

# **BANK INDONESIA**

## **REPORT FOR THE YEAR 1957 - 1958**

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**G. KOLFF & Co. INDONESIA**

# **R E P O R T**

OF THE GOVERNOR OF BANK INDONESIA  
FOR THE FINANCIAL YEAR 1957-1958

# BANK INDONESIA

*Head Office:*

DJAKARTA

*Branch Office:*

AMSTERDAM

*Representative:*

NEW YORK

*Agencies:*

**DJAWA**

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

**SUMATERA**

MEDAN, PADANG, PALEMBANG

**KALIMANTAN**

BANDJARMASIN, PONTIANAK

**SULAWESI**

MAKASAR, MENADO

**LOMBOK**

AMPENAN

**MALUKU**

AMBON

# Report of the Governor

## 1. GENERAL REVIEW

From the time when colonial domination was broken and Indonesia emerged as an independent and sovereign national state, our country has never gone through so many difficulties in multifarious fields as in the year under review. The national economy developed in an unsatisfactory atmosphere. It is beyond dispute that progress and prosperity have not, or have not yet, been achieved and that there are even symptoms of deterioration to an alarming extent. This downward trend must be stopped in the shortest possible time.

The factors that cause the above developments must, first of all, be looked for in internal conditions, though it must be admitted that external factors continue to play an important role in economic developments in Indonesia.

As discussed elsewhere in this Annual Report, economic activity in Western Europe and in the United States did not maintain the high level of 1954, 1955 and 1956, and moved into a recession of which the end has not yet come into view. A recession in such important industrial centres constituted an external factor which inevitably affected the economy of Indonesia. Our agricultural and mining products were largely sold to Western Europe, which absorbed about 40% of our total exports, while our exports to the United States also amounted to 40% (including our exports to Singapore for re-export to the United States). A recession in the countries that constitute our chief export markets will generally tend to reduce our exports, while at the same time industrial countries will intensify their efforts to increase the volume of their sales to this country. Meanwhile, declining exports will be a burden on our trade and payment balances.

In point of fact, the equilibrium in Indonesia's balance of payments was disturbed before there were overt symptoms of recession. Prices of raw materials continued their downward trend even though the economic cycle was on a high level (see table on next page). This downward trend, which became apparent in the last few months of 1955, was temporarily reversed during the Suez crisis. Since then, however, the market for raw materials has been in a state of depression, which has remained unrelieved till the present moment.

TABLE 1 — F.O.B. PRICES OF 18 EXPORT COMMODITIES (weighted index, 1938 = 100)			
	Estate products	Smallholders' products	General
1955	1598	1760	1696
1956 March	1528	1632	1587
June	1406	1442	1433
September	1546	1727	1642
December	1675	1957	1819
1956	1539	1694	1622
1957 March	1491	1762	1642
June	1500	1664	1594
September	1391	1540	1479
December	1341	1478	1423
1957	1461	1650	1569
1958 January	1422	1444	1438

Source : C.B.S.

Thus, two external factors endangered economic development of such underdeveloped countries as Indonesia, namely, the decline of raw material prices over the last few years, and the recession now enveloping Western Europe and the United States, which will inevitably further weaken Indonesia's export markets.

The above two facts have influenced, and will continue to influence **economic** developments in Indonesia. Declining exports brought reduced imports in their wake. As long as import reductions affect daily consumer goods, the level of consumption of such goods will be lowered. However, if import restrictions involve capital goods or auxiliary goods and materials the sectors of production' agriculture and industry—which are dependent on such imports—will be incapable of fulfilling their functions properly. And such untoward developments can only be prevented, or at least limited, if there are large foreign exchange holdings to resort to.

Comparing the present position with conditions at the end of the Korean War, when prices of raw materials also slumped, the following difference must be noted: Whereas our present foreign exchange holdings are marginal, the position at the end of the Korean War was satisfactory, thanks to the boom in raw material prices when the

war was in full swing. The satisfactory foreign exchange position at that time could absorb the shocks the raw material market had to withstand.

The reduction in imports for the consumer and/or the productive sector caused economic life to fall to a lower level, which was the chief result of the movements in the balance of payments due to external factors as illustrated above.

Another effect of the movements in the balance of payments is to be seen in the monetary field, revenue in Indonesia being greatly dependent on international trade. A decrease of imports and exports means a reduction in revenue from indirect taxes such as T.P.I. (import surcharges), import and export duties, and the like.

At the same time, it is very difficult to retrench on short term on planned expenditure and therefore the outcome is that the final budgetary deficit exceeds the original estimate. Up to the present such deficits have been covered by short- term loans from Bank Indonesia. This results in an increased supply of money not accompanied by increased production (upward trend of the trade cycle), but the volume of money in circulation rises while economic activity is low because of reduced imports. Inflationary characteristics are inherent in such a situation, thus endangering the development of production which at the moment is hampered by the short supply of capital goods, auxiliary goods and raw materials.

Such is the picture of our economy insofar as it is influenced by external factors as illustrated above.

Indonesia's economic development in the year under- review did not solely or primarily encounter difficulties arising from external events. Internally, events came to pass which greatly affected the development and position of our economy. In other words, external and internal events combined and interacted to aggravate the pressure retarding Indonesia's economic development.

Internal events hinged on two basic issues:

- 1) strained relations between the Central Government and certain Regions and
- 2) the West Irian issue between Indonesia and the Netherlands.

Relations between the Central Government and the Regions grew strained at the end of 1956 as mentioned in the 1956/57 Annual Report. The tensions increased in the course of 1957 and came to a head at the beginning of 1958 when a counter-government was initiated in West Sumatra under the name of the Revolutionary Republic of Indonesia Government, which appeared to be backed by North Sulawesi only. The dissensions between the Central Government and the Regions caused several Regions to channel their foreign trade outside the trade system and organs applying to Whole Indonesia. They engaged in “barter” trade, which simply means that their foreign exchange proceeds were withheld from the Central Government, while at the Same time the bartering Regions continued to apply to the Central Government for foreign exchange to finance their imports. Thus, the balance of payments was put under pressure from two sides— firstly, due to the curtailed flow of export proceeds of these Regions (Which were in terms of foreign exchange) into the foreign Exchange Fund; secondly, due to the foreign Exchange Fund’s continued financing of regional imports.

The adverse development of the balance of trade, payments resulted in a drop in the Rupiah revenue of the Central Government and a subsequent increase of the Government debt with Bank Indonesia. This inflationary trend could not be restrained by reducing expenditure for the Regions, which continued to demand outlays on the part of the Central Government to finance their own expenditure. The Central Government only stopped allocating foreign currency and rupiahs to West Sumatra and North Sulawesi when they formed a counter-government.

Barter on a large scale was conducted by several Regions as from May/June 1957, and total export proceeds for 1957 (excluding oil) were recorded at Rp 6.8 billion against Rp 7.4 billion in 1956—a drop by about Rp 600 million or by about Rp 1 billion if computed on an annual basis. Evidently this figure is merely an estimate since the decline was not caused by barter transactions exclusively, but also by other factors, such as the recession, weak prices for raw materials, low productivity etc., but barter remained the major factor.

The conflict with the Netherlands on West Irian came to a head in December 1957, when the Dutch were not disposed to accept the Indonesian proposal to hold negotiations under United Nations supervision. Feelings ran so high that the Government

deemed it necessary to ensure continued production of Dutch enterprises in Indonesia by placing them under supervision. For all practical purposes, these measures did not affect economic development in 1957 as they were taken in the last month of the year. The year 1958 will give a clearer picture of our economic position after placing the Dutch enterprises under supervision. Fundamentally, the consequences of the measures taken by the Government can be viewed from the short-term and from the long-term aspect. This view involves two considerations—production and exports. Up to the end of March 1958, production and exports from estates under Government supervision do not appear to show any large-scale decline; in some instances (as in the case of rubber) they showed the same development as in 1957. As stated above, however, a true picture of production and exports can only be given at the end of 1958. The present review must be restricted to the short term. The production and export of some estate products are revealed in the tabulation given below.

		Production × 1,000 kg		Volume of export × 1,000 kg		Value of export × Rp 1,000	
		1957	1958	1957	1958	1957	1958
Rubber :							
	January	24,152	22,939	16,843	15,040	124,335	84,314
	February	20,954	20,279	7,702	15,573	56,695	86,028
	March	20,068	± 20,000	15,792	25,528	107,534	140,430
Tea :							
	January	3,922	4,085	3,933	2,650	38,043	18,375
	February	3,647	3,359	3,373	3,185	31,994	23,549
	March	3,869	± 3,500	4,183	4,160	38,091	30,420
Palm oil :							
	January	10,648	9,536	6,902	9,230	16,028	20,307
	February	9,895	10,317	194	4,758	370	10,405
	March	13,245	± 12,200	725	7,431	1,584	16,405

(Source : C.B.S.)

It can be visualized that, on the short term, production and exports from estates under Government supervision might drop due to difficulties arising from lack of experts, materials and transportation, unless such shortages could be supplied at short notice. With this possibility in view, care should be taken that, should productivity and exports fall off in the long run, the difficulties causing such decline should be met immediately, thereby limiting losses.

In summary, the above may demonstrate that the economic climate of Indonesia in the year under review was affected by external factors (weakening prices for raw



materials, recession in Western Europe and the United States), as well as by internal factors such as, particularly the dissension between the Central Government and the Regions. The consequences of the West Irian conflict were not yet felt economically in 1957 since measures against Dutch enterprises were taken only in December of that year. Thus, the economy of Indonesia developed in an unsatisfactory atmosphere which contained elements which hampered and lowered economic activity in various sectors.

Foreign exchange reserves dropped by about Rp 1 billion in 1956. From Rp 1,566 million per January 1, 1957, foreign exchange holdings dropped to Rp 1,295 million per March 1957, and continued to fall to Rp 967 million per June 1957—a drop by 40% in 6 months' time. Had this development continued, our foreign exchange reserves would practically have been depleted by the end of 1957. In the middle of 1957, reserves were only sufficient to finance about 11/2 months' imports, if the level of 1956 imports (amounting to Rp 9.3 billion) were taken for 1957.

Meanwhile the volume of money in circulation rose from Rp 13.4 billion at the end of 1956 to Rp 15.1 billion per June 1957—an increase by 13%. The public sector appeared to be the biggest source of money creation since it caused the money supply to increase by about Rp 2.4 billion in the first 6 months of 1957, against an increase by Rp 0.9 billion in the private sector.

It is self-evident that the above conditions were not conducive to economic activity. So as to conserve foreign exchange reserves temporarily, the Government at one time (April 1957) was compelled to suspend imports. At that time economic life could continue (though not as smoothly as it should), thanks to the substantial volume of imports in 1956 so that commodities were in fairly sufficient supply, and the import-stop did not cause prices to jump, as witness the following index numbers:

	12 Foodstuffs villages in Djawa/Madura June 1953 = 100	44 Import Commodities unweighted index number 1953 = 100
1956 December	161	136
1957 March	147	143
June	147	151
(Source : C.B.S)		

This temporary import-suspension should be seen as the first step the authorities had to take with a view to the very low position of foreign exchange reserves, though, of course, it could not last indefinitely. The foreign exchange position, on the other hand, precluded resumption of imports, unless other measures were taken simultaneously. The volume of money in circulation was exceptionally large and buying power so great that foreign exchange holdings would have been exhausted in a short time. Likewise, the supply of goods carried over from 1956 would soon be exhausted if no new purchases were made. Price advances were unavoidable if imports were not resumed on an adequate scale.

Such was Indonesia's economic position in the first half-year of 1957. The Government was confronted with a short-supply of commodities, which was bound to force prices up since the foreign exchange reserves were very low, while foreign exchange proceeds were inadequate due to stagnant exports. Stagnancy in exports was caused, as stated above, by dull markets for raw materials, while inflationary conditions increased domestic costs. Moreover, only part of the country's actual export proceeds flowed into the coffers of the state when barter grew rampant.

Any measures to be taken should satisfy the three-fold purpose of contracting the volume of money in circulation, of re-activating exports, and of eliminating barter trading.

To cope with the increasing volume of money in circulation, the Government restricted through the Monetary Board, the credit facilities of private banks as from May 1957. Bank Indonesia, charged with implementing monetary restrictions, made it compulsory for private banks with deposits and clearing balances totalling Rp 75 million or more, to convert 10% of their ready money into treasury notes and bills, and further to observe a ratio of at least 30% between their ready money and their aggregate deposit and current accounts.

A further measure taken by the Government revised the foreign exchange system including imports and exports. For the details of this system the relevant chapters in this Report may be referred to: this survey may suffice by examining the main features of the new foreign exchange system, known as the "Export Certificate" system. The value of the Rupiah vis-a-vis a foreign currency is, in essence, determined by the relation of supply and demand for that foreign currency. The demand for a foreign currency is expressed in Rupiahs, in other words: essentially the money circulating in the country constitutes the buying power vis-a-vis the foreign currency. The supply of foreign cur-

rency consists of the country's foreign exchange holdings, export proceeds and other foreign exchange revenue. As mentioned above, the volume of money in circulation in this country at the end of May was of the order of about Rp 1 5 billion, net foreign exchange reserves amounted to Rp 994.8 million, while foreign exchange proceeds from exports stagnated. As the result of this position, the value of the Rupiah was far lower than the parity officially fixed in 1952, when U.S. \$ 1 was made the equivalent of Rp 11.40. At that time, the volume of money in circulation was Rp 5,107.7 million, the foreign exchange reserves Rp 988.7 million, while exports were moving far better than in May 1957. It would have been unrealistic, in the changed circumstances, to maintain a Rupiah rate of Rp 11.40 to the U.S. \$, thereby imposing a heavy burden on exports which would only receive Rp 11.40 to the U.S. \$, while actually the value of foreign currency was at a much higher level than the official rate of exchange. On the other hand imports were subsidized seeing that they only paid Rp 11.40 for every U.S. \$ purchased to finance imports. This subsidy was borne at the cost of exports since the foreign currency originated with them, and at the cost of the Government insofar as foreign exchange reserves were utilized to finance importers' applications for foreign exchange. Thus, the official Rupiah rate of exchange had become unrealistic— it hampered exports and stimulated imports.

Seeing that exports needed a boost, the Government decided on June 20, 1957 to abandon the official Rupiah rate of exchange and to permit the Rupiah to find its own value on the basis of controlled supply and demand (implying, for instance, that only holders of import licences could buy foreign exchange, while foreign exchange purchases for capital transfers were not permitted). The Government held out the hope that exports would advance enough for imports to be resumed. Moreover, the Government hoped that bartering would cease seeing that exports through the regular channels would be more profitable for the Regions.

Imports automatically became more expensive. While previously standing at Rp 11.40, the U.S. \$ was valued at about Rp 22.80 on the Export Certificate market at the time of the inception of the new system. This sacrifice had to be made, seeing that under the old system imports benefited at the cost of the export (and public) sectors, which would eventually have led to both reduced exports and reduced imports. Continuation of imports on the basis of Rp 11.40 to the U.S. \$ would—in view of the attenuated foreign exchange holdings and receding export proceeds—have resulted in

an import-squeeze and a subsequent import- stop followed by a dwindling supply of commodities and soaring prices, even though officially the Rupiah rate of exchange vis-a-vis the U.S. \$ would have stood at 11.40: 1.

Another expedient to maintain the rate of exchange at 11.40: 1, might have been Government subsidies to exporters (in fact, this would have meant subsidies to importers), by paying out more than the official rate for dollars from exports flowing into the Foreign Exchange Fund, while selling dollars to importers at the official rate of Rp 11.40: 1. This was impracticable because of the implied inflation of the Government budget and the ultimate swelling of the volume of money to such proportions as to make normal economic activity impossible.

Government endeavours to improve conditions, as embodied in the new system, were not fully realized because the Regions continued bartering under various pretexts, in some cases even expanding barter transactions after May. And so, the new foreign exchange system never included overall exports from Indonesia.

In spite of the fact that the barter regions did not participate in the new system, and continued to keep the greater part of their foreign exchange earnings for themselves, the new system enabled exports to be resumed so that foreign exchange holdings, which stood at Rp 967 million in June, rose to Rp 1,432 million in September. The development of our foreign exchange position is illustrated from the following data on our cash balance in million U.S. \$, compiled in the United States.

1956,	31 December	186
1957,	31 March	145
	30 June	128
	31 July	139
	31 August	167
	30 September	179
	31 October	190
	30 November	187
	31 December	151
1958,	31 January	138

*(Source: Federal Reserve Bulletin).*

Thanks to the new foreign exchange system, our foreign exchange holdings increased up to October. Since then and up to the present, our foreign exchange reserves again showed a downward tendency.

Many factors contributed to this untoward development. The price levels of primary materials on the world market sank deeper, a fact certainly not unconnected with the inception of the recession in Western Europe and the United States. Peaceful relations did not reign yet over the islands of Indonesia. Instead, the tensions between the Central Government and the Regions aggravated while bartering became more widespread. Furthermore, though the measures taken against Dutch enterprises in the beginning of December will only show their full effects in 1958, the stir at that time impeded exports, to say the least, especially as shipping space and other transportation to carry export cargoes ran very short. Besides impeding exports, the measures against the Dutch enterprises required extraordinary outlays on the part of the Government to ensure the livelihood of the workers in several enterprises which had been put under supervision and could not run at capacity. Finally, the Government was compelled to spend large sums in connection with the regional tensions followed by rebellions in Central Sumatra and North Sulawesi.

Self-evidently, the increase in the volume of money in circulation exercised inflationary pressure. As a case in point: the domestic price of rubber (sheet I) rose from Rp 925 per qt. in May 1957 to Rp 1,369 per September and Rp 1,430 per December 1957, while in the first quarter of 1958 prices were January Rp 1,367, February Rp 1,454 and March Rp 1,668 per qt. In contrast, the prices for R.S.S. I and Crepe I showed lower price levels on foreign markets: R.S.S. I was quoted at Rp 734 per qt. in May, Rp 694 in September, and Rp 651 in December 1957.

(Export Price—f.o.b. price on the basis of the official rate (at par) without Export Certificates).

Exports, facing obstacles both at home and abroad, inevitably dropped Indonesia's economic position at the end of the year can be gathered, in a nutshell, from the following figures.

*Firstly:* export figures (excluding oil) in million of Rupiahs:

1957	1957 March	June	September	October	November	December
6,876	611	514	593	679	517	313

The overall export figure for 1956 (excl. oil) was Rp 7,381 million.

*Secondly* : foreign exchange reserves dropped from Rp 1,432 million per September to Rp 1,231 million per December 1957, and from Rp 1,109 million per January 1958 to Rp 977 per February 1958.

*Thirdly* : the volume of money increased continuously as follows (in billions of rupiahs):

1956 Dec.	1957 March	June	Sept.	Dec. 1958	Jan.	Febr.	March
13.4	13.4	15.1	16.9	18.2	19.0	19.2	18.2

*Fourthly* : As mentioned before, the volume of money in circulation, which steadily increased by nearly Rp 5 billion or about 37% in the period January/March 1957 through March 1958, could not but exercise an inflationary pressure on prices, including the price of foreign currency on the official (Export Certificate) market as well as on the curb exchange market.

As set forth above, the Government was largely responsible for the increased volume of money in circulation. To finance its expenditure the Government had to borrow from Bank Indonesia. Advances to the Government from Bank Indonesia amounted to Rp 5,372 million in 1957 against Rp 2,302 million in 1956. In the aggregate the public sector (Government + autonomous regions + Government enterprises and foundations) accounted for an increase in the money supply by Rp 5,833 million in 1957 against Rp 2,267 million in 1956. The private sector also was a source of inflation to the tune of Rp 2,237 million in 1957 against Rp 989 million in 1956. This increased inflationary effect of the private sector was not caused by money creation on the part of the banks, but by refunds on the part of the Government of prepayments to the amount of Rp 2,662 million to importers. In fact, money creation by banks dropped by Rp 423 million in 1957—a decrease which was brought about (as discussed above) by credit restrictions as from May 1957, which were further tightened as from September 1957.

Prices advanced. Among other things it was the advanced price of rice, caused by the annual period of scarcity beginning in September 1957, speculative activities and regulations devised by certain districts, hampering a smooth rice distribution, which caused the average price of twelve foodstuffs in the countryside of Djawa and Madura to rise by 66% (December 1957 as compared with December 1956). Further, prices of 44 import commodities rose by 30%, textiles by 43%, rubber (sheet I) by 30 %, white pepper by 35%, coffee (Robusta) by 150%, tea by 11% and so forth. The Export Certificate price, standing at about Rp 22.80 for U.S. \$ 1 at the start, also rose and gradually reached a level of Rp 33 for U.S. \$ 1 representing a rise by 200% compared with the erstwhile rate of exchange (Rp 11.40). On the curb market the price of the U.S. \$ rose from Rp 42 in June to Rp 62 in March 1958—a rise by 50%.

In view of the increase in the money supply by about 37%, the drop of the Rupiah value by about 200% vis-a-vis the U.S. \$, the rise of the Export Certificate price by 50% (originally standing at Rp 22.40 = U.S. \$ 1, the Export Certificate price advanced to Rp 33 = U.S. \$ 1), the price level of commodities did not rise to the extent that might have been expected. Prices of import commodities, for instance, only rose by 30% those of export commodities such as rubber also advanced by 30%, while tea and pepper showed price increases by 11% and 35 % respectively. Thus, it would appear that the flight of money into goods—as often occurs in an inflationary atmosphere— did not take place on a large scale. The ban on hoarding, which was implemented by the Army, was one of the factors accountable for this phenomenon. Only a few commodities such as wood, scrap iron, weaving yarns (which can easily be stored) were possible targets for disposing of some of the surplus money.

Seeing that the prices of goods did not advance as rapidly as the increase in the volume of money, it was feared that commodity prices would soar in the absence of strict control, because the volume of money was very substantial and rose at a relatively higher rate (+ 37%) than did the volume of goods originating from production and imports. It would appear that cash is kept in rather large amounts, which is also demonstrated by the high liquidity of banks in the last few months.

Indonesia's economic position as briefly summarized above in four items, shows a highly unsatisfactory picture. A foreign exchange position which, in March 1958, only

sufficed to finance about 1 month's imports, is far from satisfactory, the less so in view of the continuing dullness of exports. Meanwhile the revenues of the National Exchequer decreased, while outgoings continued at the same rate and even increased. In spite of aid from Japan (war reparations), from Russia (credits), and from the Chinese People's Republic (credits), the economic position remained critical.

In contrast with the past, the present difficulties cannot be solved by economic measures only. First and foremost a solution must be sought in the political and military fields. So long as national unity has not been restored, economic measures cannot be fully effective, as witness the failure of the new foreign exchange system to become effective for the whole of Indonesia. At the close of the financial year it was clear that the Government was firmly resolved to make the country one and united again.

Pending the outcome of Government measures in the political and military fields, it is appropriate and necessary to consider what economic measures ought to be taken forthwith to bring about an overall improvement of the economy of Indonesia, including the economies of the Regions. The Government is prepared to give the fullest consideration to the interests of the Regions within the framework of national unity. The Regions, so I believe, will also be found prepared to cooperate in attaining the prosperity to which we all aspire.

The above survey may have been helpful in establishing the conviction that the resuscitation of our export trade is of vital importance in the present circumstances, seeing that this will enable us to increase imports and to rebuild our depleted foreign exchange reserves. Furthermore, the revival of our international trade will augment revenue from both indirect and direct taxes, so that the budgetary deficit, which so far has been the chief source of inflation can be reduced. Also, if the Government is successful in its endeavours in the political and military fields, Government expenditure can be reduced. It is clear that an all-out export drive is a task of the utmost urgency and importance.

The return of the Regions to national unity will put a stop to the barter trade, which has been responsible for export proceeds for the whole country not flowing into the National Exchequer. The volume of barter transactions is not known exactly, but it is estimated to have amounted to no less than Rp 1,300 million.



Though looking to the cessation of barter trading as a means of increasing foreign exchange revenue, we should realize that the export trade will not automatically resume smooth functioning. Bartering has reduced direct supply to the traditional export markets of Indonesia; barter goods were generally sent to Singapore, whence they reached the ultimate consumers by devious ways. Indonesian rubber and copra, for instance, have been sold abroad as originating from other sources. In other words, products of Indonesian origin have become less well known in foreign markets and will have to be re-introduced if we are to recapture those markets.

In fact, barter has severely harmed both Indonesia as a whole and the bartering Regions. It all boils down to the fact that Indonesia—and its component Regions—must conduct the sales of their agricultural and mining products in the markets that offer the highest prices, and make their purchases in the markets that offer the most advantageous conditions. In short, Indonesia must sell dear and buy cheap. Barter transactions as conducted by the Regions have been in direct opposition to this principle, since sales of Indonesian products are tied to purchases that are not free, but must be made in bartering centres like Singapore and Hong Kong. In other words, Indonesia has been selling cheap and buying dear. Furthermore, barter trade completely ignores the balance of payments where the services sector is concerned. In a manner far from perfect, barter spends export proceeds on imports and does not provide for the services sector. Barter has doubtlessly been highly lucrative for merchants in Singapore and Hong Kong, while the profits should, by right, have flowed to the business community and the people of Indonesia and its component Regions. Singapore and Hong Kong merchants have managed to buy our commodities at the lowest possible price, while selling us goods at the highest possible price. Apart from the direct losses entailed by bartering, this system has left us with a number of problems, such as, the doubt created about Indonesia's capacity as a regular supplier: doubt about the standard of quality of our export products; doubt about the skill and capacity of Indonesian exporters. The time has therefore come for a reconsideration of our export framework.

In fact, the time has come to subject our economic philosophy to a thorough and exhaustive examination, since Indonesia will enter upon a new era if and when the present political crisis is overcome as anticipated.

Generally speaking, Indonesia's economic development has inadvertently gone the way of individual enterprise and has followed individual lines of thought. The liquidation of the colonial economy has been interpreted as a replacement of Dutch entrepreneurs by their Indonesian counterparts. The fact has been overlooked that the Indonesian people are poor and lack experience. In fact, it is doubtful whether national development can cope with a great many obstacles if it is entrusted to individual enterprise which lacks capital and skill. In actual practice, entrepreneurs in need of capital take the view that the Government is duty bound to provide them with their requirements. This occurred in the past and the oddness of this attitude should be realized, since Government money is public money, which, if utilized, should benefit the whole public and not the individual. Supplying capital to individual entrepreneurs implies that any loss will come to the charge of the public as a whole, while any profit will be to the advantage of the entrepreneur concerned. Such a policy—which, I reiterate, has generally not been pursued intentionally actually leads to the growth of a national capitalist group, which does not come into being through its own efforts and through carrying its own risks, but thanks to Government aid.

I doubt whether our revolution had as an object the creation of a group of individual entrepreneurs living on the money of the people—the creation of a small, though national, group growing prosperous by the sweat of people. I also doubt whether the system of bringing our country to development through individual energy and effort is in keeping with our condition. It has become clear that the individual is weak in Indonesia and he needs the support of the Government, while the Government has to bear the losses and does not share in the advantages reaped. It is obvious that Government support is indispensable in present conditions. This, however, poses the question why, if this is actually the case, the Government itself should not undertake national development. Of course, there are risks. But then, Government support to private enterprises does not eliminate such risks, while any profits will fully come to the benefit of the Government—that is, to the benefit of the public in general and not to the benefit of a small group—if the Government engages in such enterprises for its own account. This will bring the Government implemented work of development closer to the fifth principle of Pantja Sila, the ideology of our State. Furthermore, I think it more in line with the conditions in our State if the work of development is implemented by the Government. The skill our people lack due to century-long colonial domination, can more easily

be acquired by the Government than by individual entrepreneurs since the necessary foreign experts prefer Government guarantees to the guarantees of a private entrepreneur. Thus, the Government is in a better position to overcome the shortages of capital and skills. For this reason I firmly believe that the Government must play the leading role in the work of national development.

Besides, conditions abroad have developed in such a manner that private enterprise in the sense of the 19th century liberal capitalist philosophy has practically disappeared. The economy in socialist countries is obviously in the hands of the Government, while private entrepreneurs in Western countries have associated into large units, such as the European Coal and Steel Community, the gigantic enterprises in the United States, etc. In this connection it should be remembered that as an outcome of the experience gained in the European Coal and Steel Community, six Western European countries have agreed to set up a Common Market. This implies that trade between those six countries (The Netherlands, Belgium, Luxembourg, West Germany, France, and Italy) will be conducted on a free basis, unhampered by import duties and similar obstacles. All this will be accomplished in 11 to 15 years. It is only a matter of great regret that this effort to attain a larger marketing area than the national market has been used to establish a common import tariff against non-member countries. Import duties at a rate of 30% will be imposed on agricultural products such as tobacco—a discrimination strongly to the disadvantage of non-member countries such as Indonesia, if compared with the member countries or with countries having special relations with the common market. Italian or Congo tobacco, for instance, will freely enter the Common Market, while Indonesia will have to pay 30% import duty. This high rate of duty is a striking form of protection, which runs counter to the basic objects of the G.A.T.T. It also counters the trend to increase world trade by removing various obstacles. A common tariff of import duties is a less desirable result of the idea of association which is steadily gaining ground. Indonesia and the other countries that stand to be harmed by this measure must make associated efforts to remove the obstacles created by the European Common Market countries.

This is one more reason why it would seem inexpedient to me if Indonesia, as yet weak, should counter the formidable foreign economic units—in the west as well as in the east—by insignificant units based in individual enterprise still lacking strength due to inadequate capital, skill and experience.

If Indonesia aims at rapid and sound development, it must supersede the small units which so far have been the vehicles of economic development.

I do not mean that all economic activity in Indonesia should be in the hands of the Government. But, it is my strong belief that the Government must play the leading role in national upbuilding, while private enterprise should only be carried on if those small units are run on cooperative lines, or combined into large-scale associations.

As a matter of fact, the economic philosophy just set forth is supported by a principle that has been alive in our society for centuries and forms part of the Indonesian national identity. I refer to the principle of “gotong rojong” (mutual help). Any weakness has always been overcome in Indonesia by combining potentials under the “gotong rojong” principle. Our sovereign national Government has been the most outstanding achievement of the “gotong rojong” system of our people. This very same “gotong rojong” can be applied in such a manner that minuscule units of private enterprise work with greater efficiency, thus counterbalancing the large-scale foreign units. As the training of private entrepreneurs generally takes time, the Government would do well to take the lead in the present state of emergency.

If the above conclusions should be made the basis for the solution of the export problem after the return of the Regions into the Unitary State, I would suggest that export centres be established in each region, in cooperation with the Central Government. Such centres, jointly owned by the Central Government and the Regions concerned, would collect agricultural products for export. Further, the export centres must find export channels abroad. I hold the view that the centres would be in a better position to find such channels than individual exporters. Such centres can also be used for import purposes.

It is my conviction that exports can be increased and imports facilitated if such regional export and import centres are established. This will have the added advantage of enabling the Regions to take an active part in the export and import business.

Next to the highly important export problem, the question of rice supply and transportation requires a solution at short notice. On the average, Indonesia expends

U.S. \$ 75 million annually on rice imports. Increased rice production is an absolute must. If production could be raised by 10%, there would be no need for rice imports. This would also mean strengthening the balance of payments position. Once increased production has been accomplished, the paddy purchase system must be improved so as to protect both the interests of the smallholder and of the consumer. Purchases should be arranged in such a manner that the Government can store supplies against periods of scarcity and also with a view to checking speculative operations.

It is not a matter for argument that a solution must be found for the transport problem. Indonesia being an archipelago, inter-regional communications must be safeguarded in the interest of exports, imports, and industrial and cooperative activities,—in short, in connection with economic activity in several fields.

At present our country is passing through multifarious difficulties and confronted with an alarming economic situation. The political tensions between the Central Government and the Regions must be liquidated. Attempts in that direction are now going forward. Our hopes are pinned to the restoration of national unity in the shortest possible time.

A start can be made with improving economic conditions when the dissensions between the Central Government and the Regions have been settled. Measures of wide scope must be taken in the economic sphere, particularly in the export sector. I believe that Indonesia is capable of weathering the present economic crisis. I base this belief on the wealth of our natural resources, whose products are still in demand on the world market in spite of the recession. We only need to dig them up. For this reason, legislation governing investment of foreign capital, agrarian affairs, mining and oil, must be enacted within a reasonable time.

Finally, I have confidence that our moral strength will be capable of converting by “gotong rojong” our weaknesses as individuals into our strength as a society, if our potential is focussed on the Government, the cooperative movement, or any form of association which can build up Indonesia more rapidly, more effectively and more efficiently than has been done in the past.

## II. INTERNATIONAL ECONOMIC DEVELOPMENTS

### *Introductory*

Much concern was caused late in 1956 by the Suez Canal crisis and by political developments in Poland and Hungary. Fortunately, the countries concerned were not paralyzed economically as this would have caused economic repercussions throughout the world. Owing to the short duration of the political crisis, which lasted through the last quarter of 1956 and first quarter of 1957, losses could be minimized by utilizing monetary reserves or by credits concluded bilaterally or through international agencies. Nevertheless, the damage done was considerable, and even though economic activity was maintained at not too low a level, a recession was feared in the course of 1957. Now that the year 1957 has passed, it would appear that world economy, including the economies of the countries involved in the political crisis of late 1956, have not been affected in such a manner as to show retrogression as compared with conditions prior to the crisis.

Progress might have been greater in the absence of the crisis, but this presumption is purely academic as it would seem that the above events have brought about a revision of the economic organization of, for instance, Hungary and Poland, which seems to have borne good fruit.

Apart from the political events referred to above, the international economy confronted other difficulties inherent in the economic cycle. The achievement of a high level of economic activity including full employment, yielding a steadily increasing national income, but not to be accompanied by a disturbance in the monetary stability, is the aim that every country has set itself. Yet monetary disequilibrium was hardly avoidable seeing that the danger of inflation was rampant in several countries, in the form of both demand pulls and cost pushes. This caused prices to spiral up steadily and every country was concerned that at a certain moment the race between prices and wages would come to a point where economic levels must be lowered. Inflationary pressures became undeniably clear as shown by the deficits on the balance of payments of such countries as France, the United Kingdom and Poland. The Governments of several countries were compelled to take steps to curb inflation. The United Kingdom, the United States and other countries issued regulations aimed at guiding and restricting money supply. The measures taken, partly concerned taxes and the budget, and partly

were related to the monetary field through higher rates of interest of the central banks and/or direct credit restrictions. Balance of payments difficulties came to a head in September when the French franc was devalued. It was generally Deteriorating economic conditions in the underdeveloped countries will inevitably reduce the export volume of the industrialized countries.

The improvement of economic conditions in the underdeveloped countries would seem the obvious course to help stem the recession. It is to be hoped that the industrialized countries, who, so far, have been indifferent to the disastrous effects of strong fluctuations in raw material prices may realize how beneficial the effects of stabilization might be, also to themselves.

The establishment of the European Common Market, officially signed in Rome in March 1957 and afterwards ratified by some of the parliaments of the signatory countries is too young yet to make its influence felt. The European Common Market and the Free Trade Area, which is still under negotiation, will be reviewed at greater length elsewhere in this report.

### *United States of America*

The Gross National Product (G.N.P.) proved to have risen in the United States from \$ 414.7 billion in 1956 to \$ 434.4 billion in 1957. In terms of value, the 1957 G.N.P. showed an increase by \$ 19.7 billion an all-time record. Even if 1957 price increases are taken into account, the 1957 G.N.P. was still on a very high level, namely, \$ 434.4 billion against \$ 430.3 billion in 1956 (computed on the basis of 1957 prices).

The above figures are emphasized to avoid misinterpretation of the phenomena of the United States business cycle. In 1957 the United States was still passing through a period of prosperity. Personal income aggregated \$ 343.4 billion against \$ 326.9 billion in 1956. The net disposable income (after deduction of taxes) totalled \$ 300.6 million and \$ 287.2 billion respectively. Computed on the basis of 1957 prices, disposable income amounted to \$ 300.6 billion for 1957 and \$ 297.0 billion for 1956, or still more money to spend in 1957 than in 1956.

When approached more closely, however, the G.N.P., though still showing improvement in 1957, did not rise by 5% but by only 1% (against 7% in 1955 and 3% in 1956). 4/5 part of this increase appeared to be due to enhancement of prices, so that it would seem to imply that improvement in economic conditions, which started slackening off in 1956, continued this trend in 1957.

A more thorough analysis might even leave the impression that the United States economy was slipping off its high level. While the greater part of the G.N.P. components still showed increases, a decline became noticeable in one item. Gross private domestic investments dropped from \$ 65.9 billion in 1956 to \$ 64.4 billion in 1957. A quarterly breakdown of G.N.P. shows an upward trend from the 2nd half-year 1956 onwards, which only tended to slip back from the 3rd quarter of 1957. This is shown by figures of the G.N.P. below (on annual basis and in billions dollar) :

Gross National Product	
1956	
3rd quarter	416.7
4th quarter	426.0
1957	
1st quarter	429.9
2nd quarter	435.5
3rd quarter	440.0
4th quarter	432.6
1958	
1st quarter	424.0 (estimate)

Further examination shows that, actually, all the components of G.N.P. showed setbacks since the 3rd quarter of 1957. Only the expenditure of the State governments continued to rise.

The trend of the above figures shows that economic conditions started to level down since the 3rd quarter of 1957. The greatest setback was suffered by the sector Private investments, which decreased by \$ 5.2 billion from the 3rd till the 4th quarter 1957 to drop further by \$ 7.8 billion in the 1st quarter 1958. This was due in the first place to movements in the inventories of enterprises which dropped by \$ 2.7 billion in the 4th quarter 1957 by \$ 7.5 billion in the 1st quarter 1958—a movement which ac-



TABLE 2 — AMERICAN GROSS NATIONAL PRODUCT  
(U.S. \$ billion)

	1956		1 9 5 7			
	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr
Consumption	268.6	272.3	276.7	278.9	283.6	282.4
Private Investment	65.5	68.5	63.6	66.2	66.5	61.3
Foreign countries	2.0	2.4	4.1	3.5	3.2	2.0
Central Government	47.3	49.0	50.3	51.1	50.6	49.7
Local Government	33.3	33.9	35.3	35.8	36.1	37.3

Sources : Survey of Current Business  
Federal Reserve Bulletin

counted for more than half of the setback to the amount of \$ 7.8 billion. In the second place, this was due to the decline in capital investments for the manufacture of producers' durable equipment from \$ 30.0 billion in the 4th quarter 1957 to \$ 27.3 billion in the 1st quarter 1958—a drop by \$ 2.7 billion. Noteworthy in this connection is the index number for industrial production ( 1947-1949 = 100), which, standing at 143 in 1956 and well into 1957, dipped from September 1957 and continued to drop till March 1958: August 145; September 144; October 142; November 139; December 135; January 133; February 130; March 128.

A slowdown of such dimensions obviously had an impact on employment figures. The number of unemployed rose from 3.3 million in December 1957 to 5.2 million in March 1958, representing about 7% of the total of employed persons (December 1957: 5%).

Such high unemployment figures should normally have shown a repercussion in Personal Income. However, this was not the case: aggregate personal income only decreased from \$ 343.6 billion in December 1957 to \$ 341.1 billion in March 1958, thanks to social welfare provisions and a rise in agricultural production. As it turned out personal income was spent not so much on durable goods, but rather on non- durables and services. The figures for purchases of durable goods dropped (4th quarter 1957: \$ 34.4 billion—1st quarter 1958: \$ 31.5 billion), while those for non-durables rose (4th quarter 1957: \$ 140.8 billion—1st quarter 1958: \$ 141.5 billion). The figures for services also showed a rise from \$ 107.2 billion in the 4th quarter of 1957 to \$ 108.0 billion in the 1st quarter 1958.

The shift in the outlay of personal income as shown above did not promote capital investment in the industrial field, which besides, did not obtain the regular orders for maintaining inventories. On the contrary, inventories were much reduced as to be adjusted to reduced selling.

Foreign trade, though still showing a surplus (4th quarter 1957 \$ 3.2 billion; 1st quarter 1958—\$ 1.5 billion) nevertheless declined due to a recession in Western Europe and in underdeveloped countries.

With a view to balancing the budget the Federal Government reduced defense expenditure (2nd quarter 1957—\$ 46.3 billion; 4th quarter 1957 — \$ 45.0 billion 1st quarter 1958 — \$ 45.0 billion) and did not contribute to preservation of buying power. The Governments of the States, however, increased purchases so that eventually the Federal Government had to increase the money supply from \$ 86.4 billion in 1957 to \$ 88 billion in the 1st quarter of 1958.

After examining all the factors that may be set as a standard, there is no gainsaying the fact that the United States business cycle has entered upon the 3rd recession since World War II (1948/1949, 1953/1954, and 1958/ ).

As in Western Europe, the boom could not be freed from inflation which seemed to endanger economic development. All through 1956 and during the greater part of 1957 inflation was considered a danger that had to be warded off. The Government endeavoured to use the budget as a means of reducing the volume of money in circulation. The 1956/1957 budget, though on a high level, showed a surplus of about \$ 1.6 billion. Obviously the budget policy was essentially aimed at reducing expenditure (such as in the defence sector) and at increasing revenue, including taxes.

In line with the measures taken by the Government, the central bank endeavoured to restrict credit facilities through banks by raising the discount rate and engaging in open market operations. The rate of the Federal Reserve Bank of New York, which stood at 2 3/4% in April 1956, was successively raised to 3% in August 1956 and on August 23, 1957 to 3 1/2%. Thanks to this policy, demand deposits which stood at \$ 111,391 million at the end of 1956, dropped to \$ 105,000 million in September 1957.

Meanwhile the level of prices could not be said to have dropped. The index number for consumer goods (1947/1949 = 100) stood at 120.2 in 1957 against 116.2 in 1956, while the index numbers for January and February 1958 were 122.3 and 122.5 respectively. The index numbers for wholesale prices stood at 114.3 in 1956; 117.6 in 1957; and 119.7 in March 1958. Higher price levels were largely due to increased prices of foodstuffs, agricultural products, house rents, etc.

Labour wages in several industries amounted to \$ 82.39 a week in 1957 against \$ 79.99 in 1956. However in 1958, the level of the same wages dropped to \$ 81.27 in January, \$ 80.64 in February, and \$ 80.65 in March 1958.

As the result of an analysis of the figures reflecting economic conditions in the United States, the following conclusions may be drawn:

- 1) A recession set in the 4th quarter of 1957 which had not come to a standstill on the date of closing this Report.
- 2) The component Inventories suffered the greatest setback — inventory purchases in 1955 and 1956 were roughly \$ 4.5 billion, for 1957 they stood at \$ 0.8 billion with a continuing downward trend. Here an inventory recession might well be spoken of.
- 3) Prior to the recession, the Government and the Central Bank successfully levelled off the business cycle by checking money supply, but this failed to check price increases.

A recession in the United States, the foremost economic unit of the world, always give rise to serious concern in other countries too. The repercussions of a recession in the United States are manifold and farreaching both in the United States itself and outside. The slump which hit the New York Stock Exchange in the thirties and which brought distress to millions all over the world, is vividly recalled by many. Beyond the United States borders, develop meets are watched with keen interest both by the producers of primary raw materials, for which the United States is the largest market, and by the industrialized countries of Western Europe, who need United States dollars to finance their necessary imports and to build their dollar reserves. As it happens, this recession in the United States coincides with a decline of the business cycle in Western Europe and a situation in the underdeveloped countries which might be classified as a

depression rather than a mere recession It can only be hoped that the recession will soon disappear and genuine recovery will set in — this will save both the chief market for raw materials and the trade of Western Europe.

It is obvious that the United States Government does not remain idle in view of the above-sketched developments. It has shown its readiness to revise its budgetary policy. Actually the United States will have to face increased defence expenditure in face of the striking progress made by the Soviet Union, as witness the launching of the Sputniks. Those progresses were made possible as the Soviet Union was able to extend and improve their methods of education. The necessity of greater expenditures on technical education and technological and nuclear research is now regarded seriously in the United States. This has led to the abandonment of the budget policy with a surplus so that a small deficit is expected for the 1958 fiscal year, as can be seen in the following figures (in billions U.S. dollar):

	<i>Net Revenue</i>	<i>Net Expenditure</i>	<i>Balance</i>
1957	71.0	69.4	+ 1.6
1958	72.4	72.8	- 0.4

The Central Bank also promptly revised its tight money policy, and credits have become casier. The Federal Reserve System lowered its rate of interest from 3 1/2 % in August 1957 to 3% on November 15, 1957 and to 2 3/4% on January 24, 1958. The open market operations of the Federal reserve System now aim at providing the banks with funds to facilitate credits to business.

Developments in 1958 will show the efficacy of the measures of the United States Government, both in the sphere of Government-planned capital investments and in the sphere not directly aimed at capital investment. The policy of the United States Central Bank is aimed at easier capital to enable business to implement its projects as planned. United States business seems to have adjusted itself to prevailing conditions by reducing the construction of new plants and equipment from an aggregate of \$ 37 billion in 1957 to \$ 32.07 billion in 1958, the latter amount being considered sufficient in view of substantial investments made previously.

Agriculture seems to be a sector that has remained untouched by the recession. As mentioned above, foodstuffs remained in brisk demand while prices maintained their

upward trend. The index number for wholesale prices of agricultural commodities which stood at 90.9 in 1957 (1947/1949 = 100), rose in 1958 to 93.7 and to 96.1 in January and February 1958, and to 100.5 in March.

Thus, there are a number of indications that, although economic conditions in the United States are in decline, a levelling up might occur in the not too far distant future. In fact, the Government is amply provided With powers and means to boost economic conditions, which so far have not been employed. Reduction of taxes, and construction of highways, schools, hospitals and other building projects could be carried out if it should become necessary to improve buying power. Exports could be stepped up by ions term credits, particularly to the underdeveloped countries where conditions are very dull. Vigilance on the part of the United States Government, together with quick and positive measures may shorten the life-span of the recession and prevent it from developing into a depression.

### *Western Europe*

The impact of the Suez Canal crisis on economic development in Western Europe was still hard to assess in the beginning of 1957. The bulk of Western European imports and exports which usually travelled by way of the Suez Canal, had to make the more expensive detour round the Cape. The Middle East was no longer capable of supplying oil, which had to be imported from the United States. The comparative import figures over the final 6 months of 1956 and the first six months of 1957 demonstrate how costly the crisis had been in the case of France and the United Kingdom:

	Imports in millions U.S. dollar	
	<i>France</i>	<i>United Kingdom</i>
1956,2nd half-year	2,874.3	5,355.5
1957,1st half-year	3,409.8	5,876.6

In the end the impact of the Suez Canal issue on economic development was not so great as might have been anticipated, since actual hostilities only lasted for a short while, and repairs on the Canal were complete more rapidly than expected.

Production and the business cycle increased again. The G.N.P. rose from US in 1956 to 120, representing an increase by 3.4% (1953 = 100). Yet it was interesting to

note that the G.N.P. increase tended to grow less as compared with foregoing rises. While improvements by 5% and 5.7 % were recorded for 1953/54 and 1954/55 respectively, the increase for 1955/56 amounted to 3.6% and now 3.4%.

Actually economic activity had been slowing down in Western Europe since the beginning of 1956. Gradually it was becoming apparent that the idea of keeping the business cycle on a high, or even on an increasingly higher level, without inflation, could not be carried through in 1956. As noted in the 1956/57 Annual Report, Western European countries were compelled to take strict measures to ease the tension between the circulation of goods and of money. The threat of inflation was palpable during the greater part of 1957. While formerly the business cycle required a boost by way of stimulating demand and buying power, opposite measures became necessary after 1956 with the price index persistently rising both as regards Consumption goods and Investments, as the following figures show:

	Consumption Goods Price Index (1953 = 100)			Investment Price Index (1953 = 100)		
	1954	1955	1956	1954	1955	1956
Belgium	100	102	103	100	100	103
Denmark	102	107	112	101	103	106
Finland	99	100	110	101	104	110
France	102	103	107	100	102	105
Western Germany	100	101	104	99	103	107
Greece	111	116	123	114	120	128
Netherlands	103	104	106	99	103	110
Sweden	101	103	109	98	102	107
United Kingdom	102	106	110	100	105	110

Such price increases threatened economic activity and might, if further persisting, eventually bring economic machinery to a standstill. The balance of payments was one of the first victims of the inflation. Internal high price levels hampered exports. Competition was too keen and manufacturers became more inclined to sell in their own countries. On the other hand, higher prices at home were a strong incentive to import. These conditions and the rush into large-scale imports as a hedge against shortages due to the Suez hostilities, obviously put the balance of payments under very high pressure. Many Western European countries were faced with a deficit, causing their monetary reserves to shrink.

The following figures, compiled by the Economic Commission for Europe, clearly show how slight the monetary reserves of several countries were becoming for import needs.

	Foreign exchange reserves as number of months of imports		
	1954	1955	1956
Belgium	4.9	4.8	4.3
Denmark	1.4	1.3	1.2
Finland	3.7	3.4	2.4
France	3.8	5.3	2.9
Western Germany	7.0	6.4	7.8
Greece	7.2	6.6	5.4
Netherlands	5.4	4.8	3.5
Sweden	3.2	2.9	2.5
Switzerland	17.2	15.0	13.0
United Kingdom	3.5	2.4	2.4
Jugoslavia	0.8	0.8	1.1

The countries concerned had to face the facts and take steps to conserve their monetary reserves and improve their balances of payments. They were fully aware that by doing so they were actually slowing down economic development which, in the long run, would have to be stepped up to absorb the pressure of population. On short term, however, they faced the still worse alternative that if the business boom were not checked, a slump might set in and move downwards at a still greater speed. At any rate, the volume of money in circulation and buying power had to be cut back to conserve the balance of payments. Fiscal and budgetary measures were taken with this end in view. Existing taxes were revised and new taxes introduced and Governments tried, within the scope of possibilities, to reduce state . In the monetary field, central banks raised their rates of interest and often expenditure. In accompanied this by other restrictions. Belgium increased the bank rate from 3%: per June 1956 to 3.5%, per December 1956, and to 4 % per July 1957; France from 3% per June 1956 to 4% in April 1957 and 5% in August 1957; Holland from 3% per June 1956 to 3.25% per August 1956, 3.75% per October 1956, 4.25% per July 1957, and 5% per August 1957. Most striking was the advance of the bank rate in the United Kingdom from 5% per February 1957 to 7% per September 1957.

