954, while export proceeds amounted to Rp 356.4 million or 21%, less than in 1954.

TABLE 69 — PRODUCTION AND EXPORTS OF TEA
(net tons)

	P r o d u c t i o n		Exports
	Total	Of which from bought-up leaf	
1938	80,538	12,206	71,921
1950	35,384	12,187	27,931
1951	46,513	12,484	40,630
1952	37,277	6,679	31,872
1953	36,778	5,810	28,900
1954	46,900	8,365	40,228
1955	43,368	5,401	29,087

Source : C.B.S.

Although purchases by the Netherlands (12,862 gross tons) were less than in 1954 (15,625 gross tons), this country was still the principal buyer. In the years 1953, 1954 and 1955 respectively 44%, 35% and 39% of total exports were shipped to the Netherlands. On the other hand, tea exports to Singapore and Hong Kong deteriorated, probably on account of the stricter control by the Government on the final destinations of Indonesian tea. It is common knowledge that formerly large quantities of tea, shipped first to Singapore and Hong Kong, were eventually re-exported to the United Kingdom, thus creating loss of foreign exchange to Indonesia.

As regards world prices of tea in 1955, Colombo quotations of Good m. B.O.P. quality throughout the year remained well below the 1954 level, especially during the second quarter. A low was reached at the end of May when Good m. B.O.P. quoted Rs 1.00 per lb. In view of this course of affairs, the general export duty of 8 % for tea was first lowered, then abolished, and finally replaced by an export premium of 10% as from the 24th October 1955.

It deserves mention that under present circumstances tea estates (particularly as regards lower qualities) are unable to make profits. The fact stands out unmistakably when comparing tea prices with calculations of production costs. Apart from a fall in tea since the “good year” 1954, wage increases and rising costs of various materials can be mentioned as factors that have contributed to the high level of the cost of production.

Coffee

In 1955 the total estate coffee production was 11% higher than during the preceding year. On the other hand, according to estimates production of smallholders coffee suffered a decrease. Due to inclement weather conditions the yield in South Sumatera will remain in all certainty below the level of the 1954 crop (26,000 tons), while the Bali-crop was estimated at about 4,000 tons. Final data on the production of smallholders coffee are not available yet.

Total exports were less by 38% as compared with 1954. Export proceeds dwindled to Rp 180.8 million, or in other words fell 60% below the 1954 improvement in the terms of trade in 1955.

The explanation of the above is to be found in the relatively high level of local prices, and the adverse trend of world prices. Quotations of New York contract 1st future showed a continuous inclination to drop.

The price trends of coffee were unquestionably influenced by the export policy of Brazil, who it must be recalled have lowered their minimum export prices several times. On destinations the following can be reported. The Netherlands bought 7,270 gross tons and thus secured first place, exports to France also showed an appreciable increase. In contrast, exports to Singapore, Italy, Hong Kong and the United Kingdom fell back sharply.

Similarly as with tea, sales prices of coffee do not in any degree equal the cost of production, besides thefts and damage to coffee trees which continue to occur in various places.

TABLE 70 — PRODUCTION AND EXPORTS OF COFFEE
(net tons)

	P r o d u c t i o n		Exports
	Estates	Smallholders ¹⁾	
1938	45,572	68,690	68,962
1950	11,111	28,000	13,467
1951	12,055	27,000	24,777
1952	13,248	33,600	18,413
1953	21,847	39,900	32,223
1954	14,196	42,800	37,336
1955	15,761	45,000	23,170
¹⁾ Partly estimated			

Sources : C.B.S; Gijsselman & Steup

Cocoa

Compared with the year 1954, production of cocoa increased by 4% in 1955. The volume and value of exports however, each suffered a fall of 34% and 60% respectively. Proceeds in foreign exchange were no more than Rp 3.1 million.

TABLE 71 – PRODUCTION AND EXPORTS OF COCOA
(net tons)

	Production	Exports
1938	1,584	1,572
1950	858	429
1951	908	284
1952	763	521
1953	1,220	226
1954	1,162	597
1955	1,210	390

Source : C.B.S.

The steep fall in exports is explainable in the buyers resistance mentioned in my previous report, and also in an increase of domestic consumption.

New York quotations of Loco Bahia suffered a severe decline throughout the year. Prices fell from U.S. \$ cts 49.90 per lb at the end of January 1955 to U.S. \$ cts 30.35 per lb at the end of the year.

Considering the present surplus of world production over world consumption estimated at 760,000 tons and 740,000 tons respectively for 1955, it is scarcely feasible to expect any improvement in cocoa prices in the near future.

Tobacco

Bad weather conditions was the reason why the 1955 tobacco crop turned out unsatisfactory. In particular the Virginia crop suffered heavily, so much so that

of the estimated yield of 10,000 tons no less than 45 % was lost. The production of Central Djawa was less also by 30%, so that for the following year 9,000 tons will have to be imported to fulfill the demand of the domestic cigarette industry for Virginia tobacco, which is estimated at 17,000 tons per year.

It is worthy of note that in the scope of purchasing American agrarian surpluses, Indonesia will import from U.S.A. during 1956 up to and including June 1957, a quantity of 10,500 tons of Virginia tobacco at the price of U.S. \$ 15 million.

The dark shadow of the crop failure mentioned above, was reflected in the eagerness displayed by the cigarette factories to accelerate their purchasing of tobacco, which fact—in spite of lower qualities— resulted in a price increase to twice or three times the level of the previous year.

The great attention paid in Amsterdam to Djawa and Sumatera tobacco has affected local prices also. In fact, the attention paid to the said two categories of tobacco was such that on the May and June auctions all parcels found buyers even before they were officially classified. The highest prices fetched by tobacco grown by the United Deli Companies and the Senembah Company were F1 37 and F1 16.75 per in/kg respectively; Djawa estate tobacco was sold for prices up to F1 9 per in/kg, for smallholders tobacco the highest quotation was F1 3.50 per in/kg.

The Netherlands remained the principal market, buying 81 %- of the total volume of Indonesian tobacco exports. Exports to Japan claimed second place with 12 % .

Within the range of Government activities for extending the tobacco acreage and improving the quality the following measures deserve to be mentioned.

In the middle of October 1954 the Badan Urusan Tembakau (Board for Tobacco Affairs) was re-instated on similar lines as the “Krosok Centrale” existing before the War. This Board is entrusted with the task of improving production

TABLE 72 — PRODUCTION AND EXPORTS OF TOBACCO
(net tons)

	Estate production		Exports
	Deli	Djawa	
1938	13,786	20,924	49,204
1950	4,250	2,794	12,700
1951	3,116	4,804	13,008
1952	2,539	5,281	9,812
1953	3,630	6,760	13,618
1954	3,275	4,185	19,165
1955	3,500 ¹⁾	...	12,897
¹⁾ Estimated			

Source : C.B.S.

processing, trade and sales of krosok tobacco. Exporters as well as local cigarette manufacturers have to contribute to the Board. Furthermore, all exporters are under obligation of registration while buyers of tobacco require a Government licence.

Exports of tobacco in 1955 were less by 33 % in volume as compared with 1954. On account however, of the good prices made abroad proceeds fell only 9% totalling Rp 319.5 million.

Though tobacco is still considered to belong to the so called “strong” export products, yet the Government has deemed it necessary to abolish the general export duty on tobacco. This abolishment took effect as from 24th October 1955, and was one of the measures designed for the promotion of exports.

Spices

Though estimates indicate that *pepper* production decreased in 1955 due to unfavourable weather conditions, exports were higher by 6% as compared with 1954. Export proceeds however, were lower by 19% and fell from Rp 146.2 million in 1954 to Rp 118.2 million, for the reason that world prices of pepper de-

clined. Quotations of Muntok pepper in Singapore fell from Str \$ 212 in January 1955 to Str \$ 145 per picol in December last.

Singapore and the United Kingdom remained the principal buyers of white as well as black pepper. Hong Kong was lost as a market.

TABLE 73 — EXPORTS OF SPICES
(gross tons)

	P e p p e r			Nutmegs and mace	Cassia
	White	Black	Total		
1938	11,350	44,199	55,549	4,811	2,505
1950	926	6,359	7,285	3,283	5,319
1951	736	2,618	3,354	3,117	3,818
1952	2,194	4,768	6,962	2,942	3,193
1953	4,265	2,966	7,231	2,962	5,566
1954	7,648	5,279	12,927	4,566	6,372
1955	7,088	6,647	13,735	4,860	6,841

Source : C.B.S.

Exports of *nutmegs* and *mace* were higher by 5% and 14% respectively. Export proceeds from nutmegs nevertheless decreased by 8%, whilst proceeds from mace rose only 4%. These two commodities brought in foreign exchange to the amount of Rp 23 million. Singapore and the Netherlands are the principal buyers of our nutmegs.

Compared with the year 1954 exports of cassia increased by 7% in 1955, in weight as well as in value. During the second halfyear of 1955 prices of cassia fell and for this reason the Government granted an export premium of 10% on f.o.b. prices as from 24th October, 1955.

Exports of cassia in 1955 realised Rp 13 million in foreign exchange.

Next to the Netherlands, Hungary was the second largest buyer with a quantity of 1,290 gross tons.

Production of cloves in 1955 was estimated to remain below the level of the preceding year. It is hoped that with a larger acreage under cultivation, Indonesia will be self-sufficient in cloves by 1960.

In 1955 6,800 tons of cloves were imported amounting to Rp 73 million, mainly from Zanzibar.

Mining

As from June 1955 holders of concessions dating from before 1942, were under obligation to re-register within three months at Djawatan Pertambangan (Mining Service). This measure was taken in order to bring the registers up to-date. Default of re-registration would be followed by lapse of concession rights, while the concession would also become invalid if within one year after re-registration no exploration or exploitation had commenced.

In the past year the draft bill on the revision of the Mining Law could not yet be submitted to Parliament, neither can anything be reported about the principles on which the bill will be based.

Oil

In the year under review the foreign companies commenced with new investments to which they were bound on the strength of the agreements concluded in 1954. Stanvac built a new reformer stabiliser at Palembang and a small bulk plant in Jogjakarta. Added to this, it is expected that the 90, kilometres pipeline for the discharging of the Lirikfields will be ready in 1958.

As a part of its program to increase the export of Indonesian crude, Caltex expanded its transportation facilities by the construction of two new tankers for Siak River service and by additional investment in pipeline and terminal facilities.

Caltex crude exports were up nearly 50%, over 1954. A geophysical survey of the contract area was started in the fourth quarter.

During 1954 and 1955 the Government invested an amount of Rp 10 million in the former B.P.M. concessions in North Sumatera, whereby production was raised. The pre-war level however could by no means be approximated yet. Whereas this enterprise in the first instance is producing crude oil for exports and no decision has been reached regarding the juridical status, there can be no normal sales and thus the capital invested cannot yield profits either. At the end of 1955, in connection with the appointment of a superintendent, new disputes flared up regarding the management, which in February 1956 led to the dismissal of the Government supervisor appointed in 1954. At the moment enquiries are being conducted into the financial management of these oilfields.

Total crude oil production in Indonesia was 10% higher in 1955 than in the preceding year. Although after the war production in Indonesia advanced year by year, oil developments in the rest of the world, particularly in the Middle East have surpassed this increase. Consequently Indonesia has fallen from her previous position in the world list of fifth place in 1938 to tenth place in 1955.

Table 74 illustrates the situation regarding oil and oil products in Indonesia. Imports of crude oil and oil products increased by 23% as compared with the

TABLE 74 — PRODUCTION, IMPORTS AND EXPORTS OF
PETROLEUM AND PETROLEUM PRODUCTS
(‘000 tons)

	Crude oil			Petroleum products	
	Production	Imports	Exports	Imports	Exports
1938	7,398	—	68	158	5,999
1950	6,414	1,575	8	69	6,091
1951	7,445	1,495	—	73	6,725
1952	8,523	2,211	599	95	7,284
1953	10,225	2,279	2,086	99	7,513
1954	10,775	2,131	2,303	88	7,584
1955	11,790	2,626	3,028	185	6,445

Sources : C.B.S.; Ministry of Economic Affairs

previous year, at the same time exports were higher by 31%. At present, production of solar/diesel oil and residue fuel amounts to 22% and 33% respectively of total refinery.

Gasoline consumption was unfavourably affected in the middle of the year by the decline in road traffic. After a steady increase over the period 1950-1954 a fall was noted in the first months of 1955 because of reduced road traffic, resulting from serious shortages of motor tyres and motor spare parts. Overall consumption in 1955 was 1% higher than in the preceding year.

The price increase in gasoline of May 1955 (from Rp 1.04 to Rp 1.80 per litre in Djakarta) was revoked in September last because, apart from an adverse impact on sales, it also intensified the upward trend in transport charges.

Labour unrest in the oil industry signifying itself by strikes and go slow actions brought about stagnation in the distribution of kerosene and created speculative tendencies, causing consumption to fall, especially during the first months of the

TABLE 75 — DOMESTIC CONSUMPTION OF PETROL
AND KEROSENE
(millions of litres)

	Petrol	Kerosene
1938	190.0	322.2
1950	446.0	325.0
1951	505.2	384.0
1952	558.8	461.6
1953	605.8	593.3
1954	685.7	740.9
1955	694.1	894.4

Source : Ministry of Economic Affairs

year. There was an improvement in the second half year, brought about mainly by larger supplies to the local market following a request of the Government; the undesirable price rise could thus be reversed. Year consumption of kerosene in 1955 was 21% above the 1954 level. There is very sign that domestic production

has reached its peak, with the eventual probability that exports will have to be stopped, so that kerosene may even have to be imported to satisfy the ever growing domestic demand. Notwithstanding an official price increase from Rp 0.65 to Rp 0.75 per litre in November last, kerosene is still the cheapest fuel as compared with other products, hence the constant increase in demand.

Tin

After a rather significant increase in 1954 the production of tin in concentrates fell back again by 7% during the year under review, thus lagging somewhat behind the 1953 output. Exports of tin in concentrates dropped by 6% owing to reduced demand from Europe. Exports to the Netherlands fell from 37,386 tons in 1954 to 34,762 tons in 1955. By the continuation of the American smelter in Texas,

TABLE 76 — PRODUCTION AND EXPORTS OF TIN
(long tons)

	Production of tin in concentrates	Exports	
		Tin in concentrates	Tin metal
1938	29,728	13,699	7,207
1950	32,102	31,349	4
1951	30,986	30,750	1
1952	35,003	34,601	15
1953	33,822	32,732	224
1954	35,862	33,941	994
1955	33,368	31,865	196

Source : International Tin Study Group, Statistical Bulletin ; Ministry of Economic Affairs

exports to U.S.A. could be maintained on about the same level (10,623 tons in 1955, as against 10,867 tons in 1954). Exports of tin metal were again on the low side, incidentally small quantities were bought by Japanese companies for the purpose of facilitating exports from Japan to Indonesia.

In 1955 world production of tin was 0.2% lower than in the preceding year, but on the other hand consumption rose by 8 %. Thanks to the favourable ratio

TABLE 77 — WORLD PRODUCTION AND CONSUMPTION OF TIN
(‘000 long tons)

Production of tin in concentrates					Commercial consumption				
	1952	1953	1954	1955		1952	1953	1954	1955
Malaya	56.8	56.3	60.7	61.2	United States	45.3	54.0	54.4	60.2
Indonesia	35.0	33.8	35.9	33.4	United Kingdom	22.6	18.6	21.4	22.4
Bolivia	32.0	34.8	28.8	27.9	Other countries	64.1	60.4	65.2	69.7
Belgian Congo	13.8	15.3	15.1	15.2					
Other countries	32.9	36.3	36.5	38.9					
Total	170.5	176.5	177.0	176.6	Total	132.0	133.0	141.0	152.3

Source : International Tin Study Group, Statistical Bulletin

between supply and demand world prices developed satisfactorily throughout the year. Labour troubles in the Malayan mines and the long dock strike in England were additional stimulants to prices. On account of the continuation of the Texas smelter, Indonesia could rest assured of an important market during the past year, in spite of the expiration of the two-year tin contract with U.S.A. which had been extended for another year.

TABLE 78 — AVERAGE TIN PRICES
(£/long ton)

	London - cash	New York - prompt	Singapore ex-works
1950	744.6	764.5	723.5
1951	1,077.3	026.5	1,040.3
1952	964.4	963.4	945.4
1953	731.7	766.1	714.9
1954	719.4	734.5	695.0
1955	740.2	757.9	721.3
1955 January	693.0	698.3	726.4
December	824.0	862.0	791.8

Source : International Tin Study Group, Statistical Bulletin

Unfortunately, this lessened the urgency of immediate ratification of the International Tin Agreement by the Indonesian Parliament, even though a draft bill had been submitted in February 1955. Next to this, domestic political tensions were also responsible that the bill was shelved and it was not before February 1956 that it was ratified by Parliament, thus opening the road for the implementation of the international buffer- stock plan.