Thus the cyclical movement in Western Europe was wilfully levelled off to curb inflation as an immediate threat to payment balances. A noteworthy exception is shown by the figures set out in the above table for West Germany, which was not hit by inflation as the other countries, the increase in the volume of money being caused by steadily increasing exports. The trouble with the German balance of payments was not a deficit but a surplus which aggravated the deficit of the other countries. The measures taken by Germany were therefore in diametrical opposition to the credit squeeze applied by the other countries. West Germany stimulated imports and in line with this policy facilitated money circulation by lowering the bank rate from 5.5% per June 1956 to 5% per September 1956, to 4.5% per January 1957, and to 4% per September 1957. This low in the German bank rate was coordinated with the 7% high in the British bank rate so as to put a stop to exchange speculations on the possibility of the £ Sterling being devalued and the German Mark revalued.

And yet, the deliberately levelled off Western European economic cycle could not maintain its level and went into a decline in the second half of 1957. In other words, a recession set in which became more marked after £ Sterling had weathered the crisis in September 1957.

The figures on industrial production supply the evidence:

TABLE 3 — INDUSTRIAL PRODUCTION IN SOME EUROPEAN COUNTRIES  
(Index numbers : 1956 = 100)

	1957			
	1st quarter	2nd quarter	3rd quarter	4th quarter
Austria	104	106	105	105
Belgium/Luxembourg	106	101	95	99
Denmark	109	108	101	95
Finland	132	97	96	93
Italy	111	108	109	103
Netherlands	108	102	101	97
Norway	105	104	104	100
Sweden	105	106	104	101
United Kingdom	100	101	103	102
France	111	108	106	110
West Germany	108	106	104	106
Greece	108	108	111	113
Yugoslavia	122	118	115	110

Sources: O.E.E.C. and E.C.E.



A downward trend demonstrated itself practically all-round, with a few exceptions such as Greece and Yugoslavia, the latter country showing considerable industrial progress (117 on the base of 1956— 100), although here too quarterly figures slipped off.

So Western Europe faced the third recession since World War II the former two slump's dating from 1949 and 1953. During the first postwar recession economic conditions in Western Europe, which was still in the process of rehabilitating its war-torn productive capacity, were affected by the slump in the United States.

This recession in the United States was only of a short duration. In spite of declining exports to the United States and other countries — the latter due to reduced purchasing power on account of decreased exports to the United States —, Western European countries were able to overcome the recession by devaluation of the currency, as was done in the United Kingdom, Belgium and the Netherlands in order to stimulate exports.

The 1953 recession in the United States did not affect Western Europe to a great extent. At that time the Western European economy was in a stage of expansion. Its international trade was hit by the United States recession, it is true, but Western European foreign exchange holdings were adequate to finance imports of the materials required for completion of development projects.

In contrast with 1953, the current recession in the United States found Europe less well prepared to withstand the impact. In 1953, the condition of Western Europe was sound and expanding, and the only problem was whether the economy was sound enough to continue expanding in the face of the depression in the United States. At present, Western Europe itself is passing through a depression. Except for West Germany, monetary reserves are lower than they were in 1953. Moreover, the demand for Western European manufactures also largely depends on surrounding countries and on non-Western European countries such as the underdeveloped countries in Asia, Africa and Latin America. International trade is not only important in itself, but its ups and downs find an immediate repercussion in capital investment in industrial enterprises.

In other words, increased industrial production is largely dependent on improvement in international trade. Research by the Economic Commission for Europe has

shown that increase in G.N.P. depends for 25 % in several countries on increased exports. A recession in the United States has usually as a consequence a decline in exports to that country. The underdeveloped countries, which accounted for 25 % of Western European exports in 1956 (U.S.\$ 9,915 million out of the total of U.S. \$ 37,753), find price movements on the world market for primary products going against them day by day and will have to withdraw as importers if left to their own resources.

Thus, conditions outside Western Europe (apart from Eastern Europe) would seem to preclude the possibility for a revived demand of export goods which would imply that the third postwar recession will be harder to overcome than its two predecessors.

The problems facing the Governments of the various Western - European countries have executed a remarkable about-face. Prior to September 1957, inflation was curbed by such measures as restrictions in the monetary field. When it turned out afterwards that economic conditions were on the level of recession, restrictions were assuaged and the bank rates lowered—the United Kingdom from 7% per September 1957 to 6% per March 1958; Holland from 5% per August 1957 to 4.5% per February 1958. By lowering the cost of capital it is hoped to stimulate business spending on capital goods even though the tension between the cost of living and wages has not yet relaxed (as in the United Kingdom for instance).

Endeavours to combine Western European markets into one large and free common market cannot help out present economic conditions since plans are still in the early stage of implementation. In fact, implementation may even be retarded if exports do not improve and if foreign exchange holding are further reduced. Trade and monetary policies of Western European countries often run crisscross while timing is often at fault. The position in E.P.U., for instance, of West Germany as a creditor and France as a debtor, would seem to call for coordinated measures.

Such coordination is not only required for steps within their own sphere and should not be hard to achieve thanks to the existence of such coordinating bodies as the Organization for European Economic Cooperation and the European Payments Union, but when recession in the U.S. is getting more severe, an agreement of approach about trade between West European countries and the U.S., has to be reached too. Another item for a joint international effort to coordinate measures against recession, which so far has

had no consideration, would be the position of underdeveloped countries. Several Western European countries, such as the United Kingdom have been able to improve their terms of trade by prices of raw materials dropping at a greater rate than prices of manufactured goods. It is obvious that this state of affairs cannot last since Western European exports will drop as the underdeveloped countries lose their buying power. Activating home demand is not enough. International measures are called for to shore up the dwindling buying power of potential foreign markets.

### *Eastern Europe*

The disturbances in Poland and Hungary carried in their wake the destruction of machinery of production, thereby placing a heavy burden on those countries to recoup the damage to their economies in the shortest possible time. Capital being a pre-requisite for reconstruction, credits were granted by the Soviet Union, other East European countries and the Chinese People's Republic, while Poland also succeeded in concluding a credit agreement with the U.S. From October 1956, Hungary received credits totalling 1,577 million Rubles, of which 1,150 from the Soviet Union. Out of this total, 340 million Rubles' worth was in foreign currency (240 million from the Soviet Union and 100 million from the Chinese People's Republic) for use in Western countries. Poland also received loans from various Eastern European countries —2,440 million Rubles in all, of which 1,580 million Rubles from the Soviet Union. These credits were used for purchasing several kinds of consumer goods, such as wheat, and raw materials such as cotton, coal, rubber, while machinery was also imported. Moreover, East Germany availed itself of the loans to participate in the project for expanding coal mining in Poland.

Besides attracting capital from abroad, Poland and Hungary revised their systems of organization of production in agriculture and industry. The increased number of farmers now permitted to work on their own without being bound by cooperative or collectivist ties is one of the features. In fact a great number of agricultural cooperatives were eliminated in Poland. Compulsory sales were assuaged and prices advanced on a supply and demand basis, wherever possible. Where cooperative and collectivist farming still exist, a greater measure of freedom has been given to farmers.

Similar changes were introduced in other East European countries though not on the same scale, pressure not having made itself felt as in Poland and Hungary. In fact,

since Stalin's death, the Soviet Union has re-examined its system and methods of production with a view to greater productivity and more equilibrium.

Centralization has been relaxed and responsibility delegated in a measure to the actual producing bodies and agencies. Endeavors have been made, for instance, to delegate management in agricultural affairs to Regional Economic Councils. The same development is reported for industry and building. The plan to permit collective farms to buy their own tractors and other necessary equipment shows the way the wind is blowing.

The trend toward decentralization has also hit central planning. Planning used to be vertical and all-inclusive. At present, policy seems to be to plan only the main lines centrally and leave it to the lower bodies to work out the details. Greater efficiency and a better check on first costs are envisaged under the new system.

While the above changes have been or are being carried into effect in the field of production, the nature and object of production have also been under reconsideration. Targets have been simplified so as not to overburden capital and raw material demand by the various branches of production. Consumer goods are more to the fore. Heavy industry, so it would seem, is considered to be sufficiently developed and the production drive can be given a different slant. This new evolutionary phase the Soviet Union and the East European countries are passing through is worth watching—only the future can show the outcome.

The economic development of Eastern Europe in 1957 again showed progress in various fields. While planning for 1957 was on a lower scale than for 1956, achievement was on a higher scale than in 1956—except where Hungary was concerned. In the Soviet Union industrial activity showed a 10.6% increase in 1956; the planning for 1957 aimed at an increase of 7.1%, while actual implementation showed an increase by 10% for 1957. The respective percentages for Czechoslovakia were 9 1/2%, 8% and 10%; for East Germany 6%, 6% and 7 1/2%; for Roumania 11%, 4% and 8 1/2%, for Bulgaria 15%, 8% and 15% for Poland 10%, 3 1/2% and 9 1/2%. Due to the disturbances in Hungary, which caused serious damage, the improvement in that country for 1956 was 9%, but that for 1957 was 17% (for planning no figures are available).

Greater attention to the production of consumer goods had for a result that in the Soviet Union and Poland four times more washing machines were produced, while the production of refrigerators was doubled. In Hungary and Poland, twice as many radios and motorcycles were made. Motor car production was up by 25% in each producing country, while house building rose by 30% in the Soviet Union, 50% in Hungary, and 20% in Poland. In the Soviet Union the production of radios declined. Other industries producing consumer goods also showed greater activity, for instance textiles and footwear.

Industrial progress was in the first place made possible by greater imports of raw materials, which possibility was opened by smaller imports of foodstuff thanks to increased agricultural output (for which see below). Moreover the proceeds of the sales of gold by the Soviet Union seem to have been used to finance purchases of raw materials by East European countries on the free market. Thus imports of cotton, rubber and hides rose. Further, imports of iron ore, steel, plates also increased in such countries as East Germany, Czechoslovakia, Poland and Hungary. It is evident that purchases of raw materials, whether within their own sphere or without, largely with credits from the Soviet Union, mean a burden for future years since such loans will have to be repaid.

For industrial activity as a whole it may be said that although the targets for 1957 were improved on, the targets for 1957 were on a lower level than those for 1956 so that, on balance, industrial activity over 1957 was not so great as in the foregoing year.

Production in the agricultural field on the other hand rose substantially and exceeded 1956 figures. Exceptionally favorable weather conditions were the first cause, to which the revision of the organizations as discussed above may have contributed its share. Foodcrops in Eastern Europe (excl. the Soviet Union) totalled 47,148 thousand tons in 1957, against 38,494 thousand tons in 1956 and against the yearly average of 39,038 thousand tons for 1951/55. In the Soviet Union foodcrops were not so abundant, since the reclamation of new lands ran into several difficulties such as short supplies of fertilizers, harvesters and the like. Neither East Germany nor Czechoslovakia achieved anything like the figures of their neighbour countries, due, so it is reported, to labour shortage both in the fields and at the machine and tractor centres.

Beet sugar is a product of primary importance. The 1957 production in the Soviet Union amounted to 38.4 million tons (30.7 million tons in 1956). The other East Euro-

pean countries also showed substantial increases in 1957: Poland 1,059 thousand tons (777 thousand tons in 1956); Czechoslovakia 792 thousand tons (593 thousand tons in 1956); East Germany 767 thousand tons (506 thousand tons in 1956); Hungary 300 thousand tons (216 thousand tons in 1956). The cotton, potato, and flax harvests did not reach the level of 1956 in the Soviet Union.

Overall, production in the agricultural sector showed a significant increase particularly in regard to foodstuffs.

Progress in industrial and agricultural production in Eastern Europe, as well as changes in the organization of production (realized or as yet to be realized) and aiming at greater freedom for the producers (farmers and labour), resulted in advanced personal income in 1957. Wages and pensions moved upwards as did prices paid to farmers. Personal income rose in the Soviet Union and East Germany by 8 to 9% in Czechoslovakia, Poland and Roumania by 12 to 13% while Hungary recorded a high by a 20% rise.

Rising income and the resultant greater buying power automatically brought pressure to bear on the balances of trade and payments, which also had to absorb the impact of the replacements that came as the aftermath of the civil commotions in Poland and Hungary. Practically all the Eastern European countries (with the exception of Bulgaria and East Germany, figures for the Soviet Union are not yet available) show deficits on their balance of payments: Czechoslovakia U.S. \$ 44 million; Hungary U.S. \$ 185 million Poland U.S. \$ 162 million for the period January/September 1957 incl. And this is a remarkable reversal of the position since 1953 when building up surpluses on the balance of payments was a first consideration with a view, to the repayment of credits, while in 1957 new credit arrangements were entered into.

Meanwhile the share of Eastern Europe in world trade rose from about 61,4% in 1950 to 73,4% in 1956 (figures for 1957 are not yet available), while trade relations with Western countries also became closer, as the following figures show.

Exports from Eastern Europe (excl. Soviet Union) within their own sphere amounted to 77% in 1953, and dropped to 75%, 70% and 68% in 1954, 1955 and 1956. Imports amounted to 77%, 74%, 69% and 69% in 1953, 1954, 1955 and 1956 resp. Exports from the Soviet Union to Eastern Europe also dropped from 79% in 1955 to 74% in 1956, while imports slipped from 78 % in 1955 to 75% in 1956.

Economic conditions as prevailing in 1957 contain a threat to monetary equilibrium. This was partly checked by price controls and partly by additional saving, as per the following figures (in national currencies and in billions).

	<i>1956</i>	<i>1957</i>
Soviet Union	63.7	80.5
East Germany	6.06	9.0
Czechoslovakia	5.32	8.29
Hungary	1.5	0.58
Poland	2.23	5.1
Bulgaria	2.68	3.3

As known, the volume of money in circulation in East Germany was reduced per the end of 1957 from 5.6 billion to 3.5 billion marks.

Summarizing economic development in Eastern Europe, it would seem that the countries in this sphere managed to overcome the economic consequences of the commotions in Hungary and Poland, while making progress in various sectors. A number of difficulties came to the fore, such as the deficit on the balance of payments, the inability to maintain monetary equilibrium, the hampering effect of deficiencies in transportation, and short supplies of oil and electric power. Despite improvement in the production of consumer goods, supplies could not yet achieve the regular level of other countries.

On the other hand, Eastern European countries have not yet fully realized their productive capacities, which leaves scope for further progress. This is what the Soviet Union aims at when it envisages for 1975, the level of production of the U.S. in 1956, or wishes to overtake the U.S. in the production of coal, oil, electric power, steel, footwear, wool, and cement.

## *Asia*

### *General*

Though still showing improvement, industrial production in Asian countries registered a slower rate of progress in 1957 as compared with 1956. Overall industrial and mining production in Asian countries was 11.4% higher in the first 9 months of 1957 than during the corresponding period of 1956. The rate of progress in Japan, India and

the Chinese People's Republic — the most advanced industrial countries in Asia—appeared to have fallen off due to less new capital being invested. Japan and India encountered difficulties in their balances of payments and had to retrench their monetary and investment policies to check the deficits. In India, the difficulties were aggravated by catastrophes in nature necessitating substantial imports of foodstuffs on top of increased imports of capital goods under the Second 5-year Plan. The rate of industrial progress slackened in Pakistan, South Korea and the Philippines, while industrial development was seriously hampered in Indonesia, Burma and Ceylon due to a weakening foreign exchange position.

Food production rose by about 4% in 1957 as compared with the foregoing year, but still the majority of Asian countries had to import foodstuffs in increasing quantities. Rice production did not decline, except in Thailand, Burma and India were weather conditions—either severe droughts or floods—affected crops adversely.

Foreign exchange holdings dropped materially in practically all Asian countries, particularly so in Japan (U.S. \$ 680 million or 30%) and in India (U.S. \$ 480 million or 36%). Japan managed to check a further decline by import and credit restrictions, which were made more stringent in the middle of 1957. India borrowed U.S. \$ 200 million from the International Monetary Fund to improve its foreign exchange position, but in spite of this loan, the downward trend continued. In the case of Japan, heavy imports of capital and auxiliary goods for the benefit of Japan's rapidly developing industry,

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

	1954	1955	1956	1957			
				1st quarter	2nd quarter	3rd quarter	4th quarter
Indonesia	248	307	254	218	193	241	224
Burma	124	92	121	102	106	103	93
Ceylon	169	204	221	210	186	194	183
India	1,782	1,791	1,360	1,354	1,199	988	872
Japan	1,022	1,339	1,507	1,238	993	951	1,019
Pakistan	328	370	373	379	332	289	291
Philippines	277	155	161	146	119	119	71
Thailand	273	298	311	324	322	326	329

Source : International Financial Statistics



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

	1938			1954			1955			1956			1957		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Indonesia	381	275	+ 106	867	629	+ 238	946	631	+ 315	882	856	+ 26	911	797	+ 114
Burma	181	79	+ 102	251	204	+ 47	227	181	+ 46	246	198	+ 48	215	297	— 82
Ceylon	104	86	+ 18	380	293	+ 87	407	307	+ 100	364	342	+ 22	353	379	— 26
Hongkong	185	188	— 3	424	601	— 177	444	651	— 207	563	799	— 236	529	901	— 372
India	—	—	—	1,182	1,297	— 115	1,276	1,413	— 137	1,269	1,711	— 442	1,383	2,023	— 640
Japan	767	759	+ 8	1,629	2,399	— 770	2,011	2,471	— 460	2,501	3,230	— 729	2,858	4,283	— 1,425
Malaya and Singa- pore	327	315	+ 12	1,014	1,026	— 12	1,358	1,249	+ 109	1,361	1,357	+ 4	1,363	1,431	— 68
Pakistan	—	—	—	359	334	+ 25	401	290	+ 111	340	417	— 77	337	440	— 103
Philippines	117	153	— 36	396	545	— 149	389	641	— 252	437	597	— 160	429	727	— 298
Thailand	89	57	+ 32	283	312	— 29	335	334	+ 1	334	365	— 31	366	405	— 39

Exports : f.o.b. ; imports ; c.i.f.

ource : International Financial Statistics

explain the drain on the country's foreign exchange reserves. In the case of India, the implementation of the Second 5-year Plan strained the country's reserves to the utmost. In the Philippines foreign exchange reserves dwindled and economic conditions generally deteriorated in the course of 1957.

Foreign trade was far from favorable in 1957. With the exception of Indonesia, all Asian countries had unfavorable trade balances, even more so than in 1956. Japan, India, Hongkong and South Korea made the worst showing, though several countries, including Hongkong, managed to offset the import surplus by proceeds from invisibles, whereas the South Korean deficit was covered by United States aid.

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

	1952	1953	1954	1955	1956	1957
a. Total world exports <sup>1)</sup>	73.8	74.8	77.6	84.3	93.5	100.0
b. Asian countries <sup>2)</sup>	5.9	5.3	5.3	5.9	5.9	5.1
c. b in % of a	8.0%	7.1%	6.8%	7.0%	6.3%	5.1%

<sup>1)</sup> Exclusive of China, USSR and some East-European countries

<sup>2)</sup> Burma, Cambodia, Laos, Vietnam, Ceylon, Hongkong, India, Indonesia, Malaya, Singapore, North-Borneo, Philippines, Pakistan, Serawak, Taiwan and Thailand.

Source : International Financial Statistics

Table 6 demonstrates a continuing upward trend of total world exports. Exports of Asian countries, however, slipped as compared with 1956 both in terms of proceeds and proportional share vis-a-vis world exports. Asian exports dropped by U.S. \$ 800 million to U.S. \$ 5,100 million, or from 6.3% to 5.1% of world export. Lower raw material prices throughout 1957 may be listed as the main cause.

Asian countries produced 1,721,400 long tons of rubber in the year under report, or 1% less than in 1956 (1,740,900 long tons). Higher production in Malaya and Ceylon did not offset reduced output in Indonesia and South Viet Nam.

Asian countries exported 1,825,000 long tons of rubber in 1957 against 1,785,000,- long tons in 1956, or 2% more in 1957 than in 1956 though still below the level of 1955. Indonesia, Thailand and Sarawak registered lower export volumes. The tea production of India and Pakistan was estimated to be lower in 1957 than in 1956; production in Indonesia and Ceylon was higher.

Total production of Asian countries, as the preliminary data would seem to indicate, rose slightly in 1957 compared with 1956. Copra production in the Philippines and Indonesia was up, while that of Malaya and Ceylon was down. Sugar production (Indonesia, Taiwan, the Philippines and India) was up slightly (about 5 %), jute production (India, Pakistan) was expected to decline in 1957.

Inflationary pressures proved to have become stronger in Asian countries in 1957. Table 7 shows that the index numbers for the cost of living and for wholesale prices rose steadily—expenditure on foodstuffs tended to dominate in the cost of living. Thanks to foreign aid, however, such as foodstuffs supplied under the S.A.C. Agreement and the exchange of export products for food, the shortage could be reduced and the spiral of food prices could be checked, as in Indonesia, India and Ceylon. Generally speaking, and apart from the demand for consumer goods exceeding supply, the excessive growth of the Government debt to the Central Banks (Indonesia, India, Ceylon, and the Philippines), together with the credit facilities granted to the private sector, underlay inflationary development.

In the majority of Asian countries, the volume of money in circulation at the end of the year under report exceeded that per end 1956, especially so in Indonesia (+ 41.2%). In contrast, Burma and Ceylon succeeded in reducing the volume of money.

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

	Burma	Ceylon	India	Japan	Pakistan	Philippines	Thailand
1952	104	98	97	93	90	103	90
1953	100	100	100	100	100	100	100
1954	95	99	95	106	98	99	99
1955	97	99	90	104	94	98	105
1956	112	99	99	105	98	100	111
1957 1st quarter	114	99	101	106	102	101	115
2nd quarter	121	101	104	108	104	100	117
3rd quarter	131	101	107	109	108	103	122
4th quarter	120	103	107	108	110	105	115

<sup>1)</sup> Average figures

Source : International Financial Statistics

As in the preceding years, several Asian countries continued to receive aid from such organizations as the Colombo Plan, the International Cooperation Administration, the World Bank and the Eximbank. A new organization in this field is the United

States Development Loan Fund, which set aside U.S. \$ 300 million for the 1958 financial year. Besides the Chinese People's Republic, other Asian countries were made recipients of Soviet Union loans India received Rs 1,230 million for its heavy machinery industry, mining engineering works etc. Indonesia ratified a loan for U.S. \$ 100 million for industrial development, while Burma also received a loan from the Soviet Union.

Japan made available Yen 97 million for economic and technical aid to other countries in 1957 (Yen 58.5 million in 1956).

The loans granted by the World Bank to Asian countries in 1957 totalled U.S. \$ 342.1 million, against U.S. \$ 150 million in 1956. India had the largest share (U.S. \$ 161.7 million) . Eximbank extended loans to a total of \$ 248.4 million, of which U.S. \$ 185.3 was granted to Japan, and U.S. \$ 3.3 million to Pakistan.

The following pages give a survey of economic development in various Asian countries in greater detail.

TABLE 8 — 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
1952 December	6.23	0.60	0.90	17.13	1,535.—	3.23	1.20	4.93
1953 December	7.17	0.75	0.83	17.09	1,937.—	3.58	1.22	5.44
1954 December	11.12	0.84	0.96	18.32	2,013.—	3.86	1.23	6.06
1955 December	12.23	1.12	1.07	20.47	2,331.—	4.54	1.33	6.92
1956 March	11.11	1.39	1.05	21.84	2,111.—	4.73	1.38	7.14
June	10.02	1.37	1.06	21.89	2,219.—	4.67	1.42	7.23
September	11.65	1.36	1.06	21.09	2,327.—	4.57	1.49	7.50
December	13.39	1.34	1.13	21.79	2,714.—	4.94	1.50	7.31
1957 March	13.36	1.44	1.11	23.13	2,552.—	5.07	1.57	7.76
June	15.13	1.34	1.05	23.44	2,437.—	5.08	1.57	7.60
September	16.88	1.21	1.05	22.34	2,389.—	5.04	1.55	...
December	18.91	1.12	1.04	22.76	2,824.—	5.25	1.60	...
Percent increase 1957	41.2	— 16.4	— 8.0	4.5	4.1	6.3	6.7	...

Source : International Financial Statistics

## *Pakistan*

In the year under report, the National Economic Board authorized the Planning Board to revise the 5-year plan 1955 —1960. Overall expenditure under the Plan was reduced from Rs 11.6 billion to Rs 10.8 billion, of which Rs 7.5 billion is earmarked for reconstruction projects in the public sector and the balance of Rs 3.3 billion for the private sector. The revised 5- year Development Plan envisages an increase of national income by 15% against the 20% of the original plan. Circumstances made retrenchment of expenditure inevitable. Capital expenditure involved in the original plan proved too great in view of larger outlay of capital by the Government than initially estimated. Administrative difficulties and a shortage of experts further hampered implementation. The Planning Board estimated that expenditure for reconstruction purposes in the final two years would be Rs 2.88 billion only. It is a moot point, however, whether this amount can be made available since, at that time, substantial outlays on imported foodstuffs were not anticipated, while estimated annual imports amount to Rs 280 million. The closing of the Suez Canal seriously affected Pakistan since 70% of the country's imports and 55% of its exports pass through the Canal. Domestic savings were also lower than originally estimated due to advancing prices and the higher cost of living. The cost of living index was higher by 12% at the end of 1957.

Despite the heavy weather the 5-year plan encountered, 1957 showed progress in the economic field. Agricultural production rose by 14%, industrial output by 8%, mining by 5% while national income (Rs 20.785) was higher by 6%, as compared with 1956 (Rs 19.516). Agricultural production, however could not yet catch up with increased consumption and to cover short-supply foreign exchange reserves had to be used for Rs 212 million to finance imports of 243,000 tons of rice and 252,000 tons of wheat. Furthermore Pakistan received 173,000 tons of rice and 335,000 tons of wheat from the U.S. under the Surplus Commodity Aid Program. In fact, U.S. relief has been flowing into Pakistan since 1953 for the flood-stricken areas. Overall aid totalled 1.3 million tons of wheat and about 600,000 tons of rice to the value of U.S. \$ 126.2 million and U.S. \$ 59.4 million respectively, 60% in the form of grants and the balance as loans redeemable in local currency. In addition other kinds of aid, in the shape of agricultural produce to the value of U.S. \$ 38.7, have been forthcoming. Over the past three years Pakistan imported 2 million tons of foodstuffs to the value of Rs 1,100 million, of which Rs 450 million's worth was financed from Pakistan's foreign exchange holdings while the balance came from outside aid.

With a view to reducing the need for imported foodstuffs, a U.N. mission is working in Pakistan on a Multi-Purpose Plan covering the whole of East Pakistan. This plan envisages improved irrigation for 11 million acres of land as well as irrigation for 3.5 million acres of hitherto uncultivated land. The Plan further includes a 800,000 KW electric power station and the outlay of a polder work to reclaim 725,000 acres of low-lying land. The successful completion of this Plan could make East Pakistan the granary for South East Asia. With a view to stimulating agriculture and to improving local marketing conditions, the National Assembly passed an Agricultural Bank Bill, under which Farmers' Banks will give special credit facilities to farmers and farmers' cooperatives.

By the successful implementation of the plans as above, Pakistan hopes to be able to build up its balance of trade which has been in the red for years. Imports amounted to Rs 2,089 million in 1957, against Rs 1,986 million in 1956, while exports stood at Rs 1,604 million in 1957, against Rs 1,620 million in 1956, which leaves a deficit for 1957 of Rs 485 million.

The deficit on the balance of payments was Rs 259 million against Rs 9 million in the foregoing year. Foreign exchange holdings diminished, as foreign exchange expenditure rose and foreign exchange income dropped. A reduced volume of exports at lower world market prices was the main contributing factor to this deteriorating foreign exchange position. The Government made efforts to boost exports by, for instance, extending the number of exportable items under general open licence.

The volume of money in circulation rose by 6.3% in 1957 against an increase of 8% in 1956 (Rs 494 million in 1956 against Rs 525 in 1957). Due to the credit squeeze imposed on the banks this relatively small increase in the volume of money in circulation can only be attributed to Government Net Debt to banks.

In connection with development plans Pakistan received loans totalling U.S. \$ 133.4 million from July 1957 to June 1957 incl. from which 67 projects have been or are being financed. Since 1954, Pakistan further received aid totalling U.S. \$ 171.3 million under a Non-Project Commodity Aid Program to finance highly essential imports. Pakistan also received U.S. \$ 152.9 million and an additional U.S. \$ 10 million from the American International Cooperation Administration for imports of equipment and machinery under a special Machinery and Aid Program. Aid also came from Canada (\$ 29.3 mil-

lion), Australia (A. £ 5.2 million), New Zealand (£ 0.3 million), the Ford Foundation (\$ 4.7 million), and the World Bank (\$ 112.5 million). The World Bank also granted a loan of \$ 4.2 million to the Pakistan Industrial Credit and Investment Corporation — established by private corporations (Pakistan, British, U.S., and Japanese), to promote private industrial undertakings in Pakistan and to start operations in November 1957. This loan is guaranteed by the Pakistan Government and has a 15 year maturity at 5 3/4%. Finally, Pakistan International air Lines signed a loan agreement for U.S. \$ 3.3. million with Eximbank in October last for 2 Constellation aircraft from Lockheed Aircraft Corporation and Curtiss Wright Corporation.

### *India*

With the year under report, India completed the 7th year of its economic reconstruction plan. One year after the inception of the 2nd Five- Year Plan it became apparent that the financial estimates for the projects had been too low. Foreign capital did not flow into the country at the anticipated rate and large-scale imports of capital goods had to be financed from India's own foreign exchange holdings. Furthermore, catastrophes in nature struck the country so that foodstuffs had to be imported. The Foodgrain Enquiry Committee estimated that for the next few years India will have to import foodstuffs at the rate of two to three million tons a year. Even in normal conditions, the requirements for wheat in 1960/1961 would come close to 79 million tons whereas home production only approaches 77 million tons, which would still leave a shortage of 2 million tons a year. To meet the acute food problem, India could buy surplus agricultural commodities from the U.S. in Rs. The balance of trade, due to the above causes, showed a deficit of Rs 3,049 million per the end of 1957, against a deficit of Rs 2,104 per the end of 1956.

The balance of payments, also due to the above causes and the additional burden of higher rates of freight due to the Suez Canal developments and the redemption of the silver loan from the U.S., was also in poor shape. The shipment of 3 million ounces of silver to the U.S. was the first stage of the redemption of a loan obtained during World War II for coining silver money. At the time the Government of India received a loan of 226 ounces of silver under a lend-lease agreement redeemable 5 year after the signing of the peace treaty. When India became independent, it was agreed that 172

million ounces (U.S. \$ 157 million) were to be for India's account. The silver coins struck in 1940 have gradually been withdrawn from circulation over the past ten years to be used for redemption. Depending on shipping facilities, 47 million ounces will be returned in the form of bars and 122 million ounces in coins.

To ease the pressure on the balance of payments and to implement the 2nd Five-Year Plan, India entered into several loan agreements. An I.M.F. Loan for U.S. \$ 200 million was obtained in February, U.S. \$ 127.5 million being drawn immediately, while the balance of U.S. \$ 72.5, intended as a stand-by credit, was utilized on June 12, 1957. On July 12, 1957 a loan agreement with the World Bank was approved for purchasing new and modernizing existing railway equipment in 1957/1958. This loan consists of various currencies: Y 8,640,000,000 (U.S. \$ 24 million); £ 6,825,000 (U.S. \$ 19.1 million); 7,000.000,000 Italian Liras (U.S. \$ 11.2 million); the balance is in various European currencies and U.S. \$, totalling U.S. \$ 35.7 million. The loan totals U.S. \$ 90 million; it has a maturity of 15 years and carries interest at 55/8 % (incl. 1 % commission), while the first redemption is due on July 1, 1961.

India's railway system, whose modernization is financed by the World Bank, takes the fourth place internationally and covers nearly 36,000 route miles. The railways are Government property and are run by a Railway Board under the Ministry of Railways. Under the 2nd Five-Year Plan the capacity of the railways is to be stepped up by 40% for goods and by 15 % for passengers. Expenditure will total Rs 11,250 million (U.S. \$ 2,363 million), including Rs 4,200 million (U. S. \$ 893 million) in foreign currency for purchasing essential equipment abroad. The loan mentioned above is the second World Bank Loan for railway development; the first, signed in August 1949, was for U.S. \$ 34 million and was used for purchasing 418 locomotives and other equipment.

The World Bank also granted a loan of U.S. \$ 32,5 million to the Tata Iron and Steel Works for extension of enterprises under the 2nd Five-Year Plan. From the Economic Development Fund India is to receive a loan of U.S. \$ 300 million to finance industrial projects. Eximbank is to take charge of this loan.

With the Soviet Union a credit agreement was signed in November 1957, covering an amount of Rs 620 million (£ 46 million) at an annual rate of interest of 2.5% and redeemable in 12 equal installments, the first redemption being due one year from the



date of delivery of the machinery and equipment concerned. Out of this loan, Rs 265 million will be for heavy industry equipment and a coal mine engineering works at Korba; Rs 160 million for a 250,000 kw power plant; Rs 8.5 a glass project. These projects form part of the 2nd Five-Year Development Plan.

In spite of the several loans to ease the pressure on the balance of payments and to implement the 2nd Five-Year Plan, the official gold and foreign exchange reserves, £ 311.8 million at the end of 1956, fell to £ 175.1 at the end of 1957. This drop by 56% also implies that the prescribed statutory minimum cover of £ 310 million has been left far behind, and that this could happen while both foreign and domestic resources were strained to the utmost. At home all kinds of taxes were raised, nonessential expenditure retrenched, and individual foreign travel reduced. Import restrictions were rigidly maintained; import prohibitions were even extended in September and allocations to importers reduced. Permits for imports of essential and capital goods continued to be granted to maintain the level of industrial production. The 2nd Five-Year Plan was revised and projects classified by priority. Projects aiming at increased production of iron and steel and at improved communications (railways, ports) were given high priority as well as projects underway and nearing completion. Obviously the implementation of the 2nd Five-Year Plan contributed largely to the dwindling gold and foreign exchange reserves.

On April 1, 1957, India adopted the decimal system and the Rupee was divided into 100 units called “naya paisa”—the old currency (annas & pies) remain in use for a transitional period of 3 years.

The cost of living in 1957 rose by 6%, as did the wholesale price index. The Government aims at curbing further price advances by stepping up the production of consumer goods and of other commodities.

### *Ceylon*

The foreign trade of Ceylon showed a less favorable development over 1957. The decline in exports, which set in 1956, persisted in 1957, while imports rose. Ceylon's exports amounted to U.S. \$ 353 million in 1957—a setback by U.S. \$ 11 million (3%) when compared with 1956. Payments for imports, in contrast, increased from U.S. \$ 342 million to U.S. \$ 379 million (+ 11%). The continuous drop of world market prices for

raw materials throughout 1957—among others of tea and rubber which are Ceylon's chief exports—was the main cause of deterioration. Moreover, import expenditure rose because of greater imports of capital goods, and 1957 saw a balance of trade deficit of U.S. \$ 26 million, in contrast with surpluses of U.S. \$ 22 million in 1956 and U.S. \$ 100 million in 1955. Severe drought in the dry season affected copra production in 1957, and, even though world market quotations for copra were at a higher level in 1957 than in the previous year, export proceeds of copra and other coconut products fell substantially, namely, from U.S. \$ 44.7 million to U.S. \$ 31.8 million. Fortunately, tea and rubber production were not affected by the unfavorable weather conditions. The export volume of these two estate products increased—tea exports rose from 157,600 tons to 166,700 tons, rubber from 85,200 tons to 93,800 tons, thus mitigating the effect of receding prices on the balance of trade. The setback in foreign trade was also reflected in the development of the terms of trade — the index, standing at 140 in 1956, dropped to 120 in 1957.

Ceylon's foreign exchange holdings and gold reserves were U.S. \$ 183 million at the end of 1957, or U.S. \$ 38 million less than at the end of 1956.

As regards the volume of money in circulation, money supply fell by about 8% per the end of 1957, amounting to Rs 1,040 million, compared with the position per the end of 1956 (Rs 1,127 million).

The cost of living edged upward throughout 1957 and was, on an average, 2.6% higher than in 1956. Weather conditions—severe drought in the dry, and floods in the wet season—were the principal reasons for advancing prices of foodstuffs.

Public finance showed a deficit of Rs 196 million, caused by increased outlay on food subsidies, and expenditure in the fields of public health, education and social welfare. The budgetary deficit in 1958 is expected to be still higher as the result of unavoidable expenditure in connection with the great floods of December 1957. Furthermore, rice will have to be imported to meet the shortage of foodstuffs, aggravated by the destruction of rice plantings by the floods.

In October 1957, Ceylon renewed its barter agreement with the Chinese People's Republic. Under this new trade agreement, effective as from January 1, 1958—30,000

tons of rubber are to be bartered against 200,000 tons of rice. Furthermore Ceylon is to receive a loan of Rs 75 million from the Chinese People's Republic to rehabilitate its rubber plantations.

On February 7, 1958, Ceylon and the United States entered upon an agreement under which the United States are to supply technical aid for six projects to the total value of U.S. \$ 819,000, within the framework of the Economic and Technical Cooperation Program. These projects comprise hydro-electrical research and training, malaria control, artesian wells, expansion of agriculture, research and education, and road construction.

On February 8, 1958, Ceylon and Russia concluded a trade and payments agreement for one year and automatically renewable unless either of the parties expresses a wish to the contrary. Under this agreement Ceylon will sell tea, rubber, coconut oil, copra, desiccated coconut, coir and coir products, citronella oil, spices etc, while Russia will supply oil products, iron and steel products' chemicals, fertilizers, cement, sawed timber, cellulose, textiles, various kinds of machinery and tools etc. The agreement stipulates that it is to be implemented in line with the Ceylon Government policy to "Ceylonize" its foreign trade. The payments agreement provides for a swing credit of £ 300,000, and, if the swing is exceeded, the amount in excess of £ 300,000 has to be paid within one month.

### *Burma*

It was a disappointing economic year for Burma. The latest estimates assess the 1957/1958 rice crop at a total of 5,148,300 tons - a drop of about 20% compared with the overall 1956/1957 crop (6,362,000 tons). This decline must primarily be attributed to the severe drought, rice pests being an aggravating factor. Rice exports over the first 10 months of 1957 were higher than in the corresponding period of the preceding year—i.e. 1,589,000 tons against 1,575,000 tons—owing to the carry-over from 1956. A substantial drop, however, is anticipated for 1958.

As to other exports, it is notable that teak exports over the first nine months of 1957 added up to about 60,000 tons, against 55,000 tons over that same period in 1956. Nevertheless, this higher figure still lags far behind the prewar level, when the annual export volume averaged 200,000 tons.

Burma's balance of payments showed less favourable development over the year under report. Gold and foreign exchange reserves steadily fell, amounting to U.S. \$ 93 million per the end of 1957—a deterioration by 23% compared with the position at the end of 1956 (U.S. \$ 121 million). The decline of foreign exchange reserves may mainly be attributed to rising payments for imports, both in the private and in the public sector. In addition, the world market price of rice declined steadily in the course of 1957, from £ 37.2 per ton at the end of January to £ 33 per ton per ult. September 1957.

The volume of money in circulation gradually decreased. At the end of December it amounted to 1,116 million kyats, or 17% less than at the end of the foregoing year.

The cost of living index rose during the first 7 months of 1957 principally as the result of the rising prices for foodstuffs. After showing a downward trend in the period from August to October, the index increased again in the last two months of 1957.

The 1957/1958 fixed budget estimates, which the Minister of Finance submitted to Parliament at the end of August 1957, showed a deficit of 6.4 million kyats. National revenue is estimated at 410.6 million kyats, while expenditure will require 417 million kyats. First priority is given to outlay calculated to reinforce the armed forces and the police force, enabling them to cope more effectively with security disturbances which seriously hamper economic reconstruction. This, together with the foreign exchange problem, has made the Government convert the 8-year development plan (started in 1952 and estimated to require an overall outlay of 1 to 1 1/2 billion dollars) into a 4-year plan. The new development plan stresses increased agricultural and estate production, namely, of rice, rubber, groundnuts, wheat, tea, cocoa and forest products. Further, a start has been made under this 4-year plan with the implementation of several industrial projects, the principal items being: a fertilizer, a rubber type, a paint and an alcohol plant, each capable of producing 50,000 tons superphosphate, 2,400 tons tyres, 40,000 gallons paint and varnish, and 1 million gallons alcohol.

A loan agreement was signed between Burma and the United States in March 1957, under which Burma was to receive \$ 25 million from Eximbank. This amount will be utilized for expanding the agricultural area in the Irawaddy Delta by 1,236,000 acres, from which an increased rice output by 600,000 tons is anticipated, in addition to higher production of groundnuts, gunny fibres, sugar cane, etc. Furthermore, Burma is receiv-

ing United States aid in the form of foodstuffs under the “Surplus Agricultural Commodities” agreement running to a total of U.S. \$ 17.3 million. It is worthy of note that the above two agreements are long-term loans, having a currency of 40 years each. With a special view to the expansion and modernization of industry, transport and mining, the Burmese Government has brought into being the Union Development Bank, the funds for the implementation of this project to be obtained from Government as well as from private sources.

### *Thailand*

Thailand's rice exports reached a high record in 1957, namely, 1.6 million tons at a value of U.S. \$ 175.8 million (1956 — 1.2 million tons and U.S. \$ 139.1 million). The favourable export proceeds from rice counterbalanced the setback in the sectors of industry, trade and agriculture. The 1957/1958 rice crop is estimated at 7.5 to 8 million tons or lower than the 1956/1957 crop at 8.3 million tons, though still above the average annual level. This drop is ascribed to poor rainfall during the planting season.

Exports of rubber, the second largest export commodity, dropped from U.S. \$ 73.9 million to U.S. \$ 68.2 million due to the weaker demand and lower prices on the world market.

Although overall export proceeds for 1957 were higher than for 1956, import expenditure rose at a higher rate so that the deficit on the balance of trade (1956 U.S. \$ 30.8 million) is anticipated to increase in 1957. In the first 11 months of 1957 export proceeds were U.S. \$ 293 million, while import expenditure amounted to U.S. \$ 335.6 million.

Gold and foreign exchange holdings of the Bank of Thailand were stable in 1957 and amounted to U.S. \$ 329 million at the end of December. This means an increase of 9% as compared with the position per the end of 1956 (U.S. \$ 311 million) .

The cost of living index edged up during the first 8 months of 1957, the rise being most marked in July and August. A reaction set in afterwards and prices edged down during the rest of the year. On an average, the cost of living index was 6% higher than in 1956. The index number for wholesale prices, in contrast, was steadier and practically on the same level as the average for 1956.

The short supply of electrical power hampered industrial development in Thailand. A big project is now being put in hand at Yanhee to improve conditions in this respect. The Government signed a loan agreement (U.S. \$ 66 million) with the World Bank in August 1957 to be used for the first stage implementation of the Yanhee multi-purpose project. This first stage, which is expected to be completed in 1960, covers the generation of 140,000 kw for Bangkok and environs, and the irrigation of 2 million acres which is estimated to increase agricultural output by U.S. \$ 15 million.

Another project, still in the stage of research, is the Mekong river project -research will occupy 5 years at a cost of U.S. \$ 9.2 million. This project aims at generating electric power, expanding irrigation, and improving communications by way of the Mekong. This project will not only benefit Thailand, but also the neighbouring countries like Viet Nam, Laos and Cambodia.

#### *Viet Nam, Cambodia and Laos*

The economic reconstruction of South Viet Nam made no apparent headway in the past three years. The biggest problem this State has had to cope with since its establishment has been the rehabilitation of 700,000 displaced persons in agriculture. This problem was successfully tackled by the Ngo Dinh Diem Government, under whose land-reform policy landowners with more than 100 hectares had to sell the excess at the prevailing price. On April 1, 1957, the Government established a National Agricultural Credit Institute for granting low-interest loans to farmers and cooperatives engaged on primary production and to village craftsmen. The annual rate of interest was 1% to 5% for short-term credits, and 5% to 8% for long-term loans. The restoration of internal security brought about an improvement in agricultural production. The 1957 yield of rice, rubber, tobacco, sugar and coffee exceeded that of 1939. However, production of maize, tea, groundnuts and copra was still below prewar level.

Viet Nam's main export products were rubber and rice. Rubber export proceeds in the period January—September 1957 incl. were 1,100 million piasters, against 976 million piasters in the corresponding period of 1956. For the first time after World War II rice could be exported again. Proceeds from rice exports in the first 9 months of 1957 amounted to P 589 million. Viet Nam's exports in 1957 were greater than in the preceding year (P 2,790 million and P 1,579 million respectively), while imports also rose substantially, that is, from P 7,618 million to P 10,090 million.

The cost of living index, which showed a rising tendency in the first 9 months of 1957, edged down again. The index for wholesale prices, which showed the same tendency in the first 3 quarters of 1957, has apparently levelled out again.

Viet Nam's budget for 1958, as approved by the Viet Nam National Assembly, estimates expenditure at VN\$ 14.37 billion and revenue at VN\$ 8.7 billion, leaving a deficit of VN\$ 5.67 billion. Non-military expenditure is estimated at VN\$ 7.8 billion, or a rise by 2.8% in comparison with 1957.

U.S. aid is expected to aggregate VN\$ 2.68 billion.

The Viet Nam Government has announced a development plan covering the period 1957-1961. This first 5-year plan—almost entirely financed by foreign aid from the U.S., France, and Japan—gives highest priority to the agricultural sector (including plantings of high grade rubber trees). Rehabilitation of Viet Nam industries cannot yet be taken in hand—output has slumped year by year.

In its efforts to raise industrial production, the Government approved several development projects whose implementation will be started in 1958. The principal industrial projects include a paper mill in Dran with an annual capacity of 7,000 tons; a cotton spinning mill (20,000 spindles); a glassworks with an annual production of 15,000 tons; the modernization of the Hiep Hua sugar mill envisaging a yearly production of 20,000 tons; the erection of a new sugar mill in Tay Hoa (10,000 tons); four fish canning plants, and four pharmaceutical plants. An overall expenditure of P 352 million will be involved. The mining industry, namely the coal mines in Nong Son and the phosphate mines on the Paracel Islands, will also be put into production. Rehabilitation of communications and transport is underway and a start has been made with repairs on the main roads, and P 77 million have been earmarked for repairing damaged bridges, railway stations and railway tracks. It is expected that the Trans Viet Nam Railways will be able to start operations again in 1959.

The main object of the economic development plan of North Viet Nam is to rehabilitate industries which have suffered badly from the war that ended only in June 1954. The target is to raise coal production to the 1939 level, that is, 2,300,000 tons. Of

overall Government investments, the industrial sector has taken the major share (38%), while the agricultural, forestry and fisheries sectors accounted for 20%, communications for 23%, and the housing and education sectors for 19%. In 1957, seven irrigation projects were completed capable of irrigating 120,000 acres of rice fields in several provinces. The construction of a large-scale irrigation project in South East Hanoi is underway, capable, when completed, of irrigating an area of 370,000 acres.

The balance of trade of *Cambodia* showed a deficit of 203 million riels from January/November 1957 included. Export proceeds totalled 1,670 riels, while imports required 1,873 million riels. In comparison with 1956—when the unfavourable balance amounted to 722 million riels—some improvement is to be noted. This improvement can largely be attributed to greater rice exports—from 225 million riels over 11 months in 1956 to 638 million riels in 1957. Rubber exports also improved from 446 to 519 million riels. Next to rubber and rice—38% and 31% resp. of total export proceeds—Cambodia also exported other produce such as maize, timber, kapok and soy beans. Rubber production in 1957 amounted to about 30,700 tons, or 4% less than in the preceding year, which was ascribed to unfavourable weather conditions. Cambodia is to receive aid to an amount of Yen 1,500 million from Japan to set up an agricultural research centre.

*Laos'* 5-year plan emphasizes stabilization of foodstuff production with a view of economizing foreign exchange on rice imports. As regards industrial development no significant improvement is noticeable as yet in Laos. The projected plywood and pulp plants are still in an experimental stage, while the number of saw mills has increased. To check speculation in kip (Laos currency), the Government announced in October 1957 the setting up of a Foreign Exchange Stabilization Fund where foreign currencies could be freely bought at prices to be fixed by a Government Committee.

### *Philippines*

The gold and foreign exchange holdings of the Philippines gradually fell off in the course of 1957, reaching an alarmingly low level at the end of the year, namely \$ 71 million as compared with \$ 161 million per the end of 1956. This sharp decline in foreign exchange holdings was caused by increased expenditure on imports (from \$ 597 million in 1956 up to \$ 727 million in 1957, a rise by 22%), while exports dropped from \$ 437 million to \$ 429 million. The deficit on the Philippine balance of trade thus rose



from \$ 160 million to \$ 298 million (+ 170%), the highest deficit so far. The greatermost part of foreign exchange expenditure went on imports of raw materials for industry. In the first 11 months of 1957, raw materials were imported to the value of about P 670 million, or 58.9% of overall imports; capital goods and consumer goods requiring only 19.6% and 21.5% respectively. For the same period of 1956 the percentages were 54.8%, 22% and 23.2% respectively.

To stimulate economic development, the Philippine Government granted tax and credit facilities, subsidies and protection to industrial enterprises, while investments were mostly focused on capital intensive project. The substantial imports of raw materials and capital goods involved, appear to have exceeded the capacity of the country, depleting foreign exchange holdings as illustrated above. Moreover, advanced prices of imports and barter trade (exports below world market price levels and imports of luxury and non-essential goods) were contributing factors. All this, with increasing consumers' demand due to over-investment, accounted for the slump in foreign exchange reserves and for heavier inflationary pressure.

To ward off inflation and further deterioration of economic conditions, a drastic retrenchment policy was introduced by the Government. In August a credit squeeze was imposed on the Banks, while the Central Bank increased the discount rate. From the increase of 1 1/2 to 2% in April 1957, the discount rate was put up to 4 1/2% as from September 1957. Foreign exchange allocations for the first quarter of 1958 were reduced.

The indices for cost of living and wholesale prices were, on average, 2% and 4% higher than in 1956. The volume of money in circulation also was higher by 7% than per ult. 1956 (P 1,599 million against P 1,449 million per the end of December 1956) .

Improved agricultural output is the silver lining to the dark clouds of dwindling foreign exchange holdings and the weakening monetary position. Food crops and yields of the principal export products were on a higher level than in 1956. Output of timber, leaf tobacco and abaca rose by 45%, 34% and 7% respectively, while the production of copra, coffee and cocoa increased by 11 ,% each. However, production of coconut oil and sugar dropped by 13 ,% and 6% respectively.

For the fiscal year 1957, the Government has set aside 506 million pesos for economic development (1956—456 million pesos). Various projects were put in hand—steel, iron ore smelting, rami, highway construction. Progress was made with the extensive hydro-electric projects at Binga (Luzon), Ambuklao and Maria Cristina, while smaller projects in various places, capable of generating a total of 30,300 KW were completed in 1957. Several industrial projects were authorized—reconstruction and modernization of the cement works at Naga and the steel works at Iligan, construction of another fertilizer plant at a cost of 15 million pesos, and several iron ore smelting works at a total cost of 50 million pesos.

### *Taiwan*

The close of 1956 also marked the termination of Taiwan's First 4-year Economic Development Plan. The targets set in the Plan were achieved generally speaking, particularly with regard to industrial development. Industrial production has been climbing year by year, 1957 being 17% higher than 1956. Fertilizers, paper, electrical appliances, for instance were up by more than 20%; textiles, chemicals and metal products by 10 to 20%, and foodstuffs by 10%. Petroleum products did not contribute to the general rise due to reduced imports of crude oil. In 1957 a start was made in the production of light trucks and nitrophosphate.

In May 1957, the Government approved the Second 4-year Plan which emphasizes long-term industrial development. Of the total of 20 billion N.T. dollars earmarked for investment, 8.5 billion is to go to industry, mining and electric power generation; 4 billion to the agricultural, forestry and fisheries sectors; 2.5 billion to expansion of communications, the remaining 5 billion being set aside to finance various smaller projects. Under the Second 4-year Plan a start has been made on two multi-purpose projects, namely the Shihmen and Ta Chia Chi dams, envisaging the irrigation of 54,300 and 51,500 ha of rice fields and an increased rice production of 132,000 tons annually. The hydro-electric power to be generated at the two dams and to be employed for industrial purposes is calculated at 120,000 and 543,000 kw respectively.

Progress in the agricultural sector has not been marked as in industry, a fact which is ascribed to short supply of fertilizers. The construction of the 3 fertilizer plants projects in the First 4-year Plan encountered difficulties, and their completion has now

been included in the Second 4- year Plan. The 3 plants should be capable of stepping up agricultural output to 420,000 tons annually, to which the expansion of the sulphate of ammonia plant at Raoshiung is to add another 108,000 tons annually. Other major projects are coal mines, a steel works with an annual capacity of 200,000 tons, and building materials (cement and timber). Furthermore there is a highway which is to connect the Western and Eastern sections of Taiwan. This project, started in 1956, is financed with U.S. aid.

Taiwan's balance of trade still showed a deficit (US\$ 64 million against US\$ 75.5 million in 1956). Export proceeds increased from US\$ 118.3 million to US\$ 148.3 million, while expenditure on imports rose from US\$ 193.8 million to US\$ 212.3 million, the latter figure including imports financed with U.S. aid (U.S. \$ 80.6 million in 1956 and US\$ 83.5 million in 1957). Sugar exports, Taiwan's chief export commodity, rose by 50% with proceeds to an amount of US\$ 92.7 million against US\$ 62 million in 1956, which is accounted for by better marketing conditions for sugar. Rice and tea exports also showed increases by US\$ 1.3 million (8%) and US\$ 0.9 million (19%) respectively.

Taiwan's gold and foreign exchange holdings gradually rose in the year under report—from US\$ 79 million at the end of 1956 to US\$ 108 million per the end of December 1957. The volume of money in circulation showed a rising trend from N.T. \$ 3,260 million to N.T. \$ 3,940 million. The index numbers for the cost of living and for wholesale prices were both higher by 8 % as compared with 1956.

### *Japan*

Economic developments in Japan gave a rather gloomy picture in 1957. The balance of payments showed a deficit of \$ 533 million in contrast with a surplus of \$ 293 million in 1956. Foreign exchange revenue amounted to \$ 3,642 million and expenditure to \$ 4,175 million (1956: \$ 3,224 and \$ 2,931 million). Increased imports explained the deficit over the 1st half of 1957 to an amount of \$ 399 million. From July, however, imports were down and, in the 4th quarter, foreign exchange revenue was higher than expenditure. The shrinking volume of imports in the 2nd half of 1957 was mainly to be attributed to the increased Bank of Japan official rates in May and a series of other measures to restrict imports, such as, reduced sterling expenditure, increased import guarantee money and retrenchments in the foreign exchange budget. Exports have been

steadily increasing since 1954, which is explained by steadily expanding production, greater competitiveness, well-conducted propaganda campaigns and increasing demand from foreign countries. In comparison, however, with foregoing years, the increase in exports was lower in 1957.

In June 1957, the Japanese Cabinet approved an economic policy aiming at strengthening the deteriorating balance of payments, expressed in 9 points:

- 1) Promotion of exports; there will be no credit restrictions on exports; efforts will be made to step up revenue from services abroad.
- 2) Control of imports.
- 3) Restriction of Government capital investments.
- 4) Postponement of carrying out public works by the Government.
- 5) Cessation of investments in equipment by private industry.
- 6) Advanced rates of interest for long-term loans.
- 7) Stabilization of prices.
- 8) Stimulating savings and reduction of expenditure; promotion of the use of home made goods; higher interest rates for deposits.
- 9) Employment of foreign capital; efforts will be made to put to immediate use the loans received from I.M.F., the World Bank and from the Eximbank.

Thanks to this economic policy, imports were reduced while exports were higher in 1957 than in 1956. The Bank of Japan reduced credit facilities to commercial banks by increasing rates of interest and the commercial banks in turn had to restrict credit facilities to their clients, and, working capital becoming scarce, production went down.

Index numbers of industrial production (base 1955 = 100) for March, June, September and December were 154, 148, 143 and 142. Employment index numbers for regular workers (base average 1951 = 100) dropped from 121.1 at the end of the 1st half year to 119.6 at the end of the 2nd half year 1957. As a consequence of decreasing domestic demand for goods, stocks went up and prices fell down. Index numbers for wholesale prices of all kinds of goods (base average 1952 = 100) were 107 for the 1st quarter, 106 for the 2nd, 104 for the 3rd, and 103 for the 4th quarter 1957. The index numbers of textile prices were 84, 80, 79 and 76 for the corresponding quarters.

The 1957 balance of trade showed the following developments: exports \$ 2,858 million (Yen 1,028 billion); imports \$ 4,283 million (Yen 1,542 billion); import surplus \$ 1,425 million (Yen 514 billion). The corresponding figures for 1956 were: \$ 2,501 million (Yen 900 billion); \$ 3,230 million (Yen 1,163 billion); import surplus \$ 729 million (Yen 263 billion).

In the export list textiles took first place (\$ 1,015 million or 35.6%), while machinery took second place (\$ 625 million or 21.9%). The major share of exports went to the United States (\$ 596 million), Liberia (\$ 283 million— ships), Hongkong (\$ 120 million), India (\$ 113 million). In the import list textile materials came first (\$ 825 million or 19.3%), followed by metal ores and sheet iron (\$ 693 million or 16.2%), fuel (\$ 680 million or 15.9%). imports primarily originated from the United States (\$ 1,617 million), followed by Australia (\$ 362 million), Saudi Arabia (\$ 190 million) and Canada (\$ 167 million).

In June 1957, Eximbank granted loans to the amount of \$ 175 million to finance purchases of United States surplus agricultural commodities. Besides, Japan drew \$ 125 million from I.M.F. on June 27, 1957, an amount equivalent to 50% of Japan's share in this Fund. In 1953 Japan bought sterling to the value of \$ 124 million in yens. In that same year, the yens were repurchased to an amount of \$ 61.6 million, while the balance of \$ 62.4 million was bought back in 1955. From the World Bank, Japan received a loan to the amount of \$ 7 million in August 1957. This loan was mainly used to finance imports of heavy machinery for the construction of a dam, canal and water reservoir in the Aichi district.

In the course of the visit of India's Prime Minister to Japan in October 1957, discussions were held on the promotion of trade relations and economic cooperation between the two countries. The discussions included a proposed agreement for shipment of iron ore from India to Japan on a regular and long-term basis. Further, Japan offered assistance for setting up a Project Consultant Centre for small scale and medium sized industries in India. In February 1958, an agreement was signed between the two countries under which Japan is to give a loan to the amount of Yen 18,000 million (\$ 80 million) within a 3-year period. This loan is redeemable within 10 years, while the rate of interest is to be equal to the usual I.B.R.D. rate. The money loaned is to be utilized for the purchase of Japanese goods, including plant and equipment for railways and ports, ships, industrial machinery, equipment for the construction of dams and for such other purposes as are to be determined later.

Japanese enterprises invested capital abroad to the total amount of \$ 62.4 million from 1951 to the end of 1957. Japan was most interested in capital investments in Latin American countries, especially Brazil. An agreement was reached for establishing a steel works there, Japan to supply the capital and technical experts. Negotiations are also underway for the construction of a shipyard and an automobile plant.

A war reparations agreement was signed with Sweden in September 1957, under which Japan is to pay Yen 505 million as reparations to Swedish nationals in compensation for World War II Losses. A war reparations agreement was also reached with Indonesia in December 1957, under which Japan is to pay \$ 225 million within 12 years. For the first 11 years Japan is to pay \$ 20 million annually, the balance to be paid in the 12th year. Furthermore, Indonesia's trade debt to Japan (\$ 174.5 million) is to be cancelled, while there will be economic cooperation to the value of \$ 400 million for a 20-year period, the implementation of which is to be left to private initiative.

### *Korea*

In its efforts to rehabilitate its war-devastated economy, the South Korea Government achieved favourable results. Industrial and mining production rose though agricultural output was still far below the pre- Korea War level and the country still depended largely on imports of foodstuffs. The pressure of population greatly increased the demand for foodstuffs—in 1957 South Korea had about 22.1 million inhabitants against 21.5 million for the whole country in 1937. The influx of war evacuees from North Korea contributed to the pressure of population in South Korea.

Economic development without foreign aid would be inconceivable for South Korea. Aid granted through the U.N. Korea Reconstruction Agency and by the U.S. since 1953 totalled over U.S. \$ 1 billion. The U.N. aid project is now completed and in the coming years South Korea will practically only receive aid from the U.S. In this connection the I.C.A. approved aid to the amount of U.S. \$ 303.5 million for the 1957 fiscal year, while the same amount is expected for 1958. Out of this total, U.S. \$ 100 million will be used for reconstruction projects: purchases of materials and industrial machinery for the implementation of such projects; development of shipping, communications, agriculture and mining. An amount of U.S. \$ 198 million will be used for imports of essential materials and commodities, such as fertilizers (U.S. \$ 50 million), foodstuffs under the S.A.C. agreement (U.S. \$ 45 million) and petroleum (U.S. \$ 18 million).

The South Korea budget showed a deficit of 165.6 billion hwans, against 90.9 billion hwans in 1956. Though revenue rose from 47.8 billion hwans to 145.2 billion hwans, expenditures rose at a greater rate, namely by 122.3 billion hwans to 310.7 billion hwans. This deficit on public finance was largely covered by U.S. aid.

The foreign trade of South Korea presented a gloomy picture in the year under review. Exports gradually fell off, while imports showed a steadily rising trend. Exports amounted to U.S. \$ 21.5 million in 1957, against U.S. \$ 25.2 million in 1956, while imports rose from U.S. \$ 369.1 million to U.S. \$ 431. 5 million. The fall in exports was primarily brought about by decreased exports of tungsten (from U.S. \$ 9 million to U.S. \$ 3.6 million). The proceeds from other exports went up. The deficit on the balance of trade, going by the above figures, went up from U.S. \$ 343.9 million in 1956 to U.S. \$ 410 million in 1957.

The upward trend in the volume of money in circulation, apparent in foregoing years, persisted in 1957. Amounting to 136.1 billion hwans at the end of 1956, it rose to 158.4 million hwans in 1957, an increase by 17%.

The index number for wholesale prices was continually increasing during the first half-year. An improvement set in afterwards and the index receded in the second half-year. Nevertheless the index for 1957 is still higher by 43% compared with 1956. The index number for the cost of living generally showed a rise also, and the Government did not succeed in controlling inflationary pressures, which assumed alarming proportions. The rate at which prices were rising could be abated by the increased imports under U.S. aid as referred to above.

On January 31, 1958 an agreement was signed with West Germany for the construction of a fertilizer works at Naju with a capacity of 85,000 tons annually and expected to start operations in 1960. The cost of this project is estimated at U.S. \$ 23.5 million and 2.5 billion hwans. This works, together with the one now in construction at Chungju, is to supply 20% of overall fertilizer requirements, computed at 835,000 tons annually. Plans for the construction of a further fertilizer works also with a capacity of 85,000 tons are now under consideration.

Like the majority of Asian countries, North Korea has its Economic Development Plan. The First 5-year Plan, covering the period 1957/1961 was submitted by the State Planning Committee. Industrial production is to be raised by 21.5% annually aim-

ing at a production level in 1961 of 700,000 tons iron, 670,000 tons steel, 630,000 tons fertilizers, 1,750,000 tons cement, 9.5 million tons coal, and 9.7 million kwh electrical power. National income is estimated to increase by 100% of that for 1957. North Korea will cooperate with the Soviet bloc in the implementation of this 5- year plan.

### *Chinese People's Republic*

The close of 1957 marked the reportedly successful completion of the First 5-year Plan of the Chinese People's Republic. All targets set in this economic development plan were realized and in many cases even exceeded. Capital was invested without causing the volume of money in circulation and the amount of credits granted to swell excessively, thanks to strict price control and the controlled distribution of essential consumer goods, as well as appropriate taxation. As a result, price levels were fairly stable and inflationary pressures could be avoided over this 5-year period.

State revenue and expenditure (in millions Yuans) were as follows:

	1956 (realized)	1957 (realized)	1958 (estimated)
<i>Total Revenue</i>	29,754	30,702	33,063
Taxes	14,088	15,439	16,497
State enterprises	13,426	14,221	15,716
Loans	724	673	630
Miscellaneous	505	369	220
Carry-over from previous years	1,011	—	—
<i>Total Expenditure</i>	30,575	30,549	33,063
Economic development	15,915	14,861	17,548
Social & education services	4,596	4,739	4,896
Defence	6,117	5,509	5,000
Public administration	2,660	2,322	2,000
Redemption of loans	722	1,293	1,034
Foreign aid	404		
Repayments to banks and credits granted		1,553	800
Miscellaneous	161	272	283
Reserves			1,091

Source : Far East Trade



On February 1, 1958, the Minister of Finance of the Chinese People's Republic submitted to the National People's Congress his report on the 1957 State Budget together with the estimates for 1958. According to the above figures, a surplus of 153 million Yuans was realized during 1957, though actually revenue and expenditure exceeded estimates by 4.5 % and 3.9% respectively. In comparison with 1956, revenue for 1957 had increased by 948 million Yuans, while expenditure had decreased by 25 million Yuans. Expenditures for economic development become smaller proportionately, namely, 48.6% compared with 52.5%. Expenditure for defence also dropped from 20 % to 18.4% while the allocation for this item was further cut back to about 15% of the estimates.

The rate of economic development in 1958—the first year of the Second 5-year Plan (1958/1962) is expected to be greater than in 1957. Targets for industrial and agricultural production were raised by 14.6% and 6.1 % respectively (the increases reported for 1957 over 1956 were 6.9% and 3.5% respectively). To implement this improvement, it was necessary that estimated total revenue and expenditure be raised by 7.6% and 8.2% for 1958 in comparison with 1957.

Industrial development, particularly in the sector of heavy industries, is the main target. In the Second 5-year Plan, the rate of progress aimed at for the electric power generating industries, the coal and fertilizer industries will be raised, while the steel and oil industries will not aim so high. Medium and small-scale factories would seem to be more in the limelight at the expense of heavy industries, though the latter item will still be receiving a great deal of attention.

Industry seems to have made great strides under the First 5-year Plan. The fertilizer, steel, and oil industries seem to have achieved outstanding results. Figures for industrial output for 1957, compared with 1956, would show that the heavy industries increased output by 5% (cotton) to 24% (oil), while the light industries showed a decline in the case of cotton and weaving yarns and textiles by 11% and 9% respectively, ascribed to unfavourable cotton crops in 1956. The estimate of sugar production for 1957, which initially stood at 1,100,000 tons, was reduced to 870,000 tons later in the year. Actually only 840,000 tons of sugar were produced which is explained by disappointing sugar cane yield.

In the final year of the First 5-year Plan, gross industrial production was computed at 14% higher than in 1956. Production of capital goods rose by 32.4%, while consumer goods and handicraft products only achieved rises by 4 % and 9% respectively. In comparison with the increases reported for 1956 (gross industrial production + 45% over the level of 1955; capital goods + 80.1%; consumer goods + 32.7%; handicrafts + 21.6%), the rate of progress was lower than in the foregoing years.

From 1952 up to the end of September 1957, a railway network of 4,920 kilometers was completed, 80% being main lines, the target set had been 4,084 km. The Second 5-year Plan aims at another 8,000 a 9,000 km in South-West and Central China — rich in natural resources such as oil in Kansu. Besides the railway network, the systems of highways and navigable rivers have also been expanded.

The First 5-year Plan stressed expansion in the industrial and communications sector rather than in agriculture, the latter being allotted only 8% out of total expenditure. Heavy industries were developed at the cost of agriculture. Production of food-stuffs (incl. rice, wheat, potatoes) amounted to 185 million tons in 1957, or only 2.5 million tons more than in the preceding year. In comparison with 1952, however, this increase was 27.2 million tons or 12%.

### *Malaya Federation*

1957 was a historic year for Malaya as on August 31, 1957 the Malaya Federation became the tenth member of the British Commonwealth with a government of its own, thus terminating British domination which commenced in 1874.

For the development of its economy Malaya aims at diversification of its export lines so as not to be entirely dependent on rubber and tin. Hopeful in this respect are copra (with an annual production of about 150,000 tons), palm oil, sisal and pepper. Although export proceeds from rubber and tin were still satisfactory—about 59\$ and 18% of the overall proceeds—plans are to shift the stress from the two major lines to other natural resources as to mitigate adverse effects of being entirely dependent on two export items only.

Under the First 5-year Plan (1956-1960) first priority is given to the replanting of rubber estates, agriculture, mining, industry and ports. M\$ 160 million have been set aside to rejuvenate rubber plantations, while it is worthy of note that since World War II 750,000 acres or 21.5% of the overall acreage in rubber have already been rejuvenated. In the agricultural sector reclamation and irrigation are the major projects; M\$ 40 million is to be laid out on carrying out new projects and the improvement of existing schemes.

As national revenue declines due to lower export proceeds, the Government is faced with the possibility of being unable to carry out the First 5 -year Plan (involving an estimated M\$ 1,381 million) completely, unless expenditure is cut back drastically or the gaps can be bridged by foreign aid.

The 1958 budget estimates show a deficit of M\$ 119.2 million, against M\$ 111 million in 1957. Revenue is estimated at M\$ 783.4 million expenditure M\$ 902.6 million.

The balance of trade of Malaya and Singapore showed a deficit OT US\$ 68 million in 1957, against a surplus of US\$ 4 million in the foregoing year. Imports rose by 6% while export proceeds remained practically unaltered. Proceeds from rubber exports dropped slightly, while proceeds from tin despite lower world market prices, maintained their previous level, thanks to a greater volume of exports.

#### *British Colonies in South East Asia*

Exports from Hongkong experienced a setback in 1957 as compared with 1956. Proceeds dropped by 6% (from HK\$ 3,210 million to HK\$ 3,016 million). Imports, in contrast, rose from HK\$ 4,566 to HK\$ 5,150 thus increasing the deficit on the balance of trade from HK\$ 1,356 million to HK\$ 2,134 million. This rather large deficit, however, was offset by invisibles, such as receipts from insurance, shipping, tourism etc.

The main causes for decreased exports were reduced purchases by Indonesia, Thailand and Japan. Exports to the United Kingdom and the United States showed an improvement. Indonesia, the second largest export destination after the United Kingdom, only imported to a total of HK\$ 312.5 million in 1957 which is HK\$ 188.9 million or 38% less than in the foregoing year. Exports to Thailand and Japan totalled HK\$ 188.2

million and HK\$ 228.3 million respectively, against HK\$ 319.6 million and HK\$ 318 million in 1956. The falling off of Hongkong's position as an entrepot will undoubtedly become more marked as normal trade movements are resumed, as after the restoration of regular trade relations between Indonesia and Japan following the signing of the war reparations agreement and the resumption of direct shipments between the two countries.

Industrial development made rapid progress in Hongkong though hampered by a shortage of level sites for factory building; the demand for suitable sites skyrocketed land prices. Shortage of water and electric power constituted additional difficulties, but ample supplies of manpower more or less counterbalanced these setbacks. The headway made by industry is illustrated by the following figures—number of enterprises in 1957—3,071 (1956—2,874); labour force in 1957—139,700 (1956—133,350). The largest concentration of enterprises is in textile factories—856 plants with 55,570 workers in 1957.

The other British colonies in South-East Asia are Brunai, Serawak and *North Borneo*.

Serawak's economic development plan covering 1957-1960 and approved by the State Council in September 1957, is estimated to involve M\$ 105.4 million in expenditure and M\$ 102.9 million in revenue. The largest portion, M\$ 41.8 million, is allotted to expansion of the system of communication, while M\$ 11 million is earmarked for the agricultural sector. Rice production is to be increased by stepping up the yield per acre.

Replanting rubber trees will be effected under a separate budget, now totalling M\$ 12 million, rubber being Serawak's principal export product. Exports of Serawak rose slightly in 1957, proceeds totalling US\$ 163 million, or US\$ 4 million more than in 1956. Imports were practically on the same level and amounted to US\$ 151 million. Besides rubber, Serawak exports pepper, oil and timber. No new oil wells were sunk in the year under report but prospecting operations are still continuing. Serawak started to export bauxite in 1958, the chief destination being Japan.

North Borneo reported progress in foreign trade in 1957 as compared with 1956. Even though export proceeds from rubber were lower than last year, proceeds from copra, timber and sisal, were higher.

## *Australia and New Zealand*

### *Australia*

The balance of payments of Australia improved in the 1956/1957 financial year (which terminates on the 30th of June), thanks to increased exports, improved terms of trade and import restrictions. The balance of current transactions showed a surplus of £ 80 million against deficits of £ 235 million and £ 259 million in the financial years 1955/1956 and 1954/1955. Moreover, the inflow of capital was at about the same level as in the foregoing years. Export proceeds amounting to £ 980 million - against £ 772 million in 1955/1956 —were the highest since 1950/1951. Wool exports were mainly to be thanked for this improvement, representing 75 % of the overall export increase. Exports of wheat, wheat flour, sugar, iron, steel and means of conveyance were also higher. On the other hand, exports of dairy produce and fruit dropped. The import licensing system forced down imports to £ 717 million, against £ 819 million in 1955/1956. Import restrictions were eased in January, February, and April 1957 successively to prevent the domestic market from running dry; moreover, the foreign exchange position had improved. The above relaxation of import restrictions envisages an import scheme involving £ 775 million for 1957/1958.

The gold and foreign exchange reserves, totalling £ 567 million at the end of the 1956/1957 financial year, had increased by £ 212 million in that year.

In the 1956/1957 financial year Australia obtained two new loans: \$ 50 million from the World Bank and another \$ 27 million for expanding the fleet of Qantas Empire Airways Ltd. Of the latter loan \$ 9 million came from the World Bank and the balance from the New York capital market.

The volume of money in circulation showed a continuous slightly upward trend in the period 1950-1957. From £ 1,254 million in 1950 it rose to £ 1,673 million in 1957. In analogy, prices also showed a slight upward tendency, in particular prices for primary goods.

Wool production increased by about 11% while wheat production dropped, being the lowest since 1946/1947. This drop was ascribed to unfavourable weather conditions, which also affected fruit production. Industrial production generally tended upwards.

Rapid progress was made in the construction sector. The Snowy River Project is well in hand; it involves the construction of several power stations and a giant dam for irrigation purposes.

### *New Zealand*

New Zealand's export proceeds rose by £ 4.2 million, bringing the total for 1957 to £ 328.6 million. Imports increased by £ 41.8 million and stood at £ 298.6 million. The balance of trade showed a deficit of £ 32.2 million in 1957, in contrast with a surplus of £ 8.9 million in 1956. In the period December 1956—December 1957 the assets of New Zealand's foreign exchange banks abroad dropped by £ 31 million to £ 45.5 million, the lowest level since World War II.

The substantial demand for import commodities and the resultant increase in imports was attributed to the increase in the Governments' cash deficit and the utilization of credits from the Reserve Bank. The anticipated import restrictions were as added inducement to importers to lay in large stocks of import commodities. Anxiety over the position of the NZ £ and the possibility of devaluation to improve the balance of payments gave a further impetus to imports.

On January 1, 1958 the New Zealand Government promulgated new import control regulations. In a radio address the Prime Minister stated that the control of imports does not change the fact that essential import requirements must be met. Requirements of industrial raw materials will be met to the greatest possible extent, but no foreign exchange will be allocated for imports of goods that can be produced in New Zealand.

### III. MONETARY DEVELOPMENTS

#### *Introductory*

As in the report for the financial year 1956-1957, the monetary analysis in this report was drawn up on the basis of figures received from such institutions which are considered as money-creating bodies, i.e. the Central Government, Bank Indonesia, Bank Negara Indonesia, Bank Rakjat Indonesia and eleven other foreign exchange banks. Beside these fourteen foreign exchange banks there are other general, non foreign-exchange banks which, in point of fact, also create money and should, therefore, be included in the present analysis. So far, however, this has not been done because the banks concerned have not yet been in a position to produce regular reports coming up to the required standards, so that inclusion of their figures in a monetary statistical record would have led to technical accounting difficulties. At the same time it should be observed that, according to the balance sheets received, the aggregate money-creating capacity of the 49 general, non foreign-exchange banks appears to amount to 9% of that of the 14 foreign exchange banks.

Table 9 sets out the sectors and items causing movements in money supply. It should be noted that the indication “ i n c r e a s e = + ” after an item signifies that an increase of that item will cause the money supply to increase, while the indication “ i n c r e a s e = — ” signifies that an increase of that item will bring about a reduction of the supply of money.

In substance, the movements in the volume of money throughout 1957 were primarily caused by movements in the following four sectors (in millions of rupiahs):

	<b>1956</b>	<b>1957</b>
A. Public sector	+ 2,267	+ 5,833
B. Private sector	+ 989	+ 2,237
C. Foreign sector	— 1,815	— 1,02 3
D. Miscellaneous	— 2 8 2	— 1,5 27
	+ 1,159	+ 5,520

The above figures show that the supply of money increased by Rp 5,520 million in 1957, against Rp 1,159 million in 1956. The average monthly increase was Rp 460 million.

As in the foregoing year, the public sector was again the greatest source of inflation. Of the total inflationary effect caused by the public sector, the increase in "Government's net debt with Bank Indonesia" by far accounted for the greater part, namely Rp 5,372 million. The final quarter saw the steepest increase of Government debt with Bank Indonesia, when indebtedness rose by Rp 2,469 million—that is, only Rp 434 million less than the total increase of indebtedness in the preceding three quarters.

The item "Credits granted by other Banks" to the Government increased by Rp 213 million. Inasmuch this item shows a debit balance, this movement actually means that Government claims on the other foreign exchange banks fell by that same amount. If the movements in the items "Government notes and coins" and "Net transfers from the counterpart account to the Treasury account" (which rose by Rp 87 million and Rp 94 million respectively) were included, the Central Government caused, in all, an inflationary effect to the amount of Rp 5,766 million. The "Autonomous ressorts" proved to have reduced the money supply by Rp 6 million. On the other hand, the credits granted to "Government enterprises and foundations" expanded, swelling the volume by Rp 73 million.

This expansion by Rp 73 million of credits to Government enterprises and foundations represents the movement of total credits granted by Bank Indonesia and the other foreign exchange banks. Bank Indonesia alone granted a total increase in credits of Rp 54 million to such organizations. It should be noted that Jajasan Kopra was one of the Government foundations whose liquidation was completed on July 12, 1957.

As the result of the movements as above, the public sector caused, on balance, an inflationary effect to the tune of Rp 5,833 million, which represents the cash deficit of the Central Government for 1957 (see further Chapter IV).

The Private sector, too, was responsible for an inflationary effect, to an amount, namely, of Rp 2,237 million, as against Rp 989 million in 1956. As explained in the foregoing Annual Report, the items grouped under the heading "Private sector" attempt to give a picture of the part played by private enterprise and by individuals in affecting the volume of money in circulation. Three of the five items classified under this sector,



TABLE 9 — CAUSES OF CHANGES IN THE MONEY SUPPLY (Rp million)

	1956	1957	1st Qr 1957	2nd Qr 1957	3rd Qr 1957	4th Qr 1957
<b>A. Money creation for account of the public sector</b>						
I. Government (increase = +)						
a. Net debt with Bank Indonesia	+ 2,302	+ 5,372	+ 854	+ 1,090	+ 959	+ 2,469
b. Credits granted by other banks	+ 56	+ 213	+ 144	+ 220	+ 37	+ 174
c. Government notes and coins	+ 90	+ 87	+ 30	+ 34	+ 4	+ 27
d. Net transfers from the counter-part accounts to the Treasury's account	+ 176	+ 94	+ 2	+ 1	+ 62	+ 35
Total	+ 2,512	+ 5,766	+ 738	+ 1,343	+ 980	+ 2,705
II. Autonomous resorts (increase = +)	+ 7	+ 6	+ 2	+ 1	+ 5	+ 2
III. Government enterprises and foundations (increase = -)	238	+ 73	+ 138	+ 137	+ 78	+ 124
Total A	+ 2,267	+ 5,833	+ 878	+ 1,479	+ 897	+ 2,579
<b>B. Money creation for account of the private sector</b>						
I. Enterprises predominantly financed by the Government (increase = +)	+ 20	+ 53	+ 36	+ 31	+ 33	+ 15
II. Other private enterprises and individuals (increase = +)	856	+ 423	+ 38	+ 838	+ 427	+ 50
III. Prepayments by importers (increase = -)	17	+ 2,662	+ 57	+ 1,703	+ 695	+ 321
IV. Guarantee deposits (increase = -)	98	+ 65	+ 8	+ 19	+ 121	+ 45
V. Time deposits (increase = -)	32	+ 10	+ 27	+ 18	+ 4	+ 3
Total B	+ 989	+ 2,237	+ 36	+ 835	+ 1,038	+ 328
<b>C. Money creation originated from changes in regard to relationship with other countries</b>						
I. Gold, claims in gold and foreign exchange holdings with Bank Indonesia and Foreign Exchange Fund (increase = +)	+ 1,048	+ 339	+ 321	+ 31	+ 502	+ 489
II. Foreign exchange holdings with other banks (increase = -)	9	73	+ 114	+ 263	+ 118	+ 186
Movements in gold and foreign exchange holdings	1,057	+ 412	+ 435	+ 294	+ 620	+ 303
III. Amounts credited to the counter-part accounts (increase = -)	+ 457	+ 597	+ 171	+ 213	+ 108	+ 105
IV. I.M.F. (increase = -)	+ 313	+ 0	+ 0	+ 0	+ 0	+ 0
V. Rupee balances (increase = -)	+ 12	+ 14	+ 6	+ 0	+ 4	+ 4
Total C	1,815	+ 1,023	+ 612	+ 507	+ 508	+ 412
<b>D. Miscellaneous causes</b>						
I. Capital, reserves and profit and loss accounts (increase = -)	258	+ 446	+ 152	+ 205	+ 123	+ 34
II. Inter-bank transitory accounts	+ 42	+ 242	+ 65	+ 197	+ 30	+ 10
III. Others	18	839	+ 117	+ 365	+ 601	+ 486
Total D	+ 282	+ 1,527	+ 334	+ 37	+ 694	+ 462
<b>E. Net change in money supply = A + B + C + D (increase = +)</b>	1,159	+ 5,520	+ 32	+ 1,770	+ 1,749	+ 2,033
a. currency	+ 725	+ 4,719	+ 39	+ 1,518	+ 1,693	+ 1,547
b. deposit money	+ 434	+ 801	+ 7	+ 252	+ 56	+ 486

namely, the items "Private enterprises predominantly financed by the Government", "Prepayments by Importers", and "Time deposits", accounted for an expansion of the volume of money by respectively Rp 53 million, Rp 2,662 million, and Rp 10 million. On the other hand, the items "Other private enterprises and individuals" and "Guarantee deposits" accounted for the contraction of the volume of money by respectively Rp 423 million and Rp 65 million. As the above figures show, the greatest movements occurred in the items "Other private enterprises and individuals" and "Prepayments by Importers".

The deflationary effect due to other private enterprises and individuals, came primarily from the sharp drop in credits granted to importers (in the shape of advance financing and post financing), sugar estates and other agricultural estates. The specifications of debtors of thirteen foreign exchange banks (the specification of Bank Rakjat Indonesia is not available), show that the volume of credits to importers fell from Rp 1,367 million per the end of December 1956 to Rp 996 million per ult. December 1957, while credits to sugar- estates and other agricultural estates dropped from Rp 318 million to Rp 218 million and from Rp 241 million to Rp 130 million respectively.

Developments of the item "Prepayments by importers" were, on balance, responsible for an inflationary effect to an amount of Rp 2,662 million, thus completely offsetting the deflationary effect achieved under the heading "Other private enterprises and individuals". As a matter of fact, the former item was still increasing in the first quarter of 1957, persisting in its deflationary effect. This movement, however, was reversed in the subsequent quarters, with inflationary effects of respectively Rp 1,703 million, Rp 695 million, and Rp 321 million.

The decline in the volume of importers' prepayments ran parallel, to all intents and purposes, with the smaller amounts of prepayments made as compared with refunds made on actual importation. The drop in importers' prepayments in the second quarter was immediately connected with the temporary close-down per the end of April 1957 of the Biro Devisen Perdagangan 'Bureau Commercial Foreign Exchange), which implied that no further import permits could be applied for. As from June I, 1957, imports of raw materials and auxiliary goods from Japan were permitted again on the so- called "Open account". Furthermore, industrial enterprises that could secure "Declarations

of urgency” were also permitted to import essential raw materials and auxiliaries. General imports, however, were not actively resumed until the new (B.E.) import and export regulation came into operation on June 20, 1957.

The new export and import regulations —better known as the “Peraturan B.E.” (Export Certificate System) —see Appendix “K” —also influenced the above developments to some extent. First of all, the guarantee deposits—to be made by importers when lodging applications for import permits (P.I.I. s—Permintaan Izin Impor - Import Permit Applications) —were lower than the prepayments that had to be paid under the old system, while furthermore the demand for imports showed a steadily downward trend.

The drop in gold and foreign exchange holdings during the year under report by Rp 412 million had a deflationary effect—in 1956 the drop was Rp 1,057 million. The greatest drop occurred in the first quarter, namely amounting to Rp 435 million. Developments during the further three quarters as a whole led to a net increase by Rp 2 3 million. In particular the third quarter proved to be the most favorable, showing an increase by Rp 620 million.

The items “Amounts credited to counterpart accounts” and “Rurni balances” were also deflationary in effect, since they increased by Rp 597 million and Rp 14 million respectively in 1957. As no further movements took place in the monetary relations between Indonesia and I.M.F., the foreign sector, on balance, caused a deflationary effect to an amount of Rp 1,023 million.

On balance, the sector “Miscellaneous” also had a deflationary effect to the extent of Rp 1,527 million, that is, the sum total of movements in the three items “Capital, reserves and profit & loss accounts”, “Inter-bank transitory accounts”, and “Others”, each of which accounted for a reduction in the volume of money in circulation by Rp 446 million, Rp 242 million, and Rp 839 million respectively.

In comparison with foregoing years, the item “Others” underwent a great number of fluctuations, primarily due to the fact that movements in the total balance from B.E. s (Export Certificates) receivable from and payable into the Foreign Exchange Fund by

the foreign exchange banks were included in the item. With B.E. receivable from Foreign Exchange Fund by Foreign Exchange Banks, should be understood as the foreign exchange that will be paid to countries abroad for imports. B. E. payable to Foreign Exchange Fund represents the payments in foreign exchange from countries abroad as the proceeds of Indonesian exports. The item "B.E." should be seen as a correction item, which implies that the increase in the amount of B.E. receivable from the Foreign Exchange Fund causes inflationary effects, while the amount of B.E. Foreign Exchange payable to the Foreign Exchange Fund has deflationary effects. At the end of the third and fourth quarters of 1957, movements in the B.E. items were responsible for deflationary effects to amounts of Rp 431 million and Rp 330 million respectively.

### *Monetary balance sheet*

The Monetary Balance Sheet has been drawn up on the basis of the balance sheets of 14 foreign exchange banks and figures originating from the Ministry of Finance. The debit side of the balance sheet (Table 10) is divided into four headings. The first heading gives figures concerning the Government net debt with banks and the community, that is, credits received from banks, notes and coins put into circulation by the Government, Treasury notes and bills, and Government securities bought by the banks. The second heading represents the sum total of credits granted by banks to the private sector, while the third and fourth headings show gold and foreign exchange holdings and sundries respectively.

The above classification is analogous to the four sectors into which the monetary analysis is divided, the difference being that the figures in each sector of the monetary analysis represent movements, while the figures in the monetary balance sheet show the position of the Government debt, the private sector, the gold and foreign exchange holdings and sundry items. It deserves note that the grand total of the debit side of the monetary balance sheet does not represent the volume of money in circulation, since so-called non-monetary liabilities are also included.

Non-monetary liabilities are liabilities that need not immediately be met and for this reason are not considered monetary. The amount of non-monetary liabilities is shown on the credit side, namely, Rp 5,731 million at the end of 1957. This amount has been arrived at by computing the positions of the item, Capital, Reserves, Profit and Loss Accounts, Time deposits, Rurni balances, Guarantee deposits, Prepayments,

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

	1955	1956	1957		1955	1956	1957
<b>I. Net credits to Government:</b>				<b>I. Currency in circulation</b>			
<i>a)</i> Credits from banks to Government (incl. prepayments from importers)	10,021	12,236	17,523	Total issued :			
<i>b)</i> Government notes and coins	776	865	953	<i>a)</i> Bank notes	8,474	9,175	14,063
<i>c)</i> Treasury notes and bills and Government securities with banks	255	295	753	<i>b)</i> Government notes	624	698	762
				<i>c)</i> Coins	152	167	191
<i>minus:</i>					9,250	10,040	15,016
<i>d)</i> Bank notes with Government	11,052	13,366	19,229	<i>d)</i> Bank notes with Government	202	222	395
	232	222	395	<i>e)</i> Notes and coins with banks	401	446	530
<b>Total</b>	10,850	13,144	18,834	<b>Total</b>	8,647	9,372	14,091
<b>II. Credits from banks to private sector (incl. privately owned securities with banks)</b>	4,169	4,842	4,521	<b>II. Deposit money</b>	3,587	4,021	4,822
<b>III. Gold and foreign exchange holdings</b>	2,756	1,701	1,259	Total money supply	12,234	13,393	18,913
<b>IV. Sundry items</b>	503	758	—	<b>III. Non-monetary liabilities</b>	6,044	7,052	5,731
	18,278	23,445	24,644		18,278	20,445	24,644

Amounts credited to E.C.A. and S. A.C. counterpart accounts, and I.M.F. and I.B.R.D. accounts. Besides the volume of money in circulation and its component parts, the credit side of the monetary balance sheet further shows the actual amount of currency in circulation and its parts kept with Government offices and banks, and therefore not included in the volume of money in circulation.

### *Money supply*

As shown by the monetary analysis, money supply increased by Rp 5,520 million in 1957. This increase primarily took place in the current sector, which accounted for a rise of Rp 4,719 million. Deposits grew by only Rp 801 million. This development is not unusual in Indonesia. As the following table shows the major part of the money supply has up to now consisted of currency.

At the end of December 1957, currency constituted 74.5% of the overall money supply, against 70% at the end of December 1956. On the basis of the relative figures the conclusion can be drawn that the share of deposits in the volume of money relatively decreased in 1957.

TABLE 11 — MONEY SUPPLY IN INDONESIA  
(Rp million)

	Currency	Deposit money	Total money	% currency	% deposit money
1938 March (estimated)	240.0	180.0	420.0	57.1	42.9
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	7,473.7	3,642.8	11,116.5	67.2	32.8
1955 December	8,646.8	3,587.2	12,234.0	70.7	29.3
1956 December	9,372.4	4,021.1	13,393.5	70.0	30.0
1957 January	9,261.2	3,967.5	13,228.7	70.0	30.0
February	9,160.4	4,018.3	13,178.7	69.5	30.5
March	9,333.4	4,028.1	13,361.5	70.0	30.0
April	10,195.4	4,221.9	14,417.3	70.7	29.3
May	10,391.3	4,604.3	14,995.6	70.7	29.3
June	10,851.6	4,279.6	15,131.2	71.7	28.3
July	11,635.4	4,672.0	16,307.4	71.4	28.6
August	12,200.2	4,513.3	16,713.5	73.0	27.0
September	12,544.6	4,335.9	16,880.5	74.3	25.7
October	12,684.3	4,644.1	17,328.4	73.2	26.8
November	13,100.2	4,526.0	17,626.2	74.3	25.7
December	14,091.4	4,822.0	18,913.4	74.5	25.5

Table 11 shows that the volume of money in circulation steadily rose in 1957. A breakdown of developments month by month shows that marked increases occurred in April, July and December 1957—by Rp 1,056 million, Rp 1,176 million and Rp 1,287 million respectively —these advances being far in excess of the monthly average increase of Rp 460 million.

Special conditions prevailing during those months explain the advances indicated. In April, for instance, the traditional bonuses in view of the coming lebaran (end of the Moslem month of fasting) were paid out. The expansion of the volume of money in July was mainly caused by the rise in Government net debt with Bank Indonesia (+ Rp 75.3 million) and the drop in importers' prepayments (—Rp 562.2 million). The rise in Government debt was inter alia due to increased Government expenditure resulting from price advances caused by the B.E. (Export Certificate) system. Prices of import goods under this new system, namely, being considerably higher than prices of imports under the previous system, the Government permitted price levels to be adjusted on the basis of an Export Certificate price of 200%. But revaluation of the majority of import

goods was allowed by a price of at most 50%. the degree of the price advance being determined by the category in which the goods belonged. The drop in importers' pre-payments set in when B.D.P. (Bureau Commercial Foreign Exchange) was closed down per the end of April (see—Monetary Analysis). The expansion of December was mainly due to the political developments in that period.

## IV. PUBLIC FINANCE

### *General review*

Section 114 of the Provisional Constitution of the Republic of Indonesia provides that the Government shall introduce a bill for the estimates of the general budget to the House of Representatives before the commencement of the period covered by the budget. The predecessors of the “Karya” Cabinet (as the Djuanda cabinet is called) could not comply with this provision and lacked a solid and lawful foundation for implementing their policies. The second Ali Sastroamidjojo cabinet tried to incorporate the 1957 and 1958 budgets in one Draft Appropriation Bill, thereby observing the budget rights of Parliament and arranging a legal foundation for carrying out their policies. The plan to submit the Draft Appropriation Bill in May 1957 could, however, not be carried into effect since this cabinet returned its mandate to the Head of State before the deadline it had set itself. Meanwhile, the second Ali Sastroamidjojo cabinet had completed preparations for the 1957 draft estimates and the preparation of the 1958 estimates had to be left to the “Karya” cabinet.

The Act initiated by Parliament (Act No 24/1957) and providing that the draft estimates for 1957 and 1958 had to be submitted to Parliament not later than July 1, 1957 and August 17, 1957 resp., gave the “Karya” cabinet about 4 months’ time to prepare 2 budgets since this cabinet commenced its duties on April 9, 1957. Actually, the “Karya” cabinet did not find the 1957 revenue estimates, as drafted by its predecessor as a guide for the latter’s expenditures, in keeping with conditions prevailing at that time. Nevertheless, pressure of time compelled the “Karya” cabinet to adopt its predecessor’s estimates by submitting them to Parliament with the provision that they would be followed by a supplementary memorandum of revision.

The 1957 State Budget as fixed by the former cabinet showed a deficit in the amount of Rp 1,020 million, being the balance of expenditure and revenue in the respective amounts of Rp 20,277 million and Rp 19,257 million. This budget did not as yet include such inevitable items of additional expenditure as Public Security, Revision of Salary Scales of Government Servants, Extra Allowances for Experts, Lebaran (end of the Fast) Bonuses, Revision of Armed Forces Salary Scales, which totalled about Rp 2,000 million, and caused the estimated deficit to rise to Rp 3,020 million.



Since a deficit of this size was considered unjustifiable in view of the prevailing financial capacity of the State, revenue had to be increased by the “Karya” cabinet, by introducing new taxes, raising existing taxes wherever possible and expansion of the productive sector, while implementing economy and simplification in all sectors. Finally, a national budget for 1957 was submitted to Parliament showing expenditure at Rp 20,776 million and revenue at Rp 19,177 million, thus leaving a deficit of Rp 1,599 million.

This estimated deficit was reduced to Rp 1,402 million when the supplementary memorandum of revision was submitted to Parliament and in which expenditure was estimated at Rp 22,274 million and revenue at Rp 20,872 million. The following table shows expenditure and revenue as revised, and specified in ordinary and capital account (in millions of Rps):

	<i>Ordinary account</i>	<i>Capital account</i>	<i>Total</i>
Expenditure, gross	17,953	4,277	22,230
Expenditure directly related to revenue	2,547	857	3,404
Expenditure, net	15,406	3,420	18,826
Revenue, net	16,791	633	17,424
Balance	+ 1,385	— 2,787	— 1,402

According to preliminary realization figures from the Ministry of Finance, the actual budgetary deficit in the year under report amounted to Rp 5,300 million or Rp 3,898 million in excess of the estimates, in contrast with actual deficits since 1952 which were within the range of Rp 1,000 million above or under the estimates. The discrepancy for 1957 is of the order of + Rp 3,347 million for expenditure and—Rp 551 million for revenue.

The improvement in the ordinary account for 1956—which, in contrast to the preceding years, showed a surplus—was maintained in the 1957 budget. However, the upward trend in expenditure also continued in 1957. This upward trend was classified as alarming in the previous Annual Report. If this development should continue and the rise in ordinary expenditure not be counter balanced by a rise in revenue to at least the same amount, the relative surplus would dwindle and eventually turn again into a deficit. And there is every likelihood that this development will take place—the 1957 surplus was smaller than that of

1956 —seeing that revenue cannot be expanded indefinitely: taxpayers must be capable of paying higher taxes; the Government must be capable of collecting taxes more efficiently; home and foreign trade must prosper. A surplus on the ordinary account is urgently needed to reduce the deficit on the capital account, which in the coming years is sure to remain on a high level due to the implementation of development plans, thus adding to the inflationary pressure caused by the budgetary deficit, considering that such deficits can usually be financed only by inflationary means.

About 30% of the total State expenditure was absorbed by payment of salaries of Government officials. To check a further increase of this item, no new officials were hired during the year under report, except experts. This notwithstanding, expenditure for Government officials increased, due to the larger number of Ministries in 1957, increments in salaries, and allowances to experts.

The ax was also applied to capital expenditure. No new buildings were erected, unless urgently needed (such as the offices for the Provincial Administrations at Ambon and Soasiu—the capital of the Province of West- Irian), or necessary to increase State revenue (offices for Customs and the Inland Revenue Service). The building program for houses of Government officials was also drastically restricted to housing connected with the performance or official duties (houses for harbor masters, police barracks, etc.).

In the middle of January 1958, the Minister of Finance submitted a Supplementary Memorandum to the 1958 Financial Note, which had been submitted to Parliament previously. This Supplementary Memorandum had become necessary seeing that the Draft estimates for the 1958 Budget had been submitted to Parliament prior to the introduction of the Export Certificate System and no longer reflected actual conditions. This Memorandum computed the available data and took account of economic developments during the last few months of 1957.

The revisions in the items expenditure for Government officials, goods, and capital expenditure were based on the following price advances:

cost of living allowance for Govt. officials	by 8 % to 12 %
increased expenditure for food	by 15 % to 20 %
increased cost of transport	by 30 %
increased daily wages	by 15 %
increased office expenses	by 40 %
increased cost of clothing	by 40 %
increased cost of building materials	by 40 %
increased cost of factory equipment	by 80 %

Besides affecting price developments, the Export Certificate system also affected revenue derived from T.P.I. (import surcharges) and P.B.E. (export certificate payments), originally estimated to total Rp 10,200 million or 45% of overall revenue.

Reductions were also applied to the estimated revenue from: company taxes' sales taxes, aliens tax, customs duties, transfer surcharges and J.U.B.M. (Food Foundation) receipts.

The above revisions resulted in a practically new budget with a deficit of Rp 4.7 billion. To reduce this deficit, retrenchments were made to an amount of Rp 2,308 million on: goods expenditure Rp 806 million, capital expenditure Rp 657 million, miscellaneous expenditure Rp 843 million, leaving an overall deficit of Rp 2.4 billion.

The Supplementary Memorandum to the 1958 Financial Note stated that several factors, which might materially affect the estimates, had not been taken into account, such as:

- exigencies, particularly in the field of public security;
- developments in connection with the West Irian campaign;
- barter transactions and their adverse impact on revenue in foreign exchange and from T.P.I., P.B.E. and import duty;
- shortage of shipping space;
- shift of foreign markets for Indonesian exports :
- reduced output of such manufactures as require specialized processing formerly run by the Dutch.