Other Mining Products

Coal production in 1955 declined once more and fell 10% below the preceding year's level. Exports dropped by no less than 51%. As regards the modernisation of the Bukit Asam mines, agreement was reached on the importation of machinery from West Germany under the West German credits. An amount of Rp 18 million was allocated for investments in 1956, in the hope that production will increase from 200 tons to 500 tons daily. It is expected that in this way the exploitation of the mines which at present are working at a loss, will show some profit in the future.

TABLE 79 — PRODUCTION AND EXPORTS OF BAUXITE AND COAL
(‘000 gross tons)

	P r o d u c t i o n		E x p o r t s	
	Bauxite	Coal	Bauxite	Coal
1938	245	1,456	274	368
1950	531	804	550	62
1951	642	868	611	116
1952	344	959	220	108
1953	150	897	162	136
1954	166	894	247	87
1955	264	814	263	45

Sources : C.B.S.; Ministry of Economic Affairs

Production of *bauxite* which suffered a serious setback after 1951 because of Surinam competition, improved a little during the last few years thanks to slightly increased demand from the Netherlands and Japan. Although output was higher by 59% than in the preceding year, this does not represent one half of the year-production 1951. Exports were up by 6% as compared with 1954.

Following a decline in the preceding year, Indonesian manganese drew again the interest of European buyers. Production rose from 11,418 tons in 1954 to 28,185 tons in 1955, exports increased from 11,437 tons to 36,200 tons.

Production of *iodine* came to a halt during the last quarter of 1955 through a break-down in machinery. Consequently, the year-output amounting to 7649 kg was 29% lower than in 1954.

Output of *salt* experienced the damaging influence of heavy rainfall. Production amounted to 50,000 tons, i.e. 15% of the normal output. To be able to satisfy home demand the Government has imported 100,000 tons from Thailand, while also purchases were made in Egypt. The salt from Egypt however roused complaints as it was of inferior quality. Transport difficulties affecting the distribution and threatening scarcity gave rise to speculative practices, which brought about a steep price increase.

Plans are under consideration for resuming the exploitation of *sulphur* deposits on the Dieng- plateau in Central Djawa, which will be undertaken by a national company. Sulphur deposits are estimated at 150,000 tons.

Industry

During the year under review industry had again to contend with all sorts of difficulties. In particular in the first eight months of the year supplies of raw material came in spasmodically. Due to the new import measures it was possible for

TABLE 80 — INDEX NUMBERS OF IMPORTS OF
INDUSTRIAL RAW MATERIALS (1950 = 100)

	1940	1953	1954	1955
Breweries : malt (inclusive of flour and extract)	—	264	294	315
Printing works : paper	67	106	111	142
Paint industry : zinc white	151	98	66	165
red lead	298	155	44	118
Weaving mills : cotton weaving yarns	85	84	94	117
Batik works : grey shirtings, sheetings and supers	61	61	33	50
bleached cambrics and shirtings	261	284	277	251
wax (various kinds)	83	38	19	—
Kretex works : cloves	64	30	70	62
Construction shops : sheet iron	257	264	352	253
bar iron	157	110	137	202
profile iron	212	192	136	197
Building industry : cement	111	137	201	244
Miscellaneous : caustic soda	104	96	112	205

Source : C.B.S.

imports of industrial basic materials to increase during the last quarter to such an extent that at the end of 1955 the year-figures for 1954 of most categories mentioned in table 80 were surpassed.

Thus the supply of raw materials for industry came into better shape than had been the case for a long time, but on the other hand the new measures brought the element of competition increasingly to the fore as the price level of import goods began to fall. Especially small industries whose products in most cases do not compare well in quality with foreign products (leather goods, metalware, glassware, bicycle tyres), had to vie with great difficulties. Other enterprises also, such as assembling plants, experienced a slackening off in their business.

Moreover, by advancing the time of pre-payments by importers (inclusive of T.P.I.) —I may refer to the section ‘Imports’ in this report—industry also felt the strain on liquidity, which was aggravated by the “wait and see” attitude of the market. Lower grade textiles in particular suffered a setback as demand in the interior fell off, due i.a to tighter money resulting from crop failure. Many enterprises in the textile branch which were at first compelled to buy raw materials at speculative prices incurred heavy losses.

It is therefore not astonishing that again a number of the weaker and less efficiently operated enterprises had no choice but to close down (textiles, ready made clothes, cigars, leather industries).

Lowering of cost prices in most cases was not practicable. To give an example, the leather industry was not in a position to profit by the fall in the price of leather because of labour difficulties; the price of finished leather goods increased. Under pressure of the substantial rise in the prices of daily necessities the wage level showed an upward trend in various sectors of production, and especially industry experienced the constant labour unrest to a serious extent. Labour-productivity is in general still low; in the larger enterprises the trend towards mechanisation continues unabated.

It is understandable that the less well equipped and less financially strong enterprises felt threatened by the new market developments. Before long, voices were raised requesting the abolishment of T.P.I. for industrial materials and the re-imposition of import bans.

In a few cases the Government decided to restrict or even prohibit certain imports to protect local industries. The Government did not however, comply with requests to abolish T.P.I. Instead, the Monetary Board decided in the middle of November 1955 to relieve the financial strain mentioned above by mitigating the pre-payment regulation for industrial basic and auxiliary materials. If goods are exempt from T.P.I., an amount to the minimum of 75 % of the rupiah equivalent has to be paid in advance. If T.P.I. is levied, the pre-payment of 50% of the rupiah equivalent of imports plus T.P.I. can be postponed.

Beside the long known difficulties such as irregular supplies of basic materials—greatly improved since the last quarter of 1955—low productivity, high wages, insufficient power supply, etc., another factor came within sharper perspective: communications worsened (see also the section “Transport” in this report). It must be feared that thereby the chances of achieving a rational spread in industrialisation have been reduced proportionally

The abolishment of *Jajasan Persediaan dan Perbekalan* (J.P.P.- Fund for Stores and Supplies) per 1st September, 1955 was intended i.a. to transfer the importation and distribution of industrial basic materials to the private sphere, and thus to simplify the administrative procedure. It soon became evident however, that there was no question of a smooth liquidation because J.P.P. in winding up its business also experienced the consequences of the money contraction. Many stocks, in particular of weaving yarns and textiles, had to be disposed of at a loss. Through this liquidation large stocks of weaving yarns were thrown on the market to which moreover, a considerable stream of imports was added in the last quarter of 1955. As a result some spinning mills—amongst them the spinning mill at Tjilatjap, put only partly into operation, and the Djantra works at Semarang—in the first months of 1956 had to face rapidly increasing stocks of product which did not sell because the cost price was too high.

With the aim of obtaining some insight into the demand for basic materials of industry, the opportunity was given to direct applications for imports of industrial raw materials via Djawatan Perindustrian (Service for Industries of the Ministry of Economic Affairs). Until now however, this opportunity has scarcely been availed of.

The larger weaving mills (table 8 1) succeeded in expanding their production. The category "miscellaneous" and the production of towels showed an increase of 8 %. Production of slendangs and sarongs fell. Yarn consumption was higher by 12% as compared with 1954.

TABLE 81 — MAIN WEAVING MILLS

	Number of mills		Yarn consumption (tons)	Production			
	Total	In operation		Sundry (1000 metres)	Slendang	Sarong	Towels
					('000 pieces)		
1951	46	42	4,393	22,829	237	2,889	538
1952	72	61	6,056	29,118	113	3,224	1,863
1953	76	67	8,600	42,829	71	3,579	2,779
1954	73	65	9,200	46,145	14	3,925	2,611
1955	72	68	10,318	50,027	10	3,465	2,829
1955 1st quarter	71	68	2,724	13,142	3	934	752
2nd "	71	69	2,366	11,283	1	839	342
3rd "	71	66	2,615	12,669	4	833	681
4th "	71	68	2,613	12,933	2	859	754

Source : C.B.S.

The interest of the population in the cultivation of rami is growing. For the processing of this product factories will be established at various places. Meanwhile the construction of a rami factory at Medan is under way.

The *kretek* industry was alarmed in the last quarter of 1955 by an increase in excise duty, the detrimental influence of which upon sales was dreaded. Per 1st January, 1956 the excise regulation in force prior to 1953 was introduced anew, fixing the excise at 40% of the retail price. The clove position improved towards the end of the year. By the available imports the price level became more favourable for manufacturers. Production of tobacco in East Djawa however decreased,

amongst other causes as a result of bad weather conditions forcing many small enterprises to close down.

Imports of batteries were stopped because the local factories, working at 20% of their capacity only, were able to comply fully with demand. Production of motorcar tyres increased a little in 1955 but is still far from satisfying the home market. Rubber processing industries were facing the problem of high production cost, in which labour unrest also played a part. Due to various circumstances Goodyear is not in a position to expand its enterprise. In order to cope with financing difficulties connected with the import of motorcar tyres, an agreement was concluded between the manufacturers i.a. Goodyear, and the Association of Motorbus owners in Central Djawa, to the effect that 20% of the production of tyres in the required sizes will be sold directly to the association.

Private enterprise as well as the Government are interested in the expansion of the paper industry. Until now however, plans have not yet taken a positive form. The paper mill at Letjes (East Djawa) in the past year had difficulties with the importation of some raw material from America.

The soda factory at Waru (East Djawa) will be ready during this year. Meanwhile the gunny bag factory at Surabaya was able to commence operation. The

TABLE 82 — LICENSED CAPACITY OF CONTROLLED INDUSTRY

Industrial group	Unit	End of 1954	End of 1955		
			Total	Djawa	Other islands
Printing works	'000 m ² printing/hr	2,777	2,854	2,454	400
Rice milling works	h.p.	56,607	57,509	41,621	15 888
Spinning mills	spindles	98,000	98,966	94,856	4,110
Weaving mills	hand looms	75,435	78,857	74,057	4,800
	machine looms	12,480	12,697	12,424	273
Knitting mills	knitting machines	700	772	746	26
Textile printing works	machines	18	18	18	—
Cigarette works	'000 cigarettes/minute	199	218	189	29
Ice works	tons/month	34,399	32,900	20,448	12,452
Frying pan works	tons/month	510	530	461	69
Rubber remilling works	'000 tons/year	158	169	2	167
Dock-companies	'000 tons/month	5,682	5,655	3,895	1,770

Source : Ministry of Economic Affairs

only plastic factory operating at Semarang was forced to close down because competition with the imported product was impossible. The same fate befell the only national tinned milk factory in Central Djawa. At Waru a national enterprise is undertaking the establishment of a nail factory, which project will involve the sum of Rp 40 million. Machinery for this factory together with an electric power station are imported from West Germany. It is expected that this factory, which will produce about 1,000 tons per month, will start work during this year.

As table 8 2 reveals, the licensed capacity of controlled enterprise in - creased in 1955. Only in the categories ice factories and wharfage and warehouse companies a decline was noted. As mentioned in my previous report, it has been ordained by Government Decree Nr 61/1954 that no new licences will be issued to wharfage and warehouse companies owned by foreigners, which are thus compelled either to close down or to sell their business to national entrepreneurs.

Transport

Road traffic

The road system suffered serious damages from heavy rainfall in the second halfyear 1955. Although roads are constantly being improved and repaired, the condition of the road system in Sumatera, Kalimantan and Sulawesi as well as in Djawa is still far from satisfactory.

Moreover, because of shortage of materials and lack of finance the implementation of plans for the construction of new roads makes little headway.

It is obvious that this state of affairs must have an unfavourable impact on the economic developments of the regions outside Djawa, where transport of produce is dependent for the larger part on road traffic.

Meanwhile, it was officially announced that in 1956 special attention will be paid by the Government to repairs and improvement of the road system, and pri-

ority will be given to roads in the regions outside Djawa. For this purpose Rp 75 million has been allocated. Furthermore, capital will be made available for promoting the production of import-replacing materials for road construction. By liberalising imports of motor tyres and motor spare parts, as well as by lowering the retail price of gasoline per 1st September last—after an initial increase in May 1955—the difficulties encountered by road traffic were somewhat relieved.

Railways

Table 83 illustrates the development of both freight and passenger traffic served by Djawatan Kereta Api (State Railways) and Deli Spoorweg Maatschappij, the only private railway company still operating in Indonesia. The number of passengers carried by D.K.A. in 1955 showed a steeper rise than in the preceding year, to wit 20% against 13% in 1954. Receipts from passenger traffic rose even more steeply, due in part to the increase in fares. Freight traffic of D.K.A. was higher by 9%, representing a rise about equal to the increase in 1954. In 1955 railway freight charges went up also. Meanwhile, as from 1st January 1956 passenger fares and freight charges were raised once more on a number of important routes, this time by 10% which measure was necessitated by higher operating costs.

TABLE 83 — RAILWAY TRAFFIC

	Passengers carried (‘000)		Freight carried (‘000 tons)	
	Djawatan Kereta Api	Deli Spoorweg Maatschappij	Djawatan Kereta Api	Deli Spoorweg Maatschappij
1938	48,083	4,117	6,915	844
1950	103,634	3,400	4,437	943
1951	99,321	4,450	4,816	1,120
1952	93,428	3,807	4,287	1,191
1953	107,828	3,553	4,884	1,257
1954	122,238	3,475	5,340	1,305
1955	147,091 ¹⁾	4,335 ²⁾	5,821 ¹⁾	1,323 ²⁾
¹⁾ Provisional figures ²⁾ Based on first 9 months				

Sources : Djawatan Kereta Api; Deli Spoorweg Maatschappij

The most serious impediments are still shortage of equipment and of fuel. Generally speaking, fuel supply is inadequate due to the limited capacity of available sea transport. This is why on some less important routes in Djawa the frequency of trains had to be curtailed by 30%.

The length of the railroad system in operation by D.K.A. at the end of 1955 amounted to about 4,700 kilometres in Djawa and 1,400 kilometres in Sumatera.

The five year plan drafted by D.K.A. and submitted to the Government in December 1954, was approved in principle. This plan includes inter alia improvement of railroad tracks over a distance of 2,000 kilometres and the purchase of 30 diesel locomotives. Since then large orders have been placed in U.S.A. and West Germany for the purchasing of this material.

The number of passengers carried by D.S.M. increased considerably in 1955 in contrast to 1954. Freight traffic was up too, though to a lesser degree.

Shipping

Despite an expansion in 1955 in the tonnage of national shipping companies, including state- owned enterprises (present displacement is estimated at 60,000 B.R.T.) today's conditions give no reason for satisfaction yet. Compared with the preceding year a deterioration of operating results has even to be taken into account. Lack of capital, inadequate quayage and repair facilities, together with an insufficient number of trained personnel are the principal reasons for this unsatisfactory state of affairs. Other obstructing factors are the lack of cooperation between the enterprises themselves and the absence of a well co-ordinating transport policy. According to estimates about 30% of the total number of ships are lying idle.

In the meantime, an association of national shipping companies, the Persatuan Perusahaan Pelajaran Seluruh Indonesia (Perpepsi), was formed during the first halfyear of 1955, with a view to promoting national shipping. Perpepsi intends to

secure all interinsular and coastal shipping for Indonesian nationals within the shortest possible space of time. For this purpose the association has urged the Government to pursue a well-defined shipping policy, and to grant to national shipping enterprises all facilities which will advance their progress. It has already been decided that in principle the carrying of all Government goods, such as copra, salt, coal, sugar etc., will be entrusted to national shipping companies. Plans have been drafted for the establishing of a mercantile shipping bank, so as to render financial assistance to national enterprises. Besides, the setting-up of a mercantile marine council is under consideration, in order to safeguard and co- ordinate the interests of the associated companies.

At the end of 1954 the Government abolished the “Licensing Regulation for Wharfage and Warehouse Companies 1935”. It was replaced by the “Peraturan mengenai Perusahaan muatan Kapal laut”, which decrees that licences of wharfage and warehouse companies must be renewed. The first and foremost condition for obtaining a new licence is that the applicant must be an Indonesian national. In such cases where the applicant is a body corporate, all shares must be in the hands of Indonesian citizens. With regard to enterprises working under old licences, the new regulation took effect as from 15th December 1955. The recently formed Association of National Wharfage and Warehouse Companies will study the structure of this branch and advise the Government accordingly. Another of its purposes is to promote sound labour conditions.

Constant attention is paid to the rehabilitation and improvement of various harbours. In this connection it is worthy of note that a contract was signed recently with a foreign company for the construction and improvement of various harbour works in this country. Short term plans have been drafted to construct a harbour for ocean going vessels near Bandjermasin, and to make Semarang an ocean port by deepening and enlarging the harbour and by constructing a quay. Outlays for these projects are estimated at Rp 30 million and Rp 20 million respectively.