If these factors had been calculated in the estimates the deficit would have become considerably higher, the more so if the economies as planned could not be carried into effect.

So far, the advances of Bank Indonesia to the Government have been the main source for financing the deficits on the successive budgets. Section 19, paragraph 2, of the Bank Indonesia Act provides that such advances must not exceed 30% of the State revenue in the year previous to the budget year in which the Government applies for such advances to the Bank. Under this provision, the size of the advance the Government could apply for to Bank Indonesia in 1957 was about Rp 5 billion. At the end of 1957, the advances drawn by the Government amounted to about Rp 15 billion, which is far in excess of the maximum stipulated. In the absence of legal grounds for this overdraft, the Minister of Finance still requires the approval of Parliament for financing the expenditure under the 1957 budget with advances of Bank Indonesia. It is to be foreseen that the advances the Government will apply for to Bank Indonesia for 1958 will be on a higher level still, particularly if the possibility of lower revenue from T.P.I., P.B.E. etc. is taken into account. At this moment these advances amount to Rp 18,647 million already. The following is a more detailed tabulation of actual State expenditure and revenue in 1957.

#### *The Government cash deficit*

As set forth in the Monetary Analysis (chapter III), the creation of money to the amount of Rp 5,833 million for the public sector in 1957 meant a Government cash deficit for that same period. The following survey gives a more detailed picture of the cash deficit, its component parts and the method of its financing.

Government net expenditure abroad totalled Rp 1,781 million. In computing the internal monetary effects of public finance, external net expenditure must be deducted from the above cash deficit. On the one hand, namely, the above amount falls under total Government expenditure and is an additional cause for the Government cash deficit and thereby has an inflationary effect. On the other hand, however, the utilization of that amount for foreign payments diminishes foreign exchange reserves and thus has a deflationary effect. The monetary effect of Government expenditure abroad is therefore neutral.

The Government cash deficit is computed from the balance of budgetary revenue and expenditure, movements in the amounts of net Government loans from home and foreign capital markets, and the movements in treasury notes and bills with the private sector. As table 12 shows, the State budget of 1957 showed a deficit of Rp 5,711 million. Net borrowings from the home capital market increased by Rp 1 million, while those from the foreign capital market decreased by Rp 201 million. As the amount of treasury notes and bills with the private sector rose by Rp 78 million, the Government cash deficit stood, on balance, at Rp 5,833 million. This was Rp 3,566 million more than the cash deficit in 1956, which amounted to Rp 2,267 million. Preliminary figures from the Ministry of Finance indicate a budgetary deficit for 1957 of Rp 5,300 million. The difference between the figures of the Ministry of Finance and the data used in the monetary analysis is caused by transitory items and by the provisional character of the Ministry's figures.

Table 12 further shows that a deficit occurred each quarter in the Government cash position. Most striking was the deficit in the 4th quarter of 1957 when it amounted to Rp 2,579 million, which is more than the overall Government cash deficit in 1956. The monthly cash deficit averaged Rp 486 million in the period under review.

The Government's cash deficits discussed above were financed by drawings on banks and the issue of currency. Bank Indonesia advances to the Government rose by Rp 8,321 million in 1957 compared with a rise by Rp 2,420 million in 1956. Partly, this substantial increase is explained by the drop of Rp 2,834 million in the item Prepayments by Importers in the period under review.

There was an import stop in April 1957. The ban was lifted with the introduction of the new foreign exchange system, better known as the B.E. system, on June 20, 1957, but it was not before the beginning of August that imports were actually resumed. The import story called a halt to prepayments which have to be made by importers when permits are actually granted, in fact, refunds of prepayments had to be made to importers. Especially in the 2nd quarter of 1957 prepayments fell off steeply (Rp 1,671 million), which forced up Government debt with Bank Indonesia. Actually, Bank Indonesia advances to the Government increased by Rp 8,321 million in 1957 against Rp 2,420 million in 1956.

TABLE 12 — GOVERNMENT CASH DEFICIT AND ITS FINANCING  
(Rp million)

	1956	1957				
	Total	Total	1st quarter	2nd quarter	3rd quarter	4th quarter
<i>Computation of the cash deficit :</i>						
Net balance of budgetary revenue and expenditure (deficit = —)	— 2,051	— 5,711	— 838	— 1,439	— 843	— 2,591
Net borrowing on capital market : (increase = +)						
a. internal origin	— 130	+ 1	+ 1	0	0	0
b. external origin	— 68	— 201	— 54	— 47	— 52	— 48
Movements in treasury notes and bills with private sector (increase = +)	— 18	+ 78	+ 13	+ 7	— 2	+ 60
Cash deficit (—)	— 2,267	— 5,833	— 878	— 1,479	— 897	— 2,579
<i>Financing of the cash deficit :</i>						
a. Advances from Bank Indonesia (increase = +)	+ 2,420	+ 8,321	+ 819	+ 2,907	+ 2,119	+ 2,476
b. Prepayments from importers (increase = +)	— 116	— 2,834	+ 151	— 1,671	— 1,001	— 313
c. Net transfer from counterpart-accounts (increase = +)	+ 176	+ 94	— 2	— 1	+ 62	+ 35
d. Movements in treasury notes and bills with banks (increase = +)	— 5	+ 501	— 9	+ 187	+ 96	+ 227
e. Movements in bank-notes balances with Government payment-offices (increase = —)	— 19	— 174	— 154	— 12	+ 3	— 11
f. Movements in currency issued by the Government (increase = +)	+ 90	+ 87	+ 30	+ 34	— 4	+ 27
g. Movements in other debts of the Government to banks (increase = +)	— 34	— 229	— 97	— 101	— 295	+ 264
h. Movements in balances of autonomous ressorts with banks (increase = —)	— 7	— 6	+ 2	— 1	— 5	— 2
i. Movements in balances of Government enterprises and foundations with banks (increase = —)	— 238	+ 73	+ 138	+ 137	— 78	— 124
Total	+ 2,267	+ 5,833	+ 878	+ 1,479	+ 897	+ 2,579

The item Net Transfers from Counterpart Accounts rose by Rp 94 million in 1957. This item is meant to correct movements occurring in Government debt with Bank Indonesia. As explained in the previous Annual Report, the decrease in the Government debt with Bank Indonesia caused no deflationary effect since this decrease was merely caused by transfer entries and not by an actual movement of money.

The amount of treasury notes and bills with banks increased by Rp 501 million, which was mainly the result of the Decree of the Monetary Council No 28/1957 (appendix "H") which made it incumbent on private banks showing overall balances of current and deposit accounts to an aggregate of at least Rp 75,000,000, to convert part of their ready cash into treasury notes and bills. The relative movement shows that the money drawn by the Government from banks increased by Rp 501 million in 1957. The increase by Rp 174 million in the amount of bank notes with Government pay offices means that the amount of bank notes held and not brought into circulation increased by that same volume. On the other hand, the amount of paper and metallic currency issued by or on behalf of the Government increased by Rp 87 million. Further, it is worthy of note that various Government debts with banks decreased by Rp 229 million in 1957. Finally, the total balance of autonomous resorts with banks increased by Rp 6 million, while the balance of Government enterprises and foundations with banks decreased by Rp 73 million.

On the basis of the above developments it may be inferred that the Government cash deficit in the year under report was financed by advances from Bank Indonesia to the Government, which amounts to the creation of money and an inflationary system of finance.

### *Government expenditure*

Table 13 shows that the actual budgetary deficit over 1957 was higher by Rp 3,760 million than that over the preceding year. It should be noted that, under the revised figures of the Ministry of Finance, net expenditure in 1956 decreased from Rp 18,031 million to Rp 17,273 million, while net revenue remained unaltered. The actual deficit over 1956 therefore amounted to Rp 1,540 million, or Rp 758 million less than set out in the previous Annual Report.

TABLE 13 — BUDGETS 1956 AND 1957 AND PROVISIONAL RESULTS  
(Rp million)

	Net expenditure		Net revenue		Balance	
	1956	1957	1956	1957	1956	1957
Budget	17,083	18,826	15,276	17,424	— 1,807	— 1,402
Provisional results	17,273	22,173	15,733	16,873	— 1,540	— 5,300
Difference	+ 190	+ 3,347	+ 457	— 551	— 267	+ 3,898

Source : Ministry of Finance.

Compared with 1956, net expenditure in the year under report proved to have increased by Rp 4,900 million, while net revenue showed an increase by Rp 1,140 million only.

Table 14 (provisional figures) sets out actual gross expenditure, specified according to the various sectors. Overall, actual expenditure proved to be higher by Rp 3,596 million than originally estimated. Mainly responsible for increased outlays were the Security Sector (Ministry of Defence to the amount of Rp 1,098 million), the Economic Sector (primarily the Financing Service to the amount of Rp 1,306 million), and the Foreign sector (to the amount of Rp 667 million). Gross expenditure of the Ministry of Home Affairs, Security Sector, actually showed a lower figure than the estimates (Rp 95 million). Expenditure of the new Ministries created in 1957 (the Ministries of Industry, Inter Territorial Relations, Navigator, Mobilization of the People's Potentials for Reconstruction, Veteran Affairs) proved to be lower than estimated and totalled Rp 89 million less.

Actual gross expenditure of the Ministry of Commerce was Rp 31.8 million higher, that of the Ministry of Industry was Rp 27.9 million lower than the estimates.

As compared with 1956, actual gross expenditure in 1957 increased by Rp 5,121.4 million.

#### *Government revenue*

Government net revenue over 1957 provisionally stood at Rp 16,873 million against Rp 15,733 million in 1956. Since budgetary net revenue was estimated at Rp 17,424 million for 1957, actual revenue stayed Rp 550 million below the estimates.

Table 15 shows that actual revenue from direct taxes totalled Rp 3,525 million—Rp 843 million below the estimates, but Rp 410 million higher than in 1956. As compared with 1956, revenue from all kinds of direct taxes showed a rise; transition and other direct taxes in particular increased appreciably.

In the sector of indirect taxes, excise duties and other indirect taxes improved by Rp 716 million and Rp 67 million resp. on the 1956 figures. The other indirect taxes showed lower receipts, especially so turnover/sales taxes and export duties. Overall, revenue from indirect taxes rose by about Rp 360 million as compared with 1956.



TABLE 14 — GROSS GOVERNMENT EXPENDITURE  
(Rp. million)

	1956		1957		Difference between 1956 and 1957 outturns
	Provisional estimate	Provisional outturn	Provisional estimate	Provisional outturn	
<i>General Sector</i>					
High Colleges of State	1,565.8	1,536.7	1,799.4	1,808.9	+ 272.2
Finance	1,530.6	1,612.4	1,340.5	1,450.7	— 161.7
Sub total	3,096.4	3,149.1	3,139.9	3,259.6	+ 110.5
<i>Security sector</i>					
Defence	4,075.0	4,378.9	4,953.0	6,051.5	+ 1,672.6
Justice	343.7	305.4	323.9	362.6	+ 57.2
Home Affairs	3,841.9	3,658.9	4,596.3	4,501.0	+ 842.1
Inter territorial relations *)	—	—	25.0	0.9	+ 0.9
Sub total	8,260.6	8,343.2	9,898.2	10,916.0	+ 2,572.8
<i>Economic sector</i>					
Agriculture	668.9	675.7	697.3	792.6	+ 116.9
Economic Affairs	315.0	193.2	117.7	159.2	— 34.0
Commerce *)	—	—	52.7	84.5	+ 84.5
Industry*)	—	—	113.0	85.1	+ 85.1
Financing Service	3,681.4	4,455.6	3,957.8	5,263.8	+ 808.2
Transport and Communications	361.8	315.3	300.5	316.2	+ 0.9
Navigation	168.2	168.8	329.0	326.8	+ 158.0
Public Works/Energy	650.0	602.3	689.6	777.3	+ 175.0
Sub total	3,845.3	6,410.9	6,257.6	7,805.5	+ 1,394.6
<i>Cultural sector</i>					
Information	270.2	221.9	230.4	260.0	+ 38.1
Education and cultural affairs	1,295.7	1,138.0	1,274.3	1,409.4	+ 271.4
Religious affairs	228.7	297.6	311.5	366.3	+ 68.7
Sub total	1,794.6	1,657.5	1,816.2	2,035.7	+ 378.2
<i>Social sector</i>					
Health	466.6	472.3	491.4	532.6	+ 60.3
Social affairs	292.2	273.1	313.7	331.4	+ 58.3
Labour	65.9	55.7	79.1	79.4	+ 23.7
Mobilization of the People's Potentials for Reconstruction *)	—	—	30.0	3.2	+ 3.2
Veterans affairs*)	—	—	30.0	21.9	+ 21.9
Sub total	824.7	801.1	944.2	968.5	+ 167.4
<i>Foreign sector</i>	179.6	387.2	218.0	885.1	+ 497.9
Grand total	20,001.2	20,749.0	22,274.1	25,870.4	+ 5,121.4

\*) Ministries created in 1957

Source : Ministry of Finance

TABLE 15 — NET GOVERNMENT REVENUE  
(Rp. million)

	1955	1956	1957	
	Provisional outturn	Provisional outturn	Provisional outturn	Provisional estimate
<i>A. Taxes</i>				
1. <i>Direct taxes</i>				
Transition tax	945	1,169	1,455	1,200
Income tax	299	327	348	351
Company tax	1,804	1,569	1,581	1,900
Free sales tax	10	2	3	3
Other direct taxes	73	48	138	914
Sub total	3,131	3,115	3,525	4,368
2. <i>Indirect taxes</i>				
Turnover/sales tax	557	942	833	840
Import duties	1,105	1,872	1,785	2,004
Normal export duties	143	161	60	156
Other export duties	609	263	139	288
Excise	1,830	1,877	2,593	2,284
Other indirect taxes	192	235	302	250
Sub total	4,436	5,350	5,712	5,822
Total of A	7,567	8,465	9,237	10,190
<i>B. Balances of Government enterprises</i>	98	476	355	355
<i>C. Sundries</i>				
Foreign exchange certificates and T.P.I. levies	1,843	4,985	4,411	5,000
T.P.T. levies	337	212	103	200
Share of profits	144	75	81	171
Mining concessions	85	102	12	38
Court fines, etc.	18	18	22	17
L.A.A.P.L.N.	47	99	107	60
Miscellaneous	168	1,301	2,545	1,393
Total of C	2,642	6,792	7,281	6,879
Grand total	10,307	15,733	16,873	17,424

Source : Ministry of Finance

The budgetary estimates were taken as the provisional revenue of the so-called I.B.W. enterprises since it has not yet been possible to compute their actual net revenue. The figures for the 1955 revenue of I.B.W. enterprises however, are the actual net revenue.

Revenue under "Sundries" totalled Rp 7,281 million, or Rp 402 million more than the original estimate. As compared with the preceding year, revenue under this heading

rose by about Rp 490 million. This rise was primarily caused by the gratifying increase in "Miscellaneous" receipts, namely, by Rp 1,244 million. Receipts from T.P.I. and T.P.T. levies, and those connected with mining concessions, showed rather disappointing decreases.

The Share of Profits received by the Government only amounted to 47% of the budgetary estimate. L.A.A.P.L.N. (Foreign Exchange Institute) receipts improved most gratifyingly since 1955. The unspecified "Miscellaneous" receipts totalling Rp 2,545 million (higher by Rp 1,244 million as compared with 1956) include P.B.E. (Export Certificate Payments) receipts to the amount of Rp 1,587 million, the countervalue of loans received from Eximbank to the amount of Rp 56 million, and transfers from I.C.A. countervalue accounts to the amount of Rp 97 million.

### *Public Debt*

The public debt rose by Rp 5,953 million in the period under review. A survey of public debt developments since 1952 (table 16) shows that the greatest increase occurred in 1957. To a large extent this was due to the Government floating debt, which rose by Rp 6,247 million in 1957.

TABLE 16 — GOVERNMENT DEBT POSITION  
(Rp million)

End of	Consolidated debt		Floating debt (internal)	Total debt	Movement:
	External	Internal			
1952	5,330	1,439	5,272	12,041	+ 4,270
1953	5,248	5,134	3,164	13,546	+ 1,505
1954	5,237	5,027	6,715	16,979	+ 3,433
1955	5,029	4,986	8,769	18,784	+ 1,805
1956	2,979	4,856	11,234	19,069	+ 285
1957	2,778	4,763	17,481	25,022	+ 5,953

The development and component parts of the floating debt are outlined in table 17.

Bank Indonesia advances to the Government increased by Rp 8,415 million. The amount of money (including subsidiary money) issued by or on behalf of the Government rose by Rp 87 million. The amount of treasury bills and notes issued increased by

TABLE 17 — FLOATING DEBT  
(Rp million)

End of	Debt to Bank Indonesia	Currency issued by the Government	Treasury bills and notes	Debt to importers (prepayments to Foreign Exchange Fund)	Claim on Foreign Exchange Fund	Total floating debt
1952	4,730	421	130	588	— 597	5,272
1953	1,471	501	197	1,028	— 33	3,164
1954	4,634	626	282	1,173	—	6,715
1955	4,494	776	299	3,200	—	8,769
1956	7,010	865	276	3,083	—	11,234
1957 March	7,922	895	280	3,234	—	12,331
June	10,830	929	474	1,563	—	13,796
September	12,949	925	568	562	—	15,004
December	15,425	952	855	249	—	17,481
MOVEMENTS IN FLOATING DEBT IN 1957						
1st quarter	912	30	4	151	—	1,097
2nd quarter	2,908	34	194	— 1,671	—	1,465
3rd quarter	2,119	— 4	94	— 1,001	—	1,208
4th quarter	2,476	27	287	— 313	—	2,477
Total	8,415	87	579	— 2,834	—	6,247

Rp 579 million, of which Rp 78 million was taken up by the private sector and the balance by banks (see cash Deficit of the Government) .

Debt to importers—un account of prepayments on imports—dropped by Rp 2,834 million.

The external consolidated debt amounted to Rp 2,778 million, or Rp 201 million less than at the end of the preceding year.

The internal consolidated debt left by Rp 93 million. This was due to the increment of 3% Republic Indonesia 1950 loan by Rp 1 million, and the decrease of the Government consolidated debt to Bank Indonesia by Rp 94 million.

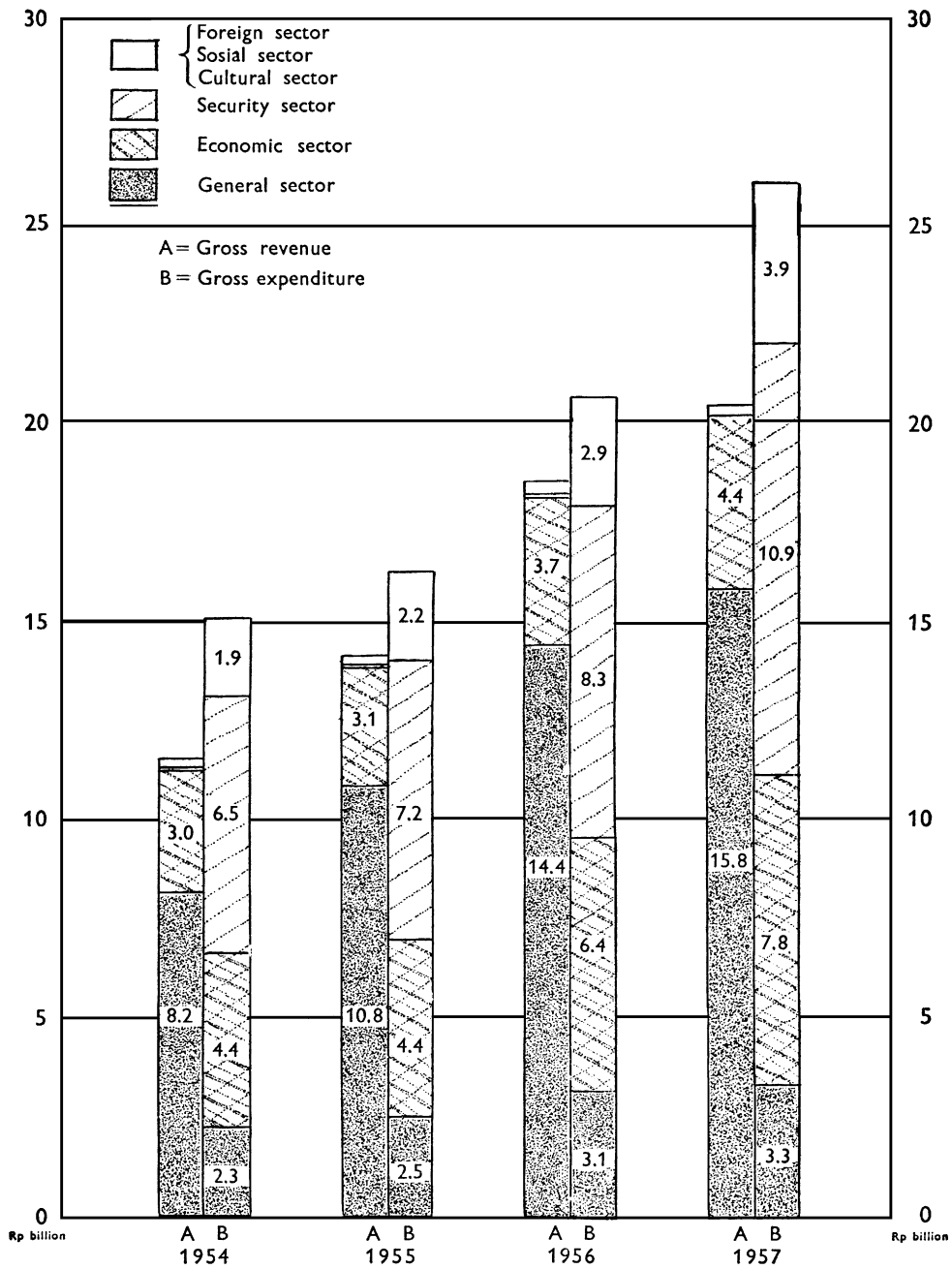
On the whole, Government consolidated debt fell by Rp 294 million compared with a decrease by Rp 2,180 million in 1956.

TABLE 18 — CONSOLIDATED DEBT  
(Rp million)

	Debt as at the end of		Movements in 1957					Debt as at the end of 1957
	1955	1956	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	
<i>External debt</i>								
1. <i>Prewar loans</i>								
Netherlands	1,982	—	—	—	—	—	—	—
2. <i>Postwar loans</i>								
Australia	116	87	— 29	—	—	—	— 29	58
Canada	—	—	—	—	—	—	—	—
United States	592	568	—	—	— 24	—	— 24	544
(Surplus credit)	196	185	—	— 5	—	— 6	— 11	174
E.C.A.	764	825	— 25	—	— 28	—	— 53	772
Eximbank	684	684	—	—	—	—	—	684
Japan	695	630	—	— 42	—	— 42	— 84	546
Netherlands								
Total postwar loans	3,047	2,979	— 54	— 47	— 52	— 48	— 201	2,778
Total external consolidated debt	5,029	2,979	— 54	— 47	— 52	— 48	— 201	2,778
<i>Internal debt</i>								
1. Public loan 1950	1,148	1,114	1	—	—	—	1	1,115
2. Bank Indonesia	3,838	3,742	— 94	—	—	—	— 94	3,648
Total internal consolidated debt	4,986	4,856	— 93	—	—	—	— 93	4,763
Total consolidated debt	10,015	7,835	— 147	— 47	— 52	— 48	— 294	7,541

The development in actual budgetary expenditure and revenue in the years 1954 through 1957, classified by sectors, may be seen from Chart I.

CHART I — BUDGET RESULTS



## V. BANKING AND CREDIT

### *Supervision of the Credit System*

A number of 28 licenses for operating general banking businesses was granted in the course of the year under report. This number includes permanent licenses issued to private general banks who lodged applications in the course of the previous year (4), as well as private general banks who were granted temporary licenses in 1956 and who fulfilled the requirements of Government Ordinance No. I/1955, so that their temporary licenses were converted into permanent licenses (11). So, actually, 13 new banks with a permanent license were established, which is far less than the previous year.

The situation per the end of December 1957 as regards the number and regions of operations of private general banks and Government Banks are set out in the following tabulation:

Region	Head Offices of Commercial Banks				Agencies & Sub- agencies of Commercial Banks				Total Commercial Banks	
	Private		State		Private		State		Private & State	
	1956	1957	1956	1957	1956	1957	1956	1957	1956	1957
1. Djakarta Raya	39	52	4	4	15	19	2	2	60	77
2. West Djawa	9	9	—	—	11	12	18	18	38	39
3. Central Djawa	17	15	—	—	35	38	31	32	83	85
4. East Djawa	7	8	—	—	41	43	33	33	81	84
5. Sumatera	10	10	—	—	34	40	32	31	76	81
6. Kalimantan	2	2	—	—	10	11	8	8	20	21
7. Sulawesi	5	7	—	—	9	9	12	13	26	29
8. Nusa Tenggara	2	1	—	—	8	7	6	9	16	17
9. Maluku + West Irian	—	—	—	—	—	—	4	3	4	3
	91	104	4	4	163	179	146	149	404	436

As demonstrated by the above figures, the majority of the new general banks were established in Djakarta, and a far smaller number in Sulawesi --the number of private general banks even diminished in certain districts. This must partly be ascribed to the fact that several banks were converted into "Desa" (village) banks' which are exempted

from the rules laid down in Government Ordinance No. 1/1955 (this occurred in Nusa Tenggara). Other banks moved their Head Offices to other locations (as happened in Central Djawa).

Our or the total of 104 private general banks, 60 operate under permanent licenses, 36 under temporary licenses, while 8 have not yet qualified for a license to operate a banking business.

As stated above 11 banks succeeded in fulfilling the requirements and acquired permanent licenses. However, a larger number failed to obtain their permanent licenses. Their principal difficulty was the question of capital; they were as yet unable to satisfy the requirement of Government Ordinance No. 1/19 55 on this point.

For this reason, the Monetary Board resolved in its meeting of February 2 3, 1958, to extend the life of temporary licenses by one year, anticipating that the banks which actually filled a need in their sphere of activity would eventually be in a position to satisfy the requirement of the Government Ordinance referred to.

Moreover, incidental checks at several private general banks operating under a permanent license to carry on banking business revealed that the required statement on payment in full of their paid-up capital (as stipulated in the articles of association of such banks) did not tally with the actual position. Examination showed that capital had not yet been fully paid-up, in spite of the banks' statements to the contrary. For this reason Bank Indonesia stipulated early in October 1957 that the paid-up capital to the amount of Rp 2. 5 million which was made a requirement under Government Ordinance No. I/1955, had to be paid into Bank Indonesia, Djakarta, or one of its branches, by the bank making application, to prevent recurrence of this possibility and as a check on unsound development of private general banks. Such deposits made with Bank Indonesia must be covered by a letter from the bank concerned that the amount deposited constitutes its capital as paid up by shareholders under the requirements as laid down in Government Ordinance No. 1/1955. The amount so deposited is blocked till the date when the bank concerned receives a license and starts operations.

Such banks are permitted to deduct initial expenditure, for floating the enterprise, purchasing inventory, purchasing or building bank premises, provided the total of such



expenditure does not exceed Rp 500,000,- proofs have to be produced. So as to ease the consequences of blocking their funds, the depositing general banks are permitted to invest their funds in Treasury bills.

Furthermore such general banks are required to submit biographies of their Managements and Board of Directors; their registers of shareholders: the certificates of Indonesian nationality of members of their boards and shareholders who are not autochthonous Indonesians; entry permits or certificates of residence of such individuals as do not have Indonesian nationality.

Since the above stipulations went into effect, many banks have withdrawn their applications for carrying on general banking business or have stopped operations altogether. Thus a start was made towards a sound development of banking. Furthermore, notice was given to banks which have been grantee permanent licenses on the strength of incorrect statements, to put their house in order, since noncompliance with the regulations will make them liable to withdrawal of their licenses.

In the year under review the number of private savings banks was 18 — only one more than in the previous year.

As set forth in the previous annual report, Bank Indonesia needs an efficient apparatus — in this case a body of experts—if it is to discharge effectively the supervisory duties referred to in Government Ordinance No. 1/1955. About the middle of 1957 Bank Indonesia established a Credit Supervisory Department (Bagian Pengawasan Urusan Kredit) whose duty is to supervise and check the activities of all general banks and savings banks — private as well as Government — under the stipulations of Government Ordinance No. 1/1955.

The first task which this Credit Supervisory Department set itself was to organize a training program for the supervisory personnel required, and it is expected that in the course of 1958 several bank officials will be ready to undertake active scrutiny work. In the year under report, actual checking in the field was still limited although direct examination could be more effected than in the foregoing year.

A notable development towards the close of 1957 was that, as the outcome of the action for the restoration of West Irian, all Dutch banks were placed under the control of the Military Authority (Decree of the Army Chief of Staff in his capacity of Military Authority no. KPTS/PM/080/1957 dated December 8, 1957). This Decree was promulgated under the regulations of the prevailing State of Emergency. Control of the activities of Dutch banks was brought under the charge of a Central Supervisory Board for Banks (Badan Pengawas Bank2 Pusat), which Board was made up of FINEK (/S.H.P.M. Coordinator (Coordinator for Financial and Economic Affairs, and the Executive of the Military Authority) as Chairman and Member; a representative of Bank Indonesia as Deputy Chairman and Member; representatives of the Ministry of Finance as members; several representatives of the Executive of the Military Authority as Members. Furthermore Regional Military Authorities set up Regional Supervisory Boards for Banks (Badan Pengawas Bank2 Daerah) composed along the same lines of the Central Board, in every region where a Dutch bank or a branch of a Dutch bank was in operation. For purposes of direct control on Dutch banks, the Central Board, or Regional Boards also had powers to station supervisory teams with such banks. By these measures the run on Dutch banks which had started early in December 1957 was checked.

As a further measure and with a view to carrying on activities vital to the economy of the country, a further Decree of the Military Authority made it obligatory for all Dutch banks to extend credits granted in the fields of production, transportation, distribution, exports and imports, except imports of nonessential consumer goods (Decree No. KPTS/DM/089/1957 dated December 16, 1957). To secure the continuation of the financial relations between the Dutch enterprises brought under control and the Dutch banks as before, the Army Chief of Staff in his capacity of Central Military Authority issued Decree of the Central Military Authority No Prt/Peperpu/05/1958 dated March 5, 1958. Under this Decree, Dutch enterprises were permitted to continue drawing on their deposits or credits with the Dutch banks or/and to deposit money with these banks.

#### *Credit facilities granted by foreign exchange banks*

Credit facilities in the year under report were primarily extended to the import sector and particularly concerned advances for the prepayments due on imports. Prior to June 20, 1957, the date on which the new export/import system, known as the B.E.

system, came into operation, Bank Indonesia extended prepayment credit facilities to foreign exchange banks, to national banks, and to Bank Indonesia's own clients/importers, up to a specified percentage of the import value plus T.P.I. (Tambahan Pembayaran Impor — Import Surcharges), or of the prepayment that had to be deposited with the Foreign Exchange Fund after the issuance of the foreign exchange permit. Noteworthy of the credit policy of that period was the adjustment of the above percentage to the need for imports.

After the introduction of the B.E. system, credit facilities in a new form were extended for prepayments on imports for the benefit of national banks and importers, as follows:

- a) for imports of general goods, 60% of the nominal value of the B.E. certificates that had to be purchased;
- b) for raw materials and auxiliary goods for industrial enterprises, 75% of the nominal value of the B.E. certificates.

As from January 14, 1958, banks were asked to withdraw credit facilities for post-financing of all imports and for advanced financing of imports of consumer goods, while for auxiliary goods and raw materials advances were not to exceed 50%, of the nominal value of B.E.s to be purchased. The amounts of advances for capital goods are left to the discretion of the banks concerned.

In its session of February 17, 1958, the Monetary Board decided that banks are not allowed to grant credits for advanced financing exceeding 25% of the B.E. value bought, for the import of raw and auxiliary materials.

In view of the above decision of the Monetary Board, credits granted by Bank Indonesia for the advanced financing of the import of raw and auxiliary materials up to 75% of the nominal B.E. value are incompatible with the decision of the Monetary Board. Thus credits for the import of raw and auxiliary materials for industrial purposes are to be cut down from 75% to 60% of the nominal B.E. value.

The combined balance sheet of Bank Indonesia and the other 13 foreign exchange banks is set out in table 19. As the figures show, the sum total of capital, reserves, profit

TABLE 19 — COMBINED FIGURES OF BANK INDONESIA, BANK NEGARA INDONESIA, BANK RAKJAT INDONESIA AND 11 FOREIGN EXCHANGE BANKS  
(Rp million ; end of period figures )

	1955	1956	1957					1955	1956	1957			
	Dec.	Dec.	March	June	Sept.	Dec.		Dec.	Dec.	March	June	Sept.	Dec.
Cash in hand	401	446	506	490	530	530	Capital, reserves, profit and loss account	1,226	1,484	1,636	1,842	1,827	1,931
Balances of foreign exchange banks with Bank Indonesia	601	546	813	1,975	2,158	1,888	Time deposits	212	180	153	171	167	170
Balances of foreign exchange banks with other foreign exchange banks	72	45	66	113	88	83	Government accounts	1,511	1,629	1,672	1,774	2,053	1,799
Treasury notes and bills	173	168	159	346	442	669	Rurni accounts	120	108	114	114	118	122
Securities	94	129	132	132	116	131	Guarantee deposits	311	349	365	217	285	228
Participations	30	33	33	31	32	32	Demand deposits and bills payable	3,587	4,021	4,028	4,280	4,336	4,822
Advances and domestic bills discounted	4,127	4,806	4,963	4,232	4,609	4,443	Debt of foreign exchange banks to other foreign exchange banks	72	45	66	113	88	83
Foreign bills and balances	1,320	1,236	1,191	711	854	1,114	Prepayment from importers	3,326	3,343	3,400	1,697	1,002	681
Premises and inventory	330	394	417	433	421	451	Sundry credit accounts	105	156	328	171	875	1,272
Sundry debit accounts	107	206	181	49	—	—							
	7,255	8,009	8,461	8,512	9,250	9,341	Foreign Exchange Fund :	10,470	11,315	11,762	10,379	10,751	11,108
Gold, claims in gold on the Government and convertible foreign exchange	953	534	518	486	491	469	foreign liabilities	1,555	1,987	1,885	1,638	1,683	1,969
Foreign Exchange Fund :							Debt of Bank Indonesia to other foreign exchange banks	601	546	813	1,975	2,158	1,888
foreign currency account	2,038	1,918	1,441	1,413	1,930	1,674	Bank notes issued	8,474	9,175	9,319	10,800	12,533	14,064
Advances to the Government:							B.C.A and S.A.C. counterpart accounts	663	945	1,117	1,332	1,378	1,449
a. from Bank Indonesia	8,332	10,752	11,570	14,478	16,598	19,073	I.M.F and I.B.R.D accounts	186	642	642	642	642	642
b from importers	3,200	3,083	3,234	1,563	562	249							
Claims in rupiah on the Government	171	314	314	314	314	314							
	21,949	24,610	25,538	26,766	29,145	31,120		21,949	24,610	25,538	26,766	29,145	31,120

and loss account of these 14 banks rose by Rp 447 million (30%) over 1957. The balances of demand deposits and bills payable rose by Rp 801 million (19.9%), while time deposits from the private sector fell by Rp 10 million (5.6%).

Prepayments by importers dropped from Rp 3,343 million at the end of 1956 to Rp 681 million at the end of 1957—a fall by Rp 2,662 million or 79.6%. In substance, this drop in importers' prepayments meant that the volume of importers, prepayments into the banks was smaller than the volume of prepayments refunded to importers in the case of import applications being rejected or the imports effected.

The total of the amount of importers' prepayments received by the Foreign Exchange Fund from the foreign exchange banks is shown by the debit item "Advances to the Government from Importers". As table 19 further shows, the credit item "Prepayments by Importers" exceeded the debit item "Advances to the Government from Im-

TABLE 20 — CREDITS GRANTED BY BANK INDONESIA, BANK  
NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS<sup>1)</sup>  
(Rp million; end of period)

	1956		1957		
	December	March	June	Sept.	Dec.
A. Government enterprises and foundations	407	494	631	550	426
B. Enterprises predominantly financed by the Government	48	84	52	85	100
C. Private business and individuals					
Banks and credit institutions (excl. foreign exchange banks)	55	51	26	54	70
Insurance companies, savings institutions, pension funds	16	18	18	18	19
Rice mills	4	3	5	3	10
Domestic produce trade	83	80	94	118	105
Exporters	375	366	314	515	434
Importers	1,367	1,284	797	937	996
Sugar estates	318	285	259	295	218
Other agricultural estates	241	215	208	228	130
Industries	354	381	341	337	383
Storage and transport companies	69	69	53	55	45
Mining	3	3	4	4	7
Miscellaneous enterprises	460	540	426	436	472
Private persons	125	145	132	124	118
Sub total	3,470	3,440	2,677	3,124	3,007
Grand total	3,925	4,018	3,360	3,759	3,533
<sup>1)</sup> Excl. Bank Rakjat Indonesia					

porters". The total of the prepayments made to the foreign exchange banks was higher in certain periods, than the total of prepayments received by the Foreign Exchange Fund. The balance of these two items amounted to Rp 166 million in the first, Rp 134 million in the second, Rp 440 million in the third, and Rp 432 million in the fourth quarter of 1957. The average of these balances—which forms a source of money creation for the foreign exchange banks—was higher than the average of the corresponding balances in 1956.

The credit facilities extended by banks in the course of 1957 were marked by some fluctuations, as shown by the item "Advances and domestic bills discounted" on the debit side of the combined balance sheet. This item stood at Rp 363 million less than at the end of 1956. The specification of debtors of the foreign exchange banks (except Bank Rakjat Indonesia) in table 20 shows that this decrease of credits was due to smaller credit facilities to importers (less Rp 371 million), sugar estates (less Rp 100 million), and other estates (less Rp 111 million).

The drop in the amount of credits to importers resulted from a reduced volume of imports. Even so, the share of importers in total credits was the largest (Rp 996 million or 28.2%) when compared with the other groups, as was the case in the foregoing year

TABLE 21 — CREDITS GRANTED TO PRIVATE ENTERPRISES AND INDIVIDUALS BY 7 FOREIGN AND 6 NATIONAL BANKS<sup>1)</sup>  
(Rp million)

Granted to	1956				1957			
	7 foreign banks		6 other banks		7 foreign banks		6 other banks	
	Total	%	Total	%	Total	%	Total	%
1. Exporters	285.4	16	89.9	5	272.2	19	162.1	8
2. Importers	612.0	35	755.2	44	424.2	30	571.6	27
3. Agricultural estates	368.9	21	190.3	11	176.8	12	171.5	8
4. Industries	158.3	9	195.2	11	248.6	17	133.9	6
5. Others	344.1	19	470.4	29	301.1	22	1,070.9	51
Total	1,768.7	100	1,701.0	100	1,422.9	100	2,110.0	100
a. Indonesians	643.9	36	1,497.1	88	553.7	39	1,897.1	90
b. Non-Indonesians	1,124.8	64	203.9	12	869.2	61	212.9	10

<sup>1)</sup> Exclusive of Bank Rakjat Indonesia

when the corresponding figure stood at Rp 1.367 million or 35 %. Credits to exporters, on the other hand, rose by Rp 59 million and amounted to Rp 434 million or 12.3 % of the aggregate. The credits to Government enterprises and foundations, enterprises predominantly financed by the Government, and to industries in general also rose, namely by Rp 19 million, Rp 52 million and Rp 29 million respectively, and amounted to Rp 426 million (12.1%), Rp 100 million (2.8%) and Rp 383 million (10.8%) at the end of 1957.

Table 21 shows the specification of credits granted by 7 foreign and 6 national foreign-exchange banks to private enterprises and individuals. The figures show that at the end of 1957, Rp 1,422.9 million or 40.2% of the overall amount of credits granted by 13 foreign exchange banks (excl. Bank Rakjat Indonesia) originated from the 7 foreign banks, against Rp 1.768,7 million or 51% in 1956. Of the above credit facilities, Rp 553.7 million or 39% went to Indonesian enterprises and individuals, against Rp 643.9 million or 36% per the end of 1956. This shows that the share received by Indonesian enterprises and individuals increased relatively. Out of the total credit facilities extended by the 6 national banks, 90% went to Indonesian enterprises and individuals (at the end of 1956 : 88%).

A comparison of the total amounts of credits granted by the 7 foreign and 6 national foreign-exchange banks to private enterprises and individuals shows the following picture:

	1955	1956	1957
	(in million Rps)		
7 non-Indonesian foreign exchange banks	1,651.2 ( 59.2%)	1,768.7 ( 51.0%)	1,422.9 ( 40.3%)
6 national foreign- exchange banks	1,137.8 ( 40.8%)	1,701.0 ( 49.0%)	2,110.0 ( 59.7%)
	<u>2,789.0 (100.0%)</u>	<u>3,469.7 (100.0%)</u>	<u>3,532.9 (100.0%)</u>

The credit facilities extended by the 6 Indonesian foreign exchange banks increased steadily, being nearly 100% higher per the end of 1957 when compared with ult. 1955. The 7 non-Indonesian foreign exchange banks in contrast showed a downward trend,

TABLE 22 — LIQUIDITY POSITION OF 13 FOREIGN EXCHANGE BANKS <sup>1)</sup>

End of	I	II	III	IV	$\frac{I + II}{III + IV} \times 100\%$
	Cash assets (Rp million)	Demand deposits with Bank Indonesia (Rp million)	Demand deposits (Rp. million)	Other debts on demand (Rp million)	
1954 December	296.1	1,392.2	3,050.3	133.9	53.0
1955 December	420.4	692.4	3,205.2	232.3	32.4
1956 December	459.2	845.1	3,467.1	453.0	33.3
1957 March	530.6	980.1	3,736.7	72.4	39.7
June	503.2	1,971.9	3,839.3	210.4	61.1
September	552.0	2,051.9	3,928.2	212.6	62.9
December	596.7	1,795.2	4,045.4	158.6	56.9

<sup>1)</sup> Exclusive of Bank Indonesia

particularly in 1957. A proportional comparison of the credits granted by the two categories of foreign exchange banks shows that the percentage for the 7 non-Indonesian foreign exchange banks dropped from 59.2% per the end of 1955 to 51% per ult. 1956,

TABLE 23 — SPECIFICATION OF CURRENT ACCOUNTS WITH BANK INDONESIA,  
BANK NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS <sup>1)</sup>  
(Rp. million ; end of period)

	1956	1957			
	December	March	June	Sept.	Dec.
<i>A. Government-enterprises and foundations</i>	340	293	300	275	250
<i>B. Enterprises predominantly financed by the Government</i>	61	49	43	98	84
<i>C. Private business and individuals</i>					
Banks and credit institutions (excl. foreign exchange banks)	134	147	155	124	228
Insurance companies, savings institutions, pension funds	151	173	190	214	199
Rice mills	15	9	10	11	7
Domestic produce trade	71	67	83	103	83
Exporters	80	71	75	115	117
Importers	392	359	476	407	428
Sugar estates	70	94	94	89	75
Other agricultural estates	310	353	296	396	621
Industries	410	439	432	431	494
Storage and transport companies	84	86	130	146	102
Mining	3	5	6	7	8
Miscellaneous	539	712	607	631	671
Private persons	592	559	554	501	421
Sub total	2,851	3,074	3,108	3,175	3,454
Grand total	3,252	3,416	3,451	3,548	3,788

<sup>1)</sup> Excl. Bank Rakjat Indonesia



and declined even further to 40.3% per the end of 1957. In contrast, the percentage of the 6 national foreign-exchange banks steadily rose from 40.8% per the end of 1955 to 59.7% per ult. 1957.

The liquidity position of the 13 foreign exchange banks (excluding Bank Indonesia) as set out in table 22, compares cash assets (cash plus balances of the foreign exchange banks with Bank Indonesia) and demand liabilities (current accounts plus other debts on demand). As the figures show, the liquidity of the foreign exchange banks—on the whole—steadily rose from the beginning of the year under report to drop again at the end of 1957. The decline at the end of December 1957 was chiefly caused by internal political developments which led a great many customers to withdraw their balances from the Dutch owned banks. Noteworthy nevertheless is that the overall liquidity of the foreign, exchange banks was greater in 1957 than in the preceding year

Table 23 gives a further specification of the current account balances of various economic groups. The totals of these current accounts increased continuously from the beginning to the end of 1957.

### *State Banks*

#### *Bank Negara Indonesia*

The paid-up capital of the bank (Rp 100,000,000,-) underwent no changes in the course of 1957. The money supplied by the Government amounted to Rp 440 million, that is, Rp 255 million in time deposits and the remainder in ordinary loans. The current account balances of the bank totalled Rp 665 million per the end of 1957, against Rp 394 million per ult. 1956. The Government share in this total was 39.6%, that of the Autonomous resorts 2.3% and that of Government enterprises and foundations include enterprises predominantly financed by the Government 8.2%, while the share of sundry items was 49.9%. Guarantee deposits showed an increase by Rp 52 million, thus totalling Rp 85 million. As regards credits granted by the bank, only Government enterprises and foundations accounted for considerable movements, namely a rise by Rp 41 million.

The bank has 16 branch offices in various locations in Indonesia as well as a branch in Singapore.

### *Bank Industri Negara*

The figures of the balance sheets of the bank, rising from Rp 1,465 million per the end of 1956 to Rp 1,735 million at the end of 1957 demonstrate increasing activity in the course of 1957. Paid-up capital and reserves rose by Rp 133.6 million per the end of December 1957, to Rp 617.6 million. Current account balances totalled Rp 483.9 million, against Rp 340.2 million at the end of the preceding year. An amount of Rp 21.3 million out of this total was for account of the Government, Rp 437.5 million for account of enterprises predominantly financed by the Government, and Rp 25.1 million for account of other enterprises.

The amount granted in credits rose from Rp 1,060.7 million to Rp 1,288 million per the end of 1957. In comparison with the foregoing year credits granted to Government enterprises and foundations dropped by 37%, while those granted to enterprises predominantly financed by the Government and other enterprises rose by 56% and 15% respectively. In the total of credits to other enterprises, industrial enterprises and sugar estates took the largest share, namely 63.5% and 12.1% respectively.

TABLE 24 — 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
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
1956	94.1	12	108.4	14	574.4	74	776.9
1957	80.3	9	120.0	14	683.9	77	884.2

Source : Bank Rakjat Indonesia

Finally it is deserving of mention that participations in enterprises aggregated Rp 219 million, or a rise by Rp 57 million.

### *Bank Rakjat Indonesia*

Up to the present Bank Rakjat Indonesia operates 112 branches all over the country. In comparison with the end of the previous year current account balances with Bank Rakjat Indonesia rose by Rp 445 million per the end of 1957, thus standing at Rp 1,202 million. It is of interest to note that this item includes the headings: Government, Autonomous resorts, Government enterprises and foundations, enterprises predominantly financed by the Government, and sundries. The rise in the total was largely caused

TABLE 25 — DESA BANKS			
	Number of banks in operation	(Rp. million)	
		Loans outstanding (end of period figures)	Loans issued during year
1938	7,114	3.9	20.7
1951	1,769	6.0	28.7
1952	2,230	15.0	50.1
1953 <sup>1)</sup>	4,373	49.2	150.9
1954 <sup>1)</sup>	4,604	57.5	200.2
1955 <sup>1)</sup>	4,657	65.1	223.8
1956	4,633	67.6	232.9
1957	4,589	68.2	232.6
<sup>1)</sup> Revised figures			
Source: Bank Rakjat Indonesia			

by increased balances of the headings Sundries, and Government. Loan capital and time deposits aggregated Rp 399 million, against Rp 457 million per the end of 1956.

Table 24 shows that credits increased by Rp 107 million in 1957, which is lower than the corresponding rise in 1956 (Rp 171 million). As to the distribution of credits, it is interesting to note that agricultural credits steadily dropped, while credits under the heading middle-class and current account loans showed a rise. Relatively, the total of credits granted to the middle- class did not change though when taken on its own it was higher.

The number of desa (village) banks has steadily decreased since 1956. Credits outstanding, however, showed an upward trend (see table 25). Credit issued during 1957 totalled Rp 232.6 million, while redemptions stood at Rp 231.9 million. On an average, the village banks granted loans to a total of Rp 50,000.— each in the course of 1957.

### *National Private Banks*

The figures listed in table 26 were compiled from the quarterly balance sheets of 49 banks (national private banks which have become foreign exchange banks not included) which submitted returns regularly. The other banks were not yet in a position, due to technical accounting difficulties, to send in regular returns.

TABLE 26 — COMBINED FIGURES OF NATIONAL PRIVATE BANKS  
(end of period; Rp '000)

	All reporting banks <sup>1)</sup>		20 largest banks	
	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>
<i>Assets:</i>				
1. Cash	41,312	78,492	30,160	67,685
2. Balances with banks	120,456	202,560	102,723	177,412
3. Treasury notes and bills	372	3,994	372	3,994
4. Investment in securities	10,659	6,107	10,039	5,434
5. Debtors, domestic bills	541,836	833,600	472,677	683,137
6. Participations	2,846	2,622	2,331	1,210
7. Real estates	26,067	39,447	22,275	26,230
8. Sundry	253,099	169,820	245,419	145,704
<b>Total</b>	<b>996,647</b>	<b>1,336,642</b>	<b>885,926</b>	<b>1,110,806</b>
<i>Liabilities:</i>				
9. Capital	73,238	114,427	48,255	52,508
10. Reserves	18,606	10,267	17,259	7,355
11. Loan capital	57,004	50,740	43,750	17,000
12. Balances of other banks	50,971	82,618	46,445	64,906
13. Demand deposits, bills payable	281,303	493,612	249,130	434,106
14. Time deposits	115,376	210,494	92,524	182,091
15. Sundry	400,149	374,484	388,563	352,840
<b>Total</b>	<b>996,647</b>	<b>1,336,642</b>	<b>885,926</b>	<b>1,110,806</b>

<sup>1)</sup> End of December 1956: 42 banks; end of December 1957: 49 banks.

<sup>2)</sup> Revised figures

<sup>3)</sup> Provisional figures.