According to available data the fleet of the Koninklijke Paketvaart Maatschappij comprises one hundred ships, with a total displacement of 190,000

tons. Approximately 10% of this tonnage was in operation on ocean routes. At the beginning of 1955 interinsular passenger fares were raised by 50 % and as from 1st November last interinsular freight charges were increased by 10,%, on account of higher operating costs. International tariffs, including passenger fares, were also higher.

Airways

Table 84 reveals that the satisfying trend of Garuda Indonesian Airways operations, already noticeable in previous years, gained strength during the year under review. Freight carried was higher by 12% in 1955, against a rise of 3% in 1954, while the number of passengers climbed by 30% (1954: 4%). The fact that the total mileage covered extended in 1955 by 8 % only—in 1954 the expansion was 19% —finds its explanation in the use of aircraft with larger loading capacity as well as a better utilisation of available space. Flight frequency on various air routes is still on the increase, and proposals are under consideration to include more towns in the airline system. At present G.I.A. flies between 31 places in Indonesia, operating 44 aircraft, i.e. some 30 modern Convairs and Herons and 14 older Dakotas. Overseas services are maintained by G.I.A. to Singapore, Bangkok and Manila. The scheme to extend the Bangkok flight to Hong Kong could not be realised for the time being on account of the conditions laid down by the British authorities. At the end of 1955 the airways system served by G.I.A. totalled about 33,000 kilometres, against 27,000 kilometres at the end of the preceding year.

TABLE 84 — AIR TRANSPORT BY GARUDA INDONESIAN AIRWAYS

	Aircraft kilometres flown (’000)	Freight and mail (tons)	Passengers carried
1950	9,300	14,500	288,000
1951	9,200	15,500	291,000
1952	9,600	14,700	284,000
1953	10,400	15,400	296,000
1954	12,390	15,800	308,000
1955	13,325	17,677	401,000

Source : G.I.A.

Great attention is paid to the training of Indonesian pilots and aircraft technicians. In this, assistance is rendered to the Government by the International Civil Aviation Organisation. Under its auspices a training centre was established in Tjurug. In this centre not only airline pilots are trained, but also aircraft technicians, flight engineers, wireless operators, air traffic controllers and airport operation masters. It is thus hoped that by 1960 G.I.A. will be less dependent on foreign personnel.

Finally, an increase of about 10% in passenger fares on the international routes as from 1st January 1956 has to be mentioned; freight charges experienced a rise too.

Prices and Wages

Prices

Price trends in the country-side in 1955 were generally unfavourable. Already in the first quarter prices of various agricultural products, such as maize, cassava, batatas and coconuts, soared as a result of scarcity caused by the continuous floods. In the second quarter practically all foodstuffs of importance were drawn into the mounting price-spiral, with the exception of rice. The price of rice displayed up to the end of June the normal seasonal fluctuations, then suddenly bounced upwards to exceed at the year-end the 1954-level by not less than 47%. It was especially the increase in the price of rice, together with maize, cassava and batatas, that at the end of the year had pushed the index number of 12 foodstuffs in the country-side of Djawa and Madura up by 50%, over 1954. For other foodstuffs the increase varied from 15% to 30%. Out of all proportion was the rise in the salt price which went up by 115%, chiefly because domestic production had fallen sharply on account of bad weather conditions. According to provisional data only about 15% of the normal quantity of salt was produced in 1955, while domestic consumption did not decrease. Besides the lower output of agricultural produce and salt, the general uptrend of prices was also attributable to the unsmooth flow of goods.

TABLE 85 — INDEX NUMBERS OF FOOD PRICES
(1938 = 100)

	Twelve foodstuffs	Nineteen foodstuffs			
	Country-side of Djawa	Djakarta	Makasar	Medan	Pontianak
1950 December	2,029	1,693	1,693	2,754	3,011
1951 December	4,335	2,936	2,651	2,958	3,183
1952 December	3,611	2,644	2,315	2,652	3,251
1953 December	3,511	2,934	2,435	2,903	3,204
1954 December	3,334	3,256	2,857	3,405	3,637
1955 March	3,641	3,657	3,553	3,851	3,901
June	3,761	3,785	3,884	4,473	4,726
September	4,391	4,196	3,970	5,168	5,541
December	4,990	4,433	4,301	5,628	5,682

Source : C.B.S.

In the towns the index number of 19 foodstuffs showed a similar tendency. For Djakarta the figure per end-December 1955 was about 36% higher than in the preceding year. The increase in per cent. for the Outer Islands was more substantial still, because of the relatively steeper rise in the price of rice brought about by the serious stagnation in the distribution. Makassar, Medan and Pontianak registered increases of 51%, 65% and 56% respectively.

The position of the tani (farmer) had improved by the end of the year inasmuch as on the one hand the price of his produce had gone up while on the other hand, after the coming into force of the new import regulations per 1st September last, the price of a number of imported goods had fallen. Prices of lower grade textiles for instance, after September showed a pronounced downward trend. Almost immediately after the new import regulations were promulgated, quotations of black yeans jumped down, until at the end of December 1955 they were 42% below the corresponding figure of 1954. For grey shirtings and white satin drill the percentages were 38% and 11% respectively. This price fall accelerated as sales to the interior diminished, owing to the fact that in various regions the population through lack of cash sold their clothes to the second-hand market. Yarns also fell considerably in price, not only because in the last quarter large imports became available, but also because the liquidation of Jajasan Perbekalan dan Persediaan flooded the market. On an average prices dropped by 40%.

The general unweighted index number of 44 import commodities reflected from September last the reaction to the new import measures and moved continuously downward. Compared with the September 1955 level the various categories in the course of the last quarter registered the following decreases: general minus 7%, foodstuffs minus 6%, textiles minus 11%, chemical products minus 9% and metal wares minus 2%. In comparison with end-1954 the general number was still higher by about 10%, foodstuffs by 23 % and chemical products by 12%. It was only the textiles number which had arrived 3% below the level of December 1954.

The index number of the f.o.b. prices of 18 export products showed an upward trend and was by the end of the year, notwithstanding a reaction in the last quarter, still 16% above the figure of end-1954. Proportionally, smallholders' produce advanced most and registered a rise of 27 % over the preceding year, thus exceeding also the 1952-level estate produce (including tin) was 3% higher. Forest products included in this group were unable to stage a recovery and drifted further down, dropping by 13%.

TABLE 86 — PRICE INDEX NUMBERS OF EXPORT AND IMPORT COMMODITIES
(1938 — 100)

	Exports (fob-prices) (weighted index numbers)				Imports (wholesale prices) (unweighted index numbers)			
	18 export products	of which :			44 import commo- dities	of which :		
		4 estate products and tin	10 small- holders' products	3 forest products		6 food- stuffs	10 kinds of textiles	13 che- mical products
1952 December	1,605	1,522	1,668	3,332	2,245	2,555	2,503	2,095
1953 December	1,208	1,195	1,188	3,391	2,402	3,157	2,574	2,265
1954 December	1,532	1,563	1,483	2,818	3,006	3,600	3,843	2,849
1955 March	1,544	1,542	1,532	2,764	3,468	4,110	4,910	3,369
June	1,530	1,453	1,579	2,533	3,847	4,514	5,715	3,667
September	1,978	1,781	2,114	2,544	3,536	4,693	4,186	3,520
December	1,773	1,604	1,887	2,463	3,291	4,421	3,739	3,192

Source : C.B.S.

Wholesale prices of hulled rice and maize in Djakarta followed the same trend as witnessed in the country-side. Quotations at the end of the year were higher by 41%, and 88% respectively than in December 1954. Maize was subject to strong fluctuations in the second half of the year; the price of rice rose without

interruption. In contrast, kapok, pepper, coffee and tea displayed a downward trend—only kapok recovered somewhat in November —and per end-1955 had fallen, 25 %, 22 %, 46 % and 61% below the price level of end-1954. Sugar remained stable throughout the year, but fell a little in December. Copra quotations improved somewhat in the last quarter. Rubber prices fluctuated but moved in general well above the 1954 level; at the yearend R.S.S. I quoted 40 % higher than per end-December 1954.

TABLE 87 — FREE MARKET QUOTATIONS AT DJAKARTA
(in rupiah)

	Gold (gramme)	U.S. \$	Pound Sterling	Dutch Gld.	Malayan \$
1952 December	34.75	22.—	50.—	4.—	6.50
1953 December	39.75	26.—	63.—	6.60	8.10
1954 December	51.50	35.—	90.—	9.10	11.30
1955 April	56.—	41.—	107.50	10.75	13.—
December	52.—	33.50	85.—	9.—	11.—

Spectacular was the drop in curb market rates of gold and foreign exchange following the change of Cabinet in August 1955. At the end of the year gold was almost back to the level of December 1954 (plus 1%). Curb market rates of U.S. dollar, Pound Sterling, Netherlands Florin and Malayan dollar were even below the end-1954 mark by 4%, 6%, 1% and 3% respectively.

Wages

Data provided by Djawatan Pengawas Perburuhan (Labour Control Service) and embodied in table 88 regarding minimum wages in a number of Djawa industries, relate only to the beginning of 1955.

No figures are available yet to enable a comparison with the first months of 1956.

The table therefore reveals no more than wage increases in sugar mills, rice hulling plants and the coconut oil industry; other enterprises were at that time still on the same level as at the beginning of 1954.

TABLE 88 — MINIMUM DAILY WAGES IN VARIOUS INDUSTRIES IN DJAWA

	Beginning of		
	1953	1954	1955
Estate agriculture	Rp 3.— a 4.—	Rp 3.50 a 4.50	Rp 4.50
Food and beverages	„ 3.75	„ 3.50 „ 4.50	„ 3.50 a 4.50
Mining	„ 6.—	„ 6.—	„ 6.—
Tobacco industry	„ 4.50	„ 4.50	„ 4.50
Sugar and rice factories	„ 4.30	„ 4.— „ 4.50	„ 4.50 „ 5.85
Chemical industry	„ 3.— „ 4.50	„ 3.50 „ 5.—	„ 3.50 „ 5.—
Leather industry	„ 3.50	„ 3.50 „ 4.—	„ 3.50 „ 4.—
Furniture industry	„ . . .	„ 3.50 „ 4.50	„ 3.50 „ 4.50
Textile industry	„ 2.50 a 4.—	„ 2.50 „ 4.50	„ 3.50 „ 4.50
Transport companies	„ . . .	„ 5.— „ 7.—	„ 5.— „ 7.—
Metallurgic industry	„ 4.— a 5.50	„ 5.25 „ 6.—	„ 5.30 „ 6.—
Ship-building	„ 4.— „ 5.50	„ 5.30 „ 6.25	„ 5.30 „ 6.25
Coconut oil industry	„ 3.— „ 3.50	„ 3.50 „ 4.—	„ 6.—
Ice factories	„ 4.—	„ 4.— „ 4.50	„ 4.50

Source : Labour Control Service

In view of the fact that small industries do not possess much capital and thus for sheer want of finance are not in a position to offer higher wages, it is evident— in so far as the steep rise in the general price level did not force them to close down—that a considerable fall in real wages must have happened, since essentials for day-to-day living rose so remarkably.

The larger industries and especially estate agriculture saw their wages budget once more increased. As mentioned in the section “Labour Affairs” of this report, the number of wage disputes was in 1955 well above the 1954 total, and many times the P4P (Central Mediation Board) concurred with the demands of the workers.

Table 89 indicates the rise in wages, both in money and in kind, in estate agriculture.

On the Last coast of Sumatera disturbances occurred on some estates because rice rations failed to come forward. It goes without saying that these rations became more and more important as the general price level went up. Nominal wages in estate agriculture rose. In a relative sense the rise was highest in the sugar industry.

TABLE 89 — MINIMUM WAGES IN ESTATE AGRICULTURE
(rupiahs per day)

	End of				
	1941	1952	1953	1954	1955
D J A W A					
<i>Sugar industry</i>					
Absolute wage					
in money	0.275	4.—	4.—	4.—	4.50
in kind	—.—	2.70	2.70	3.80	4.10
Total	0.275	6.70	6.70	7.80	8.60
percentage	100%	2,436%	2,436%	2,836%	3,127%
Nominal wage					
per net working day	0.275	8.15	8.15	9.49	10.47
percentage	100%	2,964%	2,964%	3,451%	3,807%
<i>Perennial crops</i>					
Absolute wage					
in money	0.275	3.—	3.50	3.50	3.50
in kind	—.—	1.60	1.80	2.16	2.65
Total	0.275	4.60	5.30	5.66	6.15
percentage	100%	1,673%	1,927%	2,058%	2,236%
Nominal wage					
per net working day	0.275	5.60	6.45	6.89	7.48
percentage	100%	2,036%	2,345%	2,505%	2,720%
SUMATERA SELATAN					
<i>Perennial crops</i>					
Absolute wage					
in money	0.35	3.25	3.75	3.75	3.75
in kind	—.—	5.80	5.80	6.64	7.60
Total	0.35	9.05	9.55	10.39	11.35
percentage	100%	2,586%	2,729%	2,969%	3,243%
Nominal wage					
per net working day	0.35	11.01	11.62	12.64	13.81
percentage	100%	3,146%	3,320%	3,644%	3,945%

Labour affairs

Labour legislation

Little progress can be reported on labour legislation for the year 1955. The Bill on the settlement of labour disputes intended to replace Emergency Law Nr 16/1951 and pending since 1954, has not yet come into force. Although the Bill has been discussed in Parliament, the Cabinet who came into power last August

felt it necessary to withdraw the Bill from the agenda in order to give it further consideration.

A decree of the Minister of Labour issued in April 1955 compels labour unions to register with the Ministry of Labour.

Labour disputes and strikes

Compared with 1954 labour unrest during 1955 grew, and again especially in the agricultural and industrial spheres. As was to be expected, the rising cost of living led to an increasing number of disputes over wages and individual dismissals. In a number of cases, particularly in the agrarian and transport sectors, the P4P (Central Mediation Board) concurred with the demands of the workers and imposed wage increases on the enterprises concerned.

TABLE 90 — LABOUR DISPUTES IN 1955

Economic sector	Number of disputes	Workers involved	Nature of disputes	Number of disputes	Workers involved
Agriculture, forestry, stock-breeding, fishing	591	607,560	Labour contracts	143	107,183
Mining	57	95,065	General demands	361	274,194
Industry	1,176	728,589	Special Lebaran bonus	155	83,723
Building & contracting	107	13,677	Bonuses	97	89,553
Public utilities	8	6,097	Social security	71	62,349
Trade	264	147,229	Wages (incl. overtime)	795	562,909
Transport, docks and communications	233	140,048	Working hours	20	11,455
Services	152	9,313	Mass-dismissals	884	463,230
			Individual dismissals		
			Miscellaneous	62	92,782
Total	2,588	1,747,578	Total	2,588	1,747,578

Source : Ministry of Labour

Table 91 illustrates clearly how unstable labour relations have been during the past six years.

For the rubber estates on the east coast of Sumatera A.V.R.O.S. strove to reach a collective labour agreement, without much success at first. However, it

was decided that during the period of negotiation preceding the final drafting of the text no measures should be applied or action taken.

At the beginning of 1956 the Ministry of Labour appointed a special committee for the drafting of a manpower survey. Investigations will commence in Djakarta and gradually be extended to other cities and towns. The intention is to start with enterprises having a labour strength of 100 or more workers, after which the smaller enterprises will be dealt with. The enquiries will be facilitated by compulsory registration imposed since January 1954 by Law Nr 23/1953 on enterprises employing a labour force of 10 workers or more, or having a minimum mechanical capacity of 5 H.P.

TABLE 91 — STRIKES

	Strikes	Strikers	Man hours lost
1950	144	490,539	7,784,271
1951	541	319,030	3,719,914
1952	349	132,963	878,911
1953	266	411,446	4,352,418
1954	347	157,582	2,385,730
1955	438	217,474	3,390,736

Source : Ministry of Labour

Indonesia was represented at the I.L.O. Conference held at Bangkok from 27th November to 10 th December 1955. At this Conference the possibilities of technical training in Asia received much attention, in particular within the framework of assistance to be rendered by the United Nations Technical Assistance Programme. In December last an I.L.O. representative came to Indonesia for the purpose of collecting data regarding wage problems and to study the relationship between employers and employees.

Unemployment

In 1955 unemployed persons registered with Djawatan Penempatan Tenaga (Labour Exchange) totalled 66,166, of whom 21,215 found employment through

the intermediary of the Government. In 1954 these figures were 60,067 and 19,610 respectively. On a limited scale financial assistance is provided for the establishing of small labour-intensive enterprises, with the object of re-engaging a number of unemployed in the process of production.

Co-operatives

According to data provided by Djawatan Koperasi (Service for Cooperatives) the number of co-operatives over the whole of Indonesia amounted per end-December 1955 to 11,407, against 9,694 per end-1954. In Djawa the increase was 1,173, in Sumatera 264 and in the other islands 276.

TABLE 92 --- NUMBER OF CO-OPERATIVE SOCIETIES
(as at December 31)

	1954		1955	
	Total	Registered	Total	Registered
Central co-operative associations	130	24	142	36
Desa co-operatives	3,413	124	3,836	590
Credit co-operatives	3,113	529	4,329	1,099
Lumbung co-operatives	678	14	632	16
Production co-operatives	1,356	71	1,410	253
Consumer co-operatives	768	22	795	53
Other co-operatives	236	41	263	8
	9,694	825	11,407	2,055

Source : Service for Co-operatives

In the year under review the attention was focussed again on credit co-operatives and desa (village) co-operatives. It was particularly the number of credit co-operatives which rose considerably, viz. by 1,216, representing 71% of the overall increase. With the exception of *lumbung* (storage) co-operatives. there was an increase also in the other groups.

The number of co-operatives recognised by the Government and granted standing in law was higher by 1,230 or 149% as compared with 1954. With regard to

TABLE 93 — CO-OPERATIVE SOCIETIES IN THE VARIOUS AREAS

	End of	
	1954	1955
Djakarta-Raya	—	116
Djawa Barat	2,171	2,481
Djawa Tengah	1,808	2,342
Djawa Timur	2,632	2,845
Djawa	6,611	7,784
Sumatera Selatan	309	298
Sumatera Tengah	846	862
Sumatera Utara	408	667
Sumatera	1,563	1,827
Kalimantan	384	468
Sulawesi	721	974
Rest of Indonesia	415	354
Total	9,694	11,407

Source : Service for Co-operatives

the total number of co-operatives the percentage of recognised organisations increased from 9% in 1954 to 18% in 1955. It must be noted that standing in law is granted to a co-operative only if Djawatan Koperasi is of the opinion that it commands sufficient viability.

As a result of the increase in the number of co-operatives, membership rose from 1,640,028 in 1954 to 2,033,631 in 1955.

As mentioned in my previous annual report, the capital of co-operatives is contributed by the members in the form of entrance fees, compulsory contributions, voluntary savings and other kinds of deposits. Aggregate capital amounted to Rp 257.1 million per end-December 1955, or Rp 110.6 million more than at the end of the preceding year.

The Induks (central co-operative associations) and the Pusats (sub-central co-operative associations) depend for their working to a large extent upon borrowed means of finance: this is not so much the case with the primary co-operatives. Savings, reserves and other assets totalled for the Induks and Pusats Rp 32.7 million and Rp 75.2 million respectively, of which Rp 32 million and Rp 39.3

million respectively consisted of borrowed money. For the primary co- operatives these figures were Rp 148.7 million and Rp 29.2 million.

When considering the money borrowed it has to be kept in mind that this is passed on from top to bottom, viz. from Induk to Pusat, from Pusat to primary co-operative and finally, by the primary co-operative to its members. The same amount may therefore be accounted for more than once. As a rule this is not the case with savings.

VIII. ACTIVITIES OF THE BANK

With regard to the Bank's operations I would primarily refer to the Balance Sheet as at March 31st, 1956, attached to the report as appendix A, to the Profit and Loss Account for the financial year 1955/1956, shown in appendix B, and to the survey of the main items of the weekly abridged balance sheets, given in appendix E. In addition to these and by way of explanation the following may be stated.

Balance Sheet

Issue Department

GOLD COIN AND BULLION, BALANCES IN CONVERTIBLE FOREIGN EXCHANGE AND CLAIM ON THE GOVERNMENT ON ACCOUNT OF GOLD DEPOSITED ON ITS BEHALF WITH I.M.F. AND I.B.R.D. ...

..... Rp 953,353,506.09

The claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D. is founded on article 16 of the Bank Indonesia Act 1953, providing that apart from gold and holdings in generally convertible foreign currencies also the right to draw on the I.M.F. and the I.B.R.D., which has been or will be endorsed to the Bank by virtue of law, may be included as reserve against the Bank's demand liabilities.

The abovementioned holdings amounted as at March 31st, 1956, to:

Gold coin

30,439,730,413 kg fine at Rp 12,796.05 Rp 389,508,312.36

Gold bullion

41,658,546,485 kg fine at Rp 12,796.05..... Rp 533,064,843.75

Convertible foreign. exchange balances Rp -,-

Claim on the Government on account of gold deposited

<i>on its behalf with: I.M.F.</i>	Rp	5,700,349.98
<i>I.B.R.D.</i>	Rp	25,080,000.-

	Rp	953,353,506.09
		=====
against on April 1st, 1955.....	Rp	952,644,175.79
Thus the Bank's monetary reserves increased by.....	Rp	709,330 .30

By virtue of Indonesia's accession to the International Monetary Fund and the International Bank for Reconstruction and Development as provided for by Law 1954/Nr 5, the deposits in gold required for these memberships were effected by Bank Indonesia in the name of the Republic of Indonesia on April 7th, 1954. So long as the legal endorsement (as provided for in article 16 of the Bank Indonesia Act 1953) of the right to draw on the I.M.F. and the I.B.R.D. consequent upon the membership has not taken place, and in so far as the Government will be entitled to reclaim this gold, which on receipt would have to be re-endorsed to Bank Indonesia by virtue of the provisions of article 3 of Law 1954/Nr 5, the deposited gold is substituted in the Bank's books as a claim in gold on the Government. This latter claim has been added to the reserves held as coverage for the Bank's demand liabilities by virtue of article 16 of the Bank Indonesia Act 1953.

The aforementioned claim in gold on the Government at the outset amounted to Rp 201,780,349.98 on the basis of \$ 35 per troy ounce fine. In August 1954 the Government cashed U.S. \$ 15 million with the I.M.F. within the scope of this gold trench, and transferred the amount to the Foreign Exchange Fund for strengthening this Fund's ready dollar reserves. Consequently, the Bank's claim in gold on the Government decreased by Rp 171 million, which amount now appears separately on the Bank's balance sheet under the heading "Claim in rupiahs on the Government on account of payment on its behalf to I.M.F.", which item will be annotated elsewhere in this review.

FOREIGN EXCHANGE FUND, FOREIGN EX- CHANGE ACCOUNT	Rp 1,587,194,923.78
FOREIGN EXCHANGE FUND, FOREIGN LIABILI- TIES.....	Rp 1,540,389,211.25

The items included under the heading “Foreign Exchange Fund, foreign exchange account”, constitute the gold and cash foreign exchange holdings of the Foreign Exchange Fund, calculated at the official mean rates ruling on March 31 st, 1956.

This heading comprises the following items:

Gold and convertible foreign exchange holdings	Rp 1,362,684,179. 98
Special account (convertible foreign exchange holdings)	Rp 171,000,000.—
	<hr/>
	Rp 1,533,684,179.98
Other foreign exchange holdings	RP 53,510,743.80
	<hr/>
	Rp 1,587,194,923.78
	<hr/> <hr/>

In the previous financial year the Fund’s gold holding was fully transferred to the Bank.

In consultation with the Monetary Board, the gold and generally convertible foreign exchange holdings of the Foreign Exchange Fund— as at March 31st, 1956 amounting to Rp 1,533,684,179.98 in total - are also part of the monetary reserves of the Bank as referred to in article 16 of the Bank Indonesia Act 1953.

The items comprised under “Foreign Exchange Fund, foreign liabilities”, constitute the countervalue in Indonesian currency, calculated at the official mean rates ruling on March 31st, 1956, of the debts of the Foreign Exchange Fund on account of credits taken up under current monetary agreements with foreign coun-

tries. These items consist almost exclusively of the Fund's debts on the so-called "A-Account" with the Netherlands Bank and on the "U.S.\$ Account" with the Bank of Japan, Tokyo.

In Chapter VI of this report the movements in assets and liabilities of the Foreign Exchange Fund during the calendar year 1955 have already been discussed in detail. For brevity's sake I would refer to the relative paragraphs.

Demand liabilities of the Bank and its monetary reserves

The desirability for Indonesia to have at its disposal a purchasing power reserve constituted by gold and generally convertible foreign exchange, has been laid down by the legislator in paragraph I of article 16 of the Bank Indonesia Act 1953. In the relative paragraph the total amount of these monetary reserves is coupled to the volume of the currency and deposit money supply in Indonesia, namely through the stipulation that the monetary reserves must come to at least 20% of the Bank's demand liabilities.

TABLE 94 — DEMAND LIABILITIES AND MONETARY RESERVES OF THE BANK
(Rp '000)

			Bank notes	Deposits	Drafts and transfers payable	Total of liabilities	Monetary reserve		
							Amount	as %	
1955	March	31	7,480,701	2,145,251	99,580	9,725,532	2,310,390	23.76	
	April	27	7,614,137	2,210,968	84,457	9,909,562	2,313,304	23.34	
	May	25	8,075,238	2,272,232	88,389	10,435,859	2,419,166	23.18	
	June	29	8,183,956	2,169,160	84,026	10,437,142	2,406,481	23.06	
	July	27	8,203,477	2,022,572	82,466	10,308,515	2,388,819	23.17	
	August	31	8,209,699	2,076,987	81,649	10,368,335	2,416,805	23.31	
	September	28	8,235,676	2,281,471	81,212	10,598,359	2,494,785	23.54	
	October	26	8,145,458	1,949,194	82,885	10,177,537	2,579,448	25.34	
	November	30	7,957,417	1,800,595	80,305	9,838,317	2,794,046	28.40	
	December	28	8,150,952	1,876,991	11,100	10,039,043	2,916,239	29.05	
	1956	January	25	8,232,182	1,708,531	5,991	9,946,704	2,640,695	26.55
		February	29	7,847,028	1,551,182	5,340	9,403,550	2,621,865	27.88
March		31	7,667,366	1,648,165	5,586	9,321,117	2,487,038	26.68	

The demand liabilities, a specification of which is given in table 94 decreased during the period of April 1st, 1955 to March 31st, 1956, by around Rp 404.0 million. Against these liabilities, totalling as at March 31st, 1956 Rp 9,321,117,112.74, stood as holdings of the Bank gold, convertible foreign exchange balances and a claim of the Bank on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D. to an aggregate of Rp 953,353,506.09, and as holdings of the Foreign Exchange Fund to an aggregate of Rp 1,533,684,179.98, totalling in all Rp 2,487,037,686.07 or 26.68 % of the aforementioned demand liabilities. Based on the legal minimum ratio (20%) the monetary reserves should come to a book value of Rp 1,864,223,422.55, so that the surplus reserves, amounting as at April 1st, 1955 to Rp 365,283,419.33 increased to Rp 622,814,263.52 as at April 1st, 1956.

By virtue of paragraph 2 of article 16 of the Bank Indonesia Act 1953 at least one-fifth of the legal minimum reserves or Rp 372,844,684,51 should be held in Indonesia.

The gold holding of the Bank actually present in this country as at April 1st, 1956 represented an amount of	Rp	386.859.028.60
the aforementioned claim in gold on the Government		
amounted to	Rp	30,780.349.98
and the Foreign Exchange Fund's generally convertible		
foreign exchange holdings to	Rp	1,533,684,179.98

or in all	Rp	1,951,323,558.56
		=====

CONSOLIDATED ADVANCES TO THE GOVERNMENT	Rp 3,742,050,000.—
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This account was opened on July 1st, 1953 by virtue of article 42 (1) of the Bank Indonesia Act 1953, at an initial amount of Rp 3,838 million. Provisions regard-

ing interest and redemption are laid down in Decree Nr 198989/ U.M.I. of September 17th' 1954, of the Minister of Finance, and read as follows:

- (a) the rate of interest amounts to 3% per annum;
- (b) the redemption will be effected within 40 years, starting as from 1957 ;
- (c) extraordinary redemption will inter alia be effected from the proceeds of loans to be issued for this special purpose, in which case those extra redemptions will be settled pro rata parse with the next redemption instalments ;
- (d) interest and redemption will be effected annually on March 31st at the latest.

By Decree of the Monetary Board Nr Sekr/D.M./25 Confidential of June 29, 1955 it has been further stipulated that henceforward the 3 % interest will be split up as follows:

1/2 % to be accounted for in the Profit and Loss Account of Bank Indonesia;

2 1/2 %, to be used for redemption on consolidated advances and therefore to be omitted from the Profit and Loss Account.

In consequence thereof the first redemption on consolidated advances was made on March 31st, 1956 to the amount of 2 1/2% of Rp 3,838 million, or Rp 95,950,000.—, so that the balance now stands at Rp 3,742,050,000.—.

ADVANCES TO THE GOVERNMENT Rp 4,266,862,436.97

The above balance constitutes the amount of advances on current account as per March 31st, 1956, granted to the Government since July 1st, 1953 by virtue of article 19 of the Bank Indonesia Act 1953.

During the course of the year an amount of Rp 3,060,000,000.—was passed to the credit of the Government account by the Foreign Exchange Fund, representing proceeds from payments made by importers to foreign exchange banks on behalf of *Bukti Tambahan Pembayaran Impor (T.P.I.)* to obtain import licences (as lastly provided for in L.A.A.P.L.N. Publication B Nr 609, dated September 6th, 1955).

Furthermore, proceeds from *Tambahan Pembayaran Impor Efek* (T.P.I.E.) were entered in favour of the Government aggregating Rp 8,000,000.—, levied on bonds and stocks imported into Indonesia at the rate of 33 1/3 % of the official quotation on the Stock Exchange (as lastly provided for in L.A.A.P.L.N. Publication A Nr 62 dated February 19th, 1955).

Finally, Rp 387 million was included representing receipts from *Tambahan Pembayaran Transfer* (T.P.T.) paid with foreign exchange banks in pursuance of Emergency Law Nr 5/1954 dated March 2nd, 1954.

When considering the debit balance on the Government account, it has to be remembered that pre-payments by importers (as lastly provided for in L.A.A.P.L.N. Publication B Nr 609 of September 6th, 1955) entered into this account and aggregating Rp 3,519,000,000.—as at March 31st, 1956, will have to be refunded when actual payment for foreign exchange is due. So long as imports remain at the same level, this factor will hardly affect the Government debit balance, but a decline in imports will increase it.

For the rest I refer to Chapter TV of this report in which the subject is discussed in greater detail.

CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENT ON ITS BEHALF TO THE

I.M.F. Rp 171,000,000.—

This item has been discussed in the foregoing under the heading 'Gold coin and bullion, balances in convertible foreign exchange and claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.'.

BANK NOTES IN CIRCULATION Rp 7,667,366,454.50

Movements in cash position

Table 95 presents a breakdown by offices of the outflow and inflow of bank and Government notes and coin during the period April 1st, 1955 up to and in-

TABLE 95 — OUTFLOW FROM AND INFLOW INTO THE BANK'S OFFICES
(bank notes and Government notes; Rp '000)

	1953/1954	1954/1955	1955/1956
Djakarta	+ 314,965	— 150,750	+ 963,196
Bandung	— 293,163	— 379,268	— 346,248
Jogjakarta	— 91,070	— 204,486	— 257,462
Kediri	— 91,268	— 146,602	— 155,458
Malang	— 296,144	— 378,098	— 211,209
Semarang	— 4,096	+ 13,991	+ 255,651
Solo	— 41,879	— 52,440	— 60,970
Surabaya	+ 173,099	+ 43,381	+ 251,531
Tjirebon	+ 79,082	— 6,648	+ 31,736
Total Djawa offices	— 250,474	— 1,260,920	+ 470,767
Medan	— 86,661	— 353,616	— 269,433
Padang	+ 56,225	+ 31,817	+ 185,499
Palembang	— 161,370	— 333,690	— 369,205
Total Sumatera offices	— 191,206	— 655,489	— 453,139
Bandjermasin	— 60,896	— 170,912	— 91,613
Pontianak	— 25,918	— 133,843	— 40,560
Total Kalimantan offices	— 86,814	— 304,755	— 132,173
Makassar	— 194,031	— 248,020	— 155,377
Menado	— 1,865	+ 2,136	+ 42,338
Total Sulawesi offices	— 195,896	— 245,884	— 113,039
Ambon, Maluku		—	+ 5,639
Total offices outside Djawa	— 473,916	— 1,206,128	— 692,712
Grand total	— 724,390	— 2,467,048	— 221,945
= outflow			+ = inflow

cluding March 31st, 1956. The net outflow of bank notes which was considerably lower than in previous years amounted to Rp 186.7 million (Rp 2,263 million in the period 1954/1955. Replacement orders for notes taken in on account of wear and tear of for other reasons (139 million pieces valued at Rp 1,220 million as against 141 million pieces valued at Rp 1,055 million in 1954/1955) were again necessary and were of about the same magnitude as in the preceding year.