As known, the Government has been giving substantial credits to national private banks since 1956, in the form of advances, and liquidity credits. The advances should be understood to mean credits granted by the Government to reinforce the financial position of such banks. Liquidity credits are such credits as given by the Government to certain enterprises through national private banks. In 1957, advances and liquidity credits aggregated Rp 40 million and Rp 77 million respectively. Since September 1957 no further liquidity credits have been granted, this in connection with the financial position of State finance, and as laid down in the announcement of the Ministry of Finance of September 22, 1957 concerning Credits under Government Guarantee.

Apart from the above credits supplied by the Government, Bank Indonesia also granted credits to national private banks for the benefit of certain enterprises. All such credits required collateral security of stocks and shares, promissory notes, bills, and export goods.

Table 26 sets out the combined balance sheet of all the national private banks that sent regular returns to Bank Indonesia, as well as the combined balance sheet of the 20 largest banks among them. Obviously, the composition of these 20 banks was not the same in 1957 as it was in 1956.

As the table shows, the combined figures for the 20 largest banks do not differ greatly from the total figures of all the banks that sent in regular returns. This would

TABLE 27 — SPECIFICATION OF DEBTORS  
(end of period; Rp. '000)

Sector	All reporting banks <sup>1)</sup>		20 largest banks	
	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>
1. Trade	363,146	383,379	317,755	304,039
2. Industry	108,257	240,884	101,196	223,937
3. Transportation	9,872	20,389	6,438	18,369
4. Estate agriculture	10,201	16,746	7,423	13,344
5. Individuals	28,061	32,054	23,719	20,208
6. Sundry	9,638	106,938	5,645	85,925
Total	529,175	800,390	462,176	665,822

<sup>1)</sup> End of December 1956: 42 Banks.; end of December 1957: 49 Banks.

<sup>2)</sup> Revised figures.

<sup>3)</sup> Provisional figures.

seem to justify the conclusion that the potential of the banks outside the 20 largest is not significant. An overall survey of all these national banks and a comparison of their position at the end of December 1956 and 1957 shows that the items Balances with Banks, Debtors and Domestic bills, on the debit side rose by Rp 82.1 million and Rp 291.8 million respectively. Treasury bills totalled Rp 3.99 million per the end of 1957, against Rp 0.37 million per ult. 1956. The items: Capital and current account balances (Demand deposit) and bills payable, on the credit side also increased by Rp 41.2 million and Rp 212.3 million respectively. The rise in the item Capital was caused by the increase in the payments of additional paid-up capital of national private banks per the end of December 1957. It may further be mentioned that the number of banks included in the combined balance sheet of national private banks rose by 7 per the end of 1957, resulting in a total number of 49.

Out of the grand total of credits granted by national private banks per the end of 1957, 48% went to the trade sector and 30% to the industrial sector—comparing with 69% and 21% at the end of 1956. This would indicate a setback in the trade sector and an improvement in the industrial sector.

TABLE 28 — SPECIFICATION OF CURRENT ACCOUNTS  
(end of period; Rp. '000)

Sector	All reporting banks <sup>1)</sup>		20 largest banks	
	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>	Dec. '56 <sup>2)</sup>	Dec. '57 <sup>3)</sup>
1. Trade	90,525	156,318	81,577	143,110
2. Industry	10,985	24,792	9,208	23,640
3. Transportation	3,944	3,488	3,649	3,378
4. Estate agriculture	1,063	8,169	602	7,586
5. Individuals	53,337	29,999	41,416	22,001
6. Sundry	56,722	144,159	53,629	118,562
Total	216,576	366,925	190,081	318,277

<sup>1)</sup> End of December 1956: 42 Banks; end of December 1957: 49 Banks.

<sup>2)</sup> Revised figures.

<sup>3)</sup> Provisional figures.

Table 28 specifies the current account balances of national private banks.

In comparison with the previous year, the trade sector shows a considerable increase per the end of 1957, rising as it did by Rp 66 million or 73%.

### *Pawnshop service*

The number of pawnshops in Indonesia rose by 8 in 1957. A survey of developments since the end of 1951 shows that on an average the number of pawnshops increased by 10 annually.

TABLE 29 — PAWNSHOP SERVICE						
End of	Number of pawnshops	Pawning		Redemption		
		Number of pawns ('000)	Amounts loaned (million Rp)	Number of articles redeemed ('000)	Amounts repaid (million Rp)	Outstanding loans (million Rp)
1940	468	50	88	45	85	33
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
1956	422	46	1,966	45	1,809	752
1957	430	35	2,042	45	2,081	711

Source: Pawnshop Service

In comparison with the foregoing year, the number of pawns dropped by 11,000 while the amount of loans rose by Rp 76 million. The number of pawns redeemed was the same as per the end of 1956, though repayments rose to Rp 2,081 million. Loans outstanding decreased from Rp 752 million per end 1956 to Rp 711 million per end 1957. The average period of "A" pawns (valued from Rp 0.50 to Rp 25.—) was 95 days - the same as in 1956

### *Savings Banks*

The number of branches of the Post Office Savings Bank was 853 per the end of 1957, against 808 per ult. 1956. The number of savings books in circulation per end

TABLE 30 — CREDIT BALANCES AT SAVINGS BANKS  
(Rp '000)

End of	Post Office Savings Bank	Private savings banks	Total
1940	50,607	15,941	66,548
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
1956	225,035	34,180	259,215
1957 *)	295,811	41,999	337,810

\*) Provisional figures

December 1957 was 1,273,503, while the average total per book worked out to Rp 232.23. The number of savings books over 1956 amounted to 796,279, and the average balance per book to Rp 282.61. This shows an increase in the number of books but a decrease in the average amount of savings.

Overall savings with the Post Office Savings Bank and the 6 largest private savings banks showed an increase by Rp 79 million in 1957.

### *Jajasan Lembaga Djaminan Kredit (L.D.K.)*

The reorganization of “Jajasan Kredit” (Credit Foundation) got underway in the year under report. The lines of reorganization were laid down in the Decree of the Minister of Economic Affairs No. 2110/M of February 28, 1956 (see previous report). The name of “Jajasan Pemusatan Djaminan Kredit Rakjat” (the then official name of the “Jajasan Kredit”) was changed into “Jajasan Lembaga Djaminan Kredit”. abbreviated L.D.K. (Foundation Credit Guarantee Institute). At the same time the character and position of L.D.K. was made more explicit, namely, a credit guarantee board for



**TABLE 31— OPERATIONS OF JAJASAN LEMBAGA DJAMINAN KREDIT**  
(figures covering period of September 1952/December 1957, including Branches of L.D.K.)

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	AmountRp '000		Number	AmountRp '000		Total	As % of credits reported about	Total Rp '000	As % of credits reported about
General economic affairs	1172	215,285	692	120,329	388	69,289		353	58,501	166	123	74	11,987	54
Industry	2195	317,559	1314	196,675	718	35,953		680	35,592	362	340	94	11,873	57
Co-operatives	295	28,488	122	16,492	172	11,612		162	10,055	74	43	58	2,156	54
Agricultural	41	28,463	6	5,316	3	1,150		2	1,060	2	1	50	8	1
"Jatra"	1	44,000	—	—	1	44,000		1	24,000	1	1	100	11,344	100
"Perrin"	1	29,000	—	—	1	16,000		1	8,100	1	—	—	—	—
Total	3705	662,795	2134	338,812	1283	178,004		1199	137,308	606	508	84	37,368	56

Source : Jajasan Lembaga Djaminan Kredit

risks and/or liquidity in cases of applications for credits which bankers are not in a position to accommodate. The rules for the setup and working-system of L.D.K. were given their final shape in July 1957 and implementation in the districts got underway in August 1957.

In line with the simplification aimed at, the organization of L.D.K. branch managements underwent considerable change. Unlike the former Regional "Jajasan Kredit", branches are managed by a Board of but three members, presided by the Governor/Regional Head of a Province or a person nominated by him. The two members are managers of branches of Bank Indonesia or persons nominated by them, while the third member is an official in the Ministry of Agriculture, Industry, or Trade, nominated by the Governor, Regional Head of the Province concerned. The inclusion of a banker in the Regional Managing Board as part of the implementation of the reorganization scheme was meant to ensure that credit granted under L.D.K. guarantee would be justified from a business and banking view.

Doing away with the former Regional Supervisory Boards further had the advantage that L.D.K. branches would be under the direct control and supervision of the Central Managing Board, the latter board in its turn owing responsibility to a Supervisory Board.

A further aim of the reorganization was greater efficiency and speedier procedure in dealing with credit applications. Applications not exceeding Rp 100,000,- are generally left to the decision of the Branch Managements, the explanations submitted by the bank concerned mostly supplying sufficient data for a decision. This implies that, to some extent, the burden of investigation of credit application was shifted from the "Government Services" to the bank forwarding the application. The Central Managing Board decides applications exceeding Rp 100,000.— being largely guided in its decisions by the recommendations of the Services concerned.

The ceiling of credits given by Bank Indonesia to L.D.K., under Government Guarantee, remained fixed at Rp 93,000,000.— in the year under review.

Table 31 sets forth the development of credit granted under L.D.K. guarantee in the year under review.

Credit applications decreased in number by 35% in comparison with 1956. In the first place this must be ascribed to cooperative societies being moved out of the sphere of activity of L.D.K. This was done to prevent duplication, since the Cooperative Service had also been allotted funds for promoting cooperatives.

Though the number of applications under L.D.K. decreased over 1957, the average amount of credit applied for rose from Rp 203,000.— in 1956 to Rp 286,000.— in 1957. This rise, explained by the steadily mounting level of prices, was also largely due to the increasing number of applications for financing agricultural estates.

The number of applications rejected in 1957 was 50% less than in 1956, which is partly explained by the smaller number of applications received. In all, 209 applications were turned down in 1957, the ratio of applications received to applications rejected being 2: 1, in comparison with 1956 when this ratio was 5: 4. Looked at from this angle, it would appear that the preliminary screening and preparation of applications was up to a higher standard in the year under review.

The smaller number of applications received also partly explains the smaller number of credits granted in the course of 1957. The average amount of credit granted rose by about 100%, namely, from Rp 64,000.— in 1956 to Rp 134,000.— in 1957. Enterprises in the sphere of the Ministry of Industry in particular showed a rise in the average amount of credit granted, namely from Rp 64,000.— to Rp 143,000.—, a rise by approximately 150%.

The year under review did not show any favourable development yet in repayments on credit, as table 31 shows. Expressed in percent, the increase in arrears would seem gratifyingly low (3%), which is lower than in the preceding year. However, the actual overall increase of arrears (by Rp 15 million), does not speak well for the awareness of debtors of the obligation they have undertaken to discharge debts promptly, nor does this justify as yet the expectation implied in the principles basic to a sound credit system, which underlie the reorganization of L.D.K.

#### *Stock Exchange—B.E. Exchange*

In the year under review a beginning was made in employing the services of the Stock Exchange for obtaining long-term capital. Bank Industri Negara issued two of

TABLE 32 — SALES AND QUOTATIONS ON THE DJAKARTA STOCK EXCHANGE  
OF THE MOST IMPORTANT SECURITIES

	Sales (nominal value)		Highest price		Lowest price	
	1956	1957	1956	1957	1956	1957
	(Rp.'000)					
3% R.I. bonds 1950	136,214	113,884	58 <sup>1</sup> / <sub>8</sub>	66	55 <sup>1</sup> / <sub>2</sub>	55 <sup>3</sup> / <sub>4</sub>
5% bonds Grand Hotel Preanger	3	4	85	100	60	85
3% B.I.N. bonds 1969	9,998	10,734	80 <sup>3</sup> / <sub>4</sub>	83 <sup>1</sup> / <sub>2</sub>	75 <sup>3</sup> / <sub>4</sub>	75
3% B.I.N. bonds 1970	51,202	15,363	79	83 <sup>1</sup> / <sub>2</sub>	75	73 <sup>1</sup> / <sub>8</sub>
3% B.I.N. bonds 1971	28,705	37,988	76 <sup>1</sup> / <sub>4</sub>	83 <sup>1</sup> / <sub>2</sub>	74 <sup>1</sup> / <sub>2</sub>	74
3 <sup>1</sup> / <sub>2</sub> % Ned. Indië bonds 1935	65	18	78 <sup>1</sup> / <sub>4</sub>	240	60	65
3% Ned. Indië bonds 1937	19	96	80	240	60	60
3% Ned. indië bonds 1937A	709	376	80	250	55	50
Escomptobank	2,257	1,218	467	530	398	300
Stroothoevenveem	205	344	660	310	180	150
Vereenigde Prauwenveren	554	870	480	365	235	80
Samarangsch Stoomboot en Prauwenveer	405	765	270	265	170	170
Tagalsch Prauwenveer	46	69	500	375	290	235
G.E.B.E.O.	302	312	860	525	350	300
Pandjie & Tandjoongsari	596	325	300	220	145	80
	(Neth. Gld'000)					
H.V.A.	15	16	1,050	850	600	850
Nationale Handelshank	115	91	1,000	800	520	490
Vereenigde Vorstenlandsche Cultuur Mij	62	50	300	300	140	65
Koninklijke Olie	66	47	4,050	1,550	3,200	750
	(per cert. of 10 shares)					
Can. Pac. Railway	4	4	\$ 63.—	\$ 63.—	\$ 63.—	\$ 50.—
General Motors	50	46	" 78.—	" 105.—	" 60.—	" 61.—
Shell Oil	254	180	" 145.—	" 207.—	" 100.—	" 120.—
United States Steel	50	31	" 108.—	" 155.—	" 76.—	" 94.—

the four lines—of Rp 25 million each—of 5 1/2% debenture loans redeemable in 1972. This loan was open for public subscription, unlike earlier Bank Industri Negara loans which were exclusively open to holders of Rupiah Accounts of Non-Residents in Indonesia (abbreviated RURNI Accounts). The lines issued were for the most part subscribed by insurance companies, savings banks and other institutional investors.

Since the import Levy on Securities (Tambahan Pembayaran Impor Efek — T.P.I. Efek — 33 1/3% of the Rupiah value), came into effect in February 1955 the total revenue from T.P.I. Efek up to the end of 1957 was Rp 52 million, so that from February 1955 to April 1958 securities were imported to an actual value of Rp 156 million. Imports were largely made up of repatriating 3% B.I.N. bonds exported by holders of RURNI accounts, under a general permit of the Foreign Exchange Institute, to liquidate their Rupiah balances in this country.

Table 32 illustrates dealings in securities and the price development of some of the principal items on Djakarta Stock Exchange. Overall dealings in Rupiah securities (excluding Government loans or loans under Government guarantee) amounted to Rp 8 7 million in 1957 against Rp 7.9 million in the foregoing year. The prices of Government loans and loans under Government guarantee achieved new heights reflecting the brisk demand for high class securities at fixed interest rates as well as their short supply. This lively demand, so it may be assumed, originated with institutional investors with excessive liquid means on their hands due to the unexpected redemption of private loans. The yield of 5 to 6% of this class of security seemed to be a big attraction for investors, and prices increased accordingly.

Outside the Stock Exchange, bonds were still sold offering rates of interest as high as 12 to 18%, sometimes even with the added attraction of a share of the profits on top of the fixed interest.

Prices of shares, in general, moved on a lower level than in the foregoing year—in some cases they plummeted down to abnormal depths. This was primarily due to the exodus of Netherlands nationals who bodily unloaded their holdings of securities, together with the gloomy outlook for future dividends from enterprises in Indonesia. The restrictions imposed by the Military Authority and the Foreign Exchange Institute on dealings in securities may also have contributed to this landslide.

After the implementation of the B.E. Regulations (see Chapter VI Foreign exchange system and measures, and Appendix K) prices of Export Certificates (B.E.) mounted steadily, and U.S. securities were in strong demand apparently with a view to preserving the buying power of the money so invested. The short supply of U.S. securities caused their prices to rise even though the threatening recession in the U.S. made a distribution of dividends on the preceding year's levels illusory.

The price of B.E.s depends on supply and demand. Transactions in B.E.s are handled exclusively by the foreign exchange banks and for such dealings an exchange market was created in Djakarta under the name of "B.E. Call". Direct dealings outside the market are not allowed. Prices at this B.E. Call are quoted in percent of the nominal exchange value of the Rupiah. Once a price has been quoted on that Call-day no more transac-

tions will be concluded (there is no later call). Members of the B.E. Exchange inform the Call Leader, nominated by themselves, of all their buying and selling orders — values of B.E.s and the corresponding quotations —. Going by the list compiled for that day, the Call Leader announces the price at which the largest turnover of certificates can be achieved. Under the present B.E. market rules, members are not permitted to ask or bid & price differing more than 5 points from the price fixed the preceding day. The price finally arrived at is the current B.E. price for that day. As It turned out, the demand for B.E.s has always greatly surpassed the supply. Holders of B.E.s were consequently in a strong bargaining position and usually asked the highest price possible. Prospective buyers (importers) have continually been in a weak position and bid “best possible”, that is, the highest price permitted, if they wish to obtain the desired B.E.s, and the B.E. price steadily mounted. To check this upward course, the validity period of B.E.s, which had been 2 months, was reduced to 6 weeks as from October 4, 1957. This implies that holders of B.E.s (exporters) have to sell within 28 days after the date of issue of the B.E., seeing that on the date of sale the certificates must still have a currency of 2 weeks, unless explicitly otherwise agreed between buyer and seller. Finally, it was made a rule that the B.E. price of the day must not rise more than 2 points (February 10, 1958), which was eventually reduced to 1 point (March 27, 1958). At that time the B.E. price had reached a height of 320%, to which 1 point a day has been added since, until finally the Government checked the rise of the B.E. price on April 19, 1958. Since then the B.E. price has been fixed at 332% , namely its price on April 18, 1958.

## VI. FOREIGN TRANSACTIONS AND ARRANGEMENTS

### *Introductory*

The introduction of the Export Certificate System (Bukti Ekpor/B.E. system) on June 20, 1957, which will be discussed at greater length below (see also—Foreign Exchange System and Measures, and appendix “K”) drew a sharp line between the foreign payments position in the first and second half of 1957.

As table 33 shows, the shrinkage of foreign exchange holdings (by Rp 1,112 million in 1956) continued practically unabated in the first half of 1957, which showed a further drop by Rp 599 million. Thanks to the B.E. system, the position took a turn for the better in the second half of 1957, showing a surplus balance of Rp 263 million, which left a reasonable overall deficit for 1957 (Rp 336 million).

TABLE 33 — GOLD AND FOREIGN EXCHANGE HOLDINGS <sup>1)</sup>  
(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					
1951	1,103	563	— 251	1,415	659		2,074	+ 561
1951 <sup>2)</sup>	3,309	1,691	— 753	4,247	1,977		6,224	
1952	2,777	123	— 874	2,026	1,557	— 26	3,557	— 2,667
1953	1,688	173	— 1,097	764	1,263	10	2,037	— 1,520
1954	1,055	1,460	— 1,738	777	856	30	1,663	— 374
1955	953	2,038	— 1,555	1,436	1,236	6	2,678	+ 1,015
1956	532	1,918	— 1,987	463	1,097	6	1,566	— 1,112
1957	469	1,674	— 1,969	174	1,056	—	1,230	— 336
1956 March	953	1,587	— 1,527	1,013	1,046	5	2,064	— 614
June	953	1,012	— 1,676	289	955	6	1,250	— 814
Sept.	543	1,686	— 1,854	375	914	5	1,294	+ 44
Dec.	532	1,918	— 1,987	463	1,097	6	1,566	+ 272
1957 March	518	1,441	— 1,885	74	1,216	5	1,295	— 271
June	485	1,413	— 1,638	260	704	3	967	— 328
Sept.	490	1,931	— 1,683	738	693	1	1,432	+ 465
Dec.	469	1,674	— 1,969	174	1,056	—	1,230	— 202

<sup>1)</sup> Figures appearing in the above table differ from those mentioned in Chapter III seeing that the terms covered by the latter are not fully equivalent with those here.

<sup>2)</sup> At the post-February 4, 1952 rate.

Source : Bank Indonesia

The 1956 and 1957 balances of payments show (see table 34) the impact of the B.E. system on expenditure, especially in the import sector. Outlays in the second half of 1957 were considerably smaller than in the first half of 1957, and in the two halves of 1956. In the other expenditure sectors—the services and capital sectors—the impact was far less noticeable.

Seeing that the issue of foreign exchange permits for imports or other expenditure was not systematically restricted in the 2nd half of 1957 as compared with 1956, the measure of the impact of the B.E. system on the various expenditure sectors must be put down to differing elasticity of demand for the various kinds of expenditure. This was further demonstrated by the continuing rise of the B.E. price—while an average price of 220% was quoted in June 1957, the price was as high as 250% by the end of December.

The elasticity of demand for import goods proved to be greater than the demand for foreign exchange in the other sectors. Despite the stimulating effect of the greater velocity of domestic monetary circulation on the import trade, advancing prices of goods due to the steadily mounting B.E. price tended to reduce popular demand for certain lines, which caused imports of such lines to taper off correspondingly. Demand in the other sectors of foreign exchange expenditure proved to be far less elastic, which is understandable inasmuch as they largely concerned payments of interest and redemptions on foreign loans, fulfillment of other obligations, outlays for diplomatic posts abroad and the like, so that increased Rupiah costs did not result in a reduction of those expenditures.

The impact of the B.E. system on the revenue side of the balance of payments—practically entirely made up of proceeds from export products—is difficult to assess by itself. The fact that export proceeds (excluding petroleum export to which the B.E. system does not yet apply owing to special agreements with the respective oil companies) were lower in the second half of 1957 than in the first, while overall exports in 1957 were lower than in the foregoing year (1st half 1957—Rp 3,497 million; 2nd half 1957 —Rp 3,381 million; whole 1956—Rp 7,381 million) would not warrant the conclusion that the B.E. system fell short of the expectation that it would increase the volume of exports. Several developments which had made themselves felt in this field for some months prior to the introduction of the B.E. system were not absorbed by the



system. The tension between the Central Government and the Regions, arising at the end of 1956 and referred to in the previous report, grew in intensity in 1957. Deteriorating relations between the Central Government and the Regions concerned, prevented the B.E. system from functioning properly in such Regions and sometimes paralyzed the system altogether. Moreover, barter trade with foreign countries, carried on illegally by the above Regions under Local provisions deviating from the official regulations, grew rampant.

However, as set forth in the chapter "General Review" of this annual report, although the Regions did not cooperate in this new system and held the greater part of their foreign exchange earnings for themselves, exports were made possible again and even to such an extent that foreign exchange reserves increased from Rp 967 million in June to Rp 1,432 million in September. Owing to the new foreign exchange system exchange reserves kept increasing till October to show a declining trend again after that month.

In drawing the broad conclusion that, in terms of the balance of payments, the B.E. system proved to be successful last year, it should also be realized that absolute dependence of economic policy — in its widest sense — on a perfect balance between revenue and expenditure (the principle underlying the system) can only be justified if equilibrium is achieved on the lowest level that still enables the minimum requirements of the State to be filled. Such minimum requirements include the need for essential consumer goods, raw materials, semi-manufactures or capital goods necessary to keep the existing machinery of production running. In the services sector, besides the outlays mentioned above which are hardly or not at all elastic, private enterprise also has certain requirements which need to be filled if proper functioning of domestic economic machinery is not to be jeopardized.

If reduced revenue would make it impossible to maintain the aforementioned minimum level, adherence to the principle of balanced revenue and expenditure would be tantamount to assuming the risk of declining domestic production and consumption, and aggravating inflationary pressures which might involve far-reaching consequences. Here again the regional issue comes to the fore. If this issue cannot be brought to solution in the shortest possible time, export proceeds are sure to fall far below 1957

level. If bartering continues on the same level as in 1957, it is to be foreseen that national revenue from exports will very likely be reduced to or less than the minimum level referred to above.

Furthermore, general improvement of economic and monetary conditions cannot be realized solely by easing the pressure on the balance of payments. As repeatedly underlined in preceding annual reports, a reduction of the volume of money in circulation is a prerequisite for attaining general improvement. As discussed elsewhere in this report, the volume of money expanded in an alarming degree. Seeing that this increase in the volume of money was primarily caused by deficits on the Government budget, the deterioration of relations between the Central Government and the regions constituted, in this connection, a serious obstacle towards a reduction of the volume of money through retrenchment in Government finance.

As anticipated, the year 1957 was a gloomy and crucial year in the economic and monetary affairs of the nation. Even if the B.E. system could prevent further unfavorable development of the balance of payments, the deterioration of relations between the Central Government and several Regions hampered, to a more serious extent, the improvement of internal monetary conditions. Internal inflationary pressures were felt more strongly in 1957 than in the foregoing years. However, since the supply of goods was, for the time being, sufficient to meet the demand—due to the expansion of imports in the previous year—this pressure did not yet tend to cause large-scale speculation. Moreover, stricter control on the part of the Government of speculation and hoarding—through the exercise of authority under the State of Emergency Act—still ensured regular distribution, within certain limits, of the regular requirements of society and industry.

However, it is self-evident that this cannot go on indefinitely. If the supply of goods is no longer capable of meeting demand, the increased buying power of society will multiply inflationary pressure. In such a situation, it would seem unlikely that large-scale speculation or economic panic can be prevented, no matter how strict Government control may be.

It is obvious that settlement of the regional issue in the shortest possible time is the first requisite for arriving at a solution of the present economic and monetary difficulties.

### *Balance of Payments*

Table 34 sets forth Indonesia's balances of payments for 1956 and 1957 and gives a complete picture of foreign exchange payments and receipts between Indonesia and foreign countries in the past two years.

So as to show explicitly movements in debts payable by, and debts receivable from foreign countries, the items debts payable and debts receivable have been entered separately in the capital sector of the balance of payments. This procedure is more in line with common practice, though it departs from our practice heretofore. The capital balance in this report is therefore more extensive as compared with previous annual reports, where the items debts payable and receivable are combined in the item "Capital".

Quite different from the previous year, when the extraordinary increase in import expenditure caused the surplus in the balance of trade to become too marginal to cover the structural deficit in the balance of services, the balance of payments over the year 1957 shows a more normal equilibrium of the component balance sheets when viewed from the structural angle of national economy. The structural deficit in the services balance sheet can be covered for a substantial part—sometimes even completely, when external factors such as world market price developments were favourable—out of the surplus on the balance of goods.

Developments in the component balance sheets for 1956 and 1957, compared below, show that the surplus on the 1956 balance of goods covered the deficit on the service balance for about 12 % only, while the negative services balance for 1957 could be covered for 60% out of the surplus on the balance of goods.

Developments in component balance sheets for 1956 and 1957 (in million. rupiah) are as follows:

	<i>1956</i>	<i>1957</i>
Balance of goods	+ 266	+ 1,385
Balance of Services (incl. donations)	— 2,040	— 2,243
Balance of Capital (incl. items not taken into account)	+ 662	+ 522
<i>Total Balance of Payments</i>	<i>— 1,112</i>	<i>— 336</i>

The surplus in the balance of goods in 1957 to the amount of Rp 1,385 million was attained in the second half of 1957 and was solely caused by reduced imports. In that period import expenditure only amounted to Rp 3,569 million, or Rp 1,089 million less than in the first half year (Rp 4,656 million). As stated above, the drop in imports in the second half year was primarily caused by the operation of the B.E. system.

A comparison of the overall figures for 1956 and 1957 shows that import: dropped by Rp 1,117 million in 1957. If imports by oil companies are not taken into account (so as to examine the effect of the B.E. system, since this system does not yet apply to the oil companies), imports in 1957 dropped by Rp 1,339 million as compared with the foregoing year (total 1956 imports— Rp 8,576 million; total 1957 imports—Rp 7,237 million). A further examination shows that substantial drops were recorded in imports of rice, other foodstuffs and textiles—the very commodities which showed markedly increased imports in 1956 (see 1956/1957 Annual Report page 106). The outlays for those commodities in 1956 and 1957 were as follows (in millions rupiah):

	Total imports 1956	Total imports 1957	Decrease in 1957 as compared with 1956	Increase in 1956 as compared with 1955 (see 1956/57 Annual Report)
Rice	1,192	782	— 410	+ 1,093
Other foodstuffs	832	558	— 274	+ 358
Textiles	2,375	1,791	— 584	+ 632
	4,399	3,131	— 1,268	+ 2,083

From the figures mentioned the conclusion may be drawn that, where the above consumer goods were in such liberal supply as to exceed domestic demand in 1956 and in the beginning of 1957, advanced prices in the 2nd half of 1957 (as the result of increased B.E. prices) forced down imports to a level more in keeping with actual domestic demand. On the other hand, imports of several kinds of capital goods showed a significant rise in 1957; they were evidently intended for Government development projects and for private enterprises. Imports of metal goods, for instance, mounted to Rp 1,166 million in 1957 against Rp 811 million in 1956. During the 2nd half of 1957 — when the B.E. regime was in operation, imports in this sector also dropped as compared with the 1st half of 1957 from Rp 735 million to Rp 431 million.

Excluding petroleum, export proceeds for the 2nd half of 1957 amounted to Rp 3,381 million, or Rp 116 million less than in the 1st half of 1957 when exports totalled Rp 3,497 million. Leaving out petroleum, overall exports for 1957 stood at Rp 503 million less than in 1956 (Rp 7,381 million).

Tin exports dropped by about 117 million, due to slackness on the world market as compared with 1956. The decline in proceeds from exports of the other products—especially rubber and copra—was, for all practical purposes, primarily attributable to the barter trade conducted by the dissident Regions, which undid any boosting effect of the B.E. system on exports. As the result of barter trade, export proceeds from rubber declined by Rp 186 million, from copra and copra cakes by Rp 110 million. Particularly in the case of copra the impact of barter was striking. While proceeds still stood at Rp 188 million in the 1st half of 1957, exports dwindled to Rp 39 million in the 2nd half of 1957.

Increasing expenditure on the balance of services—showing a deficit of Rp 2,250 million in 1957, against Rp 2,057 million in 1956—must be attributed to increased expenditure of oil companies. Profit transfers by these companies rose by Rp 141 million, while outgoings under the item “Miscellaneous” (item 8.2) showed a deficit of Rp 146 million in 1957, which means a rise by about Rp 110 million as compared with the previous year. This increase had a bearing on higher costs of exploration and soil examination undertaken by the oil companies in the course of 1957 in connection with new investments.

If expenditure by the oil companies is excluded, payments for services showed a slight decrease in 1957 as compared with 1956 (1957—Rp 1,101 million; 1956 — Rp 1,193 million). This decrease is explained by the items profit transfers, outlays for foreign workers, and insurance being lower. Profit transfers for foreign enterprises, except oil companies dropped by about Rp 60 million as compared with 1956, after retrenchment to the tune of Rp 144 million in 1956 (see Annual Report 1956/ 1957 page 107) .

Retrenchment in the item outlays for foreign workers — about Rp 60 million less in 1957 than in 1956—was mainly found by revaluation of superannuation allowances—on the basis of the official rate of exchange after the devaluation of the Rupiah in 1952—for officials employed by the Government before the transfer of sovereignty.

The item Insurance was reduced by Rp 30 million in 1957 as compared with 1956, because transfers of insurance premiums for motor insurance were withdrawn as from March 1957, while marine insurance had to be written in Rupiahs as from October 1957, with the additional obligation that underwriters had to reinsure 60% of the cover written with a national reinsurance company.

Although expenditure on the above three items was cut back successfully, outgoings for the item Government (item 7) increased. The deficit of Rp 125 million in 1956 rose to Rp 201 million in 1957 or by about 60%.

As explained above, the capital balance was drawn up in a manner differing from foregoing Annual Reports. The items Debts payable and Debts receivable are no longer combined into one item (the item Capital), but are now entered separately. Furthermore, the system of accounting for purchases in 1956 and 1957 under the S.A.C. Agreement was revised in the balances of payments for both 1956 and 1957. Whereas 20% of the receipts under S.A.C. used to be entered as short-term liabilities and the balance as longterm liabilities (see Annual Report 1956/ 1957 page 110 and 111), all transactions under S.A.C. are now entered as short-term liabilities, in compliance with a suggestion of I.M.F.

The data concerning "B" and "C" credits were supplemented in 1957 and the relative figures entered in the 1956 balance sheet were revised.

Inflow of capital took place in 1957 in the form of investments by oil companies (Rp 502 million against Rp 466 million in 1956), loans from Eximbank (Rp 42 million against Rp 94 million in 1956), and receipt from "B" and "C" credits (Rp 21 million and Rp 181 million respectively against Rp 30 million and Rp 63 million respectively in 1956). The above three kinds of loans are classified under long-term liabilities (item 15), though "B" and "C" credit might be called medium-term loans. Further, receipts under S.A.C. (item 16.2) amounted to Rp 120 million in 1957 against Rp 420 million in 1956.

Investments by foreign enterprises other than oil companies caused a minor movement in item 11.2 (other long-term debts).

TABLE 34 — INDONESIA'S BALANCE OF PAYMENTS FOR 1956 AND 1957  
(Rp million)

CURRENT TRANSACTIONS

	Yearly totals						Halfyearly totals			
		1956		1957			1st halfyear 1956	2nd halfyear 1956	1st halfyear 1957	2nd halfyear 1957
	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
<b>A. Goods and Services</b>										
1. Exports and imports (exp. : fob; imp. : cif)	9,607	9,342	+ 265	9,609	8,225	+ 1,384	— 359	+ 624	+ 132	+ 1,252
2. Non monetary gold movement (net)	1	—	+ 1	1	—	+ 1	—	+ 1	—	+ 1
3. Foreign travel	11	121	— 110	9	126	— 117	— 89	— 21	— 95	— 22
4. Transportation	262	395	— 133	263	437	— 174	— 71	— 62	— 99	— 75
5. Insurance	24	168	— 144	19	120	— 101	— 73	— 71	— 66	— 35
6. Investment income	83	810	— 727	99	897	— 798	— 320	— 407	— 447	— 351
7. Government, not included elsewhere	66	191	— 125	47	248	— 201	— 56	— 69	— 94	— 107
8. Miscellaneous :										
8.1. Foreign workers	16	536	— 520	—	469	— 469	— 257	— 263	— 229	— 240
8.2. Other	142	440	— 298	192	582	— 390	— 165	— 133	— 181	— 209
Total goods and services	10,212	12,003	— 1,791	10,239	11,104	— 865	— 1,390	— 401	— 1,079	+ 214
<b>B. Donations</b>										
9. Private	7	—	+ 7	4	1	+ 3	+ 3	+ 4	+ 1	+ 2
10. Official	10	—	+ 10	4	—	+ 4	+ 4	+ 6	+ 2	+ 2
Total current transactions	10,229	12,003	— 1,774	10,247	11,105	— 858	— 1,383	— 391	— 1,076	+ 218
MOVEMENT OF CAPITAL AND FOREIGN EXCHANGE AND GOLD HOLDINGS										
<b>C. Private, exclusive Banks</b>										
11. Long term loans										
11.1. Oil companies invest- ment	466	440	+ 26	502	435	+ 67	— 68	+ 94	+ 123	— 56
11.2. Other long term loan movements	8	33	— 25	4	20	— 16	— 12	— 13	— 10	— 6
12. Short term loans	23	14	+ 9	—	—	—	— 8	+ 17	—	—
13. Long term improvements	—	—	—	3	—	+ 3	—	—	—	+ 3
14. Short term improvements	—	—	—	11	—	+ 11	—	—	+ 8	+ 3
<b>D. Government and Banks</b>										
15. Long term loans	187	312	— 125	244	302	— 58	— 49	— 76	+ 47	— 105
16. Short term loans										
16.1. Liabilities to I.M.F. and I.B.R.D.	627	314	+ 313	—	—	—	—	+ 313	—	—
16.2. Other short term loan movements	420	—	+ 420	520	—	+ 520	+ 30	+ 390	+ 394	+ 126
17. Long term improvements	60	47	+ 13	—	38	— 38	+ 60	— 47	— 38	—
18. Foreign exchange and mone- tary gold holdings										
18.1. Foreign exchange holdings			+ 691			+ 273	+ 1,428	— 737	+ 552	— 279
18.2. Monetary gold holdings			+ 421			+ 63	—	+ 421	+ 47	+ 16
Movements of capital, foreign exchange and monetary gold			+ 1,743			+ 825	+ 1,381	+ 362	+ 1,123	— 298
Items not included elsewhere			+ 31			+ 33	+ 2	+ 29	+ 47	+ 80

TABLE 35 — BALANCES OF PAYMENTS (EXCLUSIVE OIL COMPANIES) DIVIDED ACCORDING TO MONETARY REGIONS  
(Rp million)

	U.S.A. + Canada						E.P.U. — area						£ — area						O t h e r						T o t a l					
	1956			1957			1956			1957			1956			1957			1956			1957			1956			1957		
	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	1,682	1,395	+ 287	1,407	1,133	+ 274	2,347	2,781	— 434	2,379	2,651	— 272	2,289	2,675	— 386	2,156	1,883	+ 273	1,063	1,725	— 662	934	1,570	— 636	7,381	8,576	— 1,195	6,876	7,237	— 361
B. Services (incl. donations)	73	184	— 111	88	192	— 104	176	840	— 664	158	832	— 644	66	420	— 354	47	321	— 274	41	105	— 64	30	109	— 79	356	1,549	— 1,193	6,876	7,237	— 361
Total A + B	1,755	1,579	+ 176	1,495	1,325	+ 170	2,523	3,621	— 1,098	2,537	3,483	— 916	2,355	3,095	— 740	2,203	2,204	— 1	1,104	1,830	— 726	964	1,679	— 715	7,737	10,125	— 2,388	7,199	8,661	— 1,462
<i>Capital Movement</i>																														
C. Private	9	1	+ 8	2	—	+ 2	9	37	— 28	3	18	— 15	4	4	—	—	—	—	—	—	—	3	1	+ 2	22	42	— 20	8	19	— 11
D. Government and banks	519	85	+ 434	562	89	+ 473	135	196	— 61	202	180	+ 22	13	31	— 18	—	33	— 33	—	—	—	—	—	—	667	312	+ 355	764	302	+ 462
Total C + D	528	86	+ 442	564	89	+ 475	144	233	— 89	205	198	+ 7	17	35	— 18	—	33	— 33	—	—	—	3	1	+ 2	689	354	+ 335	772	321	+ 451
Total Transitory items			+ 618			+ 645			— 1,187			— 909			— 758			— 34			— 726			— 713			— 2,053			— 1,011
									— 5			+ 22			+ 15			+ 6								+ 10			+ 28	

Source : Bank Indonesia



Outflow of capital consisted of depreciation of oil companies (item 11.1 debit side) and Government repayments of foreign loans (item 15). Depreciation of oil companies totalled Rp 435 million, which was practically the same as the 1956 amount (Rp 440 million). Other depreciations were made only by K.P.M., which is shown in item 11.2. Repayments by the Government concerned loans from American Surplus Credits (Rp 24 million), Eximbank (Rp 55 million), I.C.A. (Rp 10 million), Australian Settlement (Rp 29 million), "B" credits (Rp 9 million) and "C" credits (Rp 102 million).

An instalment of the Netherlands loan under the name of 'Nederland 1950' was made in the 1st half of 1957 (Rp 42 million). The instalment due per end 1957 was postponed due to a moratorium having been made by the Government on transfers to the Netherlands in December 1957.

Further, Rp 23 million of item 15 is a payment of compensation to the nationalized electricity supply companies. Item 15 also includes Rp 8 million in repayment of a Bank Industri Negara debenture loan.

A movement of fairly large proportions took place in Debts Receivable (item 17) because of Subscription payments by the Government to the International Finance Corporation and for funds under the tin buffer stock agreement.

Table 35 shows payment transactions between Indonesia and certain monetary areas, classified in goods, services and capital, with the exclusion of oil company transactions.

The net result (in Rp millions) of payment transactions between Indonesia and the various monetary areas can be summarized as follows:

	<i>1956</i>	<i>1957</i>
U.S. and Canada	+ 618	+ 645
E.P.U. countries (exclusive the United Kingdom).	— 1.187	+ 909
Sterling area	— 758	— 34
Other countries.	— 726	— 713
	<b>— 2.053</b>	<b>— 1.011</b>

The overall payment position with the U.S. and Canada in 1957 differed only slightly from 1956. The surplus was small both in 1956 (Rp 287 million) and in 1957 (Rp 274 million). The volume of trade also diminished—exports dropped by 17%, while imports fell by 20% as compared with 1956. The capital sector did not show material movements. While the total amount received under S.A.C. rose by Rp 100 million, receipts from Eximbank dropped by Rp 52 million.

The deficit in Indonesia's payments traffic with E.P.U. countries and the Sterling area was reduced substantially, primarily due to reduced imports from those areas during the 2nd half of 1957. A marked decline took place in relation to the Sterling area, imports falling off by Rp 800 million or about 30% of the 1956 total, mainly due to reduced imports of textiles.

While imports from E.P.U. countries were smaller, the capital sector showed higher receipts in 1957 compared with 1956, due to increases in "C" credits, particularly from the Federal Republic of Germany, Italy and France.

### *Balance of Trade*

The balance of trade showed a substantial surplus in 1957 as compared with the foregoing year. According to data from the Central Bureau of Statistics—computed on a transaction basis, while data for the balance of payments are calculated on a cash basis—exports totalled Rp 11,052 million, while imports came to Rp 9,086 million, thus leaving a surplus of Rp 1,966 million (see table 36). Exports greater by Rp 1 billion (10%) and imports less by Rp 670 million (7%), accounted for this surplus. However, if the oil companies are excluded, exports and imports show a fall by Rp 120 million and Rp 1,494 million respectively. Exports of oil and oil products rose from Rp 2,560 million in 1956 to Rp 3,677 million in 1957, an increase of 44%.

Expressed in percent of the total value of imports, export proceeds rose by 19% in the year under review, namely, from 103% in 1956 to 122% in 1957.

Development and composition of exports and imports are reviewed below.

TABLE 36 — INDONESIA'S BALANCE OF TRADE  
(Rp million)

	T o t a l			Oil companies not included		
	Exports <sup>1)</sup>	Imports <sup>2)</sup>	Balance	Exports <sup>1)</sup>	Imports <sup>2)</sup>	Balance
1938	687	478	+ 209	524	470	+ 54
1952	10,651	10,806	— 155	8,471	9,690	— 1,219
1953	9,579	8,718	+ 861	7,247	7,787	— 540
1954	9,879	7,175	+ 2,704	7,290	6,375	+ 915
1955	10,779	7,195	+ 3,584	8,319	6,429	+ 1,890
1956	10,055	9,755	+ 300	7,495	9,001	— 1,506
1957	11,052	9,086	+ 1,966	7,375	7,507	— 132

<sup>1)</sup> F.o.b.; excluding postal parcels, passengers' goods, ship's chandlery, gold and silver

<sup>2)</sup> C.i.f.; excluding postal parcels, passengers' goods, gold and silver

Source : C.B.S.

### *Exports*

Compared with the previous year, exports rose both in volume and in proceeds. Volume increased by 4,960,000 tons, proceeds by Rp 997 million. However, if exports of oil and oil products are excluded, volume dropped from 2,508,000 tons to 2,379,000 tons, while proceeds fell from Rp 7,495 million to Rp 7,375 million.

As table 37 shows, drops were registered in the following export products: estate rubber (—Rp 49 million); tin (—Rp 107 million); copra and copra cakes (— Rp 27 million); coffee (— Rp 9 million); forest products (— Rp 4 million); hard rope fibres (— Rp 24 million); shells (—Rp 3 million); sago and sago products (—Rp 2 million).

In terms of volume (see table 38), exports of estate rubber, copra and copra cakes were higher in 1957 than in the preceding year. On the whole, the volume of the principal export products was up as compared with 1956. Due to unfavourable price developments in the world markets, proceeds were lower than the year before.

TABLE 37 — VALUE OF EXPORTS  
(Rp million, including revenue from export duties)

	1938 <sup>1)</sup>	1954 <sup>1)</sup>	1955 <sup>1)</sup>	1956 <sup>1)</sup>	1957 <sup>2)</sup>	1957 as % of 1956
Rubber .....	158	3,013	4,888	4,028	3,983	98.9
<i>of which: estate rubber</i> .....	87	1,156	1,931	1,712	1,663	97.1
<i>smallholders rubber</i> .....	71	1,857	2,957	2,316	2,320	100.2
Petroleum and petroleum products...	163	2,589	2,460	2,560	3,677	143.6
Tin and tin ore .....	34	700	683	726	619	85.3
Copra and copra cakes .....	43	657	483	513	486	94.7
Coffee .....	14	455	182	343	334	97.4
Tea .....	57	454	355	337	340	100.9
Tobacco .....	39	372	316	332	383	115.4
Palm oil and palm kernels .....	19	347	305	347	347	100.0
Sugar .....	45	255	210	191	193	101.0
Pepper and other spices .....	18	193	158	151	177	117.2
Tapicca and tapicca products .....	9	70	68	7	14	200.0
Forest products (timber, gums, resins)	7	66	84	60	56	93.3
Hard rope fibres .....	18	52	71	73	49	67.1
Ground nuts and groundnut oil .....	4	50	12	5	14	280.0
Rattan .....	3	46	41	36	38	105.6
Pinang nuts .....	6	34	22	39	44	112.8
Hides and skins .....	4	22	17	17	18	105.9
Shells .....	1	17	14	10	7	70.0
Sago and sago products .....	1	13	9	8	6	75.0
Cattle .....	2	9	11	6	12	200.0
Coal .....	2	7	4	1	5	500.0
Soya beans .....	1	—	—	—	—	—
Total .....	648	9,421	10,393	9,790	10,802	110.3
Other export products .....	39	458	386	265	250	94.3
Total exports <sup>3)</sup> .....	687	9,879	10,779	10,055	11,052	109.9
Total exports, excl. of petroleum and petroleum products <sup>3)</sup> .....	524	7,290	8,319	7,495	7,375	98.4

<sup>1)</sup> Revised figures

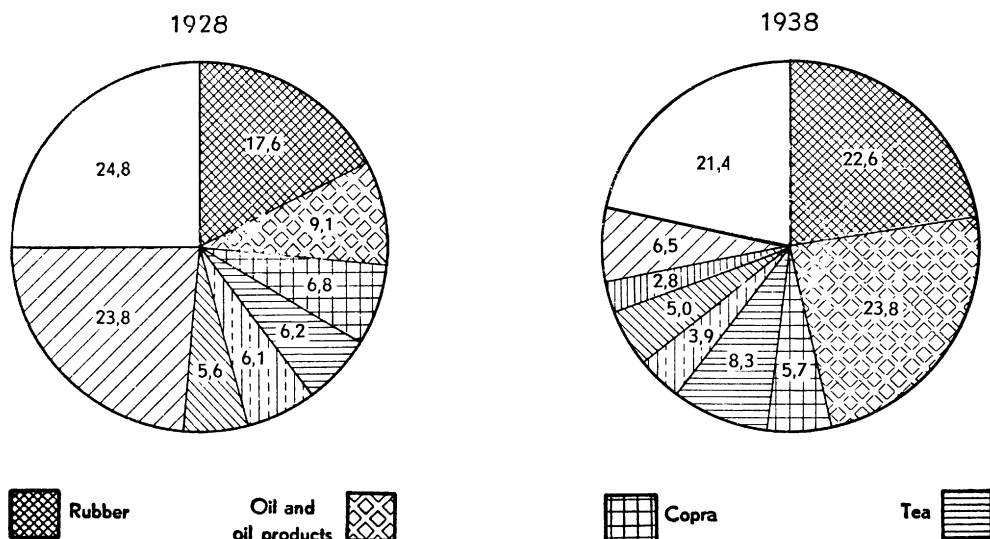
<sup>2)</sup> Provisional figures

<sup>3)</sup> Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver

Source : C.B.S.

A comparison of the figures for exports (excluding oil and oil products) as compiled by the Central Bureau of Statistics and the Balance of Payments Bureau, shows that the difference between these two compilations was far greater in 1957 (Rp 497 million) than in 1956 (Rp 114 million). This is mainly due to barter transactions not being included in the figures of the Balance of Payments Bureau. When leaving the country barter shipments are cleared and recorded by the Customs at the ports of exit and returns made to the Central Bureau of Statistics, but as such transaction are not handled by a foreign exchange bank they do not show in the bank returns.

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

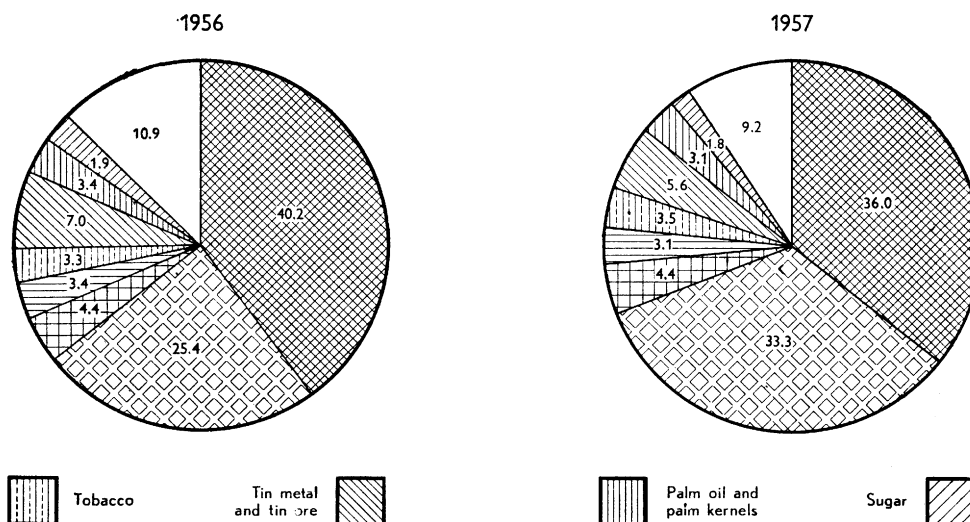


Notable rises in export volume recorded for estate rubber (11.5%), oil and oil products (48%, from 10.5 million tons to 15.6 million tons), tea (17.6%), tobacco (36%), tapioca (152.9%), groundnuts and groundnut oil (150%), rattan (10%), cattle (150%), coal (241.7%, from 12,000 tons in 1956 to 41,000 tons in 1957).