The outflow and inflow per month of bank notes as registered by the Bank's offices revealed the same peaks as signalled in previous years, to wit in April/ May (due to buying up of paddy and to Lebaran bonuses) and in December. Owing to the money contracting measures there were substantial outflows in the months after September, except in the month of December.

**TABLE 96 -- BREAK DOWN OF THE CIRCULATION OF BANK
NOTES AND GOVERNMENT NOTES**

Denomination	March 31, 1940		March 31, 1955		March 31, 1956	
	Amount in Rp '000	% of total	Amount in Rp '000	% of total	Amount in Rp '000	% of total
Rp 1,000.—	20,920	9.9	988,982	12.3	855,112	10.3
„ 500.—	7,181	3.4	608,765	7.6	741,470	8.9
„ 100.—	42,352	20.1	2,242,750	27.8	2,678,545	32.2
„ 50.—	13,693	6.5	1,251,423	15.5	1,222,409	14.7
„ 25.—	30,167	14.3	1,032,289	12.8	967,061	11.6
„ 10.—	52,698	25.0	821,765	10.2	767,993	9.2
„ 5.—	43,795	20.8	461,778	5.7	432,858	5.2
„ 2.50	—	—	294,676	3.7	277,633	3.4
„ 1.—	—	—	291,406	3.6	335,442	4.0
„ 0.50	—	—	67,824	0.8	42,108	0.5
Sub-total	210,806	100.0	8,061,658	100.0	8,320,631	100.0
Miscellaneous	—		— 8,000 ¹⁾		—	
Total	210,806		8,053,658 ²⁾		8,320,631 ³⁾	

¹⁾ This amount has been written off on request of the Ministry of Finance, being the amount of Government notes in the denominations of Rp 0,50 up to Rp 2,50 which are expected not to come forward anymore.
²⁾ Rp 7,481 million in bank notes and Rp 573 million in Government notes.
³⁾ Rp 7,667 million in bank notes and Rp 653 million in Government notes.

In connection with the growing circulation of very skilfully counterfeited banknotes of the Rp 1,000 denomination (Java Bank emission 1946) it was decided in pursuance of article 12 of the Bank's Statutes to demonetise and withdraw from circulation all notes of the said denomination and emission. As published by Bank Indonesia in Berita Negara Indonesia (Government Gazette) Nr 18/1956 dated March 2nd, 1956, the period of change was fixed from March 5th, 1956 up to and including June 4th, 1956. After expiration of this period the notes can only be changed at the Bank's head-office, though the branch offices — after having obtained authorisation — will render assistance in forwarding and converting notes free of charge if so requested. The right to claim conversion of notes that until then have not been tendered becomes extinct on June 4th, 1956.

A breakdown of the circulation of bank notes and Government notes is given in table 96. The shift in the composition of the circulation from lower to higher

denominations, as already previously signalled, continued. The per cent share of the denominations of Rp 0.50 to Rp 10, both inclusive, in the total paper money circulation as at March 31 st of the years 1951 to and including 1955 amounted to 46.7, 37.3, 30.5, 28.2 and 24%, respectively; at the same date in 1956 it had further receded to 22.3. The corresponding percentages for the denominations of Rp 25 and Rp 1,000 were 53.3, 62.7, 69.5, 71.8, 76 and 77.7 respectively. Yet, according to prewar standards and taking into account the depreciation of the money value since then, it still appears that a relatively smaller percentage of high denominations is in circulation now as compared with before the war.

Government Notes

Until May 29th, 1954 currency notes were brought into circulation solely by Bank Indonesia for account of the Government. By virtue of Government Ordinance Nr 38 dated May 19th, 1954 (Official Gazette 1954 Nr 63) currency notes have since been put into circulation by the Government itself or on its request by the Bank for account of the Government. The administration (including the keeping of the account with respect to the printing of notes) is taken care of by the Bank. The Government account is credited for outflows and debited for reflux.

As from May 29th, 1954 the footnotes on the abridged weekly balance sheet, mentioning the currency note supply put into circulation, were replaced by official publications in the Berita Negara, as was the custom before the war.

The circulation of Government notes, totalling as at March 31st, 1976

Rp 653,000,000.— is made up of the following amounts and denominations :

Rp 211,000,000.— in denominations of Rp 5 and Rp 10 (issued by virtue of Emergency Law Nr 21 of June 2nd, 1950);

Rp 360,000,000.— in denominations of Rp 1 and Rp 2.50 (issued by virtue of Government Ordinance Nr 20/1953 of May 11th, 1953, Offi-

cial Gazette Nr 34/1953, and the Decree of the Minister of Finance Nr 103141 /U.U. dated May 12th, 1953, based upon this ordinance, as well as Government Ordinance Nr 38 dated May 19th, 1954 and the Decree, based thereupon, of the Minister of Finance Nr 82490/U.M.I. of May 27th, 1954);

Rp 82,000,000.— in denominations of Rp 1 and Rp 2.50 issued by virtue of Government Ordinance Nr 22 (see Appendix K) dated July 23rd, 1955, as published in the Official Gazette Nr 46/1955, and the Decree, based thereupon, of the Minister of Finance Nr 155033/U.M.I., dated July 28th, 1955.

The amounts mentioned above do not include the subsidiary notes in the denominations of 10 and 25 cents as issued by virtue of the Ordinance dated November 20th, 1947, which shall lose their legal tender quality, as stated in Emergency Law Nr 2 dated January 4th, 1954, on the day as will be decreed by the Minister of Finance.

CURRENT ACCOUNT BALANCES (OF THE
GOVERNMENT) Rp 448,468,240.80

This heading relates to the "Special Account re ECA aid". The amount represents the still unspent part of the rupiah equivalent of ECA aid received by Indonesia via the Netherlands during the American fiscal year 1948/1949. On March 31st, 1955 the balance amounted to Rp 494,868,240.80.

On February 15 th, 1956 an amount of Rp 46.4 million was booked in favour of the Treasury in pursuance of Decree Nr 2395/U.M. III of the Minister of Finance dated January 30th, 1956, for housing construction on behalf of members of the U.S.A. Operations Mission to Indonesia.

The counterpart funds relating to ECA, T.C.A. and F.O.A. aid directly received by Indonesia, which were only partly notified as at March 31st, 1956, come under the heading "Sundry Accounts" on the credit side of the balance sheet.

CURRENT ACCOUNT BALANCES (OF I.M.F. AND I.B.R.D.)	Rp	185,788,328.81
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The specification of this item is as follows :

<i>International Monetary Fund, Account No 1</i>	Rp	183,588,250.02
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This amount includes the Rp171 million countervalue of U.S.\$ 1 S million (at the rate of 11.40) purchased with I. M. F. in August 1954; the remaining amount of Rp 12,588,250.02 was deposited by Indonesia on account of its I.M.F. membership as from April 1954.

<i>International Monetary Fund, Account No 2</i>	Rp	17,453.79
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This amount also regards the I.M.F.-membership.

<i>International Bank for Reconstruction and Development</i>	Rp	2,182,625.—
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Initially the Government deposited an amount of Rp 2,257,200.—being part of the quota in I.B.R.D. shares allotted to Indonesia on account of its membership as from April 1954. There upon payments were made on behalf of the I.B.R.D., leaving a balance, as at March 31st, 1956, of Rp 2,182,625.—

Banking Department

FOREIGN BILLS AND BALANCES	Rp	5 14,901,5 19.74
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This heading comprises inter alia cash balances with correspondents abroad in connection with import credits opened (mainly for account of ministries and Government institutions), as well as foreign bills en route. These items, relating to Publication A No 39 of L.A.A.P.L.N., have been valued at the official mean rates of the respective currencies.

In this matter I would observe that the Bank does not maintain an independent foreign exchange position, since its cash foreign exchange holding is offset by forward contracts with clients, whilst all other forward contracts with clients are counterbalanced by corresponding contracts concluded between the Bank and the Foreign Exchange Fund.

Also included under this heading is the working capital furnished to our Amsterdam Branch, valued at the official rate.

CASH (subsidiary coins) Rp 313,453.82

The nominal value of the stocks of bank and Government notes held at the Bank's offices is neither given under this heading nor under the heading "Bank notes in circulation", since such notes are not actually in circulation.

BILL DISCOUNTED AND ADVANCES ON COLLATERAL,
PAY ABLE IN RUPIAHS Rp 735,102,462.22

The increase in advances to semi-Government institutions as compared with March 31st, 1955 relates chiefly to credits made available to a joint enterprise. The debit balance of Jajasan Kopra amounted as at March 31st, 1956 to Rp 82.3 million against Rp 85.3 million a year earlier. No drawings were made on the credit granted to Jajasan Urusan Bahan Makanan to finance imports of rice; a year earlier the debit balance stood at Rp 3.9 million. The debit balance of Jajasan

TABLE 97 — DOMESTIC CREDITS GRANTED BY THE CENTRAL BANK
(Rp '000)

At March 31st	Advances to the Government	Consolidated advances to the Government	Semi-Govern- ment institu- tions	Banks	Private sector	Total
	1	2	3	4	5	3 + 4 + 5
1953	5,836,517	—	269,083	26,321	216,004	511,408
1954	2,352,154	3,838,000	328,182	35,939	180,888	545,009
1955	5,076,174	3,838,000	138,022	45,069	134,698	317,789
1956	4,266,862	3,742,050	191,902	259,700	283,500	735,102

Pemusatan Djaminan Kredit (“Jajasan Kredit”) amounted to Rp 38.I million against Rp 34 million in 1955.

The remarkable increase in credits to banks is explained elsewhere in this report; likewise the growth in credits to private enterprise (mainly in the sectors imports and industry) has already been discussed in the foregoing

INVESTED CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION
FUND Rp 218,613,607.50

All securities mentioned hereunder, in so far as they are officially quoted on the Djakarta or any foreign stock exchange, have been valued at the list price as at March 31st, 1956, or lower. Securities not officially quoted on a stock exchange have been valued at conservative estimates. In so far as the real value of the securities calculated in this way is denominated in foreign currency, such currency has been converted at the official rate.

The *Investment of the Bank's Capital* in securitie
amounting as at March 31st, 1955 to Rp 24,429,204.75

increased:

by purchases and transfers of securities from other in-
vestment deposits of the Bank..... Rp 6,703,710.15

by increment of securities booked in favour of the Re-
serve Fund and amounting as at March 31st, 1956 to .. Rp 375,499.57

decreased:

by redemptions Rp 4,951,719.50

by sales of securities Rp 1,560,457.02

Balance as at March 31st, 1956 Rp 24,996,237.95

By virtue of article 17 (I) of the Bank Act, the Bank is entitled to in its entire capital of Rp 25 million.

The <i>Investment of the Reserve Fund</i> in securities	
amounting as at March 31st, 1955 to	Rp 21,447,290.—
increased:	
by purchases and transfers of securities from other	
investment deposits of the Bank	Rp 8,224,561.35

	Rp 29,671,851.35
decreased:	
by redemptions	Rp 6,414,800.—
by decrease in value of securities passed to the debit of	
the Reserve Fund and amounting as at March 31st, 1956,	
to	Rp 438,489.35

Balance as at March 31st, 1956	Rp 22,818,562.—
	=====

By virtue of article 17 (I) of the Bank Act, the Rank is entitled to invest its Reserve Fund.

The <i>Investment of the Special Reserve</i> in securities	
amounting as at March 31st, 1955 to.....	Rp 124,668,912.—
increased:	
by purchases and transfer of securities from other invest-	
ment deposits of the Bank	Rp 72,933,700.80

	Rp 197,602,612.80
decreased:	
by redemptions	Rp 45,081,330.—
by decrease in value of securities for which the Special	
Reserve was debited to the amount of	Rp 429,851.60

Balance as at March 31st, 1956	Rp 152,091,431.20
	=====

By virtue of article 17 (I) of the Bank Act, the Bank is entitled to in its Special Reserve.

The Investment of the Pension Fund amounting as at March 31st, 1955, to:

Securities	Rp	12,884,481.—		
Mortgages	Rp	45,455.22		
Advances in current account against promissory notes	Rp	150,631.52	Rp	13,080,567.74

increased:

by purchases of securities and reinvestment of money re- deemed	Rp	6,582,968.68		
by advances against promis- sory notes	Rp	26,071.57		
by increment of securities as at March 31st, 1956	Rp	653,344.49	Rp	7,262,384.74
		-----		-----
			Rp	20,342,952.48

decreased:

by sales and/or redemptions of securities, and transfers of securities to other investment deposits of the Bank	Rp	1,625,757.87		
by redemptions received on mortgages	Rp	9,818.26	Rp	1,635,576.13
		-----		-----
Balance as at March 31st, 1956			Rp	18,707,376.35
				=====

to be specified as follows:

Securities	Rp	18,495,036.30
Mortgages	Rp	35,636.96
Advances in current account against promissory notes.	Rp	176,703.09

PREMISES AND INVENTORY Rp 27,385,456.48

Premises have been depreciated to the site value, and inventory has been written down to Rp 1 per building.

Our Amsterdam office building and its inventory appear in the books at their fiscal residual value, converted at the official rate of the Netherlands guilder.

The above amount of Rp 27,385,456.48 includes:

1. outlays for new buildings not yet completed (inclusive of their site value) to the amount of Rp 11,319,349.69;
2. the remainder, i.e. Rp 7,191,752.64, of the positive multiplication difference caused by the revaluation of offices, houses and inventory existing on April 1st, 1949 (the so-called "moment of adjustment"), after having made allowance for the maximum depreciation as provided for in the Revalorisation Decree 195 3 for the year under review and the three preceding financial years.

SUNDRY ACCOUNTS Rp 135,267,701.55

The specification of this heading is as follows:

<i>Sundry debtor accounts</i>	Rp	16,638,488.32
<i>Government payment orders and bills, and stamp duties</i>	Rp	423,265.56
<i>Miscellaneous</i>	Rp	9,759,025.49

<i>Assets of our Amsterdam Branch</i>	Rp	108,446,922.18

Total as at March 31st, 1956	Rp	135,267,701.55
		=====
	RP	25,000,000.-

The last item comprises the countervalue, calculated at the official rate of the assets as at March 31st, 1956 of our Amsterdam office—excluding building and furniture—in so far as they are not offset by the balances of the so-called small A-account and the Working Capital Account already included under “Foreign Bills and Balances”.

CAPITAL.....	Rp	25,000,000.-
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By virtue of article 4 of the Bank Indonesia Act 1953 the Bank's capital amounts to Rp 25 million. All that is known about the fate of the bill which inter alia has to provide for an increase of this capital to Rp 50 million is, that the first discussions in Parliament have revealed wide differences of opinion about some articles.

RESERVE FUND	Rp	25,000,000.-
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The balance of this account amounting as at March 31st, 1955to	Rp	25,000,000.-
--	----	--------------

increased:

by transfer on account of statute barred dividends of The Java Bank over its financial year 1949/1950	Rp	1,275.-
by transfer of increase in value as at March 31st, 1956 of the investments of the Capital, pursuant to Article 17 (2) of the Bank Act	Rp	375,499.57

carry forward	Rp	25,376,774.57

Brought forward	Rp	25,376,77
decreased by:		
decrease in value as at March 31st, 1956 of the investments of the Reserve Fund, pursuant to Article 17 (2) of the Bank Act	Rp	438,489.35

	Rp	24,938,285.22
(The interest accrued on the investments of Capital and Reserve Fund, amounting to Rp 1,442,850.35 and Rp 807,986.50 respectively, was credited to the Profit and Loss Account, pursuant to Article 17 (2) of the Bank Act.)		
transfer to the debit of the Profit and Loss Account	Rp	61,714.78

Balance as at March 31st, 1956	Rp	25,000,000.-
		=====

In pursuance of Article 34 (5) of the Bank Act, 20% of the profits after allocation to the Special Reserve, is paid annually into the Reserve Fund until it equals the amount of the authorised capital. Article 5 (2) of the aforementioned Act stipulates that the Reserve Fund is intended to cover losses, if any, incurred on the Bank's capital.

SPECIAL RESERVE	Rp	174,677,045.98
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The Special Reserve as referred to in article 6 of the Bank Act amounted as at March 31st, 1955 to	Rp	152,406,897.58
decreased:		

by depreciation because of decrease in value of the investments of the Special Reserve as at March 31st, 1956 (article 17 (2) of the Bank Act)	Rp	429,851.60
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(The interest accrued on these investments, amounting to Rp 5,586,266.88, was credited to the Profit

and Loss Account, pursuant to Article 17 (2) of the Bank Act.)

Rp 151,977,045.98

increased:

by transfer from the Profit and Loss Account (article 34 (5) of the Bank Act)

Rp 22,700,000.—

Balance as at March 31st, 1956

Rp 174,677,045.98
=====

In previous reports the necessity has been stressed more than once that the Special Reserve should be strengthened. The results of the past financial year have made it again possible to follow suit by transferring to the Special Reserve an amount of Rp 22.7 million against Rp 10.9 million in the second financial year 1954/1955. At the coming into effect of the bill on the increase of the Bank's capital to Rp 50 million, it will be necessary to transfer an amount of Rp 25 million from the Special Reserve to the Capital Account.

After the abovementioned allocation of Rp 22.7 million from the profits of the financial year under review and the transfer of an amount of Rp 25 million to Capital Account, the Special Reserve will appear in the books by an amount of Rp 149,677,045.98.

PENSION FUND

Rp 39,683,000.-

The balance as at March 31st, 1955

Rp 14,910,000.—

increased by:

contributions received, less refunds

Rp 709,119.27

interest on mortgages, advances in current account against promissory notes and securities

Rp 4,412,886.72

payments received, and other revenues from re-insurance of pensions

Rp 3,231,460.17

increment of securities held in portfolio as at March 3 1st, 1956.....	Rp	653,344.49	
indemnification paid by the Netherlands Government to compensate for contributions payable by participants and taken over by the Bank (Pension Fund) during the Japanese occupation	Rp	336,982.83	
allocations from:			
the Profit and Loss Account	Rp	19,142,429.84	
the Branch Office at Amsterdam.....	Rp	2,760,394.56	

	Rp	21,902,824.40	
decreased:			
by pensions and subsistence allowances paid	Rp	1,667,963.88	
additional allowances (pursuant to article 56) paid under the Regulations come into force on August 1st, 1955.....	Rp	11,250.28	
single premiums paid for pension reinsurances, less refunds	Rp	4,789,434.34	
sundries	Rp	4,969.38	

	Rp	6,473,617.88	

Balance as at March 31st, 1956	Rp	39,683,000.—	
		=====	

In accordance with article 35 (2) of the Bank Act, this balance sets off the cash value amount of liabilities undertaken and predictable, towards the staff, exclusive of pension liabilities taken over by insurance companies. Since the alterations of the Pension Fund Regulations operative as from August 1 st, 1955, obligations not accomodated with insurance companies include also the obliga-

tion to grant additional allowances, for which reason an initial donation was necessary during the year under review.

CURRENT ACCOUNT BALANCES (NON-GOVERNMENT)

.....	Rp 1,648,165,128.34
DRAFTS ON OWN OFFICES	Rp 5,585,529.90

Balances of clearing banks accounted for an amount of around Rp 568 million (last year Rp 1,287 million) of the total of non-Government current account balances, which in the aggregate decreased by Rp 497 million, as compared with March 31st, 1955 .

Giro transfers

The development of the giro system during April 1st, 1955 up to and including March 31st, 1956, is shown in table 98. It should be noted that these figures do not apply to the whole transfer system in Indonesia because the columns "Local transfers (no clearing)" and "Transfer (mail and telegraphic)" only represent the figures of the Bank's own offices and not the figures of the other banks in Indonesia as well. The trend of the various figures shows clearly that the transfer system

TABLE 98 — TRANSFER AND CLEARING OPERATIONS

Financial year	Local transfers (no clearing) at the offices of the Bank in Indonesia		Transfers (mail and telegraphic) between the offices of the Bank in Indonesia		Clearing between banks in Indonesia	
	Number	Amount (Rp '000)	Number	Amount (Rp '000)	Number	Amount (Rp '000)
1939/1940	150,424	866,511	—	390,415	1,039,940	2,281,908
1940/1941	152,982	1,253,617	—	681,978	1,024,544	3,056,171
1949/1950	82,102	4,156,170	41,043	2,676,401	496,275	9,688,704
1950/1951	74,275	5,875,004	58,222	6,296,565	660,204	18,610,495
1951/1952	102,425	9,580,507	58,626	9,650,634	863,446	27,649,722
1952/1953	100,666	15,702,618	74,584	11,104,574	927,747	33,113,988
1953/1954	104,367	17,304,788	78,733	11,618,737	1,006,797	37,531,390
1954/1955	104,676	16,622,458	84,646	13,969,067	1,176,858	46,472,754
1955/1956	100,663	22,421,894	87,390	16,152,649	1,328,695	64,716,607

increased again; the average amount per transaction also exceeds the 1954/1955 level.

In the year under review more banks joined the clearing system.

Bank Rakjat Indonesia, which during the previous financial year had no more than 3 offices partake in the sub-clearing, this year participated with 7 offices in the sub-clearing and with 2 offices in the central clearing. Three offices of Indonesian Banking Corporation Ltd. were admitted to the subclearing and two others to the central clearing. Other banking institutions joining the sub-clearing with one office each were: Bank Persatuan Dagang Indonesia Ltd., Djakarta, Bank Merdeka Ltd., Djakarta, and Bank Dagang Umum Ltd. at Bandung.

The total number of bank offices participating in the clearing in nine towns of Indonesia amounted as at the end of the year under review to 78, 25 of which by way of sub-clearing. Twenty joined the so-called central settlement of debts system via Bank Indonesia, in force in five non-clearing towns.

RESERVE FOR COMPANY TAX	RP	71,009,645.—
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On March 31st, 1954, this reserve amounted to..	RP	1 10,882,902.50
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It increased by:

transfer from the Profit and Loss Account for the third financial year for company tax due	Rp	61,519,055.—
restitution of company tax overpaid during preceding years	Rp	12,645,022.50

	Rp	185,046,980.—

and decreased by payment of company tax of:

Bank Indonesia first financial years (July 1953/ March 1954)	Rp	11,196,000.—	
second financial year	Rp	102,841,335.-	Rp 114,037,335.—
		-----	-----

bringing the balance on March 31st, 1956 to	Rp	71,009,645.-
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SUNDRY ACCOUNTS	Rp	477,255,804.19
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Under this heading appear the counterpartfunds relating to the American aid allocated to and already received by Indonesia since the American fiscal years 1950/1951 (ECA), 1951/1952 (TCA), 1952/1953 (TCA), 1953/1954 and 1954/1955 (FOA). Of the total amount of

	Rp	184,392,224.01
--	----	----------------

only a part had been notified as at March 31 st, I 956.

This heading further comprises:

<i>Sundry accounts of the Foreign Exchange Fund in rupiahs</i>	Rp	13,208,881.41
<i>Liabilities of our Amsterdam Branch, valued at official rate</i>	Rp	104,413,421.13
<i>Miscellaneous</i>	Rp	175,241,277.64

Total as at March 31st, 1955	Rp	477,255,804.19
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Profit and Loss Account

The Bank's gross income over the third financial year 1955/1956 was about Rp 34.2 million less than in the second financial year 1954/1955. If however the income accrued during the two said years on consolidated advances to the Government (i.e. Rp 115,140,000.—in the second and Rp 19,190,000.— in the third financial year) emanating from the regulation mentioned on page 172 and causing a difference of Rp 95,950,000.—is eliminated, it appears that in the year under review income was considerably higher than in the preceding year, to wit by Rp 61.8 million.

The item "Interest on bills and on foreign balances, profit on exchange, on coin and bullion and on sundries" decreased by Rp 14.3 million. This drop can be explained as follows. Interest on discounts was higher by Rp 4 million on account of a larger turnover of bills discounted, which rise was offset however by a decline of Rp 8 million in interest on foreign balances, due to the fact that interest was paid in the preceding year by the Amsterdam branch office to the head-office on the so-called small A-account, with retro-active effect over a period of several years preceding the second financial year. In addition there was, in spite of considerably larger turnovers in exchange business, a fall of Rp 10.3 million in profit on exchange because the raise in the share to be paid to the Foreign Exchange Fund of the margin, as revised in November 1954, between the Bank's selling rates (import side) and the official mean rates, made its influence felt, while also switch transactions with Japan, still concluded during the preceding year, came to a halt in the year under review.

The item "Interest on advances to the Government" amounting to Rp 156 million (against Rp 193.7 million in 1954/1955 represents interest to the amount of Rp 19.2 million (Rp 115.1 million in the previous year) on consolidated advances to the Government, made in pursuance of article 42 of the Bank Act (taking into account the decrease of Rp 95.9 million emanating from the regulation

TABLE 99 — RECAPITULATION OF THE CREDIT ITEMS OF THE
PROFIT AND LOSS ACCOUNTS
(Rp '000)

	Financial year	
	1954/1955	1955/1956
Interest on bills discounted and on foreign balances, profit on exchange, on coin and bullion and on sundries	44,717	30,427
Interest on advances : <i>to the Government</i>	193,759	155,994
<i>to others</i>	21,727	25,793
Commission	17,883	28,388
Interest on securities	5,596	7,837
Profit of the Branch Office in Amsterdam	—	1,049
Total	283,682	249,488

mentioned on page 172), and interest, to the amount of Rp 136.8 million (Rp 78.6 million in the previous year) at the rate of 3% per annum, on the interest bearing part of the floating debt of the Government, in pursuance of article 19 of the Bank Act. The last mentioned interest items clearly reflect the much increased debit of the Government during the period under review.

The item "Interest on advances to others" of Rp 25.8 million (Rp 21.7 million in the preceding year) represents interest on advances in current account to semi-Government institutions, banks and private enterprises; this Rp 4.1 million increase clearly reflects the credit expansion in the abovementioned sectors during the second half of the period under review.

The increase in the item "Commission" of Rp 10.5 million results from higher turnovers particularly of foreign transactions, as well as a rise in the remuneration received in award of the administration of the Foreign Exchange Fund and the management of the Foreign Exchange Institute.

The item "Interest on securities" comprises, in accordance with article 17 (2) of the Bank Act, interest accrued on securities of the Invested Capital, Reserve Fund and Special Reserve.

Normal operating results of the Bank's branch office in Amsterdam showed progress in comparison with the second financial year. In the third financial year 1955/1956 a profit of Rp I million could be realised contrasting with a loss of Rp 4.9 million in the preceding year, which loss is however explained mainly by the interest paid by the said Amsterdam office, with retro- active effect, to the head-office on the so-called small A-account as mentioned above.

On the debit side of the Profit and Loss Account the balance on "General expense account" was higher, due to higher personnel expenditure necessitated by the ever-increasing cost of living, while also the staff formation was enlarged.

The item "Groundtax, upkeep and insurance of buildings" experienced a rise of approximately Rp 1.4 million, which can be ascribed mainly to increased costs of maintenance and personnel.

Pursuant to the Depreciation Decree 19 5 3 the item “Depreciation of buildings” comprises the maximum fiscal depreciation allowed for in article 3 (3) to the amount of Rp 1.6 million, based on the market value as at April 1st, 1949 (the

TABLE 100 — RECAPITULATION OF THE DEBIT ITEMS OF THE
PROFIT AND LOSS ACCOUNT
(Rp '000)

	Financial year	
	1954/1955	1955/1956
General expenses	36,973	44,785
Ground tax, upkeep and insurance of buildings	2,331	3,686
Depreciation of buildings	6,452	2,543
Depreciation of furniture	2,790	4,895
Depreciation of printing cost of bank notes	34,145	31,500
Depreciation of bad and doubtful debts	—	—
Bank notes paid ex issues already withdrawn from circulation	—	—
Transfer to Pension Fund	62	19,142
Transfer to Reserve as provision for new buildings	10,300	15,000
Transfer to Reserve for Company Tax	103,000	61,519
Loss of the Branch Office in Amsterdam	4,873	—
Net profit (inclusive of transfer to the Reserve Fund and Special Reserve)	82,756	66,418
Total	283,682	249,488

so-called “moment of adjustment”), as well as depreciation on the site value (as stipulated in article 9 (2) of the said Decree) to the amount of Rp 0.9 million of enlargements and rebuildings effectuated during the year under review.

The item ‘Depreciation of printing costs of banknotes’ to the amount of Rp 31.5 million represents the costs paid for or budgeted for orders on banknotes during the year under review.

‘Reserve as provision for new buildings’ has been earmarked for the construction of a new head-office annex Djakarta-Gambir branch office at Djalan Thamrin, Djakarta, a new office building for our Surabaya branch and for enlargements of housing facilities in various places. The office building in Amboina reached completion during the year under review and was officially opened on March 17th, 1956. Plans are under consideration to extend the number of branch offices all over the archipelago in order to promote finance.

The remaining outlays, depreciations and reservations, in so far as they need explanation, have already been dealt with elsewhere in this report.

NET PROFIT	Rp	66,418,394.16
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The various entries referred to above resulted on balance in *a net profit* of Rp 66,418,394.16
which by virtue of article 34 (5) of the Bank Indonesia Act 1953 is to be divided as under:

Transfer to Special Reserve	Rp	22,700,000.—
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Of the balance, amounting to	Rp	43,718,394.16
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2% is transferred to the Reserve Fund (with as ultimate maximum the amount required to bring the Reserve Fund to a total of Rp 25 million, so as to equal the Bank's capital), or Rp 61,714.78

so that the share of the net profit available for the Treasury amounts to	Rp	43,656,679.38
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IX. PERSONALIA

Management of the Bank

In the year under report no changes occurred with regard to the formation of the Managing Board and of the Bank's representatives abroad.

By decree of the President of the Republic of Indonesia, Nr 139-A, dated August 11, 1955, Dr Loekman Hakim and Dr Indra Kasoema in their capacity of Managing Director First Deputy Governor and Managing Director Second Deputy Governor, whose term of office expired on August 15, 1955, were reappointed to the said functions as per the lastmentioned date for a period of five years.

For completeness' sake, the formation as at March 31st, 1956, which has been maintained up till today, is summarised in appendix C of this report.

DJAKARTA, July 14th, 1956

The Governor of Bank Indonesia,

SJAFRUDDIN PRAWIRANEGARA

Appendices

Assets

Liabilities

Provisionally approved by the Monetary Board
at its meeting of June 13 th, 1956 and sanctioned
by the Government of the Republic of Indonesia
in Cabinet on June 26th, 1956.

The Java Bank 7a

APPENDIX B

PROFIT AND LOSS ACCOUNT

FOR THE 3 RD FINANCIAL YEAR 1955-1956

GENERAL EXPENSE ACCOUNT		Rp 44,784,922.95	INTEREST ON BILLS DISCOUNTED AND ON FOREIGN BALANCES,		
GROUND TAX, UPKEEP AND INSURANCE OF BUILDINGS		„ 3,686,416.61	PROFIT ON EXCHANGE, ON COIN AND BULLION AND ON		
DEPRECIATION OF BUILDINGS		„ 2,542,458.36	SUNDRIES		Rp 30,427,155.80
DEPRECIATION OF FURNITURE		„ 4,894,748.08	INTEREST ON ADVANCES: TO THE GOVERNMENT	Rp 155,994,101.01	
DEPRECIATION OF PRINTING COSTS OF BANK NOTES		„ 31,500,000.—	TO OTHERS	„ 25,792,673.49	„ 181,786,774.50
PAYMENT OF BANK NOTES EX ISSUES ALREADY CALLED IN		„ 27.50	COMMISSION		„ 28,387,805.20
TO PENSION FUND		„ 19,142,429.84	INTEREST ON SECURITIES		„ 7,837,103.73
TO RESERVE AS PROVISION FOR NEW BUILDINGS		„ 15,000,000.—	PROFIT OF OUR BRANCH OFFICE IN AMSTERDAM		„ 1,049,613.27
TO RESERVE FOR COMPANY TAX		„ 61,519,055.—			
NET PROFITS :					
To Special Reserve	Rp 22,700,000.—				
To Reserve Fund	„ 61,714.78				
Share of the Treasury	„ 43,656,679.38	„ 66,418,394.16			
		Rp 249,488,452.50			Rp 249,488,452.50

Provisionally approved by the Monetary Board
at its meeting of June 13 th, 1956 and sanctioned
by the Government of the Republic of Indonesia
in Cabinet on June 26th, 1956.