In order of value, rubber and oil and oil products occupied first and second place and a shift is to be noted in comparison with the foregoing year. In 1956 rubber accounted for 40% of total exports and in 1957 only 36%. Oil and oil products rose from 25% in 1956 to 33.3% in 1957 (see chart II).

According to destinations, 44% of the total export value found its way to Asian countries in 1957, exports to Europe, the U.S., Australasia and Africa accounting for 33%, 15.8%, 5%, and 0.6% respectively, (see table 39). Exports to Australasia rose by 28% (from Rp 432 million to Rp 553 million in 1957), to Asian countries by 25%. Striking is the rising export value to Hongkong—from Rp 38 million in 1956 to Rp 1956 million in 1957 or by 413 %. Exports to China and the Philippines also rose substantially — by 115% and 58% respectively. Exports to Japan dropped by 46%, from Rp 840 million in 1956 to Rp 457 million in 1957.

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



Export regulations introduced during the year under report were as follows:

Developments in the foreign exchange reserves were unfavourable during the first half year of 1957 (see the Chapter on the Balance of Payments). With a view to this the Government issued the Export Certificate System (see the Chapter on the Foreign Exchange System and Measures and Appendix K), which among other things was aimed at the improvement of the foreign exchange position by stimulating exports.

The Export Certificate System was designed to adjust the buying power of the Rupiah (based as it was on a fixed, official rate of exchange).

A further Government measure aiming at the promotion of exports were the credit facilities extended to national exporters under a Decree of the Monetary Council of the end of March 1957 and referred to in the foregoing Annual Report. The ceiling for the total amount of credits to be granted by Bank Indonesia under Government guarantee was fixed at Rp 100 million and credits could be drawn on for 90% of the f.o.b. price. After the Export Certificate System, actually a new foreign exchange system, came into operation, credits could be drawn against up to 80% of twice the f.o.b. value (which is in terms of the nominal exchange rate) provided certain conditions had been fulfilled. On February 3, 1958 this percentage was increased to 95% and on March 15, 1958 reincreased to 110%.

TABLE 38 — VOLUME OF EXPORTS  
(<sup>0</sup>000 tons gross, unless otherwise stated)

	1938	1954 <sup>1)</sup>	1955 <sup>1)</sup>	1956 <sup>1)</sup>	1957 <sup>2)</sup>	1957 as % of 1956
Rubber (net).....	304	710	702	647	679	104.9
<i>of which: estate rubber</i> .....	157	238	237	234	261	111.5
<i>smallholders rubber</i> .....	147	472	465	413	418	101.2
Petroleum and petroleum products...	6,067	9,921	9,691	10,526	15,615	148.3
Tin and tin ore.....	27	49	46	45	39	86.7
Copra and copra cakes (net).....	659	434	389	394	421	106.9
Coffee (net).....	68	37	23	57	52	91.2
Tea (net).....	72	40	29	34	40	117.6
Tobacco (net).....	49	19	13	11	15	136.4
Palm oil and palm kernels (net).....	268	182	155	165	170	103.0
Sugar (net).....	1,175	210	174	167	146	87.4
Pepper and other spices.....	131	27	26	30	27	90.0
Tapioca and tapioca products.....	250	153	184	17	43	252.9
Forest products (timber, gums, resins).....	429	179	183	58	30	51.7
Hard rope fibres (net).....	90	24	34	34	28	82.4
Ground nuts and groundnut oil.....	33	18	5	2	5	250.0
Rattan.....	36	30	30	30	33	110.0
Pinang nuts.....	64	24	22	27	24	88.9
Hides and skins.....	6	1	1	1	1	100.0
Shells.....	1	2	2	2	1	50.0
Sago and sago products.....	28	34	24	23	18	78.3
Cattle.....	12	4	5	2	5	250.0
Coal.....	368	87	48	12	41	341.7
Soya beans.....	9	—	—	—	—	—
Total.....	10,146	12,185	11,786	12,284	17,433	141.9
Other export products.....	848	628	690	750	561	74.8
Total exports <sup>3)</sup> .....	10,994	12,813	12,476	13,034	17,994	138.1
Total exports, excl. of petroleum and petroleum products <sup>3)</sup> .....	4,927	2,892	2,785	2,508	2,379	94.9

<sup>1)</sup> Revised figures

<sup>2)</sup> Provisional figures

<sup>3)</sup> Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver

Source : C.B.S.

The steady flow of exports was interrupted towards the end of the year under review as the result of the West Irian campaign: shipping space was in short supply; marketing channels to Holland had to be shifted to other countries, and there was an exodus of Dutch technicians engaged in the production sector. The first shock of the drastic changes has been absorbed and a final solution of remaining problems is looked forward to in the course of next year.

barter transactions, which reached a wide scope in the latter part of the period under review, have officially been prohibited since the beginning of 1958, and all regula-

TABLE 39 — EXPORTS BY DESTINATION  
(Rp million)

	1938	1954 <sup>1)</sup>	1955 <sup>1)</sup>	1956 <sup>1)</sup>	1957 <sup>2)</sup>
<i>EUROPE</i>					
Netherlands and f.o.....	137.49	1,882.49	1,674.78	1,955.59	1,854.16
United Kingdom and Irish Republic..	37.32	455.27	1,062.49	896.12	807.28
Germany.....	25.46	450.24	463.13	404.55	461.78
France.....	12.00	97.27	100.79	47.51	62.08
Belgium and Luxemburg.....	5.69	63.33	49.12	75.50	89.36
Italy.....	9.73	173.09	88.67	133.94	170.23
Denmark.....	10.09	25.96	28.88	22.44	28.41
Norway.....	5.38	25.00	25.29	22.87	24.63
Sweden.....	2.12	58.36	33.79	18.91	37.59
Other countries.....	10.15	157.40	396.77	243.29	122.78
Total exports to Europe.....	255.43	3,388.41	3,923.71	3,820.72	3,658.30
Percentage of total exports value...	37.2	34.3	36.4	38.0	33.1
<i>AMERICA</i>					
Canada.....	1.25	4.74	8.90	7.93	5.58
United States.....	97.88	1,635.63	1,865.36	1,611.22	1,683.61
Other countries.....	8.85	147.68	669.69	39.85	53.89
Total exports to America.....	107.98	1,788.05	2,543.95	1,659.00	1,743.08
Percentage of total exports value...	15.7	18.1	23.6	16.5	15.8
<i>AFRICA</i>					
Egypt.....	26.66	14.46	10.80	14.76	34.25
Portugese East Africa.....	0.59	19.16	19.74	14.68	8.54
Union of South Africa.....	5.28	31.70	30.07	21.82	18.06
Other countries.....	5.33	13.71	14.85	9.07	8.63
Total exports to Africa.....	37.86	79.03	75.46	60.33	69.48
Percentage of total exports value...	5.6	0.8	0.7	0.6	0.6
<i>ASIA</i>					
Iraq.....	2.53	9.86	2.33	0.84	1.30
India.....	5.15	8.00	32.06	29.55	62.67
Pakistan.....		—	5.78	7.65	16.59
Burma.....	0.11	7.17	27.87	19.22	4.16
Thailand.....	2.76	96.27	87.21	107.60	120.83
Malayan Union.....	3.51	143.63	135.76	89.82	104.82
Penang.....	7.72	234.94	173.08	168.51	197.96
Singapore.....	116.65	2,120.23	2,081.03	2,159.45	2,939.97
Indo-China.....	1.95	98.57	58.70	70.93	65.88
Hongkong.....	13.49	455.66	29.07	37.57	194.56
China.....	9.88	26.38	71.08	133.51	287.51
Japan.....	21.43	571.13	788.25	840.20	457.17
Philippines.....	6.02	117.73	145.31	193.72	305.82
Other countries.....	9.90	71.80	70.60	32.53	102.67
Total exports to Asia.....	201.10	3,961.37	3,708.13	3,891.10	4,861.91
Percentage of total exports value...	29.1	40.1	34.4	38.7	44.0
<i>AUSTRALASIA</i>					
Australia.....	28.89	344.88	223.94	358.80	480.15
New Zealand.....	7.64	25.18	43.68	52.70	51.66
Oceania.....	0.26	25.09	23.43	20.84	20.88
Total exports to Australasia.....	36.79	395.15	291.05	432.34	552.69
Percentage of total exports value...	5.4	4.0	2.7	4.3	5.0
<i>Via free ports :</i>					
Sabang, Tandjung Uban and unknown.	47.89	266.73	237.15	191.04	166.39
Percentage of total exports value...	7.0	2.7	2.2	1.9	1.5
Grand Total.....	687.05	9,878.74	10,779.45	10,054.53	11,051.85

<sup>1)</sup> Revised figures

<sup>2)</sup> Provisional figures

Source : C.B.S.



TABLE 40—IMPORTS BY ORIGIN  
(Rp million)

	1938	1954	1955	1956	1957 <sup>1)</sup>
<i>EUROPE</i>					
Netherlands.....	106.17	750.33	807.60	1,038.11	892.29
United Kingdom and Irish Republic..	38.16	388.99	396.96	589.92	518.41
Germany.....	49.05	490.98	702.32	913.02	957.30
France.....	9.41	111.12	141.25	94.58	144.93
Belgium and Luxemburg.....	13.19	155.07	216.39	271.44	334.08
Italy.....	5.05	135.08	106.54	244.00	197.89
Czechoslovakia.....	4.75	88.53	197.93	69.56	37.49
Switzerland.....	4.42	71.50	63.05	78.08	49.33
Sweden.....	3.54	114.29	76.22	95.10	80.20
Spain.....	0.28	5.08	0.93	0.92	24.22
Other countries.....	5.77	213.52	351.78	190.83	188.92
Total imports from Europe.....	239.79	2,524.49	3,060.97	3,585.56	3,425.06
Percentage of total imports value...	50.1	35.2	44.4	36.9	37.7
<i>AMERICA</i>					
Canada.....	3.67	12.39	8.91	8.21	13.85
United States.....	60.21	1,034.87	1,088.79	1,609.07	1,520.06
Other countries.....	0.54	1.28	5.01	96.85	4.66
Total imports from America.....	64.42	1,048.54	1,102.71	1,714.13	1,538.57
Percentage of total imports value...	13.4	14.6	16.0	17.6	16.9
<i>AFRICA</i>					
Egypt.....	0.43	6.53	19.44	9.38	1.11
British East Africa.....	3.21	66.53	68.42	104.77	74.00
Union of South Africa.....	0.17	7.85	13.61	7.20	15.49
Other countries.....	0.59	33.89	9.53	36.67	9.90
Total imports from Africa.....	4.40	114.80	111.00	158.02	100.50
Percentage of total imports value...	0.9	1.6	1.6	1.6	1.1
<i>ASIA</i>					
Serawak, Brunai, Br. North Borneo...	1.68	67.95	36.22	43.39	123.12
India.....	} 11.17	160.96	325.70	184.62	190.18
Pakistan.....		—	0.40	8.67	1.98
Burma.....	7.20	347.45	172.40	512.05	322.41
Thailand.....	2.58	181.06	103.35	309.70	302.15
Malayan Union.....	0.30	9.67	6.76	13.33	14.67
Penang.....	4.28	2.12	2.61	0.97	0.57
Singapore.....	36.18	56.76	105.96	76.09	155.66
Indo-China.....	2.11	90.23	1.00	1.73	33.02
Hong Kong.....	6.47	430.16	363.24	536.43	398.55
China.....	8.25	40.32	113.19	344.04	308.13
Japan.....	71.83	1,559.03	985.98	1,521.17	1,370.73
Philippines.....	0.89	2.77	1.36	1.05	1.59
Other countries.....	1.40	376.72	240.44	492.14	588.23
Total imports from Asia.....	154.34	3,325.20	2,458.61	4,045.38	3,810.99
Percentage of total imports value...	32.3	46.4	35.7	41.6	41.9
<i>AUSTRALASIA</i>					
Australia.....	13.24	147.27	142.68	211.58	207.83
New Zealand and Oceania.....	0.05	0.07	0.10	0.08	0.23
Total imports from Australasia.....	13.29	147.34	142.78	211.66	208.06
Percentage of total imports value...	2.8	2.0	2.1	2.2	2.3
<i>Via free ports:</i>					
Sabang, Tandjung Uban and unknown	2.22	11.29	11.60	10.68	3.04
Percentage of total imports value...	0.5	0.2	0.2	0.1	0.1
Grand Total.....	478.46	7,171.66	6,887.67	9,725.43	9,086.22

<sup>1)</sup> Provisional figures

Source : C.B.S.

tions, decrees and provisions promulgated by local military or civil authorities in the field of foreign trade in contravention of Central Government regulations have been declared void.

### *Imports*

The ban on imports, in the beginning of 1957, of commodities considered in sufficient supply in Indonesia, was followed by a general import stop on April 29, 1957, except for:

- a) Government orders;
- b) Imports under "B" and "C" credits;
- c) Imports under the Surplus Agricultural Commodities Agreement with the U.S.;
- d) Imports of wheat flour from Australia under certain conditions;
- e) Imports under the Informational Media Guarantee Program;
- f) Imports of such commodities as can only be effected under the B.P.E. system.

As from June 3, 1957, The Commercial Foreign Exchange Bureau (B.D.P.) again accepted applications for import permits under the proviso that for the time being only imports of raw materials, auxiliary materials and capital goods would be approved, insofar as such goods were required for keeping existing industries running, for the upkeep of existing plants, and for completing new plants in the course of construction. Applications for imports in connection with new projects would not be taken into consideration. B.D.P. would only consider applications if accompanied by a Certificate of Urgency issued by the Ministry concerned, however such Certificates would not be required for imports of raw materials and auxiliary goods from Japan.

Since the implementation of the B.E. regulations implied an all-round advance of prices of import goods, the Minister of Commerce permitted importers to raise their prices for old stocks by  $33\frac{1}{3}\%$  and 50% of the difference between the prices computed according to the old regulations and the prices computed in accordance with the new regulations. The revaluation percentage of  $33\frac{1}{3}\%$  applied to commodities such as baby foods, automobile and bicycle tyres, newsprint, foreign books and magazines, cotton and weaving yarn; the percentage of 50 to all other commodities. As from No-

vember 1957, imports of several essential goods are subsidized by the Government, such as for baby foods, importers only have to pay 125% of the landed price, while the remaining value (i.e. the B.E. rate minus 125%) will be paid by the Government. For imports of scientific books and newsprint importers only had to pay 120% and 150% of the landed value.

A survey of import figures as listed in table 40 (imports classified by country of origin) shows a declined of imports in 1957 all along the line in comparison with the foregoing year. Imports from Holland slumped marked from Rp 1,038 million in 1956 to Rp 892 million in 1957. This was, among other things, due to the Irian campaign at the end of 1957. Imports from Burma, Japan, Hongkong and the U.S. also dropped substantially by Rp 190 million, Rp 150 million, Rp 138 million and Rp 89 million respectively. Imports from British North Borneo, Singapore, Belgium & Luxembourg however, rose by Rp 80 million, Rp 80 million and Rp 63 million respectively. Surveying the overall value of imports country by country, the U.S. took first place with Rp 1,520 million (incl. Rp 238 millions' worth of rice). Japan was a good second with imports totalling Rp 1,371 million (incl. Rp 238 millions' worth of weaving yarn). West Germany took third place with Rp 957 million (incl. Rp 128 million of industrial machinery and equipment).

TABLE 41 — IMPORTS INTO INDONESIA

	Value (Rp. million)					Per cent share in total value of imports				
	1938	1954	1955	1956	1957	1938	1954	1955	1956	1957
<i>Total imports:</i>										
Consumer goods	207	2,688	2,137	4,081	2,894	43.3	37.5	29.8	41.9	31.9
Raw materials and auxiliary goods	154	3,048	3,760	3,775	4,308	32.2	42.5	52.4	38.7	47.4
Capital goods	117	1,428	1,284	1,893	1,883	24.5	20.0	17.8	19.4	20.7
<i>Imports excluding oil companies :</i>										
Consumer goods	205	2,648	2,080	4,028	2,827	43.7	41.9	32.5	44.8	37.7
Raw materials and auxiliary goods	148	2,407	3,237	3,284	3,230	31.4	38.0	50.4	36.5	43.0
Capital goods	117	1,271	1,100	1,683	1,449	24.9	20.1	17.1	18.7	19.3

Source : C.B.S.

# CHART III — IMPORTS

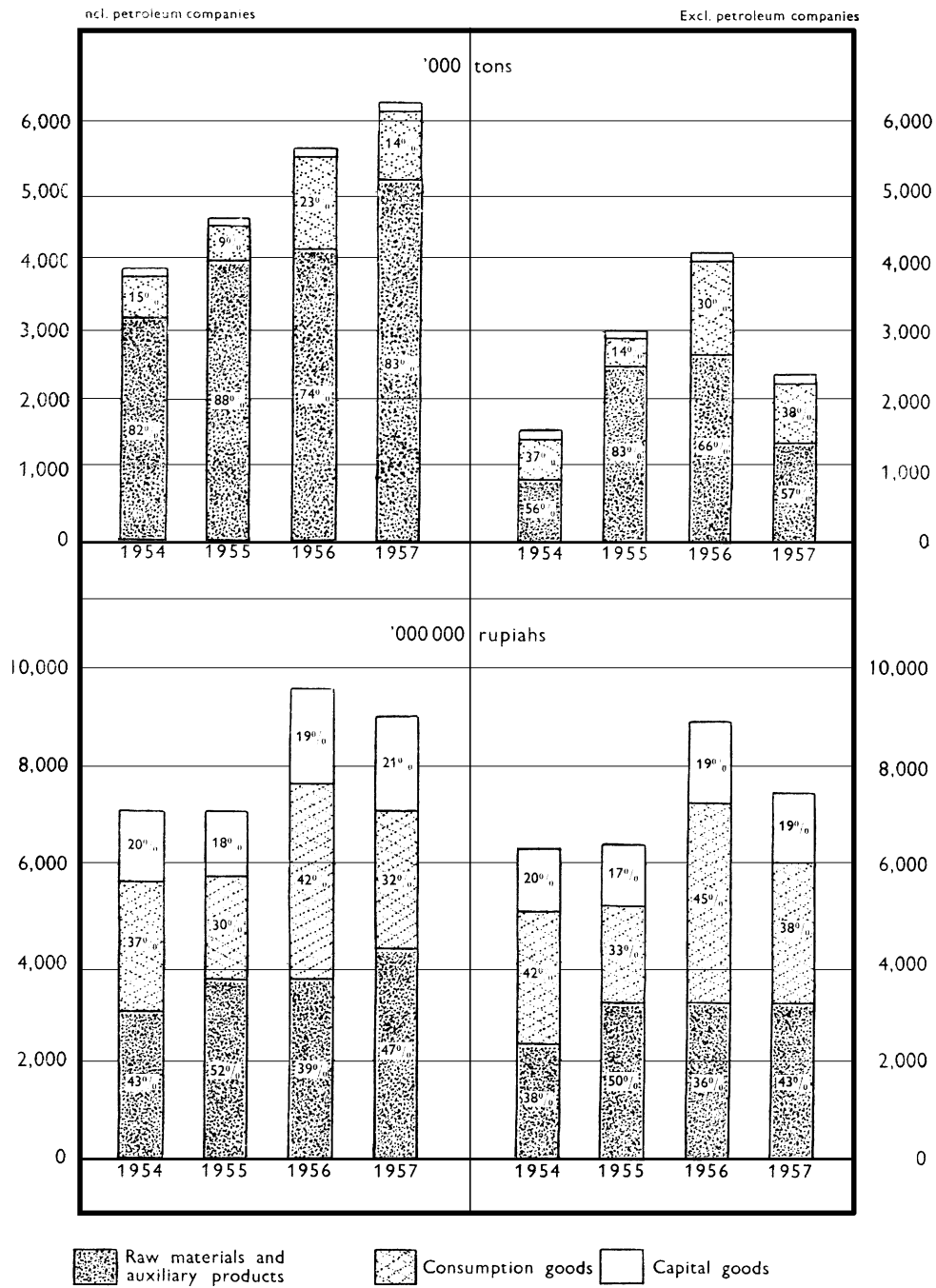


Table 41 lists imports by groups of commodities. Consumer goods dropped by 29% (from Rp 4,081 million in 1956 to Rp 2,5954 million in 1957); raw materials and auxiliaries, in contrast, rose by Rp 533 million (14%), that is 47% of the overall value of imports. However, if Oil companies' imports are excluded, the balance of raw materials and auxiliaries show a decline by Rp 54 million. Imports of capital goods stayed practically On the same level as in the foregoing year.

Appendices "H", "I", and "J give a breakdown of the total import for consumer goods, raw materials and auxiliaries, and capital goods. As the breakdown for consumer goods shows, rice imports dropped by 26% (from 763,000 tons valued at Rp 1,281 million, to 563,000 tons at a value of Rp 956 million). Imports of cotton piece goods and wheat flour dropped by Rp 147 million and Rp 17 million respectively. Bicycle imports went up by Rp 57 million, but bicycle tires fell off by Rp 44 million. The breakdown for raw material and auxiliaries shows substantial increases for iron and rolled steel products, cotton and fertilizers by Rp 196.8 million, Rp 97.6 million, and Rp 42.5 million respectively. Imports of cotton yarns, on the other hand, decreased by Rp 137.3 million (46%), unbleached cotton by Rp 36.3 million (45%), cloves by Rp 53.4 million (41%). In the breakdown for capital goods, motor vehicles registered a considerable drop by Rp 60 million, from Rp 279 million for 1956 to Rp 219 million in 1957. Importation of stationary combustion engines also dropped by Rp 41 million.

### *Terms of trade*

The Terms of trade as listed in table 42 are computed by the 'Paache' method (See 1956/57 Annual Report, page 123).

Compared with 1956, the terms of trade for 1957 dropped by 2 points— from 87 in 1956 to 85 in the following year. This is explained by export prices dropping relatively more than import prices. The index numbers for import prices tended to rise in the first half of 1957, while they dropped in the second half-year. The index numbers for export prices fluctuated in the first 3 quarters of 1957, while they rose in the 4th quarter. A survey of monthly averages shows that in the year under report the terms of trade tended to fall till the end of the 3rd quarter and rose till the end of the year, this rise being due to the decline in the index numbers of import prices for capital goods. The figures of five months' moving averages illustrate that the terms of trade tended to fall.

TABLE 42 — TERMS OF TRADE FOR INDONESIA  
(1950 = 100)

	Price index numbers		Terms of trade	
	Exports (f.o.b.)	Imports (c.i.f.)		
1952	305	392	77	
1953	269	356	76	
1954	258	323	80	
1955	295	323	91	
1956	277	316	87	
1957 *)	265	312	85	
			monthly average	5 months' moving average
1957 January	292	308	95	88
February	297	301	99	89
March	271	326	83	90
April	279	328	85	88
May	269	310	86	83
June	265	313	85	82
July	281	359	78	80
August	270	348	78	79
September	253	337	75	81
October	263	334	79	83
November	269	276	97	..
December *)	275	313	88	..

\*) provisional figures

Table 43 lists the price index numbers of several of the main export and import commodities. In 1957, the price index numbers of the main export commodities such as rubber, copra, petroleum products and tin ore were lower than in the foregoing year. In contrast, the price index numbers of several import commodities, such as, raw materials, auxiliary goods and consumer goods (wheat flour, cotton piece goods) increased.

TABLE 43 — PRICE INDEX NUMBERS OF IMPORT - AND  
SOME MAIN EXPORT COMMODITIES  
(1950 = 100)

Exports (f.o.b.)	1955	1956	1957 *)	Imports (c.i.f.)	1955	1956	1957 *)
Rubber	349	311	303	Consumer goods	259	278	303
Copra	163	172	154	of which :			
Petroleum products	277	264	256	Rice	400	336	332
Tin ore	359	385	383	Wheat flour	273	275	290
				Cotton piece goods	262	239	240
				Raw and auxiliary materials	389	324	337
				Capital goods	363	379	368

\*) provisional figures

### *Foreign Exchange System and Measures*

The Export Inducement Certificate system (Bukti Pendorong Ekspor abbreviated B.P.E. system) came into effect on August 6, 1956 (see previous Report 1956/57, page 125). Developments of the country's foreign exchange reserves led to applications for import permits being stopped by B.D.P. (Biro Devisen Perdagangan — Bureau Commercial Foreign Exchange) as from April 29, 1957, except for Government orders, for imports under 'B' and 'C' credits, for imports under the S.A.C. agreement with the U.S. and under the Informational Media Guarantee Program, for imports of flour from Australia, and for imports of such goods as could only be effected under the B.P.E. system. As from June 3, 1957 restrictions were relaxed for imports of raw materials, auxiliaries, and capital goods insofar as required for keeping existing industries running, for the upkeep of industries already in operation and for continuing construction work on new industries in the course of erection.

As from June 20, 1957 a new foreign exchange system, the so-called Export Certificate system (Bukti Ekspor—abbreviated B.E. system) came into effect —Decree Monetary Council No. 30 of June 18, 1957, see Appendix K. The B.E. certificates issued under this system have a face value in Rupiahs equivalent to deposits of foreign exchange made with a foreign exchange bank, at the price prevailing on June 19, 1957. (On this date the prices of U.S. dollar and pound sterling were respectively Rp 11.40 and Rp 31.92, while one kilogramme of pure gold was valued at Rp 12,465). B.E. certificates -- expressed in Rupiahs and having a validity period of two months --- can only be sold by the holder through a foreign exchange bank, the bank transacting the sale of the certificates on the B.E. Exchange market called into being for this purpose and held daily in Djakarta. Prospective buyers of B.E. certificates, namely imports holding foreign exchange permits and individuals who have obtained a transfer permit, can only buy through a bank, which has to transact its purchases on the B.E. exchange market as above.

A 20% P.B.E. Levy is made on all proceeds from exports or services (Pembayaran Bukti Ekspor—abbreviated P.B.E.), which the banks deduct from the proceeds of the sales of B.E. certificates.

The following features of the B.E. regulations in the fields of exports, imports, services, and travel are worthy of note:

In the field of exports, an export permit is required which is not granted until the application has been approved. The total export value of the application must be expressed in foreign currency and the Export Office checks the proposed selling price with current world market prices, together with the desirability of the description of foreign exchange to be realized. Generally, speaking, there are no restrictions as to destination except in cases where the Export Office might consider a certain export to the disadvantage of Indonesia or inconsistent with existing trade agreements. All foreign exchange proceeds from exports must be surrendered to a foreign exchange bank. Since irrevocable documentary bank credits have to be opened by foreign buyers, while sight drafts are drawn by the exporter through his bankers this procedure offers no difficulties. Furthermore, shipping companies are not permitted to surrender negotiable shipping documents to exporters but must deliver them to the foreign exchange banks concerned. After shipment has been effected, the exporter receives from his foreign exchange bank a B.E. certificate in payment for his export when handing his sight draft to the bank.

Only officially recognized importers can engage in import trade. As from June 20, 1957, imports have been classified into six groups, each group with its appropriate percentage of Import Surcharge (Tambahan Pembayaran Impor abbreviated T.P.I.) :

Group	I	: absolutely essential	0%
Group	II	: essential	20%
Group	III	: essential	50 %
Group	IV	: semi-essential	100%
Group	V	: semi-essential	140 %
Group	VI	: luxury goods	175%

The composition of any group can be altered, while terms can be shifted at any time from one group to the other by the Government. The absolutely essential group includes such items as rice, cotton and textbooks.

Goods not classified in any of these groups cannot be imported, while for items included in the above six groups an import permit issued by B.D.P. is required. The import application must contain an accurate description of the goods to be imported, quantity, quality, price, terms of delivery etc. If the application is accepted, the prospective importer receives a preliminary foreign exchange permit. This preliminary permit is



converted into a regular foreign exchange permit after the importer has, within a time of three weeks, purchased the required B.E. certificates and paid the corresponding import surcharges. At this point a Letter of credit can be opened in favor of the foreign supplier, against which payment can only be effected by a foreign exchange bank in Indonesia or its correspondents abroad after evidence has been produced that the goods covered by the foreign exchange license have actually been shipped to Indonesia.

The general and special regulations of the Foreign Exchange Institute permit payments for services to be made abroad. Permits are generally granted for expenditure directly connected with exports and imports, such as bank charges, cables, postage and revenue stamps. Foreign residents in Indonesia are permitted transfers within certain limits find on the basis of their assessable incomes, in the form of so-called foreign exchange packages. These social transfers may- be utilized for private expenditures abroad, such as costs of maintenance of families living abroad, School fees for children, and allowances made to indigent relatives. However, as from December 6, 1957 social transfers and transfers of profits and dividends for account of Dutch nationals and enterprises belonging to Dutch nationals have been suspended. Special permits are required for transfers for advertisements, film rentals, registration charges for patents and trade marks, subscription fees for newspapers and magazines etc. Transfers for this class of services can only be effected by purchasing B.E. certificates through a foreign exchange bank. Unlike import transactions, however, no T.P.I. is levied on transfers for services. Payments by residents to recipients abroad must be made through a foreign exchange bank in the currency stated on the permit. Payments by residents to non-residents for which no permit can be obtained forthwith must be deposited with a foreign exchange bank and carried on the "Non-residents Rupiah Account".

*Imports and exports of Indonesian currency are prohibited.*

All imports of foreign currency must be declared at the Customs Office by persons arriving in this country, while exports of foreign currency can only be effected with the permission of the Foreign Exchange Institute. Foreign visitors planning to stay in Indonesia for less than three months are permitted to keep their foreign currency and take it out of Indonesia when leaving. Such foreign currency may only be sold to an authorized bank at the rate of exchange which is subject to alteration at any time and is fixed by Bank Indonesia. If unforeseen circumstances should delay short-term visitors

to Indonesia, the facilities as above may be extended beyond three months. Foreign visitors planning to stay in Indonesia for longer than three months are considered foreign exchange residents of Indonesia from their date of arrival until their departure. This implies that they have to sell their foreign currency to a foreign exchange bank. Trading in foreign currency is strictly prohibited, except through the specified banks and travel agencies.

A Bill on Foreign Investments and the proceeds therefrom has been introduced to Parliament but still awaits ratification.

As regards the Rupiah holdings of non-residents, these are carried in Nonresident Rupiah Accounts (Rekening Rupiah Bukan Penduduk — R.R.B.P. or R.U.R.N.I. — Rupiah Rekening van Niet Ingezetenen) with the banks concerned, and are controlled by the Foreign Exchange Institute. Private individuals are also permitted to have a Non-Residents Proceeds Account (Rekening Penghasilan Bukan Penduduk—R.R.B.P.-P) or/and a Non-Resident Capital Account (Rekening Modal Bukan Penduduk—R.R.B.P.M). Transfers abroad of income from rents, dividends, interest on securities etc. are covered by a general regulation of the Foreign Exchange Institute, which permits non-resident private individuals to make transfers to their countries of residence up to an annual amount of Rp 30,000.—A special Foreign Exchange Institute permit, however, is required for other balances and for transfers by Companies. Finally there are special regulations for the transfers of pensions and maintenance allowances. Such transfers must be carried to R.R.B.P.P accounts and must not exceed Rp 900.— a month. Capital transfers have been suspended for the time being, although within certain limits, exception may be granted to nonresidents, private individuals in straitened circumstances. General regulations, to be implemented by the banks concerned, govern the use of balances of nonresident private individuals for paying family allowances, life insurance premiums, taxes, etc.

#### *Trade and payments agreements with foreign countries*

As mentioned in the Annual Report for 1956, several payments agreements with foreign countries were terminated since they were no longer considered in the interest of this country.

Continuing in this line the following bilateral clearing agreements were terminated in the year under report: with Poland (as from May 1, 1957), and with Japan (as from July 1, 1957). Payments traffic with those countries has been in transferable pounds sterling since those dates.

At the time of writing, only two clearing agreements are still in force, namely, with the Chinese People's Republic and with Egypt.

*International Monetary Fund, International Bank for Reconstruction and Development, and International Finance Corporation*

In the relations of this country with the above bodies no developments took place deserving special mention.

Over the year no steps were taken yet to arrive at an official I.M.F. parity for the Rupiah so that, up to the time of writing, the rate of exchange of the Rupiah vis-a-vis the U.S. Dollar is still based on the provisional agreement fixing U.S. \$ 1 at Rp 11.40.

## VII. PRODUCTION, PRICE AND SOCIAL DEVELOPMENT

### *Food producing agriculture*

#### *Production and food situation*

Overall rice production in 1957 was estimated at 7,442,000 tons dry, which was 133,000 tons or 2 % more than in 1956. Increased production was mainly reported from regions outside Djawa—Kalimantan and Sumatra showing increases by 25% and 5% respectively.

The same difficulties that beset food growing in the course of the foregoing years recurred in the year under review, namely, weather conditions (excessive rains, floods, landslides, whirlwinds); pests (rats, caterpillars, boars) short supply and/or too highly priced fertilizers. Import of fertilizers stagnated in the last few months of 1957, 20,000 tons being held up in October. It is feared that the resultant shortage, coinciding with the sowing season, will affect 1958 production. To meet future contingencies the Government planned to import 50,000 tons of fertilizers for 1958, while preparations are underway for establishing a fertilizer plant at Palembang. A loan for \$ 30 million has been negotiated with Eximbank for constructing this plant, which has a planned capacity of 100,000 tons annually. The resultant saving in foreign exchange would be considerable.

The regional service for Indigenous Agriculture in Central Djawa is conducting a campaign for the increased use of green manure, 1,000 ha having been planted in *Crotalaria Juncea* which are expected to produce 4,000 quintals of seed in August 1958. This quantity is estimated to suffice for a cover crop of 20,000 ha of rice fields and to increase paddy production by 100,000 quintals. Furthermore the Central Djawa Provincial Administration expended Rp 6 million for improvement of village irrigation systems, with a view to curbing flood damage. The Government further set aside Rp 0.6 million for the repair of embankments in flood areas of East Priangan. An amount of Rp 6 million has also been requisitioned for 1958 for repairs of 59 irrigation systems damaged by catastrophes in West Djawa — Banten (5 works); Bogor (9 works); Indramaju (8 works); Tjeribon (8 works); East Priangan (2 works) and West Priangan (14 works). In East Djawa preparations are underway for the digging of a canal in the Tulungagung area to divert excessive water from the Brantas river into the Indian Ocean, thus pre-

**TABLE 44 — MOST IMPORTANT FOOD CROPS IN DJAWA AND MADURA**  
(‘000 tons)

	1937	1955	1956	1957	1957 as % of	
					1937	1956
Rice { irrigated	3,682	4,262	4,451	4,435	120	99
{ non-irrigated	223	145	122	140	63	115
Maize (kernels)	2,037	1,462	1,431	1,290	63	90
Cassava (roots)	7,637	6,519	6,420	7,208	94	113
Batatas (roots)	1,182	1,008	1,502	1,588	134	106
Ground nuts(peeled)	181	178	178	191	106	107
Soya beans (peeled)	269	306	311	299	111	96

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

venting the perennial floods. This project will involve Rp 270 million. Another large scale canalisation plan is underway for the Tuban area to protect about 20,000 ha of ricefields against floods from the Solo river; this plan is estimated to involve Rp 12 million.

From tables 44 and 45 it will be seen that maize production dropped substantially in the Year under review, namely by 8% (1956: 1,964,000 tons, 1957: 1,800,000 tons) for which lower production in Djawa (— 10%), and in the Outer Islands (— 5%) was responsible. Floods were reported as the main cause for this development in Java— according to data from the Central Bureau of Statistics, maize crop failures affected 115,000 ha of which 80% is accountable to floods (1956 - - 103,000 ha).

**TABLE 45 — MOST IMPORTANT FOOD CROPS IN OTHER ISLANDS**  
(‘000 tons)

	1955	1956	1957	1957 as % of 1956
Rice { irrigated	2,230	2,203	2,280	104
{ non-irrigated	579	533	587	110
Maize (kernels)	509	533	510	95
Cassava (roots)	2,798	2,711	2,699	99
Batatas (roots)	889	1,136	1,043	92
Ground nuts (peeled)	29	40	37	93
Soya beans (peeled)	40	46	28	61

Source : Service for Indigenous Agriculture

Production of cassava and groundnuts rose by 8% and 5% in 1957, while batatas and soy beans were down by 1% and 8% respectively. Djawa had no share in the lower production of batatas, while the lower output of soy beans involved both Djawa and the Outer Islands. For Djawa this lower production was attributed to floods, the damaged area totalling 39,400 ha against 21,600 ha in 1956.

Table 46 sets out the rice position in Indonesia: the 1956 figures have been revised, while the 1957 figures are preliminary estimates. According to the above figures, the volume of rice available for domestic consumption dropped by 263,000 tons ( - 4,%) in 1957 (from 8,199,000 tons to 7,936,000 tons) .

Appendix "O" lists data concerning production, exports and consumptions of other foodstuffs (the 1957 figures are provisional). As shown, the volume of maize and soy beans available for consumption in 1957 dropped by 8% and 9% respectively due to lower production. The volume of cassava and cassava products as well as groundnuts increased by 7% and 5% as compared with 1956. In the case of cassava and products the increase was attributable to increased production and decreased exports; in the case of groundnuts, to higher production. Batatas showed no substantial change.

The reaped area of irrigated and non-irrigated paddy increased by 1% and 5% respectively at the end of 1957 as compared with 1956, while the harvested area of

TABLE 46 — RICE SITUATION IN INDONESIA

	Djawa and Madura		Other islands		Indonesia	
	1956	1957	1956	1957	1956	1957
( <i>'000 ha</i> )						
Harvested area						
Irrigated rice	4,076	4,069	1,614	1,709	5,690	5,778
Non-irrigated rice	224	242	777	810	1,001	1,052
( <i>'000 tons of rice</i> )						
Production of irrigated rice	4,451	4,435	2,203	2,280	6,654	6,715
Production of non-irrigated rice	122	140	533	587	655	727
Imports from abroad	508	...	307	...	815	549
Mutation of J.U.B.M.stocks	...	...	...	...	+ 75	— 55
Available for domestic consumption	...	...	...	...	8,199	7,936

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

maize was smaller by 6%. For the other foodstuffs, increases were 6% for cassava and products, 5% for batatas and 6% for groundnuts. The area in soy beans showed no change.

#### *Government Measures to Promote Food Production.*

For promoting food production the Government has drawn plans which can be divided into:

- 1) *A short-term plan* — Under this plan, the Government is to expend Rp 76 million immediately with a view to increasing agricultural production. This extra development expenditure is expected to increase the yield of 1958 crops to the following extent: rice by 342,000 tons. maize grain by 190,000 tons; cassava by 330,000 tons.
- 2) *A long term plan* - which covers :
  - a) An intensification plan, primarily to be carried into execution where arable land is limited in extent. The implementation of this plan is expected to return a yield of at least 750,000 tons of rice and 100,000 tons of maize grain within five years.
  - b) Development of 250,000 ha of arable land in Sumatra and Kalimantan which is expected to be completed in 5 years' time and to yield 250,000 tons of rice. Moreover, canals will be dug in Sumatra and Kalimantan with a total length of 820 km and 760 km respectively.
  - c) Large-scale development of dry lands. It is hoped that 20 mechanical rice cultivation centres with 10,000 ha of rice lands each can be established within a period of 5 years.

The Rice research Institute at Krawang, established by the Ministry of Agriculture last year, has now been completed for 50%. Unlike the Rice Institute at Bogor, where rice producing techniques are studied, the Rice Research Institute at Karawang specializes in techniques of storage, grading and processing. For technological research Krawang received rice milling equipment with a capacity of 3/4 ton/hour. This modern equipment achieves the very low "breaking percentage" of 12% (as compared with the usual "breaking percentage" of 50% or higher), enabling high quality rice to be produced. The

Krawang Institute has also been equipped with an installation to dry “gabah” (unhulled rice), and has a laboratory where the water content and yield of gabah can be determined.

The following can be reported on the progress made in carrying out the irrigation projects planned last year:

The first stage of the *Djatiluhur* multipurpose project—which, next to irrigation, also embraces flood control, fresh water fisheries, electric power generation—has been completed. A start has been made on the second stage, the cutting of a 300 metre tunnel with an 11-metre diameter. This tunnel is to be connected with a tower 110 metres in height and with a diameter of 90 metres. Six electric power generators with a total annual capacity of 600 million kw are to be installed under the tower. A giant dam is also to be built, capable of locking up 3 billion m<sup>3</sup> water of the Tjitarum river, that is, 60% of the 5 billion m<sup>3</sup> annual water supply of the Tjitarum, calculated to irrigate 250,000 ha of rice fields. The entire project is planned to be completed in 1963. The tunnel, dam and tower have an estimated cost of U.S. \$ 55 million, while the entire project will require U.S. \$ 75 million.

The construction of the *Tjatjaban* water reservoir in Tegal (Central Djawa) is proceeding according to plan. The expenditure as originally estimated (Rp 45 million) has been exceeded and Rp 50 million has been spent due to advanced prices of construction materials. It will take Rp 60 million in all to complete this project. The Tjatjaban reservoir will be capable of storing 90 million m<sup>3</sup> of water to irrigate 44,000 ha of rice fields thereby increasing paddy production by 1 27,000 quintals and second crop output by 45,000 quintals.

The construction of the Sempor water reservoir experienced delay due to financial difficulties. Expenditure for this reservoir is estimated at Rp 1 00 million.

Another important irrigation project in the period under report concerns the removal of islands in the Rawa pening marshes, which is planned to increase the volume of water required for irrigating tens of thousands of ha of rice fields in the Demak area and for the water supply to the Djelok power plant. The islands cover a total area of 500 ha, of which 43 ha were removed in the year under report. More manpower will be mobilized in 1958; the target set is the removal of about 150 ha.



The mechanization plans of the Central Smallholders Agricultural Service aim at the clearance of land outside Djawa. As from 1958, mechanization will be carried out in 20 centres (each covering 2,000 ha) in various regions, for which 700 tractors will be required. Mechanical planting will follow after the centres have been cleared.

Besides improvement of physical conditions for agriculture—irrigation and mechanization—other means were adopted to raise food production, including an agricultural contest in Besuki residency (East Djawa) in paddy and maize planting. Results were satisfactory — the highest yield was 79 quintals of dry paddy per ha, and 23 quintals of dry maize grain per ha. Furthermore, a contest to fight erosion was held in Malang residence (East Djawa).

In Central Djawa a movement was started to replant barren land. Preparations were also made in Central Djawa for establishing a seed farm, which is to serve as a centre for the supply of high quality seed, for selecting seed and for conducting experiments to obtain superior new seed. This seed farm will also be a centre for training seed selection experts.

In West Djawa, smallholders are encouraged to plant “gadu” paddy on rice fields usually not tilled in the rainy season. It is also recommended to plant empty plots in vegetables, herbs’ fruit trees and other useful plants. A “Karang Kitri” (Fruit Garden) Committee has been established in every “Katjamatan” to fight erosion. Agricultural contests have also been held in this region.

In South Sumatra, smallholders are recommended to plant empty plots in second crops. furthermore, this region attempts to raise paddy production by using high quality seed and opening up new rice fields. The establishment of a Smallholders Training Centre at a cost of Rp 10 million is planned.

Agricultural Training Centres have been established in East Kalimantan, namely, 2 in Kutei, 1 in Berau, and 1 in Bulongan.

In South Sulawesi 900 ha of rice fields have been opened up, while 450 ha have been planted in citrus, cloves and nutmeg.

## Rice

The volume of paddy bought from growers by J.U.B.M. (Food Foundation) in Djawa, though not up to the target for 1957, was satisfactory if compared with 1956. Purchases covered 638,000 tons, or 80% of the target which was set at 800,000 tons for 1957, and 127,900 tons more than total purchases in 1956. The greatest activity was displayed in East Djawa where 364,900 tons or 92% of the target was secured. In Central Djawa and West Djawa 76% and 64% of-the targets were realized.

The tardiness of purchases in Central and West Djawa as compared with East Djawa is mainly ascribed to the unwillingness of rice field owners to sell, large holders in particular holding up sales till the period of scarcity when higher prices can be realized. The food problem being of such essential importance and bearing on every sector of economic life—production as well as trade, industry, communications, health etc.—the Government took the view that responsibility for food affairs cannot be entrusted to one single office. The handling of this problem requiring the closest coordination among the various Ministries involved in the supply and distribution of staple foodstuffs, the Government established—under Government Ordinance No 7/1958—a Foodstuff Council (Dewan Bahan Makanan). This Council comprises 11 Ministers whose fields of activity are related to staple foodstuffs, the Chairman of the Council being the 3rd Deputy Prime Minister.

TABLE 47 —BUYING UP OF PADDY DURING 1957

	Planning (tons)	Results as at end of December 1957	
		tons	as % of planning
Djawa Barat	250,000	159,541*)	63.8
Djawa Tengah	150,000	114,329	76.2
Djawa Timur	400,000	364,957	93.2
Djawa/Madura	800,000	638,827*)	79.9
Sulawesi	—	—	—
Total	800,000	638,827*)	79.9

\*) provisional figures.

Source : J.U.B.M.

To the Foodstuff Council the task is assigned of:

- a) defining Government Policy on the food problem;
- b) drawing up, coordinating and controlling the implementation of plans for:
  - 1) food production in its widest significance;
  - 2) importation, storage, processing, transportation and distribution of foodstuffs;
  - 3) production of the most nutritious foodstuffs
  - 4) fixation of food prices.
- c) submitting regular reports to the Council of Ministers on progress made.

In carrying out its task the Foodstuff Council may call in the assistance of experts and representatives of organizations active in the field of food production.

For 1958 the Government has decided that the quantity of paddy to be purchased will have to be at least 900,000 tons in Djawa — West Djawa 300,000 tons; Central Djawa 200,000 tons; East Djawa 400,000 tons.

Each area shall be permitted to buy more, on the understanding that total purchases shall not exceed 15% of the overall production of the region concerned. A Paddy Purchasing Agency (Badan Pembelian Padi—B.P.P.) has been initiated in each 1st Category Autonomous Area (equivalent to a Province) for West, Central and East Djawa. In carrying out its purchasing activities BPPs will enlist such a number of smallholders' producing cooperatives as will ensure efficiency. Milling, storage, transportation and sales of rice shall also be under the charge of BPPs, under directives of the Foodstuff Council. The management of BPPs, will be made up of: a) the Governor of the Region, member and chairman; b) the Territorial Commander or his representative, member and deputy chairman; c) the Chief of Regional Administration, member; d) a member of the Regional Representative Council to be appointed by the Regional Representative Council, member. The funds required by BPPs can be loaned under Government guarantee from local banks to be nominated by the Government. The buying price of paddy for each area will be fixed annually by the local BPP subject to the approval of the Foodstuff Council, the price to be based on dry paddy removed from the stalks, normal quality, delivered at the rice mill indicated by the BPP. Certain reductions can be made for paddy deviating from the standard set. The selling price of rice obtained from local paddy purchases is fixed by the local BPP and controlled by the Foodstuff Council. The

running of the local BPPs is entrusted to the local branches of the Food foundation (J.U.B.M.), acting as secretariat to the BPP and headed by a Resident attached to the Governor of the region concerned.

The high annual rate of increase of the population, which increased production of foodstuffs didn't yet counterbalance, makes imports of rice, which has become the staple food of the population, inevitable. At an estimated increase of the population by 11/2%, annually and a per capita requirement of 93 kg a year, overall rice requirements are computed at 8,100,000 tons for 1958, against an estimated production of 7,740,000 tons. This leaves a shortage of 360,000 tons for 1958 which will have to be filled by imports, which the Government proposes to conduct on a "Government to Government" or "Government to foreign applicant" basis. Plans for 1958 also involve the means and methods of rice distribution. They include: improved sea and land communications; the repeal of all regulations and provisions hampering the distribution of rice; improved distribution to certain functional groups (army, police, government officials, workers); revision of allocations to so called minus areas; "injections" of cheap rice in centres of the population so as to keep down retail prices; rigorous measures against speculators.

To facilitate domestic rice distribution, the "Rice Ordinance 1948 (Statute 1948, No 253)" also came up for revision. Under Section 2 of the revised Ordinance, a storage permit is required for all stock, exceeding 1 ton and not exceeding the volume permitted, of milled rice' broken milled rice, paddy, and thrashed paddy for the period March 1, 1958—March 1, 1959. The existing regulation on "Permission for the Accumulation

TABLE 48 — RICE POSITION OF J.U.B.M.  
(tons of rice)

	1955	1956	1957
Initial stocks	506,000	88,000	163,000
Internally procured	297,000	257,000	319,000
Imports	125,000	832,000	549,000
	928,000	1,177,000	1,031,000
Sales	840,000	1,014,000	923,000
Final stocks	88,000	163,000	108,000

Source : J.U.B.M.

and Transportation of Rice 1948" was repealed, while the "Crisis Export Ordinance 1939" continues in operation for the time being. Under the Prime Minister's Decree No 5/PM/KB 1958 all regulations promulgated by local military and civil authorities on the transportation of rice have further become void. This Decree also liberates movements of rice of any descriptions to and from 1st and 2nd Category Autonomous Areas in any one island. For interinsular shipments permits will still be required.

Rice imports from the United States under the S.A.C. agreement, amounting to an allocation of 250,000 ton, were completed at the end of June 1957.

The following prices were fixed by the Government for J.U.B.M. rice in 1958:

<i>J.U.B.M. Rice Price</i> (in Rupiahs per kg)					
<i>West, Central and East Djawa</i> (loco J.U.B.M. godown)				<i>Outside Djawa</i> (alongside vessel)	
quality	price	quality	price	quality	price
B.A.	Rp 3.75	B.P.	Rp 3.50	O.J.S. I	Rp 3.25
Bg.A	„ 3.60	S.P.	„ 3.35	O.J.S. Bg I/H.I.	„ 3.10
T.A.	„ 3.45	T.P.	„ 3.20	O.J.S. K.I.	„ 3.—
B.C.	„ 3.30	B.S.P.	„ 3.05	O.J.S. II	„ 2.90
Bg.C.	„ 3.15	S.S.P.	„ 2.90	O.J.S. HII./BgII	„ 2.80
T.C.	„ 3.—	T.S.P.	„ 2.80	O.J.S. KII	„ 2.70

As regards price developments in the year under report, it appears that the increased volume of rice imports from the United States and Burma since the period of scarcity (September 1956) kept prices down till May 1957 in the large centres of population in Djawa. Since June 1957 (when the B.E. system came into effect) prices in the larger towns in Djawa rose alarmingly up to the end of the year, despite "injections" of cheap rice by J.U.B.M.