Djakarta, June 5, 1956
Governor and Managing Directors of Bank Indonesia :
SJAFRUDDIN PRAWIRANEGARA
LOEKMAN HAKIM
INDRA KASOEMA
DARMAWAN MANGOENKOESEMO
T. R. B. SABARUDIN

APPENDIX C

BANK INDONESIA

Management as of March 31st, 1956

Board of Management

Dr SJAFRUDDIN PRAWIRANEGARA,

Governor

Dr LOEKMAN HAKIM, Managing Director

and 1st Deputy Governor

Dr INDRA KASOEMA, Managing Director

and 2nd Deputy Governor

Ir DARMAWAN MANGOENKOESOEMO,

Managing Director

T. R. B. SABARUDIN, Managing Director

Branch Office in Amsterdam

P.A. VAN GARDEREN, Delegate for Europe

and Managing Director of the Branch Office

KHOUW BIAN TIE, econ. drs, Delegate

for Europe

Representative in New York

D. BIERSTEKER

APPENDIX D

INTEREST TARIFF OF BANK INDONESIA

IN FORCE AS FROM JULY 1st, 1953

DISCOUNT :

<i>Bills of Exchange</i> with at least three signatures (minimum interest ten days)	3	%
<i>Bills of Exchange</i> and acceptances with two signatures, accepted by persons, firms or companies established in Indonesia (minimum interest ten days)	5 1/2	%
<i>Promissory Notes</i> with two signatures, accepted by persons, firms or companies established in Indonesia (minimum interest ten days)	6	%
<i>Bills of Exchange</i> drawn against credits opened by the Bank (minimum interest eight days)	4 1/2	%
N.B. <i>Bills of Exchange</i> , <i>Promissory Notes</i> , etc., of a currency exceeding ninety days or which are to be considered as extended debt and have, therefore, a currency exceeding ninety days, 1/2 % more.		
<i>Government Auction Promissory Notes</i> if payable in places where the Bank has its own office (with a minimum of Rp 1.—)	3	%
<i>Ditto</i> , if payable elsewhere in Djawa or Madura (with a minimum of Rp 1.25)	3	%
<i>Ditto</i> , if payable elsewhere outside Djawa or Madura (ten days additional interest with a minimum of Rp 1.50)	3	%
<i>Bills of Exchange</i> in local currency payable abroad (minimum interest ten days)	3	%

LOANS AND ADVANCES IN CURRENT ACCOUNT AGAINST

<i>Bills of Exchange</i>	3	%
<i>Promissory Notes</i>	6 1/2	%
<i>Government Auction Promissory Notes</i>	3	%
Securities : Bonds of the Government of Indonesia as well as of autonomous provinces and municipalities in Indonesia	3	%
Bonds issued by mortgage banks established and operating in Indonesia	3	%
All other bonds	3 1/2	%
Shares	4	%
<i>Gold and silver</i>	3	%
<i>Sugar, rice, oils and fats</i>	4 1/2	%
<i>Other export produce</i>	5	%
<i>Import commodities</i>	5	%

APPENDIX E

SURVEY OF THE PRINCIPAL ITEMS OF THE WEEKLY ABRIDGED BALANCE SHEETS

(Rp '000)

Date	Gold coin and bullion, balance in convertible foreign exchange and claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.	Foreign Exchange Fund, foreign exchange account	Consolidated advances to the Government	Current advances to the Government	Claim in rupiah on the Government on account of payments made on its behalf to I.M.F.	Foreign Exchange Fund, foreign liabilities	Banknotes in circulation	Deposits of: the Government (including Special Accounts) I.M.F. and I.B.R.D.	Foreign bills and balances with correspondents abroad	Discounts and advances on collateral, payable in rupiahs	Invested capital, reserve fund, special reserve and pension fund	Deposits, drafts and transfers payable	Government notes in circulation
1955													
6 April	952.946	1.744.659	3.838.000	5.055.221	171.000	1.684.514	7.457.847	680.684	393.983	307.661	182.008	2.242.355	571.901
13 "	952.946	1.781.135	3.838.000	5.093.971	171.000	1.685.230	7.467.798	680.684	407.191	297.474	182.008	2.304.330	571.101
20 "	952.946	1.732.992	3.838.000	5.200.183	171.000	1.670.814	7.669.334	680.684	383.252	305.280	182.033	2.153.264	570.908
27 "	952.947	1.702.305	3.838.000	5.247.071	171.000	1.635.301	7.614.137	680.684	393.659	337.216	182.033	2.295.425	569.747
4 May	952.947	1.688.791	3.838.000	5.465.783	171.000	1.672.359	7.641.321	680.684	399.893	314.208	182.033	2.431.420	574.861
11 "	952.947	1.666.636	3.838.000	5.766.044	171.000	1.664.151	7.798.427	680.684	413.192	314.244	182.033	2.568.615	577.637
18 "	952.947	1.662.012	3.838.000	5.880.081	171.000	1.661.506	8.021.136	680.684	403.848	306.113	182.032	2.425.754	578.814
25 "	952.947	1.685.701	3.838.000	5.851.016	171.000	1.698.204	8.075.238	680.684	439.720	298.153	182.032	2.360.621	587.775
1 June	952.947	1.688.889	3.838.000	5.761.291	171.000	1.707.255	8.184.632	680.684	431.720	317.545	182.032	2.160.964	586.001
8 "	952.947	1.657.663	3.838.000	5.817.407	171.000	1.706.023	8.243.197	680.681	452.048	312.609	182.032	2.169.573	587.884
15 "	952.947	1.647.885	3.838.000	5.984.980	171.000	1.723.779	8.278.162	680.674	460.689	334.931	181.977	2.304.547	585.957
22 "	953.049	1.627.364	3.838.000	6.026.596	171.000	1.695.397	8.283.353	680.674	421.106	333.830	181.978	2.263.640	587.825
29 "	953.053	1.620.580	3.838.000	5.959.479	171.000	1.716.783	8.183.956	680.674	412.869	333.972	181.993	2.253.187	587.678
6 July	953.053	1.503.741	3.838.000	5.989.091	171.000	1.625.072	8.167.332	680.670	410.315	353.376	181.980	2.295.270	589.779
13 "	953.053	1.532.802	3.838.000	6.050.761	171.000	1.679.720	8.191.395	680.661	411.309	347.330	185.020	2.307.791	590.702
20 "	953.053	1.518.305	3.838.000	6.037.450	171.000	1.707.412	8.253.451	680.662	386.923	365.620	185.114	2.134.724	591.997
27 "	953.053	1.552.974	3.838.000	5.921.979	171.000	1.708.816	8.203.477	680.662	352.558	389.717	185.047	2.105.038	594.833
3 August	953.053	1.582.609	3.838.000	5.846.477	171.000	1.719.297	8.197.428	680.662	375.158	386.970	185.878	2.151.849	591.836
10 "	953.053	1.565.485	3.838.000	5.934.537	171.000	1.708.925	8.222.293	680.662	403.945	410.446	186.328	2.260.189	593.481
16 "	953.053	1.567.119	3.838.000	5.875.507	171.000	1.683.734	8.220.459	680.662	403.706	425.057	209.169	2.245.149	622.239
24 "	953.170	1.590.062	3.838.000	5.812.923	171.000	1.674.457	8.232.697	680.662	368.526	429.435	209.220	2.176.717	625.833
31 "	953.170	1.624.651	3.838.000	5.743.306	171.000	1.671.854	8.209.699	680.662	375.061	422.977	209.492	2.158.635	630.645
7 September	953.170	1.686.218	3.838.000	5.778.225	171.000	1.688.867	8.242.525	680.662	367.236	456.292	214.831	2.248.866	634.292
14 "	953.170	1.725.769	3.838.000	5.815.078	171.000	1.695.402	8.251.458	680.662	366.152	436.698	211.971	2.285.055	634.334
21 "	953.176	1.738.340	3.838.000	5.741.403	171.000	1.646.723	8.271.424	680.662	379.568	442.977	218.355	2.262.539	639.841
28 "	953.176	1.780.953	3.838.000	5.781.157	171.000	1.670.666	8.235.676	680.662	354.762	477.302	218.384	2.362.682	638.452
5 October	953.177	1.854.048	3.838.000	5.588.098	171.000	1.737.676	8.234.568	680.662	436.033	500.843	218.455	2.275.527	641.082
12 "	953.177	1.827.370	3.838.000	5.308.811	171.000	1.714.060	8.222.865	680.662	489.238	589.210	218.936	2.261.511	641.564
19 "	953.177	1.832.840	3.838.000	5.133.141	171.000	1.706.251	8.224.764	680.662	406.399	609.982	219.019	2.009.672	653.961
26 "	953.177	1.841.400	3.838.000	5.001.510	171.000	1.715.858	8.145.458	680.661	466.138	622.680	219.461	2.032.079	652.059
2 November	953.177	1.921.007	3.838.000	4.738.641	171.000	1.667.297	8.019.672	680.661	468.679	637.889	220.396	2.049.221	653.235
9 "	953.207	1.982.675	3.838.000	4.665.387	171.000	1.636.175	8.048.397	680.661	395.155	587.430	220.421	1.916.327	653.873
16 "	953.207	1.978.501	3.838.000	4.503.910	171.000	1.610.755	8.052.150	680.661	424.829	696.539	220.366	1.897.247	653.163
23 "	953.207	2.040.196	3.838.000	4.439.588	171.000	1.596.448	8.041.148	680.661	391.841	682.798	220.087	1.870.847	652.325
30 "	953.207	2.088.052	3.838.000	4.296.562	171.000	1.587.014	7.957.417	680.661	367.767	720.908	220.087	1.880.899	653.976
7 December	953.207	2.061.764	3.838.000	4.163.278	171.000	1.551.936	7.981.548	680.657	386.178	749.421	220.087	1.778.863	652.905
14 "	953.207	2.033.719	3.838.000	4.156.191	171.000	1.557.128	8.073.693	680.657	440.456	819.100	220.023	1.770.323	653.808
21 "	953.389	2.055.08	3.838.000	4.169.169	171.000	1.535.329	8.165.354	680.653	442.229	955.311	220.133	1.42.940	652.661
28 "	953.393	2.071.162	3.838.000	4.074.718	171.000	1.583.420	8.150.952	680.653	515.784	1.061.769	220.289	88.090	651.180
1956													
4 January	953.393	2.071.162	3.838.000	4.278.470	171.000	1.560.684	8.298.957	680.653	525.048	1.046.032	219.746	160.556	651.644
11 "	953.393	2.070.078	3.838.000	4.396.030	171.000	1.561.171	8.411.965	680.653	492.736	1.047.464	219.038	197.078	657.438
18 "	953.393	1.919.595	3.838.000	4.378.080	171.000	1.479.784	8.334.877	680.656	479.716	937.671	219.038	1.842.826	651.862
25 "	953.393	1.899.117	3.838.000	4.443.502	171.000	1.544.482	8.232.182	680.656	570.012	663.824	219.125	1.714.52	651.617
1 February	953.393	1.889.867	3.838.000	4.202.798	171.000	1.508.591	8.090.391	680.656	572.118	679.861	219.090	1.668.871	660.497
8 "	953.388	1.828.736	3.838.000	4.066.288	171.000	1.436.088	8.034.945	680.657	588.886	738.340	219.138	1.654.129	658.866
15 "	953.391	1.793.744	3.838.000	4.032.751	171.000	1.452.435	8.016.211	634.257	590.730	800.096	219.457	1.682.209	644.314
22 "	953.391	1.825.190	3.838.000	3.914.107	171.000	1.507.539	7.928.181	634.257	582.303	805.025	219.398	1.612.964	642.999
29 "	953.391	1.786.459	3.838.000	3.788.316	171.000	1.571.750	7.847.028	634.257	556.348	918.735	219.524	1.556.522	644.063
7 March	953.396	1.735.198	3.838.000	3.949.916	171.000	1.563.298	7.754.832	634.257	502.541	805.174	219.742	1.620.781	644.413
14 "	953.396	1.722.486	3.838.000	3.833.608	171.000	1.555.817	7.701.218	634.257	507.436	833.693	219.728	1.594.597	645.180
21 "	953.354	1.660.582	3.838.000	3.867.454	171.000	1.574.222	7.687.135	634.257	470.319	838.000	220.154	1.496.071	646.786
29 "	953.354	1.587.195	3.838.000	4.130.291	171.000	1.527.489	7.606.940	634.257	517.250	727.590	217.020	1.686.006	650.777

APPENDIX F

LAW ON THE POWER GRANTED TO THE MINISTER OF FINANCE TO DRAW ADVANCES WITH BANK INDONESIA EXCEEDING THE LIMIT FIXED BY ARTICLE 19 SECTION 2 OF THE BANK INDONESIA ACT 1953

(Law Nr 11 of July 16th, 1955; Government Gazette 1955 Nr 47)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

that in view of the budget drawn up for the year 1955 indicating a deficit of Rp 2,500 million, and of the Government debt with Bank Indonesia amounting to Rp 4.6 billion, it is deemed necessary that the Minister of Finance be authorised to draw, advances with Bank Indonesia exceeding the limit fixed by article 19 section 2 of the Bank Indonesia Act I 953 (Law Nr 11 j 1953, Government Gazette 1953 Nr 40) ;

In view of:

article 89 and article 111 of the Provisional Constitution of the Republic of Indonesia;

With the consent of Parliament;

H a s r e s o l v e d :

To enact:

**LAW ON THE POWER GRANTED TO THE MINISTER OF FINANCE
TO DRAW ADVANCES WITH BANK INDONESIA EXCEEDING THE
LIMIT FIXED BY ARTICLE 19 SECTION 2
OF THE BANK INDONESIA ACT 1953 (LAW Nr 11/ 1953)**

Article 1

The Minister of Finance is authorised, for expenditure as has been provided for in the budget for 1955, to draw advances with Bank Indonesia exceeding the limit fixed by article 19 section 2 of the Bank Indonesia Act 1953, to an amount by which the debt of the Government with the said Bank at the end of the year 1955 may total the sum of Rp 7.1 billion, with the proviso that this maximum will be diminished by such receipts as will be obtained from measures proposed by the Government, namely:

- (a) actual income, as at the end of 1955, from long term loans;
- (b) actual income as will have accrued at the end of 1955 from measures designed to increase revenue, after deduction of expenditure relating to the additional budget for the year 1955.

Article 2

This Law will come into force on the day of its promulgation.

APPENDIX G

ANNOUNCEMENT NUMBER 1 OF THE MONETARY BOARD, THE MINISTER OF ECONOMIC AFFAIRS AND THE MANAGE- MENT OF THE FOREIGN EXCHANGE INSTITUTE

DATED AUGUST 31st, 1955

THE MONETARY BOARD, THE MINISTER OF ECONOMIC AFFAIRS AND THE MANAGEMENT OF THE FOREIGN EXCHANGE INSTITUTE,

Considering:

that in order to expedite the importation of urgently needed goods from abroad it is necessary to simplify the existing import regulations as well as the implementation thereof;

that it is urgent to establish guarantees so as to promote a sound development in the sector of enterprise engaged in imports, in accordance with the interests of the State;

In view of:

article 22 of the Bank Indonesia Act 1953 and article 3 of Government Ordinance Nr 19/1954;

H a s r e s o l v e d :

Article I

In order to simplify the import system :

(a) Import goods are classified in four categories, namely:

- Category I : essential goods
- Category II : semi-essential goods
- Category III : luxury goods
- Category IV : super luxury goods.

Unless authorised by the Monetary Board no goods shall be imported which are not classified in one of the categories mentioned above.

- (b) The classification of various goods in the categories mentioned above shall be laid down in a special regulation by the Minister of Economic Affairs.

Article 2

With regard to levies on imports :

- (a) All levies on imports as were hitherto in force, viz. Tambahan Pembayaran Impor (T.P.I.—additional import tax), Bukti Impor Tekstil (B.I.T. — textiles import certificate) and Bukti Impor Sementara (B.I.S. — provisional import certificate) are abolished;
- b) Instead of the levies mentioned sub (a) a new T.P.I. tax shall be imposed amounting to :

- 50 % for Category I
- 100 % for Category II

As for categories III and IV an auction system will be established in such a manner that the minimum price will be fixed by the Monetary Board. The Monetary Board can grant exemption of T.P.I. for such imports as they shall indicate.

Article 3

All provisions in regard to compensation transactions with Hong Kong, barter transactions with Singapore (with the exception of Riau), parallel transactions, foreign exchange-free imports and imports via Jajasan Perbekalan dan Persediaan (J.P.P.—Fund for Stores and Supplies) are cancelled.

Article 4

With regard to importers:

- (a) Foreign exchange licences on behalf of registered importers shall be issued only if evidence has been given that the money required to finance the imports concerned has been paid in with a foreign exchange bank, which amount shall be used for any other purpose but to effectuate the purchase under consideration;
- b) Foreign exchange licences on behalf of registered importers of foreign nationality shall be issued only if it is proved that a sum of Rp 5 million has been deposited in their behalf with a foreign exchange bank, which money can be used to finance imports as mentioned sub (a) above.
- (c) If it so happens that no foreign exchange licence is granted or only part of the amount that has been applied for is allocated, the money deposited in pursuance of the above paragraphs shall be refunded in full or in part, as the case be, in accordance with the amount needed to finance the imports for which approval has been obtained.

Article 5

With regard to closing down Kantor Pusat Urusan Impor and Jajasan Perbekalan dan Persediaan:

All actions of Kantor Pusat Urusan Impor (K.P.U.I. —Central Bureau for Imports and Jajasan Perbekalan dan Persediaan (J.P.P.—Fund for Stores Fund for Stores and Supplies) are here by suspended. Further instructions will be issued by the Minister of Economic Affairs on the auditing of the administrations, the custody of their archives and their properties, the status of their employees and the winding up of business still pending at the moment of suspension.

Article 6

With regard to establishing Biro Devisen Perdagangan (B.D.P. —Bureau for Import Exchange Licences) :

- (a) in order to fulfill the task in the field of imports it is hereby decreed that a Biro Devisen Perdagangan (B.D.P.) be instituted which shall form part of Lembaga Alat-Alat Pembayaran Luar Negeri (L.A.A.P.L.N.—Foreign Exchange Institute). B.D.P. shall operate temporarily under the supervision and according to the instructions of the Monetary Board.
- (b) The authority to issue foreign exchange licences for imports is transferred from L.A.A.P.L.N to B.D.P.

The authority to issue import licences is transferred for the time being from the Ministry of Economic Affairs to B.D.P.

- (c) The head and the employees of B.D.P. are appointed and dismissed by L.A.A.P.L.N.

Article 7

This regulation will come into force on September 1st, 1955.

APPENDIX H

DECREE OF THE MONETARY BOARD Nr 14

DATED OCTOBER 24th, 1955

THE. MONETARY BOARD,

Considering:

that for the time being it is deemed unnecessary to introduce an auction system for the trading of T.P.I.-certificates (Tambahan Pembayaran additional import tax) for the categories III and IV; that for this reason it is urgent to fix the rate of T.P.I. for the goods belonging to the said categories;

In view of:

- (a) the Joint Decree of the Monetary Board, the Minister of Economic Affairs and the Management of the Foreign Exchange Institute of August 31st, 1955 article 2 sub (b);
- (b) the decision of the Monetary Board of October 14th, 1955;

H a s r e s o l v e d :

Firstly : Tambahan Pembayaran Impor (T.P.I. — additional import tax) certificates payable on goods classified in the categories III and IV shall for the time being not be traded by way of an auction system, the rate of T.P.I. being hereby fixed at:

200 % for Category III and
400 % for Category IV.

Secondly : This regulation will come into force on October 1st, 1955.

APPENDIX I

CIRCULAR LETTER C NUMBER 335 OF THE FOREIGN EXCHANGE INSTITUTE

dated 20th June 1955

TRANSFER ON BEHALF OF ENTERPRISES

A. Profit transfers.

In view of article 4 of the Foreign Exchange Ordinance 1940 and with reference to Circular Letter C number 282 dated 27th July 1953, the following is announced:

1. For the financial year 1953—i.e. the financial year commencing on the first day of 1953—the opportunity is granted to transfer money to the counter-value of profit made by an enterprise and liable to taxes, after deduction of:
 - (a) taxes paid on the profit of the said enterprise;
 - (b) T.P.T. due for the said transfer.
2. Concerning requests for transfer of the profit made by an enterprise and liable to tax in the financial year 1954—i.e. the financial year commencing on the first day of 1954—it has been decided that permission will be granted only if the applicant can prove that 40 % of the net profit (i.e. profit liable to taxes, after deduction of taxes paid on this profit) has been deposited on a special account called :

..... name of the enterprise

“Profit reserve by virtue of Circular Letter C number 335” with Bank Indonesia, Djakarta, and after payment of T.P.T. due for the transfer, whereafter the

transfer can be made to the counter- value of the remaining 60% of the net profit as defined above.

Bank Indonesia is authorised to issue directives as to the use of the balances mentioned above.

3. It is understood that the arrangement mentioned sub (2) above does not apply to new investments (as from the beginning of the year 1954).

B. Transfer of dividend

There will be no restrictions as to the transfer of dividend declared over the financial year 1953; as for the financial year 1954, no more than 30% of the paid-up capital may be transferred.

Clarification

Balances with Bank Indonesia mentioned above sub A (2) may be used in general, according to the judgment of the Management of Bank Indonesia, for maintenance and improvement of the enterprises concerned. Bank Indonesia will issue directives on the matter.

APPENDIX J

ANNOUNCEMENT OF BANK INDONESIA

dated 2nd March 1956

In view of the fact that more and more skilfully counterfeited bank notes of the denomination of Rp 1000 have been brought into circulation, to which practice many unsuspecting people have already fallen victim, the Governor and Managing Directors of Bank Indonesia have decided to cancel and withdraw from circulation as from 5th March 1956, all Rp 1000 notes of the year 1946 issued by De Javasche Bank.

Holders of bank notes of the above denomination are requested to exchange these notes at the Bank's cash departments.

This exchange must take place before 5th June 1956.

After expiry of the above mentioned date the said notes will be convertible only at the Head Office of Bank Indonesia in Djakarta. Branch offices of Bank Indonesia, if requested for their intermediary, will assist in forwarding the said bank notes free of charge to the Head Office, after having obtained authorisation.

The right to obtain change for the said bank notes, if not tendered, becomes extinct on June 4th, 1956.

APPENDIX K

GOVERNMENT ORDINANCE BEARING UPON THE ADDITIONAL ISSUE OF CURRENCY NOTES

(Ordinance No 22 of July 23rd, 1955; Gazette of Indonesia 1954 No 46)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- (a) that it is the intention to withdraw from circulation paper money issued by the Bank of Issue of the denominations Rp 2.50, Rp 1 and Rp 0.50, whereafter currency notes of small denomination will be put into circulation by the Government;
- (b) that in order to comply with the demand for currency in the Republic of Indonesia it is deemed necessary to increase the amount of currency notes issued by the Government of the denominations Rp 2.50, Rp 1 and Rp 0.50;
- (c) that for the said reasons the total of currency notes for circulation authorised by Government Ordinance No 38/1954 must be increased;

In view of:

- (a) article 109 of the Provisional Constitution of the Republic of Indonesia and article 5 of the Currency Act 1951 (Gazette of Indonesia 1951 No 95 juncto Gazette of Indonesia 1953 No 77);
- (b) Government Ordinance No 20/1953 (Gazette of Indonesia 1953 No 34) juncto Government Ordinance No 38/1954 (Gazette of Indonesia 1954 No 63);

H a s r e s o l v e d :

To establish:

**GOVERNMENT ORDINANCE BEARING UPON THE ADDITIONAL
ISSUE OF CURRENCY NOTES**

- I. The issue of currency notes by the Government which by virtue of article Ia of Government Ordinance No 38/1954 may total the maximum of Rp 375,000,000 (Rupiah three-hundred and seventy-five million), will be increased by Rp 285,000,000 (Rupiah two-hundred and eighty- five million), whence the maximum will amount to Rp 660,000,000 (Rupiah six-hundred and sixty million).
- II. This Government Ordinance will come into force on the day as shall be determined by the Minister of Finance.

APPENDIX L

IMPORTS OF CONSUMER GOODS INTO INDONESIA

	Gross weight (^{'000} tons)				Value (Rp million)			
	1938	1953	1954	1955	1938	1953	1954	1955
Meat and canned meat products	1.8	0.2	0.4	0.5	0.8	1.4	4.5	5.5
Milk and related products	19.9	18.7	19.5	20.1	5.3	88.9	76.7	83.5
Butter and margarine	6.1	0.1	0.1	0.2	4.2	1.1	1.0	1.7
Cheese	1.2	0.1	0.1	0.2	0.7	1.2	3.4	2.1
Fish, dried or salted, Asiatic varieties	61.6	34.1	37.1	22.5	11.0	93.8	88.2	38.8
Rice	334.2	371.5	258.8	127.0	22.1	916.2	558.0	246.6
Wheat flour	85.3	137.8	108.4	120.1	7.7	214.1	140.2	135.5
Fruits (incl. marmalades, jams, etc.)	7.2	10.9	10.4	9.3	1.8	17.9	16.9	13.1
Vegetables	13.9	4.7	5.2	3.2	2.5	11.2	9.6	6.4
Spirits, distilled and undistilled	11.5	3.8	3.4	4.4	4.5	16.9	15.1	18.3
Tobacco and tobacco products	1.6	0.2	0.1	0.1	1.9	3.4	1.6	1.5
Sugar and related products	2.7	0.8	0.6	0.6	0.6	3.8	3.1	3.1
Coffee, tea, cocoa and chocolate	2.6	0.2	0.2	0.3	1.8	2.0	1.7	3.2
Kerosene	27.5	8.3	1.1	0.1	1.1	2.8	0.4	0.2
Sewing cottons	1.1	1.0	1.3	1.6	2.7	30.0	32.5	39.7
Cotton piece goods :								
dyed	11.1	23.2	16.7	13.8	12.7	466.7	343.7	255.4
printed	5.6	14.2	13.6	8.8	8.0	376.3	333.7	216.8
coloured woven	7.9	4.2	3.6	2.3	8.9	67.4	56.9	34.1
Cotton singlets and mesh shirts	2.7	3.3	2.7	1.7	3.2	76.6	58.7	30.6
Other clothing	3.8	1.4	0.7	0.4	6.9	36.4	16.2	12.2
Table and kitchen ware of earthenware and china	14.5	14.0	12.9	10.0	1.9	23.6	21.1	18.4
Sundry household articles of glass	5.4	4.6	6.4	5.5	1.0	9.7	13.3	11.0
Sundry household articles of metal	3.3	3.6	23.9	4.2	1.8	18.8	100.1	15.0
Matches	2.3	5.1	4.7	6.6	1.0	28.3	20.0	28.4
Wireless sets and sewing machines	1.7	3.5	7.1	3.8	2.8	47.5	56.4	34.1
Bicycles	0.8	6.4	1.9	0.4	0.8	85.7	26.1	5.2
Bicycle tyres	0.7	0.6	2.0	1.7	0.6	7.7	21.7	16.1
Other consumer goods	141.2	71.0	47.5	73.8	88.4	1,090.5	665.3	856.7
Total	779.2	747.5	590.4	443.2	206.7	3,739.9	2,686.1	2,133.2
Of which oil companies	27.5	15.6	7.0	8.8	1.1	48.7	40.8	56.6
Total excl. oil companies	751.7	731.9	583.4	434.4	205.6	3,691.2	2,645.3	2,076.6

Source : C.B.S.

APPENDIX M

IMPORTS OF RAW MATERIALS AND AUXILIARY GOODS INTO INDONESIA

	Gross weight (⁰ 000 tons)				Value (Rp million)			
	1938	1953	1954	1955	1938	1953	1954	1955
Dyestuff, prepared from coal tar	2.2	2.6	2.5	3.5	4.3	52.2	60.6	84.4
Fertilizers	122.4	100.9	104.5	147.6	7.5	84.9	79.7	116.0
Cloves and clove stems	5.7	3.3	7.7	6.8	3.7	71.3	94.4	72.5
Cases	23.9	1.8	4.8	4.8	3.8	5.2	14.7	15.8
Gunny bags	55.8	28.2	24.5	29.9	10.2	80.8	67.8	91.7
Cotton yarns	9.1	12.9	14.3	18.0	10.1	206.9	233.5	272.4
Cotton piece goods :								
unbleached	7.3	8.9	4.6	6.9	6.7	137.0	71.5	91.8
bleached	19.8	22.5	16.8	16.9	25.9	477.4	338.5	313.9
Paper and manufactures thereof	54.1	74.2	69.9	89.0	6.9	193.6	176.1	278.4
Building cement	121.0	199.4	290.6	356.8	1.6	69.2	91.9	114.7
Iron and steel rolled products	114.3	132.3	111.4	104.7	14.8	281.1	246.6	207.2
Iron roofing material and accessories	20.2	13.8	4.3	4.6	4.0	46.3	15.1	19.3
Tin plates and sheets	27.5	13.3	9.7	23.2	7.2	39.1	21.8	50.3
Nails, tacks and spikes	14.7	24.4	17.2	30.0	2.1	44.4	28.2	54.9
Mineral fuels (other than petroleum products)	84.2	56.6	38.7	33.8	1.5	15.3	10.2	11.5
Kerosene, gasoline and lubricating oils	93.3	12.4	35.5	116.2	3.5	5.1	8.7	46.4
Oil and other oil products ¹⁾	37.5	2.324.3	2.178.6	1.340.2	1.5	522.1	510.6	350.1
Other raw and auxiliary materials	243.9	250.4	255.0	355.3	39.1	900.3	977.6	1.259.2
Total ¹⁾	1.056.9	3.282.2	3.190.6	2.688.2	154.4	3.232.2	3.047.5	3.450.5
Of which oil companies ¹⁾	142.3	2 422.1	2.284.8	1.547.0	6.7	694.7	601.0	524.4
Total excl. oil companies	914.6	860.1	905.8	1.141.2	147.7	2.537.5	2.446.5	2.926.1
¹⁾ Of which oil for re-export	—	2.278.6	2.131.0	1.267.0	—	489.7	435.5	235.8

Source : C.B.S.

APPENDIX N

IMPORTS OF CAPITAL GOODS INTO INDONESIA

	Gross weight ('000 tons)				Value (Rp million)			
	1938	1953	1954	1955	1938	1953	1954	1955
Iron and steel structures	2.4	2.9	1.0	2.3	0.6	12.7	3.9	8.5
Electric cables	2.8	2.7	3.0	3.0	1.1	20.3	22.4	27.2
Office machines	0.3	0.3	0.3	0.4	1.1	15.8	17.5	21.7
Motor vehicles	13.6	15.4	12.6	14.6	12.1	196.6	152.5	182.5
Motor vehicles'tyres and tubes	0.9	1.4	0.4	0.6	1.1	23.2	6.8	9.9
Stationary internal combustion engines	2.2	5.1	2.7	3.3	2.5	100.0	53.6	67.2
Textile machinery	3.4	2.9	2.0	1.8	1.4	31.6	17.2	20.3
Mining machinery	14.7	2.9	1.4	0.9	10.5	29.7	19.9	15.0
Other industrial machinery	4.5	8.6	10.9	9.8	2.8	127.8	167.7	120.3
Other capital goods	121.9	95.8	91.0	88.5	84.2	1,053.9	963.6	806.6
Total	166.7	138.0	125.3	125.2	117.4	1,611.6	1,425.1	1,279.2
Of which oil companies	—	25.7	18.3	21.5	—	187.7	158.5	183.3
Total excl. oil companies	166.7	112.3	107.0	103.7	117.4	1,423.9	1,266.6	1,095.9

Source : C.B.S.

APPENDIX O

PRODUCTION, EXPORTS AND CONSUMPTION OF INDONESIA'S FOODCROPS

Maize	1953	1954	1955
Area harvested : Djawa and Madura (<i>ha</i>) Other islands	1,499,000 470,000	2,000,000 518,000	1,576,000 460,000
Indonesia	1,969,000	2,518,000	2,036,000
Production : Djawa and Madura (<i>tons of kernels</i>) Other islands	1,303,000 512,000	2,154,000 584,000	1,448,000 434,000
Indonesia	1,815,000	2,721,000	1,882,000
Exports	38	17,168	10,126
Available for consumption	1,814,962	2,703,832	1,871,874

Cassava and cassava products	1953	1954	1955
Area harvested : Djawa and Madura (<i>ha</i>) Other islands	868,000 174,000	866,000 205,000	876,000 196,000
Indonesia	1,042,000	1,071,000	1,072,000
Production : Djawa and Madura (<i>tons, dry</i>) Other islands	1,617,000 626,000	1,607,000 785,000	1,619,000 726,000
Indonesia	2,238,000	2,392,000	2,345,000
Exports	29,601	145,666	179,774
Available for consumption	2,208,399	2,246,334	2,165,226

Batatas	1953	1954	1955
Area harvested : Djawa and Madura (<i>ha</i>) Other islands	216,000 109,000	174,000 110,000	176,000 101,000
Indonesia	325,000	284,000	277,000
Production : Djawa and Madura (<i>tons, dry</i>) Other islands	308,000 236,000	266,000 262,000	246,000 262,000
Indonesia	544,000	528,000	508,000
Exports	—	—	—
Available for consumption	544,000	528,000	508,000

Source : Service for Indigenous Agriculture

Ground nuts	1953	1954	1955
Area harvested : Djawa and Madura (<i>ha</i>)	240,000	270,000	253,000
Other islands	52,000	54,000	48,000
Indonesia	292,000	324,000	301,000
Production : Djawa and Madura (<i>tons, peeled nuts</i>)	164,000	204,000	177,000
Other islands	40,000	43,000	39,000
Indonesia	204,000	247,000	216,000
Exports	10,545	16,016	4,228
Available for consumption	193,455	230,984	211,722

Soya beans	1953	1954	1955
Area harvested : Djawa and Madura (<i>ha</i>)	422,000	478,000	462,000
Other islands	35,000	48,000	58,000
Indonesia	457,000	526,000	520,000
Production : Djawa and Madura (<i>tons, dry</i>)	275,000	362,000	307,000
Other islands	32,000	38,000	38,000
Indonesia	307,000	400,000	345,000
Exports	6,866	154	—
Available for consumption	300,134	399,846	345,000

Source: Service for Indigenous Agriculture