The highest prices were found in the larger towns in Djawa in December 1957. Sumatra (excluding Palembang and Medan) and Kalimantan (excl. Banjarmasin) showed practically the same development as Djawa, with Djakarta showing the highest prices. Steadily on the increase since June, the price stood at Rp 7.71/kg at the end of December 1957. The factors that mainly caused the steady upward movement of prices over

TABLE 49 — RICE PRICES  
(Rp/kg)

End of	Djawa country side	Djakarta	Surabaja	Palem- bang	Medan	Pontia- nak	Makasar
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 December	3.48	3.43	2.70	3.60	4.60	5.50	3.45
1956 December	3.28	3.88	2.80	3.—	3.50	4.75	3.70
1957 March	2.79	3.60	1.65	3.40	2.80	3.75	3.70
June	2.75	3.49	1.65	4.58	2.71	...	3.85
September	3.55	4.93	3.50	4.80	3.50	...	3.70
December	5.90	7.71	5.—	6.25	3.75	...	5.80

Source : C.B.S.

the last 7 months of 1957 may be summarised as follows: deficient supplies under J.U.B.M. control; the influence of the period of scarcity commencing in September; speculative dealings; the promulgation of regional regulations hampering distribution; the introduction of the B.E. system.

### *International Rice Situation*

The data issued by the F.A.O. Agricultural Economics and Statistics Department concerning world rice production of 1957/58 crop are not yet complete. From the available data it can be inferred that 1957/58 rice production in Burma (the chief rice exporter) dropped materially (from 6,464,000 metric tons to 5,524,000 tons, that is by 940,000 tons or 15%). This decrease is due to the reduced area in rice in 1957/58 (from 4,048,000 ha to 3,970,000 ha) and unfavourable weather conditions, the rainy season having set in belatedly. Production in Thailand (the second largest rice exporter) also dropped for the 1957/58 crop year, namely, from 8,318,000 tons to 6,380,000 tons, or by 24%'. As in Burma, the factors responsible for the drop were the reduced area under rice cultivation (from 5,826,000 ha to 5,120,000 ha) and inadequate rainfall. In contrast, production in Japan (a large-scale importer of rice) rose by 1,248,000 metric tons or 10% in the year under review (from 13,080,000 tons to 14,328,000 tons). Pakistan increased production from 13,718,000 tons to 14,030,000 tons in the year under review, in contrast with the foregoing years when the standing crops were badly damaged by natural catastrophes. The United States, the 3rd largest rice exporter, reduced its area under rice (for the third time) from 635,000 ha to 542,000 ha, and production dropped from

2,243,000 tons to 1,956,000 tons. Italy also reduced the area under rice cultivation and consequently production, from 648,000 to 598,000 metric tons in the year under report.

Although the annual export figures of the major rice exporting countries are not yet fully available, it may be assumed that total rice exports in 1957 must have been higher than in the preceding year in connection with increased import demand all through 1957. Substantial increases in exports from Thailand, Cambodia, Vietnam and Egypt largely absorbed this greater demand. In 1957 Thailand rice exports rose by 26% (from 1,239,000 metric tons to 1,567,000 tons); exports from Cambodia in the first 9 months of 1957 were three times greater than in that same period of 1956. Up to November 1957 exports from Vietnam rose from 5,000 metric tons to 171,000 tons. Finally, exports from Egypt over the first 10 months of 1957 rose by 12% as compared with the corresponding period of 1956. Burma also exported a greater volume of rice in the first 9 months of 1957 compared with 1956. From October, however, monthly export figures were lower so that overall 1957 exports were only slightly higher than 1956 exports (+ 1 %) . Burma exported a total of 1,877,000 metric tons in 1957 against 1,857,000 metric tons in 1956. Italy showed the biggest drop in rice exports, by 60% as compared with 1956. Up to the middle of December 1957, Italy's rice exports dropped from 349,000 metric tons to 133,000 tons. Exports from the United States and Spain up to November 1957 showed a decline by 24% and 29% respectively.

Of the twelve major rice importing countries, India, Korea, the Philippines and Cuba imported more than in the preceding year. India's rice imports up to the middle of November 1957 were twice as high as compared with the same period of 1956, which is explained by greater per capita consumption thanks to the increasing level of income. South Korea, a significant rice exporter up to 1941, and practically self-sufficient from 1954 to 1956, appeared as a large importer of rice in 1957 (161,000 metric tons against 1,000 tons in the preceding year). Philippine imports rose by 11 % in the year under report, while Cuba imported 24% more in the first 11 months of 1957 than in that same period of 1956. The greatest drop in rice imports occurred in Japan (from 760,000 to 347,000 metric tons or 54%). In fact, over the years the dwindling import demand of Japan has been a significant factor in the world rice trade. Over 1953/55, Japan imported more than 1 million tons annually, 1954 being a record year with 1,432,000 tons or nearly one-third of overall world imports over that year. In 1956, imports dropped markedly to nearly half the volume of 1954. Finally, imports again fell substantially in

1957, amounting to about half the 1956 volume or a quarter of 1954 imports. Pakistan and Indonesia (the next major rice importers) imported 35% and 34% less in 1957. The import volume dropped from 620,000 metric tons to 406,000 tons in the case of Pakistan, and in Indonesia from 832,000 to 549,000 metric tons.

The second meeting of the F.A.O. Consultative Subcommittee, held in Washington on February 17, 1958, on the economic aspects of rice, made a survey of the current rice position. The Committee took the view that the decrease in the 1957/58 rice crop in several of the major rice exporting countries and the small carry-over from the 1956/57 crop, would make the exportable volume in 1958 smaller than that of 1957 and 1956.

The price of 100% white rice 1st quality in Bangkok, which dropped continuously since August 1956 till it reached a low of £ 44.0/long ton, showed an upwards tendency in the first 6 months of 1957, moving between £ 45.0 and £ 46.5 per long ton. The peak for the year was reached in August when the price stood at £ 58.0/long ton. Since September the price slipped again, standing at £ 51.0 at the end of the year under report.

### *Forestry*

The 1957 reforestation plan was equal in extent to that for 1956. At the time of writing this report, the Forestry Service was not yet in possession of sufficient data on the actually reafforested area, though it may be assumed that the plan would have gone into completion.

The significance of forestry was accentuated by the conference of the Asian Pacific Forestry Commission held in Bandung in June 1957 and attended by 20 countries. The issues brought up included the following:

1. Forestry Policy:
  - a) Survey of development of national forester in the member countries;
  - b) forestry training;
  - c) water supply.
- 2) Activities in seeking guiding principles for:
  - a) forestry and research in forestry produce;
  - b) teak;



- c) forest management;
  - d) survey of timber resources and forestry;
  - e) inventory of world forests in 1958.
- 3) Problems having the attention of respective Governments in the frame of international cooperation:
- a) forestry statistics;
  - b) constructional timber;
  - c) firewood;
  - d) pulp and paper;
  - e) evaluation and standardization.

The difficulties caused by difference in nomenclature in the timber industry of the various participating countries and in the world in general were also discussed.

### *Live Stock*

The number of live stock decreased by 483,000 or 2.9% in 1956 as compared with 1955. that is, from 19,828,000 in 1955 to 19,345,000 in 1956. The decline in the stock of cows, buffaloes, goats and sheep (by 0.75% 1%; and 6.9% resp.) was not offset by the increase in the number of pigs and horses (by 12% and 4.5% resp.). Nusa Tenggara, which accounted for 41%. Of the total stock of pigs in 1955 saw its stock decline by 18.8% in 1956 (593,378 head in 1955 against 481,603 in 1956). West Kalimantan increased its stock of pigs by more than 100% (199,377 in 1955 against 400,000 in 1956). Sulawesi and Maluku showed increases for all kinds of live stock.

The number of live stock slaughtered in 1957 decreased by 6.7% (2,501,263 in 1957 against 2,681,878 in 1956), after an increase by 14.2% in 1956 (2,681,878 in 1956 against 2,347,388 in 1955).

Overall consumption of animal food amounted to 279,179,988 kg in the first half year (against 272,029,234 kg in the first half of 1956), which represents an annual per capita average of about 7 kg, equalling 1.52 kg of animal proteins. This average falls far short of the minimum annual requirement of 5.4 kg of animal proteins. The average annual shortage of animal proteins amounted from 3 to 4 kg per capita.

TABLE 50 — LIVESTOCK  
( '000 head )

	Cows	Buffaloes	Horses	Goats and sheep	Pigs
1940	4,141	3,003	693	6,948	1,253
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
1955 *)	5,059	2,888	584	9,956	1,441
1956 **)	5,021	2,829	612	9,267	1,616

\*) Revised figures

\*\*) Provisional figures

Source : Veterinary Service

Sufficient progress was made with artificial insemination to raise both the quality and the number of live stock in 1957. The plans to make Gunung Kidul into a cattle district have begun to be implemented; grass has been planted, and cattle breeders have been brought to the district. Besides stimulating the population to improvements in cattle breeding, the Veterinary Service also stimulates breeders to step up the yield from their stock as, for instance, by intensifying milking for the cattle breeders' own benefit. In several areas progress is reported in this respect, as in Wonogiri where goat and sheep milk is not only drunk, but also used as a substitute for coconut juice.

Exports of live stock, which dropped considerably in 1956, recovered in 1957. Pigs accounted for 81.870 of total exports in fact exports of pigs rose by 271% (32,848 in 1957 against 8,840 in 1956). Exports of cows were up by 6.7% (4,982 in 1957 against 4,671 in 1956). Moreover, 2,285 buffaloes were exported in 1957 against none in 1956. The drop in exports of pigs was ascribed to high supply prices while Bali pigs lost their market now after Singapore has succeeded in breeding higher quality pigs. increased exports in 1957 were made possible thanks to lower export prices facilitated by the export rate devaluation, while the quality of exports has improved due to Bali pigs being crossed with Australian "saddle backs" and "large back" pigs.

Kalimantan, which is making good progress in pig breeding, is looked upon as the coming export centre of pigs thanks to its physical features, which compare favourable with Bali. European breeding pigs (Yorkshires and Nederlandse Landvarkens) have been supplied by the Veterinary Service since 1952.

## Fisheries

In the year under report production from fisheries totalled 721,000 tons of wet fish, against 714,000 tons in 1956 or an increase by 0.8% in 1957. Out of this total 400,000 tons was from sea fisheries, the balance from inland fisheries.

Whereas the production of sea fisheries declined by 18,000 tons or 4.3%\*, inland fisheries produced 25,000 tons more or 8.4% (increase in 1956 — 37,000 tons or 14.6%). The decline in productivity of sea fisheries—in all regions except Djawa and Madura—was attributable to unfavourable weather conditions. Floods in the first half and severe drought in the second half of 1957 had an adverse effect on fresh water fisheries. The short supply of yarn for fishing nets was also held responsible for catches being unusually small. Moreover the price of yarn for nets was high i.e. Rp 85.— to Rp 90.— per kg or 250% to 300,% of the price at the beginning of 1952.

The severe drought in the dry season made the salinity of coastal ponds rise from the regular 35°/oo to 60°/oo which killed many fishes.

Natural catastrophes struck 4,500 ha of fishing grounds, causing damage to a total amount of Rp 3 million. Rehabilitation is underway with the assistance of the Inland Fisheries Service, which supplied 100,000 fry and money to the amount of Rp 49,999.—

West Djawa still ranks first as a centre for inland fisheries, the population cultivated 34,577 ha of fish ponds (Djawa total 85,000 ha), yielding 31,000 tons yearly.

TABLE 51 — PRODUCTION OF FISHERIES  
(‘000 tons of fresh fish)

	Sea fisheries				Inland fisheries			
	1941	1955	1956*)	1957	1941	1955	1956	1957
Djawa and Madura	...	99	102	110	37	77	84	87
Sumatera	...	133	128	120	24	53	51	61
Kalimantan	...	104	93	85	64	98	131	141
Indonesia Timur	...	76	95	85	22	31	30	32
Total	315	412	418	400	147	259	296	321

\*) Revised figures

Sources : Sea Fisheries Service ; Inland Fisheries Service

The following measures were taken to raise the productivity of inland as well as of sea fisheries: extension of the area of fish ponds; dissemination and improvement of fry; extension of fishing in the free waters outside Djawa (as, for instance, in Kapuas Hulu in Kalimantan, in Sulawesi); training of officials and cadre. Mixed farming (the cultivation of fish on wet rice fields is gaining ground particularly in West and East Djawa and is more generally practiced. The fish not only brings additional profit, but also a better rice yield.

The drive to motorize and mechanize fisheries made gratifying progress. Fish transportation is still far from solution, particularly in interinsular shipping. The islands outside Djawa (Kalimantan, Sulawesi and South Sumatra) have a surplus production of fish, while Djawa the greatest consumer, is a minus area.

### *Agricultural export commodities*

#### *Rubber*

According to figures published by the International Rubber Study Group, world production of natural and synthetic rubber amounted to 3,162,000 long tons in 1957—an increase of 64,000 long tons compared with the foregoing year. World consumption rose by 3%, that is, from 3,037,000 tons to 3,133,000 tons. Both natural and synthetic rubber showed increased production. This was due to improved production of natural rubber in Malaya by 270, and increased production of synthetic in the United States by 4%, in Canada by 9%, and in West Germany by 9%. The increase in world consumption applied to synthetic only.

World supply of natural rubber rose from 727,000 long tons per the end of 1956 to 750,000 long tons per end 1957, while production of natural rubber was higher in the 2nd half of 1957 than consumption. World supply of synthetic rubber rose from, 267,500 long tons to 272,500 long tons at the end of 1957.

The proportional share of natural rubber in world production edged down from 61% in 1956 to 60% in 1957, while consumption also dropped from 63% to 61%. This would justify the conclusion that the position of natural rubber in world consumption is weakening, while the position of synthetic is growing stronger. A comparison of the

TABLE 52 — WORLD PRODUCTION AND CONSUMPTION OF SYNTHETIC RUBBER  
(<sup>0</sup>000 long tons)

Production	1955	1956	1957	Consumption	1955	1956	1957
United States	970	1,080	1,118	United States	895	874	929
Canada	104	121	132	United Kingdom	20	39	57
West Germany	11	10	12	France	19	32	50
				Canada	40	48	48
				West Germany	25	36	46
				Other countries	63	104	133
World total <sup>1)</sup>	1,085	1,211	1,262	World total <sup>1)</sup>	1,062	1,133	1,263

<sup>1)</sup> Exclusive of Russia

Source : Rubber Statistical Bulletin

consumption of natural and syntectic in the United States would seem to make this still more apparent - proportional shares in 1956 : 39% for natural and 61% for synthetic ; in 1957: 37% for natural and 63% for synthetic.

The United States kept first place as a consumer of natural (29%) and of synthetic (74%) in 1957. Overall rubber consumption in the United States in 1958 is expected to be lower than in 1957 (1,469,000 long tons). This forecast is based on the anticipated lower production of automobiles in the beginning of 1958 as a result of the recession which set in during the 4th quarter of 1957. The large tyre factories also started lowering their sale estimates for 1958 from 33 million to 29 million tyres.

While production of synthetic rubber was increasing in 1957 (see table 52) plans are going forward for establishing new synthetic rubber industries in other Western countries, such as the United Kingdom, France, East Germany, Italy and Russia.

Lower world consumption of natural rubber in 1957 (see table 53) was due to reduced purchases by the Soviet Union and by the Chinese People's Republic (from 222,000 long tons to 190,000 tons) as well as to lower consumption of natural rubber in Western countries. Lower consumption of natural rubber was attributed to higher consumption of synthetic rubber: the United States +6%; the United Kingdom + 42,%; France + 56% and Germany + 30% in 1957. This drop in world consumption was the first since 1952 when the United States withdrew rubber control imposed during the korea conflict.

TABLE 53 — WORLD PRODUCTION AND CONSUMPTION OF NATURAL RUBBER  
(’000 long tons)

Production	1955	1956	1957	Consumption	1955	1956	1957
Indonesia	733	687	684	United States	635	562	540
Malaya	639	627	639	United Kingdom	246	193	182
Ceylon	94	95	98	France	134	135	135
Vietnam and Cambodia	93	101	...	Russia <sup>1)</sup>	24	127	78
Other countries	354	377	...	Other countries	831	888	935
World total	1,913	1,887	1,900	World total	1,870	1,905	1,870

<sup>1)</sup> Net imports directly procured from producing countries

Source : Rubber Statistical Bulletin

The increasingly stronger position of synthetic rubber in the future is to be inferred from research and experiments conducted in the United States in the year under review. “Ameripol-SN” and “Coral Rubber” in particular were experimented with. For heavy duty tyres they seem to have the same qualities as natural rubber, as regards cracking and wearing. Coral Rubber seems to have greater capacity for resisting high pressures at low temperatures than natural rubber. More exhaustive research on butyl rubber for manufacturing tyres, and the discovery of Isoprene (a subsidiary product of butyl) will help to undermine the position of natural rubber in the future.

Malaya is making great efforts to improve the quality of her rubber to cope with the increasingly stronger competition of synthetic. This includes the planting of a high quality rubber tree, the Superior Processing variety, which has the additional advantage of lower maintenance cost. Plans are to plant 40,000 ha of this variety every year. Indonesia is also active in trying to improve her quality of rubber by, for instance, planting high quality seedlings and thereby rejuvenating smallholders’ rubber plantings within 10 years.

Meanwhile, the Raw Materials Supply Committee is investigating the necessity of revising the strategical rubber stockpiles in the United States. According to the Natural Rubber Bureau, an office representing rubber planters in Malaya, there is every possibility that the United States natural rubber stockpiles, amounting to about 1,200,000 tons, will not be reduced. Further, in spite of the recommendations of this Committee to reduce natural rubber stockpiles, the final decision will be made dependent on agree-

TABLE 54 — RUBBER WORLD PRICES (R.S.S.I.)

	Djakarta <sup>1)</sup> 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 7 <sup>7</sup> / <sub>32</sub> <sup>2)</sup>	14.60	24.06 <sup>2)</sup>	35.4
1952	7.77 <sup>1</sup> / <sub>2</sub>	2 3 <sup>29</sup> / <sub>32</sub>	38.57	96.07	137.7
1953	6.45	1 7 <sup>22</sup> / <sub>32</sub>	24.23	67.44	135.2
1954	4.97 <sup>1</sup> / <sub>2</sub>	1 7 <sup>13</sup> / <sub>16</sub>	23.64	67.30	110.9
1955	11.31	2 8 <sup>7</sup> / <sub>8</sub>	39.14	114.16	128.2
1956	8.97	2 4 <sup>1</sup> / <sub>16</sub>	34.17	96.76	144.7
1957 January	10.70	2 4 <sup>7</sup> / <sub>32</sub>	33.23	98.64	141.0
February	8.95	2 1 <sup>11</sup> / <sub>16</sub>	30.39	87.47	141.0
March	8.80	2 2 <sup>11</sup> / <sub>16</sub>	31.79	91.53	133.1
April	9.15	2 2 <sup>27</sup> / <sub>32</sub>	32.26	91.79	126.0
May	9.00	2 2 <sup>11</sup> / <sub>32</sub>	32.18	90.23	126.0
June	9.20	2 2 <sup>31</sup> / <sub>32</sub>	32.78	92.30	121.5
July	12.68	2 2 <sup>31</sup> / <sub>32</sub>	32.79	92.79	116.0
August	13.70	2 2 <sup>21</sup> / <sub>32</sub>	32.09	91.37	113.5
September	13.65	2 1	29.90	85.73	98.1
October	14.00	2 0 <sup>17</sup> / <sub>32</sub>	29.21	83.51	95.3
November	14.05	1 10 <sup>25</sup> / <sub>32</sub>	27.40	77.62	86.7
December	14.10	2 0 <sup>3</sup> / <sub>16</sub>	29.09	82.32	92.2
1958 January	14.25	1 10 <sup>29</sup> / <sub>32</sub>	27.13	78.06	84.0
February	13.90	1 10 <sup>13</sup> / <sub>16</sub>	26.28	77.51	86.1
March	16.00	1 10 <sup>21</sup> / <sub>32</sub>	26.62	77.38	85.0

<sup>1)</sup> At beginning of period; <sup>2)</sup> spot

Sources: Rubber Statistical Bulletin; Daily Market Service

ment of the Office of Defence Mobilization, and the consideration of such Government agencies as the State Defence Commerce Agriculture Interior Departments, General Services Administration and Civil Defence Administration, all of which take a share in controlling strategical supplies.

The world rubber price, which rocketed up when the Suez crisis was at its height, dropped back in the 1st quarter of 1957 due to falling demand from the United States and Western Europe. The price of R.S.S. I quality dropped from U.S. \$ cts 33.23 to U.S. \$ cts 31.79/lb in New York during that period. Some improvement followed in the period April through August due to the entry in the market of the Chinese People's Republic and the Soviet Union, moving steadily between 32.09 and 32.79 U.S. \$ cts/lb. The recession, which set in during the 4th quarter caused a slump in prices, which now moved between 29.90 and 27.40 U.S. \$ cts/lb. The International Rubber Council is to meet in Hamburg in June 1958 to study the causes of fluctuations in world market

TABLE 55 — PRODUCTION AND EXPORTS OF ESTATE RUBBER  
(net tons)

	Production	Exports
1938	175,066	156,758
1952	299,197	297,534
1953	309,098	293,134
1954	288,054	244,280
1955	266,283	237,308
1956	265,994	234,443
1957	257,145	239,115

Source : C.B.S.

prices for rubber. The Council's session in Jogjakarta in June 1957 did not succeed, as will be remembered, in coming to decision on stabilization of the world market price for rubber.

Djakarta quotations for R.S.S.I quality showed a development opposite to that of the world market in the period under review. Dropping from Rp 10.70 to Rp 8.80/kg in the 1st quarter the price steadily edged up later. As table 54 shows, the price rose from 9.20 in June to 12.68 Rp/kg in July, and stood at Rp 14.10/kg at the end of 1957.

As table 55 shows, the downward trend in estate rubber production, which commenced in 1954, continued in 1957 and was down by 8,800 tons (3%) compared with 1956. Investigations made by the Estate Agriculture Institute at Bogor led to the conclusion that this decline was not primarily due to superannuation of plantings, but rather to lack of care, haphazard tapping and lack of working discipline generally.

According to the Central Bureau of Statistics, the volume of rubber exports rose by 2% in 1957, while proceeds dropped by 3% due to unfavorable price development on the world market.

The United States remained the leading buyer of Indonesian rubber in 1957 with 79,771 tons net or 33% of overall exports (1956 - 92,600 tons or 37%). Other major buyers were, in descending order: the United Kingdom (35,400 tons), West Germany (29,900 tons), the Chinese People's Republic (29,500 tons).



Exports of estate rubber to the United States, the Netherlands and Japan dropped, while those to the United Kingdom, West Germany and the Chinese People's Republic were up. Out of the total exports of smallholders' rubber for 1957 a quantity of 173,300 tons, or 26%, went to Singapore (1956 - 143,600 tons or 35%. Next came the United States with 99,300 tons, and the United Kingdom with 60,200 tons.

Exports of both smallholders' and estate rubber to Belgium and Luxembourg (6,300 tons) and to Brazil (1,200 tons) in 1956 rose to 9,900 tons and 3,400 tons in 1957, mostly smallholders' rubber. The possibility opened by the Government to export rubber to the Chinese People's Republic and to other countries, boosted exports to the Chinese People's Republic (36,000 tons in 1957; 1,400 tons in 1956), while the Soviet Union (Western part) appeared as a new buyer with 10,200 tons in 1957.

Table 56 lists exports of smallholders' rubber from the principal production areas. It developed that West Kalimantan, which exported about 84,800 tons of dry rubber in 1957, was leading, this being the highest export figure for West Kalimantan since 1950. According to the findings of the Local Smallholders' Rubber Service this increase was to be thanked to increased production due to:

- a) new plantings, started in 1954, coming into production;
- b) favourable weather conditions;
- c) the B.E. system and consequent higher prices.

TABLE 56 — EXPORTS OF SMALLHOLDERS' RUBBER FROM THE PRINCIPAL PRODUCTION AREAS  
(tons of dry rubber)

	1938	1954	1955	1956	1957
Kalimantan Barat	30,354	75,038	77,895	74,166	84,853
Kalimantan Selatan and Timur	27,390	53,737	69,627	52,664	62,696
Palembang	23,964	86,447	84,950	77,645	59,247
Sumatera Timur	20,280	64,350	58,243	35,019	37,563
Djambi	22,206	54,277	57,244	56,283	43,875
Tapanuli	4,044	3,666	6,077	9,254	8,247
Lampung	5	33,940	15,288	28,883	29,306
Other areas	18,353	107,342	95,552	79,432	81,369
Total reported exports	146,596	478,797	464,876	413,346	407,156

Source : C.B.S.

South and East Kalimantan took second place as exporters of smallholders' rubber. Except for Djambi, Palembang and Tapanuli, the other production areas showed improved exports as compared with 1956. In terms of proceeds West Kalimantan netted 21%, followed by South and East Kalimantan (15%), Palembang (15%), and Djambi (11%).

The composition of exports of smallholders' rubber by qualities (see table 57) shows that shifts occurred in the year under report. In comparison with 1956, exports of sheets, scraps and slabs increased. In sheets a shift is noticeable from low to medium quality smoked sheets. The proportions of R.S.S. III (5%), IV (27%), and V (64%) in 1956, improved into R.S.S. III (9%), IV (28%), and V (54%) in 1957. Exports of unsmoked sheets did not alter appreciably as compared with 1956. The increased export volume of sheets was due to Kalimantan, 77% of whose exports were made up of sheets, 51% being R.S.S. V. Improved exports of slabs was due to the ban on this variety being lifted by the Government. The South Sumatra Military Authority watched for deterioration of export quality—slabs of a thickness greater than 3 cm were rejected to reduce the possibility of foreign matter being introduced to give extra weight. Exports of blankets and bark crepe decreased.

The regional centres of the Smallholders' Rubber Service continued their efforts to rejuvenate smallholders' rubber plantings. The cultivation of high class seedlings is a first consideration. The difficulties encountered by smallholders were finance and grafting techniques. There are two varieties of high quality seedlings: clones, which have the same hereditary qualities as the parent plant, and grafts. The Smallholders' Rubber Ser-

**TABLE 57 — EXPORTS OF SMALLHOLDERS' RUBBER  
ACCORDING TO QUALITIES  
(dry rubber)**

	Volume (tons)				Value (Rp '000)			
	1956	%	1957	%	1956	%	1957	%
<b>Sheets</b>	155,809	37.7	160,389	39.4	958,506	41.4	983,852	42.4
<b>Blankets and barkcrepe</b>	191,654	46.3	178,657	43.9	1,038,397	44.8	965,014	41.6
<b>Scraps</b>	2,387	0.6	3,854	0.9	7,737	0.3	19,405	0.8
<b>Slabs</b>	63,496	15.4	64,256	15.8	310,958	13.5	351,543	15.2
	413,346	100	407,156	100	2,315,598	100	2,319,814	100

Source : C.B.S.

vice sent 4,155,200 clones to the regions, including South, East and West Kalimantan, South Sumatra, Bangka, Belitung and Central Sumatra. Clones require less care as they need no grafting, while grafts are more difficult to cultivate. The plan to rejuvenate smallholders' rubber plantings covers 10 years (1956/1965) and involves 260,000 ha. In the first 5 years 91,110 ha under smallholders' rubber are to be replanted, while this area is to be gradually extended. Plans are to set aside high quality seedlings in 1957 for new rubber plantings in 1958 to cover an area of 20,820 ha. An amount of Rp 23.9 million was required for replanting in 1957, the overall cost of the complete project is estimated at Rp 877 million. The Counterpart Rubber Association supplied aid to an amount of Rp 10 million in 1957.

### *Copra*

The volume of copra bought in 1957 (134,300 tons) was 60% less than the volume of purchases in 1956 (data from "Jajasan Kopra dalam Likwidasi"—Copra Foundation in Liquidation—and from "Induk Koperasi Kopra Indonesia"—I.K.K.I.—Central of Indonesian Copra Cooperatives). As table 58 shows, copra purchases decreased in East Indonesia, West Kalimantan, and Djawa by 62 %, 56 % and 46,% respectively.

The drop in copra purchases in East Indonesia was primarily due to continued difficulties in the field of financing and transportation in the year under report.

With a view to making producing areas and coconut growers benefit from direct copra dealings, the Ministry of Economic Affairs approved a resolution of the executive committee of the Committee for the Preparation of the Central of Copra Cooperatives (Panitia Persiapan Induk Koperasi Kopra—P.P.I.K.K.) that sales of copra should be decentralized as from January 15, 1957. Under this resolution, copra producing areas receive the revenue from copra taxes and a share in profits made on copra on a scale worked out by P. P. I. K. K. The Central Government further supplies additional capital required by copra producing "kabupatens" (administrative units) for copra purchases from the producers. The Central Government fixes a price ceiling which includes storage charges, copra taxes and profits. The amount of profit under the above price calculation depends on the success of the "kabupaten" in keeping down expenditure. Thus a system was worked out for profit sharing between the Central Government as the single seller, and the copra producing regions as the single buyers.

TABLE 58 — PURCHASE OF COPRA BY JAJASAN KOPRA  
(\*000 net tons) \*)

	Indonesia Timur	Kalimantan Barat	Other areas	Total
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
1956	281.3	44.2	13.6	339.1
1957	107.3	19.4	7.4	139.3

\*) Source : Jajasan Kopra, since July 1957 Induk Koperasi Kopra Indonesia

I.K.K.I. was established on July 25, 1957 to supersede the Copra Foundation whose liquidation was completed on July 12, 1957. The objects of I.K.K.I. are:

1. to promote the copra interests of I.K.K.I. members and to improve economic conditions in general;
2. to coordinate and improve copra processing and cooperative selling centres.

To attain these objects, I.K.K.I. endeavours:

- a). to make members deposit money with I.K.K.I.,
- b). to give credits to members for improving their enterprises,
- c). to sell the products of members collectively,
- d). to purchase the requirements of members collectively,
- e). to direct and supervise the activities of the organizations of members,
- f). to engage in all other activities found useful for attaining I.K.K.I.'s objects insofar as such activity does not run counter to cooperative principles and current Government regulations.

Copra producing and copra selling cooperative centres, set up in regions where I.K.K.I. operates, and recognized as corporate bodies by the Chief of the Cooperative Service can be admitted to I.K.K.I., while cooperative centres which have not yet been recognized can be admitted as candidates for membership.

The working capital of I.K.K.I., is derived from: initial savings; obligatory savings, deposit account funds, reserves, loans and other lawful receipts. The amount of initial savings to be deposited with I.K.K.I., and corresponding to the voting rights, is fixed on the following scale: 1 vote—Rp 10,000; 2 votes— Rp 20,000; 3 votes—Rp 30,000; 4 votes—Rp 40,000; s votes—Rp 40,000,-

A meeting of members decides the amount of obligatory savings to be deposited with the centre by each member. Members can further make voluntary savings with their centre, either on a current or on a deposit basis. In contrast with the erstwhile Copra Foundation, any profits from copra transactions by I.K.K.I. go to the members in the various regions. Members of I.K.K.I. as per the end of 1957, amounted to 10 “kabupaten” copra cooperative centres with 173 primary cooperatives.

I.K.K.I. copra purchases are restricted for the time being to the regions where this organization has sole buying rights, that is, Banten, West Kalimantan, South Lampung, South Sulawesi, and South-East Sulawesi. Seeing that the Minister of Trade permitted free copra sales in the other producing areas’ such as Central and North Sulawesi, Maluku and Nusa Tenggara, I.K.K.I. was not granted single buying rights there.

I.K.K.I can purchase about 4,500 tons of copra a month while the average monthly consumption of copra is about 20,000 tons, but the shortage was largely covered by East Indonesia (abt 12,500 tons). I.K.K.I. copra was allocated to Central, East, and West Djawa, each receiving 1,000 tons, 1,000 tons, and 1,500 tons respectively.

TABLE 59 — EXPORTS OF COCONUT PRODUCTS  
(net tons)

	Copra	Copra cakes	Coconut oil
1938	554,481	91,861	20,020
1952	346,138	85,803	980
1953	309,504	112,562	62
1954	298,079	139,188	550
1955	234,396	154,852	1,248
1956	260,438	133,733	2,255
1957	297,422	125,919	2,027

Source : C.B.S.

Exports of copra amounted to about 289,800 tons net in 1957, a rise by 11% as compared with the previous year, though proceeds dropped by 2% (from Rp 441.9 million to Rp 433.1 million) due to unfavourable copra prices on the world market in the year under report. The two official copra organizations (Copra Foundation in Liquidation & I.K.K.I.) handled 13 % or 37,800 tons of overall 1957 exports.

Export of copra cake, in contrast with copra exports, dropped in export volume by 6% (from 133,700 tons to 125,900 tons) and in proceeds (from Rp 71.1 million to Rp 52.8 million).

As regards export destinations, coconut oil exclusively went to Holland in 1957, though the quantity was 10% lower than in 1956 (2,000 against 2,300 tons net). Singapore remained the chief buyer of copra in 1957 (147,900 tons against 63,300 tons in 1956). Germany, the second largest buyer in 1957, took 50,600 tons against 20,300 tons in 1956), while Holland took third place with 40,000 tons against 35,600 tons in 1956. Exports to Japan, Belgium, Luxembourg and Denmark were down in 1957, while France was absent as a buyer. Penang took 29,000 tons in 1957 against 26,400 tons in 1956. The most striking increase was Sweden's—from 3,500 tons to 20,800 tons.

Hongkong appeared as a new buyer of copra though not for a large quantity. Holland remained the chief buyer of copra cakes (60,300 tons) followed by West Germany for 31,400 tons. The United Kingdom took third place with 14,700 tons (8,300 tons in 1956). Since I.K.K.I. was set up in June 1957, this organization managed to export 5,000 tons of copra. mainly to Sweden, Finland and Italy.

The Copra Foundation in Liquidation sold about 22,300 tons of copra to domestic coconut oil factories in 1957, against 111,800 tons in 1956.

During the first 10 months of 1957 copra prices showed a continuous downward trend on the world market. The London copra quotation slipped from a level of £ 70 per long ton for Straits copra c.i.f. Europe and reached a low in September with £ 63. The recovery which appeared about the middle of October was not sustained and lifted the price to only £ 63.10.0. In November 1957, however, there was a further upward movement and by the end of December the price stood at £ 69.10.0.

In contrast with world market prices, the Djakarta price for copra rose right through most of 1957. The price for 95% dry, which at first stood at Rp 225 per quintal, suddenly jumped to Rp 325 per qt. in March. After decreasing to Rp 315 per qt. in the beginning of May and remaining at that level till the middle of June, the price increased again to Rp 320 per qt. to remain at that level till the year-end.

From November 11, 1957, when I.K.K.I. started operating as a single seller and buyer for certain regions, the price of copra for producers was raised from Rp 260 to Rp 290, and further adjusted, in line with prevailing market conditions, to Rp 350 per qt. on December 5, 1957.

In November 1957 I.K.K.I. adopted the following scale for fixing I.K.

I.K.K.I. Price		Free Market Price	
1. Rp 400	per qt. throughout Djawa	Rp 420	per qt. throught Djawa
2. Rp 425	— do —	Rp 450	— do —
3. Rp 450	— do —	Rp 470	— do —

### *Palm oil*

Production of palm oil and palm kernels dropped by 4,400 tons (—2.7,%) and 1,800 tons (—4.7%) respectively as compared with 1956, due to the persistence of the downward trend which set in after production reached a peak in 1954. Monthly average production also dropped to 13,300 tons palm oil and 3,200 tons palm kernels, against 13,700 tons and 3,400 tons respectively in 1956.

Exports, however, rose by 3% for palm oil and by 1 % for palm kernels. Palm oil yielded foreign exchange to an equivalent of Rp 296.7 million, or 2% more than in the previous year, while palm kernels brought in Rp 50.4 million or 8% less than in 1956. Owing to the greater export volume, however overall proceeds were slightly higher than in 1956 (+ 0.2%) despite the persistent decline of the world market price for palm oil.

The chief markets for palm oil were Holland (85,361 tons), Japan (14,959 tons) and West Germany (10,253 tons). Exports to Holland and West Germany rose by 1870 and 30% respectively, while those to Japan were down by 39%. Denmark, which reappeared as buyer in 1956, only bought 400 tons of palm kernels this year, against 682 tons

**TABLE 60 — PRODUCTION AND EXPORTS OF PALM OIL AND PALM KERNELS**  
(net tons)

	P r o d u c t i o n		E x p o r t s	
	Palm oil	Palm kernels	Palm oil	Palm kernels
1938	226,668	48,036	220,752	47,439
1952	146,351	38,647	124,808	37,072
1953	160,494	42,381	135,849	43,238
1954	168,701	43,344	147,168	43,157
1955	165,806	41,949	116,309	38,757
1956	164,896	41,400	125,156	40,034
1957	160,486	39,518	128,944	40,334

Source : C.B.S.

in 1956. Japan, the leading buyer of palm kernels in 1956 (28,954 tons), imported only 18,233 tons in the year under report, or 37% less.

The world market price for palm oil was on the average lower in 1957 than in 1956. The price of B. frs 12.80 per long ton in the beginning of January 1956 fell off continuously and reached a low with B. frs 11.75 per long ton in October. Later it tended upward again but did not go beyond B. frs 12.30 in the last few weeks of 1957. Price development of palm kernels was practically along the same lines. At the beginning of the year they stood at £ 53 per long ton and reached a low of £ 49.10.0 in the middle of the year. At the end of the year, in contrast with palm oil, palm kernels reached a higher level with £ 54.50 per long ton in December 1957.

Despite lower world market prices and declining production of palm oil, exports proceeds of Indonesia were apparently higher in the year under report as compared with 1956.

### *Fibres*

The production of hard fibres fell off by 2,222 tons (—6.5%), while exports dropped by 6,204 tons (—19%) as compared with 1956. The U.S. was the main buyer (6,231 tons), while Japan, which led last year with 9,576 tons, only imported 4,247 tons ( - 44%) in 1957. Exports to Australia, Holland and West Germany rose by 23%, 15% and 6% respectively. Purchases by Belgium and Luxembourg rose strikingly from 754 tons in 1956 to 1,800 tons in the year under review (+ 138%).



**TABLE 61 — PRODUCTION AND EXPORTS OF  
HARD FIBRES  
(net tons)**

	Production	Exports
1938	95,000 <sup>1)</sup>	90,079
1952	32,182	28,148
1953	27,809	26,510
1954	31,331	23,971
1955	35,600	33,795
1956	35,175	33,542
1957	32,953	27,338

<sup>1)</sup> Partly estimated since the majority of the estates did not report

Source : C.B.S.

Export proceeds from hard fibres dropped from Rp 73.2 million in 1956 to Rp 49.4 million in 1957—a setback by 33%. The production of fibres persisted in its decline: Djawa (—5.6%), other regions (—6.4%) and made itself felt in the manufacture of rope for domestic use. In order to meet this decline hemp plantations in East Kalimantan were extended by 240 ha.

The world market price for B.E.A. sisal continued the downward trend which had made itself felt throughout 1956. Standing at £ 76/ton at the beginning of 1957, it dropped further to £ 73/ton in December 1957.

Of late, attention has been focused on planting rami and rosella, rosella in combination with rami holding out great hopes of becoming a popular fabric for wearing apparel. Thousands of hectares of both irrigated and non-irrigated fields were planted in rami or rosella in East and Central Djawa in the course of 1957. West Djawa, not wishing to lag behind, planted experimental fields and gave courses on rami, while trainees were sent to Central Djawa. Agencies and committees established to stimulate rami planting tried to interest farmers, while the high price to be realized for rami (Rp 250 per quintal) constituted an added appeal. The rami plantings near Medan did not come up to expectations, so that the rami factory which had been established at Medan had to import rami.

TABLE 62 — EXPORTS OF KAPOK PRODUCTS  
(net tons)

	Kapok	Kapok seeds
1938	15,445	7,123
1952	5,290	14,126
1953	5,405	2,881
1954	4,580	19,073
1955	2,879	11,897
1956	2,792	9,683
1957	2,216	19,093

Source : C.B.S.

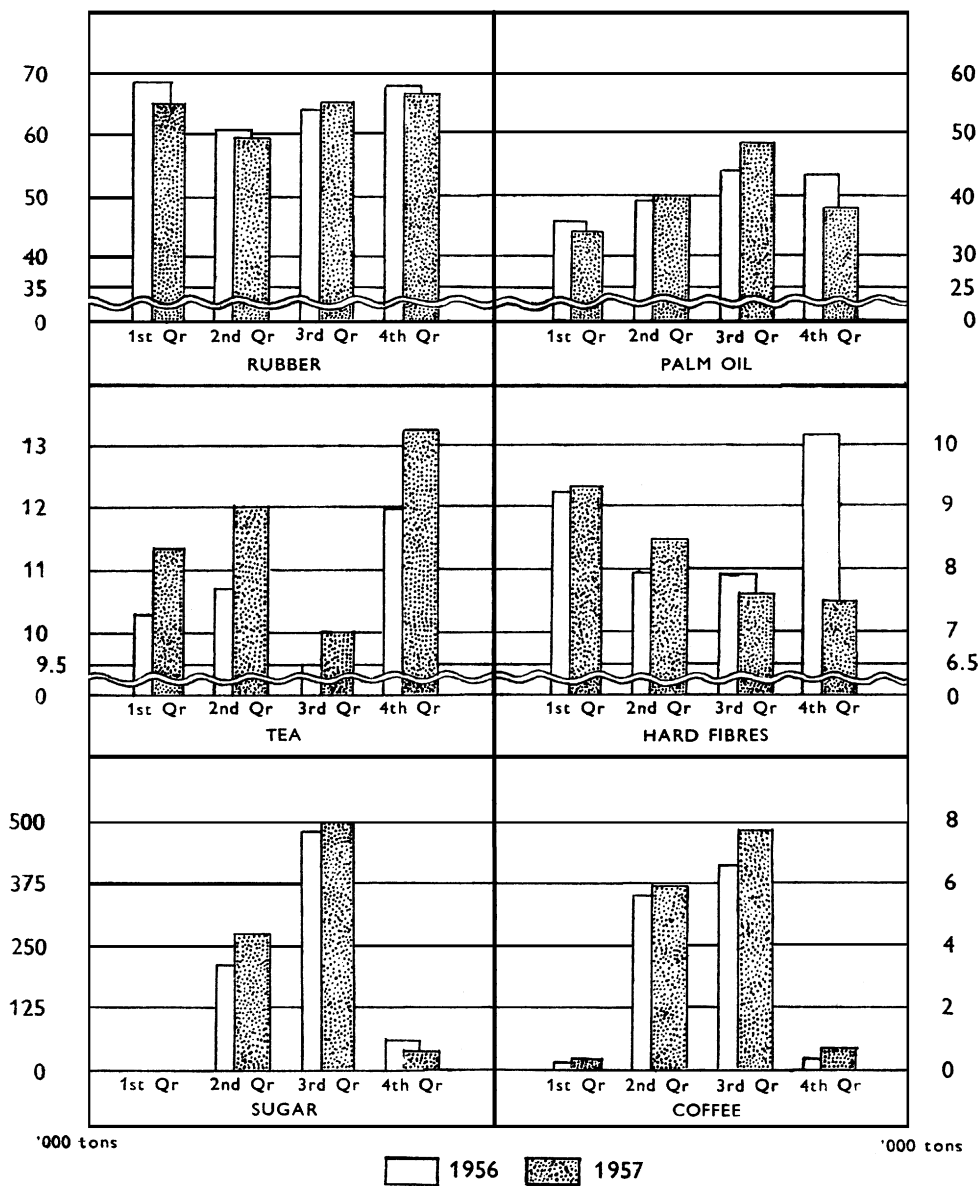
As table 62 shows, the volume of *kapok* exports in 1957 experienced a further drop (—21%) as compared with the previous year, proceeds only a mounting to Rp 15 million, against 24 million in 1956 (—37.5%). As in 1956, the U.S. was the chief buyer though for 916 tons only in comparison with 1,077 tons in 1956 (— 15%). The second largest buyer was New Zealand with increased imports from 286 to 434 tons (+ 51%).

Kapok seeds, in contrast, reached a high level of export in the period under review, namely, 19,093 tons against 9,683 tons in 1956. Foreign exchange proceeds mounted to Rp 12.5 million from Rp 8.9 million in 1956. Volume and proceeds thus rose by 97 % and 40 % respectively. Exports during the last quarter of 1957 largely went to Japan, this trade movement being stimulated by the reduced rates of freight for kapok seeds from Br. Sh. 145/ton to Br. Sh. 130/6 per ton from November 11, 1957.

Many endeavours were made in the course of 1957 to promote both production and exports of kapok. Selected seed was distributed by the service for Indigenous Agriculture in several areas in West Djawa, and kapok planting contests were held. The successful campaign to free kapok trees from parasites together with the prolonged dry season provide expectations of a further rise in kapok production.

Under the auspices of the Central Djawa Military Authority, "N.V. Kapok's as planned by the Kapok Institute since 1952, was established on Sept. 1, 1957. The capital of this limited liability company was subscribed by the Government for Rp 5.2 million and by private interests for Rp 4.8 million. N.V. Kapok will take charge of all matters

CHART IV — PRODUCTION OF ESTATE AGRICULTURE



immediately concerned with the production, storage, and local and export sales of kapok. Plantation owners, storage companies, local traders and exporters have to take shares in the newly established company, whose head office is in Semarang. It is hoped that this new organization will be helpful in restoring the position Indonesia once held in the world kapok market.

### *Cinchona*

**TABLE 63 — PRODUCTION AND EXPORTS OF CINCHONA PRODUCTS**  
(net tons)

	Production (dry bark)	Exports	
		Cinchona bark	Quinine
1938	10,955	6,957	182
1952	3,803	2,619	2
1953	1,204	454	3
1954	1,797	617	1
1955	2,656	1,207	1
1956	2,251	1,508	—
1957	3,440	3,650	—

Source : C.B.S.

Production of cinchona bark rose by 1.189 tons (+ 53 %) in 1957 compared with the foregoing year, while exports increased by 2,142 tons or 142%. The cinchona bark exported largely went to the Netherlands, namely, 3,428 tons gross at a total value of Rp 9.5 million. Exports of quinine were nil, as in 1956, due to dwindling world demand, quinine being ousted by the new synthetic anti-malaria drugs. Quinine output by the Bandoengsche Kinine Fabriek increased in the year under review, thanks to new equipment coming into operation, amounting to 41,853 lbs in January/October included—a level far exceeding the estimated demand of 20,000 lbs.

Under the rejuvenation plan of the Ministry of Agriculture, the output of cinchona bark by Government-owned estates is expected to be boosted by 1,086 tons annually, rising to 7,000 tons in 1959, as follows:

<i>Year</i>	<i>Production Scheme</i> <i>(in tons)</i>
1955	2,656
1956	3,742
1957	4,828
1958	5,914
1959	7,000

On the local market greatly enhanced production costs have been reflected in a substantial rise in the retail price of quinine tablets, from January 1, 1957, as follows:

10 tablets from Rp 0.70	to Rp 1.00
500 „ „ „ 25.—	„ „ 37.50
1,000 „ „ „ 50.—	„ „ 75.00

To avoid malpractice in the sale of the popular sugar-coated sulphate of quinine tablets of 0.222 grammes on the local market, the tablets for distribution on the retail market are plain white, while those allotted to the Ministry of Health are coloured blue, and the allotment to the Armed Services red.

### *Forest products*

Production of lumber, firewood and charcoal, computed in the equivalent of rough timber, totalled 3,944,000 m<sup>3</sup> in 1957, against 3,952,000 m<sup>3</sup> in 1956—a decline of 8,000 m<sup>3</sup>.

TABLE 64 — TIMBER FELLING IN VARIOUS AREAS  
(‘000 m<sup>3</sup>, rough timber equivalent)

	Djawa and Madura	Sumatera	Kalimantan	Indonesia Timur	Total
1939	1,810	1,570	562	92	4,034
1952	1,898	1,338	523	63	3,822
1953	1,991	1,499	408	53	3,951
1954	1,735	1,323	489	81	3,628
1955	2,089	1,416	406	113	4,024
1956	1,944	1,436	502	70	3,952
1957	1,990	1,397	431	126	3,944

Source : Forestry Service

TABLE 65 — TIMBER FELLING ACCORDING TO TYPES  
(‘000 m<sup>3</sup>, rough timber equivalent)

	Lumber	Fire-wood	Charcoal	Total
1939	2,009	1,667	358	4,034
1952	1,960	1,565	297	3,822
1953	1,851	1,795	305	3,951
1954	1,874	1,411	343	3,628
1955	2,034	1,610	380	4,024
1956	2,112	1,464	376	3,952
1957	2,115	1,406	423	3,944

Source : Forestry Service

Production of lumber rose by about 3,000 m<sup>3</sup>; output of all kinds of timber rose from 643,000 m<sup>3</sup> in 1956 to about 716,000 m<sup>3</sup> in 1957. This rise was attributable to favourable market conditions, particularly in Djawa where timber for the building trade was in great demand. Kalimantan and Sumatra showed decreasing production, due to lack of shipping space and high cost of transportation, with the result that shipments to Djawa and export destinations stagnated. Production in Kalimantan and Sumatra was therefore cut back to prevent excessive stockpiling, which would involve great risks. Output of firewood in Djawa and Madura dropped from 1,190,000 m<sup>3</sup> in 1956 to 1,117,000 m<sup>3</sup> in 1957, which largely went to the State Railways in Djawa and Madura to fire locomotives.

Production of charcoal rose from 376,000 m<sup>3</sup> in 1956 to 423,000 m<sup>3</sup> in 1957. For the output of other forest products the following figures can be given: tanning bark 10,700 tons; kayuput oil 37,000 liters; lacquer (crude) 150 tons; turpentine oil 50,000 litres; „gondorukem” (pine resin) 360 tons.

The import of triplex chests rose by only 9.6% (389 tons), while woodpulp and newsprint imports fell by 65% and 11% respectively.

Exports of timber of all kinds, including barter transactions with Singapore, dropped from 118,781 tons (224,000 m<sup>3</sup>) in 1956 to 100,315 tons (206,000 m<sup>3</sup>) in 1957. This drop is largely accounted for by stagnation of export of „dolak” wood to Japan after the 2nd quarter of 1957, and by lack of shipping space. Exports of teak increased from

TABLE 66 — IMPORTS AND EXPORTS OF THE PRINCIPAL  
KINDS AND PRODUCTS OF WOOD  
(tons)

	Imports			Exports		
	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
1952	3,433	2,002	5,317	3,267	143,869	32,588
1953	2,031	1,751	7,610	4,880	149,891	21,528
1954	5,069	303	10,554	5,915	134,583	16,338
1955	5,261	1,168	9,763	8,411	140,190	12,615
1956	4,014	2,633	13,422	8,703	110,078	30,710
1957	4,403	916	11,884	10,521	89,794	30,596

Source : C.B.S.

8,703 m, in 1956 to 10,521 m<sup>3</sup> in 1957. The Forestry Service succeeded in increasing exports of sawn teak (1,411 m<sup>3</sup> in 1956; 3,301 m<sup>3</sup> in 1957).

TABLE 67 — EXPORTS OF FOREST BY-PRODUCTS  
(gross tons)

	Copal	Damar	Rattan
1938	11,828	8,017	36,068
1952	4,667	4,217	20,526
1953	4,253	3,143	26,979
1954	5,952	5,865	30,258
1955	5,604	6,714	30,350
1956	4,547	5,802	30,097
1957	4,526	4,206	32,893

Source : C.B.S.

Endeavours were made in 1957 to continue reforestation on the same scale as in 1956, when about 43,900 ha were reforested, namely: 39,500 ha in Djawa and 4,400 ha in the other islands, particularly in the region round Lake Toba where „tusam” (*pinus merkusii*) was planted. The reforestation plans stress the planting of those kinds of wood which will be useful to industrial development: „damar” (*agathis*) in the regions round Mount Slamet for paper mills; „tusam” (*pinus merkusii*) in the regions of Lake Toba for paper milling *acacia decurrens* in the environs of Malang for a tannin factory.

As table 67 shows, export of copal maintained practically the same level as in 1956, falling by only 1%. Exports of damar dropped from 5,802 tons in 1956 to 4,206 in 1957, while rattans showed an increase by 2,796 tons. Over 50% of rattan exports went to Hongkong and Singapore. The average prices of copal, damar and rattans dropped by 2%, 8%, and 2% respectively, while the total export proceeds of these three items amounted to Rp 69.6 million, against Rp 73.6 million in 1956—a decrease by 6%.

### *Sugar*

Sugar production in 1957 amounted to about 828,200 tons nett, or 32,000 tons less than the original crop estimate of April 1, 1957. Smaller supplies of smallholders' cane to the mills, together with cane pests, labour troubles and continued cane thefts, were the main reasons for this discrepancy between actual production and the original crop estimates. A large quantity of smallholders' cane did not go to the mills but was processed into "mangkok" (cup sugar or gur) in East Djawa, particularly in the Residency Malang and the Southern part of Kediri. The price of cup sugar—which can reach a level of Rp 200 to Rp 220 a quintal—is sufficiently attractive to warrant continued production of cup sugar. The production of this kind of sugar increased because smallholders make use of diesel-driven cane mills capable of processing 8,000 quintals of cane a day. A clearer picture of the position of cup sugar is as yet impossible to give. As it happens, in the cup sugar producing regions, the consumption of factory sugar went up, instead of going down. This makes it impossible to draw a correlation between cup sugar production and the consumption of factory sugar.

In comparison with the foregoing year, sugar production in 1957 increased by about 42,800 tons (about 5%).

In 1957, 52 sugar mills were in operation while the area under cane was about 53,000 hectares. The area under smallholders' cane was about 40,000 ha at the end of the year. For 1958 it is expected that 52 mills will engage in production, while provisional estimates stand at about 860,000 tons. The area under cane grown by the mills is about 54,950 ha, while the area planted by smallholders is estimated at about 41,000 ha.

To replace the existing Ordinance governing the hiring and letting of land for cane planting, a new Ordinance was promulgated by the Minister for Agrarian Affairs on



October 4, 1957, which will regulate the rent to be paid for the planting season 1958/1959. This new Ordinance, drawn up in agreement with the Minister of Agriculture and after hearing the parties interested, is intended to give landowners a fair compensation for cane plantings on their land in competition with other crops, such as tobacco and secondary crops, without, however, freezing out smallholders' cane. To producers of sugar, being a popular staple food as well as an export product, the Ordinance intends to guarantee a sufficiency of land for their cane plantings.

In broad outline the new regulations are as follows:

<i>Description of cane</i>	<i>Description of land</i>	<i>Monthly rent per hectare</i>	<i>Fixed minimum rent</i>
Milling Cane	Irrigated	Rp 160.—	Rp 2,560.—
	Irregularly irrigated	„ 115.—	„ 1,840.—
Ratoons	Irrigated	„ 160.—	„ 1,920.—
	Irregularly irrigated	„ 115.—	„ 1,380.—
Seed Cane	Irrigated	„ 215.—	„ 2,360.—
	Irregularly irrigated	„ 160.—	„ 1,770.—

The rent for land used for regular plantings (cane propagated by cuttings) for seed cane (cane planted for obtaining cuttings), and for ratoons (sprouts produced from the root stocks left in the ground after the first crop has been reaped), must not exceed 18, 12 and 14 months respectively. An exception is made for so-called “tanah bukan ontjoran” (irregularly irrigated land), which is rented for 22 months leaving time for a regular and for a ratoon crop. The Minister of Agriculture may permit the above to be departed from in urgent cases under the proviso that the rent shall not be less than the minimum as fixed. Also, short-term leases may be converted into long-term leases and vice versa, dependent on the consent of both parties, and provided that such revisions of the original agreement be executed before the Civil Service official charged with legalizing lease agreements.

The land rent for cane plantings of the 1958/1959 season has been fixed as follows:

Whereas cane land, as the above table shows, is divided into two descriptions, Regularly, and Irregularly Irrigated, rents are broken down into four descriptions:

- a) the regular monthly rent per hectare;
- b) the minimum rent per ha payable for one season;
- c) the rent payable in addition to the minimum rent (b);
- d) the bonus to be paid for any yield in excess of the fixed basic yield.

The minimum rent (b) must not be paid later than the date of the official execution of the contract' while the rent in addition to the minimum rent (c) must be paid when the cane has actually been reaped. The bonus (d) must be paid as soon as the yield per ha has become known, as per the following table:



<i>1</i> <i>Description of</i> <i>cane</i>	<i>2</i> <i>Basic yield</i> <i>per hectare</i>	<i>3</i> <i>Bonus for each quintal of</i> <i>cane in excess of basic yield</i> <i>in column 2</i>
Milling cane	a. Irrigated land 850 quintals b. Irregularly irrigated land 600 qtl. yield; Rp 5.— for any	Rp 4 for first 250 qtls in excess of basic yield. Rp 4. 5 0 for the second 250 qtls in excess of basic further excess yield.
Ratoons	a. Irrigated land 65 0 quintals b. Irregularly irrigated land 470 qtl.	} as above

If the plot of land rented out is 4 ha or more, the bonus can be paid out to the landowner on the basis of the crystal sugar extracted in excess of the basic yield. Such arrangements must, however, be laid down in writing by the owners or joint-owners and legalized before the village head concerned. Payments under the above arrangement follows a special scale as below:

TABLE 68 — PRODUCTION AND EXPORTS OF SUGAR

	Estates		Overall	
	Planted area (ha)	Yield per ha (qt crystal)	Production (net tons, tel quel)	Exports (net tons)
1938	84,829	164	1,400,340	1,175,292
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	51,495	128	851,012	174,087
1956	50,077	119	785,434	166,945
1957	52,265	128	828,250	144,216

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

<i>1</i> <i>Description of cane</i>	<i>2</i> <i>Basic yield in crystal sugar per hectare</i>	<i>3</i> <i>Bonus per qtl crystal sugar in excess of basic yield in column 2</i>
Milling cane	a. Irrigated land 95 quintal b. Irregularly irrigated land 70 quintals	 18 % of average price per qtl crystal sugar ex godown sugar mill under official price regulation
Ratoons	a. Irrigated land 70 quintals b. Irregularly irrigated land 60 quintals	 22%, of average price per qtl crystal sugar ex godown sugar mill under official price regulation

This bonus is paid out as soon as the following data have become known: cane yield of the land rented per ha; sugar content of the cane; average price per quintal crystal sugar ex godown mill under the official price regulation.

According to returns of the Central Bureau of Statistics, about 144,216 tons net were sold for export in 1957, while about 694,440 tons were set aside for home consumption, 272,900 tons out of this total being a carryover from 1956 crop. The monthly average for home consumption may therefore be computed at 57,870 tons gross—a rise

TABLE 69 — SUGAR EXPORTS OF INDONESIA

Destination	Volume (’000 tons)		Value (Rp million)	
	1956	1957	1956	1957
Japan	75.9	11.0	85.5	11.9
China	27.0	8.6	35.3	12.0
Burma	15.9	2.6	19.2	13.7
Thailand	2.5	—	3.0	—
Singapore	1.7	17.1	1.7	25.0
Indo China	12.2	13.4	12.6	17.7
Ceylon	19.6	21.0	22.0	33.5
Hongkong	7.8	18.3	8.2	27.6
Syria and Libanon	—	11.4	—	12.4
Manchuria	—	10.7	—	11.7
Korea	—	12.3	—	13.5
Other countries	4.3	17.8	4.0	14.4
Total	166.9	144.2	191.5	193.4

Source : C.B.S.

by 7.5% (4,060 tons) as compared with the foregoing year. The anticipated decrease of cane sugar consumption did not come true, though a decline in consumers' demand became noticeable in July, August and September under the impact of the price advance due to increased excise duty. When, however, adjustments had been made in the wage sector, consumers' demand for cane sugar rose again and returned to normal in the following months.

The home price for sugar, lastly fixed at Rp 271.50 and Rp 261.50 per quintal by N.I.V.A.S. in the foregoing year, for S.H.S. and H.S. respectively, was raised to Rp 370 and Rp 360 due to excise duty being advanced from Rp 0.27 to Rp 1.27 per kg, on June 24, 1957.

As table 69 shows, exports dropped off in 1957 as compared with the foregoing year. Hongkong was the chief buyer (18,300 tons, against 7,800 tons in 1956), Singapore took second place with 17,100 tons, against 1,700 ton ; in 1956. Exports to Japan, the Chinese People's Republic and Burma slumped, while Thailand did not import at all. On the other hand, Syria, the Lebanon. Manchuria and Korea appeared as new and substantial buyers.

World sugar production for 1957-1958 rose by 2,058,000 tons gross as compared with 1956/1957. World sugar consumption was also up, namely by 842,000 tons gross.

TABLE 70 — WORLD PRODUCTION OF SUGAR  
(\*000 tons tel quel)

	Pre-war average	1954/1955	1955/1956	1956/1957	1957/1958
Djawa	1,172	718	851	785	828
Philippines	882	1,244	1,107	1,050	1,090
Rest of Asia	2,340	3,344	3,613	4,191	4,268
Asia	4,394	5,306	5,571	6,026	6,186
United States	1,630	2,368	2,110	2,317	2,575
Cuba	2,835	4,530	4,740	5,672	5,700
Rest of America	4,978	9,377	9,082	9,718	10,111
America	9,443	16,275	15,932	17,707	18,386
Europe	8,970	12,568	13,868	14,082	15,154
Africa	1,111	2,054	2,194	2,221	2,312
Australia	881	1,484	1,352	1,365	1,421
World total	24,799	37,687	38,917	41,401	43,459

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

The world market price for sugar, steadily on the increase since November 19, 1956 (from U.S. \$ cts 3.80 to U.S. \$ cts 4.05 per lb f.o.b. Cuba), continued its upward trend and stood at U.S. \$ cts 6.85/lb f.o.b. Cuba on April 22, 1957. Since then prices have dropped to U.S. \$ cts 3.85/lb f.o.b. Cuba at the end of the year under report. The following additional information may be given on the above price development.

Spot quotations for Cuba raws in New York, reaching a level of U.S. \$ cts 4.90/lb per the end of 1956, tended upward during January/February 1957 and moved between U.S. \$ cts 5.10 and 6.38/lb f.o.b. Cuba. This upward movement was explained by markedly increased demand from many countries and by reports about negotiations between Cuba and U.S.S.R. for Soviet imports of 200,000 tons of Cuba sugar. This high level was maintained in March/June with prices moving between U.S. \$ cts 5.72 and U.S. \$ cts 6.85/lb f.o.b. Cuba. The height of that period—U.S. \$ cts 6.85/lb f.o.b. Cuba—was attributed to extra purchases of raws by the U.S.S.R. totalling 150,000 tons. Later on, due to cheap sugar being offered by Brazil and under the influence of the European best sugar crop, the price collapsed and a price level of U.S. \$ cts 3.75 per lb f.o.b. Cuba was reached on August 19, 1957.

TABLE 71 — WORLD CONSUMPTION OF SUGAR  
(<sup>'000</sup> tons tel quel)

	Pre-war average	1954/1955	1955/1956	1956/1957	1957/1958
United States	6,062	7,636	7,750	7,962	8,050
Rest of America	2,603	5,902	6,099	6,361	6,560
America	8,665	13,538	13,849	14,323	14,610
United Kingdom	2,323	2,699	2,725	2,712	2,725
France	1,092	1,233	1,300	1,418	1,425
Germany	1,869	2,010	2,030	2,175	2,260
Rest of Europe	5,975	9,288	10,115	11,409	11,710
Europe	11,259	15,230	16,170	17,774	18,180
India and Pakistan	1,379	2,110	2,235	2,400	2,435
Rest of Asia	2,395	3,425	3,874	4,384	4,410
Asia	3,774	5,535	6,110	6,784	6,845
Africa	874	1,969	2,105	2,285	2,360
Australia	451	668	680	702	715
World total	25,023	36,940	38,914	41,868	42,710

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

As sugar prices dropped, Cuba speculators made extra purchases of Brazil sugar to the volume of 120,000 tons on August 21, 1957. Since these extra purchases would have a price-enhancing effect helpful in stabilizing world prices, the Cuba Sugar Stabilization Institute aided speculators. In a further attempt to stabilize sugar prices, the Cuba Institute transferred 200,000 tons of Cuba raws from the free world market quota for 1957 to the United States reserve quota for that year. Since then, world prices for sugar moved up again to October 1957, between U.S. \$ cts 4.02 and U.S. \$ cts 4.75 per lb f.o.b. Cuba. However, stabilization attempts fell short of expectations and a drop set in moving between U.S. \$ cts 3.50 and 4.03 up to the end of December 1957. The price advance to U.S. \$ cts 4.03 was to be ascribed to political developments in Cuba.

In its meeting of January 29, 1957, the International Sugar Council resolved that the export quota for 1957 (previously fixed in the meeting of December 14, 1956) were to become inoperative as from June 25, 1957. This in connection with the amended Convention which makes maintenance of quota dependent on the average spot price

for raw sugar being quoted at U.S. \$ cts 4/lb f.a.s. or less, or U.S. \$ cts 3.90 or less for 17 consecutive days. Further, the amended Convention fixed Indonesia's export quota for 1957 at 350,000 metric tons, while Indonesia shared for 50,000 metric tons in the special reserves for 1958. The Government decided on August 30, 1957 to take part in the International Sugar Agreement.

Under the Amended Convention, the International Sugar Council announced on November 12, 1957 that, the average spot price for raws in New York having been quoted at U.S. \$ cts 4 per lb or less for 17 consecutive days, member countries were only permitted as from November 13, 1957 to, buy sugar from non-member countries up to the volume bought in any one year between 1951/1953.

On November 18, 1957 it was announced that, the spot price as above having been less than U.S. \$ cts 3.90 for 17 consecutive days, the export quota provisions—which had been inoperative since January 25, 1957— automatically came into force again as from November 19, 1957.

The Statistical Committee estimated free world market requirements for sugar in 1958 at 5,515,000 metric tons, against the estimated requirement of 6,240,000 metric tons at the beginning of July 1957.

### *Tea*

Tea production in 1957 totalled 46,740 tons, an increase by 8.8%, (3,809 tons) over 1956. The tea estates in Djawa primarily accounted for this increase, their production rising by 8% (2,657 tons) over 1956. Production in the tea producing regions outside Djawa also showed an improvement by about 10%, while smallholders' tea was also larger though not greatly more than in 1956 (2 %) . This favourable development was ascribed to more favourable weather conditions and the improved labour situation.

As table 72 shows, the total export volume increased by 1,231 tons (3.5%) while proceeds rose from Rp 336.6 million in 1956 to Rp 340.4 million in 1957. In 1957, Holland was still the leading buyer of Indonesian tea 14.968 tons net—Rp 148 million). Other major destinations were the United Kingdom, Australia and the U.S.A.

**TABLE 72 — PRODUCTION AND EXPORTS OF TEA**  
(net tons)

	Production		Exports
	Total	Of which from bought-up leaf	
1938	80,538	12,206	71,921
1952	37,277	6,679	31,831
1953	37,040	5,695	29,289
1954	46,930	8,208	40,415
1955	43,995	5,451	29,087
1956	42,931	3,274	34,470
1957	46,740	3,342	35,701

Source : C.B.S.

Price development on the world market shows the following picture: Good m. B.O.P. quality quoted Rs 2.85/lb in Colombo at the beginning of 1957; the price slumped and stood at Rs 1.45/lb in May; a change for the better occurred in September when the price rose to Rs 2.15/lb; at the end of December the price was down again to Rs 1.75/lb.

The Djakarta price for Good m. B.O.P., quoted at Rp 10.— per 1/2 kg at the end of 1956, continued to edge down in 1957 and reached a low in June with Rp 6.40 per 1/2 kg. Subsequently the quotation edged up again to reach a high in November with Rp 11.— per 1/2 kg, followed by a drop to Rp 9.50 per 1/2 kg at the end of the year.

Over-supply on the London market accounted for the lower level of tea prices on the Continent throughout 1957. In fact, tea supplies in London were the largest on record since World War II. This glut in the market was caused by the fear of short-supply, due to the outbreak of the Suez crisis at the end of 1956. The temporary price advance in the 4th quarter is explained by labour difficulties, the suspension of tea shipments from Ceylon and concern over developments in Indonesia and the possibility of impeded shipments from this country.

### *Coffee*

In 1957 the production of estate grown coffee totalled 14,852 tons or 14% more than in 1956. This increased production only applied to estates in Djawa, but did not occur in the Outer Islands. The average monthly estate production rose from 1,060 tons in 1956 to 1,230 tons in 1957.



TABLE 73 — PRODUCTION AND EXPORTS OF COFFEE (net tons)			
	P r o d u c t i o n		Exports
	Estates	Smallholders <sup>1)</sup>	
1938	45,572	68,690	68,962
1952	13,246	33,600	18,414
1953	22,380	39,900	32,895
1954	14,445	42,800	36,927
1955	16,053	45,000	23,170
1956	13,021	55,000	57,373
1957	14,852	60,000	50,957
<sup>1)</sup> Partly estimated			

Sources : C.B.S. ; Gijsselman & Steup

As table 73 shows, the production of smallholders' coffee rose by 5,000 tons or 9%. In contrast with estate coffee, the increased production of smallholders' coffee was to be attributed to Sumatra, where output rose from 40,000 tons in 1956 to 45,000 tons in 1957 (+ 12.5%). This increase—the largest since 1950 was attributed to exceptionally good crops in the Lampongs and in the Palembang region.

The overall volume of coffee exports dropped by 11%, while proceeds dropped by 3% (Rp 342.6 million in 1956 to Rp 333.5 million in 1957). Of the overall proceeds Rp 240 million consisted of smallholders' coffee and Rp 93.5 of estate coffee (smallholders' coffee 40,425 tons— estate coffee 11,500 tons). In comparison with 1956, volume and proceeds of smallholders' coffee dropped by 14% and 6% respectively. Estate coffee, however, rose in volume by 8.5% and by 7.5% in proceeds. Smallholders' coffee made up 79% of the volume and 72% of the proceeds in 1957 ; the corresponding figures for 1956 were 82% and 75%.

Italy was the main destination of coffee exports in 1957 (15,128 tons), with Singapore—the main destination in 1956—taking only 10,306 tons The New York market price for coffee remained on the same level as 1956 in the first few months of 1957, that is, about U.S. \$ cts 58.30/lb. The highest price, U.S. \$ cts 64/lb, was quoted in the middle of May. From that time onwards prices edged down steadily to reach a low of U.S. \$ cts 49.25/lb in the beginning of October. Since then there has been some recovery and the price stood at U.S. \$ cts 55.95 in December 1957.

Domestic price development was entirely different from price movements in the world market, prices at home steadily rising. Standing at Rp 725 per quintal at the beginning of the year, coffee prices climbed to Rp 1,300 per quintal in the middle of June, while the quotation was Rp 1,850 per quintal at the end of December 1957. The mounting discrepancy between domestic and world market prices was one of the principal causes for the drop in coffee exports in the year under report.

### *Cocoa*

TABLE 74 — PRODUCTION AND EXPORTS OF COCOA  
(net tons)

	Production	Exports
1938	1,584	1,572
1952	806	521
1953	1,300	226
1954	1,164	597
1955	1,227	390
1956	1,478	542
1957	1,186	487

Source : C.B.S.

Cocoa production in 1957 dropped by 151 as compared with the preceding year. The volume of exports amounted to 487 tons, representing a fall by 55 tons compared with 1956. Exports were made up of cocoa-beans (469,892 kg—Rp 4,024,292) and cocoa-powder (17,488 kg = Rp 57,679).

Overall proceeds were about Rp 4.1 million, against Rp 3.8 million in 1956. The world market quotation for Bahia cocoa, averaging U.S. \$ cts 55.7/lb in 1954, has been dropping steadily, reaching a low of U.S. \$ cts 20 per lb in the middle of 1957.

In view of the excess of world production over world consumption, there is but small hope that cocoa prices will improve markedly in the near future.

## *Tobacco*

The year under review showed a marked improvement both in the extension of the acreage in tobacco and its yield, as compared with the foregoing year. The area under smallholders' tobacco was larger by 2,600 ha (65%) per the end of December 1957 (the respective figures for 1956 and 1957 are 4,000 ha and 6,600 ha). Extension was reported from Bodjonegoro, Besuki and Kendal, while in the last mentioned region rice growing seems to be giving way to the cultivation of Virginia tobacco. The overall area in smallholders, tobacco in Djawa and Madura rose from 143,000 ha in 1956 to 166,000 ha in 1957—an increase by 16%.

Weather conditions appear to have favoured standing crops during the year, with the exception of Bodjonegoro where 30% of the growing crops were destroyed by floods.

TABLE 75 — PRODUCTION AND EXPORTS OF TOBACCO  
(net tons)

	Estate production		Exports
	Deli	Djawa	
1938	13,786	20,924	49,204
1952	2,601	5,281	10,010
1953	3,630	6,760	14,458
1954	3,268	4,185	19,193
1955	3,457	3,548	12,897
1956	3,700 <sup>1)</sup>	4,300 <sup>1)</sup>	11,493
1957			14,223

<sup>1)</sup> Estimated

Source : C.B.S.

In Besuki residency smallholders and foreign-owned estates cooperate in tobacco growing, the principal estates being: Landbouw Mij. Oud Djember (L.M.O.D.); Besoekische Tabaks Mij. (B.T.M.); Adjung-Sukokerto, Soekowono and Djebluk. The estates grow about 5,000 ha of tobacco a year, L.M.O.D. being the largest. The estates rent their land to smallholders and supply them with seed, the crops being sold by the smallholders to the estates. Also the crops from people- owned land are sold to the estates.

Virginia was again favoured this year, in view of the increasing demand for this variety and the added advantages of easy cultivation and processing. The cultivation of this variety is encouraged in several regions, including East Djawa, Central Djawa and South Sulawesi. A production of 1 5,000, 40,000 and 10,000 bales is looked forward to from the 3 regions mentioned, the figure for South Sulawesi including the production planned for Bali and Lombok.

The volume of tobacco exports rose to about 14,223 tons net valued at Rp 382.8 million against Rp 331.8 million in 1956. The bulk of Indonesian tobacco exports went to the Netherlands (13,421 tons—Rp 355.4 million), the Netherlands being the traditional tobacco market for the Continent of Europe, auctions being held twice a year. The leaf put up for auction is from Sumatra (Deli) which is favoured by cigar makers as wrapper material, while Djawa tobacco (from Besuki, Jogja, Lumadjang, Rembang, Kedu and Banjumas) is preferred as a filler for cigars. The principal export centres for tobacco from Djawa are Surabaya, Semarang, Probolinggo and Pamanukan.

Indonesia tobacco has a good reputation in the world market and with a view to maintaining quality and increasing output, the Smallholders' Agricultural Service is active in making recommendations to growers on improved methods of cultivation and processing. These activities have proved successful since the proportion of tobacco unsuitable for export was only 4 to 5%, against 30% in 1956.

Thanks to this advisory service, processing by smallholders was aimed at the production of 'Hang Krosok' in cooperation with national tobacco traders, while in 1956 they mostly concentrated on 'Kampung Krosok', an inferior quality of Djawa krosok tobacco. The drive for improved quality Krosok included auctions and tests as well as the supply of chemicals against tobacco pests. Concerted efforts were also made to improve the quality of Virginia. The export programme for 1958 is 134,929 bales which volume would swell to 147,429 bales if the stocks now in the hands of the Besuki smallholders were also made available for export.

The first drying-house for Virginia provided with imported equipment has been installed in Central Lombok; ten additional drying houses have been planned for this island in 1958.

## Spices

The export volume of Pepper dropped by 11% in 1957 after a rise by 41% in 1956. Exports of white pepper totalled 9,485 tons with a value of Rp 60.1 million; black pepper totalled 8,071 tons at Rp 33.9 million. The chief export destinations were Singapore (8,046 tons—Rp 46.5 million), the United Kingdom (5,159 tons—Rp 46.5 million), and the U.S. (2,393 tons—Rp 10.1 million). The Singapore price for Muntok white pepper was Str. \$ 127 per picol at the beginning of January 1957 and Str. \$ 94 per picol at the beginning of December 1957, those two prices being the highest and the lowest for 1957. The corresponding prices for 1956 were Str. \$ 142 and Str. \$ 125; the lowest price for 1956 was Str. \$ 88/picol per ultimo May 1956. The weakness of pepper prices made smallholders especially in the Lampong region switch to cloves and coffee, which sell at better prices.

The export volume of nutmeg and mace dropped from 4,474 tons in 1956 to 3,027 tons in 1957—a fall by 1,447 tons or 32%. Owing to better market prices in 1957 proceeds were 98% higher: Rp 69.2 million in 1957 against Rp 34.9 million in 1956. As in the previous year, Singapore and the Netherlands were the principal buyers.

Cassia exports totalled 6,400 tons in 1957 at a value of Rp 13.6 million, compared with 6,443 tons in 1956 valued at Rp 14.3 million—a drop in volume by 1% and in proceeds 5%. The bulk of the cassia exports went to the Netherlands—4,911 tons at Rp 10.5 million.

TABLE 76 — 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
1952	2,413	4,741	7,145	3,179	3,203
1953	4,679	2,926	7,605	3,725	6,302
1954	7,645	5,279	12,924	4,821	6,372
1955	7,088	6,647	13,735	4,860	6,841
1956	11,701	7,729	19,430	4,774	6,443
1957	9,485	8,071	17,556	3,027	6,400

Source : C.B.S.

The production of cloves in 1957 left much to be desired. While domestic demand amounts from 8,000 to 10,000 tons a year, domestic production is only from 2,000 to 3,000 tons. Almost 40% of overall production comes from Sumatra. To meet the short-age cloves were imported from Madagascar and Zanzibar.

## Mining

## Oil

TABLE 77 — PRODUCTION, IMPORTS AND EXPORTS OF OIL  
AND OIL PRODUCTS  
(‘000 tons)

	Crude oil			Oil products	
	Production	Imports	Exports	Imports	Exports
1938	7,398	—	68	158	5,999
1952	8,523	2,211	599	102	7,284
1953	10,225	2,279	2,086	103	7,688
1954	10,775	2,131	2,303	92	7,618
1955	11,730	2,626	3,028	185	6,445
1956	12,730	2,564	4,411	230	6,115
1957	15,468	3,277	6,950	464	5,643

Sources : C.B.S. ; Ministry of Economic Affairs

Crude oil production has been steadily increasing since 1951 and rose by 2,738 thousand tons in 1957, the steepest rise since World War II. In the period under review

TABLE 78 — DOMESTIC CONSUMPTION OF PETROL,  
KEROSENE AND CRUDE FUEL  
(millions of litres)

	Petrol	Kerosene	Crude Fuel
1938	190.0	322.2	—
1952	558.8	461.6	433
1953	605.8	593.3	617
1954	685.7	740.9	686
1955	694.1	894.4	786
1956	733.8	976.7	1,547
1957	570.1	865.6	2,292

Source : Ministry of Economic Affairs

imports and exports of crude oil went up by 713,000 tons and 2,539 thousand tons respectively. Imports of oil products increased by 234 thousand tons, while exports of oil products dropped by 472 thousand tons.

Consumption of gasoline and kerosene dropped by 163.7 million litres and 111.1 million litres respectively in 1957. Consumption of diesel oil, in contrast, was very high in 1957, namely, 2,292 million litres against 1,547 million litres in 1956.

### *Tin*

Tin production dropped as compared with 1956 (from 30,053 long tons to 27,794 long tons). Production originated from:

Bangka approx. 17,300 long tons,  
Bilitung approx. 9,000 long tons,  
Singkep approx. 1,400 long tons.

Explorations have shown that deposits of undeveloped ore are sufficient for decades to come. Tin ore deposits are found in: the island of Bangka, the island of Bilitung, the island of Singkep, the island of Karimun, the island of Kundur and the Bangkinang area (West Sumatra).

TABLE 79 — PRODUCTION AND EXPORTS OF TIN  
(long tons)

	Production of tin in concentrates	E x p o r t s	
		Tin in concentrates	Tin metal
1938	29,728	13,699	7,207
1952	35,003	34,601	15
1953	33,822	32,732	224
1954	35,861	33,940	994
1955	33,368	31,768	196
1956	30,053	31,159	716
1957	27,723	26,878	...

Source : International Tin Council Statistical Bulletin ; Ministry of Economic Affairs

As from March 1, 1958, the Bilitung tin enterprise will be worked by the Government, previously the enterprise was run by a private Company in which the Government shared for 62 1/2 %.

TABLE 80 — WORLD PRODUCTION AND CONSUMPTION OF TIN  
(<sup>'000</sup> long tons)

Production of tin in concentrates					Commercial consumption				
	1954	1955	1956	1957		1954	1955	1956	1957
Malaya	60.9	61.2	62.3	59.3	United States	54.4	59.8	60.5	54.9
Indonesia	35.9	33.4	30.0	27.7	United Kingdom	21.7	22.9	22.2	21.8
Bolivia	28.8	27.9	26.8	27.8	Other countries	66.4	71.8	77.3	80.7
Belgian Congo	15.1	15.0	14.8	14.3					
Other countries	36.8	39.5	41.6	44.4					
Total	177.5	177.0	175.5	173.5	Total	142.5	154.5	160.0	157.4

Source : International Tin Council, Statistical Bulletin.

Besides exported tin is also consumed locally and this domestic consumption amounted to approximately 460 long tons in 1957.

TABLE 81 — AVERAGE TIN PRICES  
(£/long ton)

	London - cash	New York - prompt	Singapore ex-works
1952	964.4	963.5	945.4
1953	731.7	766.1	714.9
1954	719.4	734.5	695.0
1955	740.1	757.8	721.3
1956	787.7	809.2	761.3
1957	754.8	769.1	731.5
1957 January	789.2	810.8	754.5
December	731.7	735.0	701.5

Source : International Tin Council, Statistical Bulletin

Exports of tin ore amounted to 26,878 long tons in 1957 against 31,159 long tons in 1956.

International Tin Council data show world tin production to have dropped in 1957 as compared with 1956 (from 175,500 long tons to 173,500 long tons) due to the receding production of Malaya and Indonesia. Malaya leads in tin production, Bolivia takes second place. Last year Indonesia occupied the second place.



World commercial consumption of tin also fell from 160,000 long tons in 1956 to 157,400 long tons in 1957.

World tin prices had a downward tendency in the first 11 months of 1957. The lowest quotation for 1957 was £ 730.5 per long ton. In December the price rose to £ 731.5 per long ton. The downward trend on the world market, so it was stated in the meeting of the International Tin Council held in London on October 28 1957, was caused by a surplus of about 7,000 long tons.

### *Other Mining Products*

Besides oil and tin, this country also produces: bauxite, coal, iodine, manganese, nickel, gold, silver, platinum, copper, sulphur, mercury, phosphates, asbestos, etc.

Production and exports of bauxite decreased in 1957 as compared with 1956, although 1957 exports exceeded 1957 production, owing to a carry over from 1956.

Coal production totalled 714,000 tons against 829,000 tons in 1956, originating from:

the Umbilin mines (West Sumatra)	90,000 tons
the Bukit Asam mines (Tandjung Enim)	554,000 tons
the Muara Bakah mines (Barito area)	4,000 tons
the N.V. Sebukun mines (Samarinda)	60,000 tons
the Loa Bukit mines (Samarinda)	6,000 tons
Total	714,000 tons

*Iodine* production was steadily on the increase amounting to 1,607 kg in 1957 against 1,216 kg in 1956.

Further Manganese deposits were found in the Kalipare area (South Malang) . It is estimated that 2,000 ha in Kaliredjo and 9,000 ha in Putoredjo bear manganese, and the manganese deposits in the two villages have been worked since August 1957.

CHART V — MINING PRODUCTION

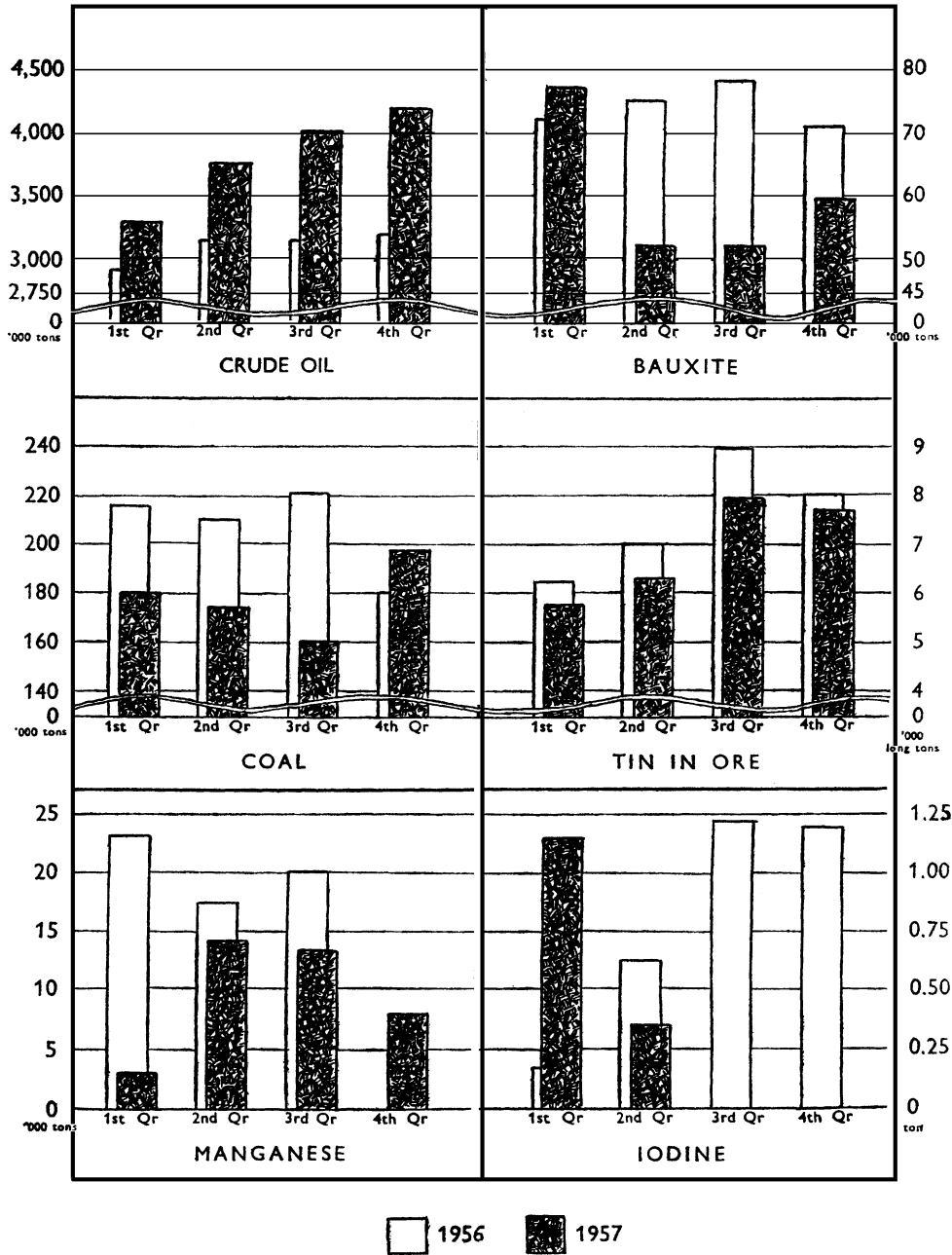


TABLE 82 — PRODUCTION AND EXPORTS OF BAUXITE AND COAL (*000 gross tons)				
	P r o d u c t i o n		E x p o r t s	
	Bauxite	Coal	Bauxite	Coal
1938	245	1,457	274	368
1952	344	969	220	108
1953	150	897	162	136
1954	173	900	247	87
1955	264	813	263	47
1956	303	829	313	12
1957	240	714	258	30

Sources : C.B.S. ; Ministry of Economic Affairs

### *Industry*

The Ministry of Industry set up in March 1957 under the “Karya” cabinet, has drawn up an industrialization plan covering three kinds of activities:

- a regional plan envisaging the establishment of industrial enterprises suited to regional conditions;
- industrial enterprises falling within the competency of various Ministries will be placed under the Ministry of Industry;
- implementation of overall planning coordinated by the State Industrial Council.

Industrial enterprises set up by the Government are the cement factory at Gresik, the spinning mill at Tjilatjap, the glass works at Surabaya, the gunny bag factory at Surabaya, the hardboard factory at Banjuwangi, the rami spinning mill at Pematang Siantar, the “Intyrub” tyre factory at Tjililitan (Djakarta) and the “Tjemani” printing ink factory at Djakarta. Further industries to be inaugurated include a hardboard factory in North Sulawesi; and a tyre factory at Palembang.

The Government is also giving attention to establishing medium-sized industries sponsored by Bank Industri Negara and the Institute for Establishing Industries (Lembaga Penyelenggaraan Perusahaan<sup>2</sup> Industri). Medium-sized industries aim at filling immediate needs, such as building supplies, iron forgings, textiles, ceramics and the like. The idea is that such industries, once they have been placed in operation, should be transferred to private entrepreneurs —65 projects in this field have been set up and part of them sold to private enterprises.

Small-scale industry also has the attention of the Government, and in this field tile and brick works, tanneries, saw mills, tapioca and other factories have been built with a view to transferring them to the local populations.

The fish canning project undertaken with I.C.A. aid was completed at Golala (Amboina) in October 1957. A start was made with a trial production of about 150 cans of 265 grammes each. Working at full capacity the plant should be capable of producing 5 tons or about 10,000 cans daily. The fish processed is the tuna, which has abounded in the seas around Maluku from time immemorial.

The iron foundry centre at Batur (Surakarta) is in the course of completion and expected to start production in the course of 1958. The construction of this centre has involved an outlay of Rp 4 million and was undertaken by the Institute for Establishing Industries. The Batur area now counts at least 39 iron foundries producing machinery, and articles for household use, flatirons etc. Plans are to transfer the centre to the local iron founders associated in a cooperative society which is to pay off the cost of construction in instalments.

On the whole, the index numbers for imported raw materials show an increase in 1957. Declines are to be noticed in the case of cotton weaving yarns, cambrics, cloves

TABLE 83 — INDEX FIGURES OF IMPORTS OF INDUSTRIAL RAW MATERIALS (1950 = 100)				
	1940	1955	1956	1957
Breweries : malt (inclusive of flour and extract)	—	315	279	319
Printing works : paper	67	142	163	165
Paint industry : zinc white	151	165	103	144
red lead	298	118	117	139
Weaving mills : cotton weaving yarns	85	117	134	69
Batik works : grey shirtings, sheetings and supers	61	50	44	26
bleached cambrics and shirtings	261	251	258	33
wax (various kinds)	83	—	228	593
Kretek works : cloves	64	62	117	65
Construction shops : sheet iron	257	253	349	534
bar iron	157	202	126	262
profile iron	212	197	136	259
Building industry : cement	111	244	275	217
Miscellaneous : caustic soda	104	205	113	174

Source : C.B.S.

and cement. The drop in imports of industrial materials such as cement and cotton weaving yarns did not entail grave difficulties since domestic spinning mills and cement plants are coming into production. Kretek and batik works were hard hit by inadequate imports of cloves and cambrics. The Association of Indonesian Batik Cooperatives is planning a cambrics weaving mill at Jogjakarta at a cost of Rp 120 million, the capital to be provided by obligatory savings of the members of the Association. Show supply of cloves compelled several kretek factories to close or to reduce operations.

On the whole the production of ready-made textiles dropped in 1957 as shown by the figures for sarongs and towels, on the other hand "sundries" showed a rise. Compared with 1956 the use of yarns showed a slight increase, while the number of mills in operation decreased.

The present annual report no longer expresses the capacity of rice mills in h.p. as in foregoing years, but in numbers of tons produced in 7 working hours. The capacity figures returned On March 1, 1957 in the case of Djawa and on July 1, 1957 :for the other regions are basic to the capacity figures as above. As regards rice milling licenses for Djawa, it may be noted that they are either temporary or permanent. Temporary are the licenses issued before Government Ordinance No 42/1 954 became operative, while the licenses issued under the provisions of this Ordinance are permanent. All licenses for mills outside Djawa are permanent.

TABLE 84 — MAIN WEAVING MILLS							
	Number of mills		Yarn consumption (tons)	Production			
	Total	In operation		Sundry (1000 metres)	Slendang	Sarong	Towels
1952	72	61	6,056	29,118	113	3,224	1,863
1953	76	67	8,601	42,829	71	3,669	2,779
1954	72	65	9,200	46,145	14	3,925	2,611
1955	72	68	10,318	50,027	10	3,465	2,829
1956	70	64	10,296	53,009	1	3,217	3,020
1957	65	62	10,660	56,337	2	2,564	2,849
1957 1st quarter	66	62	2,721	14,078	1	707	813
2nd "	65	64	2,400	12,867	1	621	624
3rd "	65	62	2,589	13,396	—	669	735
4th "	65	61	2,950	15,996	—	567	676

Source : C.B.S.

The Capacity of spinning mills is no longer expressed in spindles, the unit employed in foregoing annual reports but in spinning machines. This brings the unit for spinning, mills into line with the unit used for knitting mills textile printing works and weaving mills. The other units have remained unaltered.

TABLE 85 — LICENSED CAPACITY OF CONTROLLED INDUSTRY					
Industrial group	Unit	End of 1956	End of 1957		
			Total	Djawa	Other islands
Printing works	'000 m <sup>2</sup> printing/hr	2,994	3,469	3,005	464
Rice milling works <sup>1)</sup>	h.p.	57,024	4,073	3,489	584
Spinning mills	spindles	120,366	120,366	116,256	4,110
Weaving mills <sup>2)</sup>	hand looms	84,935	115,522	104,408	11,114
	machine looms	11,477	15,301	14,947	354
Knitting mills	knitting machines	970	2,784	2,656	128
Textile printing works	machines	18	24	24	—
Cigarette works	'000 cigarettes/minute	220	242	202	40
Ice works	tons/month	32,897	30,958	17,862	13,096
Frying pan works	tons/month	510	517	445	72
Rubber remilling works	'000 tons/year	171	177	3	174
<sup>1)</sup> 1957 : capacity in tons during 7 work hours <sup>2)</sup> 1957 : number of machines					

Source : Ministry of Industry

As illustrated in table 85, the licensed capacity of controlled enterprises generally rose in 1957.

The Ministry of Industry revived the “Jajasan Bahan Perindustrian”, a kind of pool for the distribution of materials needed by industries through effective and reliable channels.

The new foreign exchange system, going by the name of the B.E. system forced prices up in such a manner that if the Government had not stepped industrial cost of production would have become excessive. to meet this situation the Government set aside a credit of Rp 100 million for industrial enterprises. In conformity with a decree of the Monetary Board the realization of this credit was entrusted to Bank Indonesia. In passing on this credit to entrepreneurs in the industrial field, the other state banks were allowed certain facilities in rediscounting under the conditions fixed by Bank Indonesia while imports of essential raw materials and auxiliaries for industrial enterprises were exempted from duties.

## *Transport*

### *Road traffic*

It is estimated that, if the system of roads in Indonesia is to be extended by 100% within 25 years, the construction of 1 kilometre of roadway will require on average Rp 1 million. The following tabulation shows the needs of the respective islands:

Island/ Island group	Total length of road system in km	Road extension in %	Road extension in km	Estimated cost in million Rp
Sumatra	27,860	100	28,000	28,000
Kalimantan	4,280	400	18,000	18,000
East Indonesia	16,180	100	17,000	17,000
Djawa	29,280	33	12,000	12,000
Whole Indonesia	77,600	100	75,000	75,000

Moreover existing roads need modernization and improvement. This project will be implemented to the extent of 100 % in the regions outside Djawa and for 33% in Djawa. The cost is estimated at about Rp 750,000.- per kilometre.

Island/ Island group	Length of roads to be modernized/ improved in km	Estimated cost in million Rp
Sumatra	28,000	21,000
Kalimantan	4,000	3,000
East Indonesia	16,000	12,000
Djawa	12,000	9,000
Whole Indonesia	60,000	45,000

Asphalt, an indispensable material for road building, has largely been imported up to the present. To reduce the expenditure involved, endeavours have been made to extend the working of the asphalt deposits on Buton Island. The working of these deposits was in the hands of the "Mijnbouw Maatschappij Buton", which was taken over by

the Government in 1954. As a first step towards stepping up production, modernization of equipment has been planned envisaging an annual production of 12,000 tons. Depending on the profitableness of the workings, production will further be stepped up to 240,000 tons annually in the second stage. As mentioned in the previous Report an annual production of 12,000 tons was achieved in 1956.

In Djawa, roads are generally metalled and asphalted for the greater part. Road conditions in the other regions, however, are quite different. Most of these are only earth roads, and for this reason the road modernization project lays its stress on the islands outside Djawa.

The road construction and improvement project for South Sumatra— comprising a road system about 7,200 km in length—has been implemented to the extent of 50%. The entire project is expected to be completed in the not too far distant future. Further, two concrete bridges connecting Tjurup and Kepahjang are to be built to rehabilitate communications in Bengkulu, while the construction of the bridge connecting Teraskundjang and Air Bengkulu is underway. An initial outlay of Rp 5 million has been made for the implementation of these reconstruction projects.

The construction of a bridge over the river Musi is also in the course of preparation. This large-scale project to be carried out in constructional steel, will be 400 X 20 m while the floor of the bridge will be 7 m above the surface of the river. This project is part of the Government 5-year plan and is expected to be completed in 1962.

The construction of 350 km of highway to connect South Kalimantan with South East Kalimantan is also being planned. The Ministry of Communications and Power has earmarked Rp 6.1 million for road construction throughout East Kalimantan, including the building of a road from Sambodja Kuala to Muara—the link-up between the Balikpapan-Sambodja highway and the road from Muara Djawa to Samarinda direct.

In North Sulawesi, priority is given to the construction of roads connecting Manado with the “kabupaten” of Mongondow, Gorontalo and Poso, and leading on to Donggala. This connection will be of great importance for the Miangas district as far as Donggala, which constitutes one economic unit.



Under the Colombo Plan, Australia is to deliver 600 diesel buses: 200 for Djakarta and 400 for other cities. Since the spares and accessories of the buses are different from those of other makes, while this type of vehicle is a novelty in Indonesia, Australia will first send 100 buses by way of trial. Out of these 100 buses, 75 have arrived and 54 have been put into operation. The Djakarta transport Coy (Perusahaan Pengangkutan Djakarta) intends to extend its routes but cannot as yet carry its plans into effect in view of the present condition of the roads, which are too narrow.

From I.C.A. aid US\$ 8 million was received in the beginning of 1958, and is being utilized for the construction of a 400 km road between Tarutung in the Tapanuli area and Bukittinggi in West Sumatra, a project that will take about 3 years to complete. This road will be asphalted and will have a width of 7.5 metres. When completed, it will be the longest road of that width in Indonesia. To speed up construction, work will be started from both terminal points Bukittinggi and Tarutung

### *Railways*

In contrast with the foregoing years, the Railways experienced a change for the worse during the year under report. Figures for 1957 are available only for the period January/November included but on an annual basis they show that passenger traffic edged up in comparison with 1956, while goods traffic dropped. The Ministry of Com-

TABLE 86 — RAILWAY TRAFFIC				
	Passengers carried ( <sup>0</sup> 000)		Freight carried ( <sup>0</sup> 000 tons)	
	Djawatan Kereta Api	Deli Spoorweg Maatschappij	Djawatan Kereta Api	Deli Spoorweg Maatschappij
1938	48,083	4,117	6,915	844
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	147,010	4,394	5,822	1,352
1956	131,879	4,173	5,579	1,271
1957	124,570 <sup>1)</sup>		4,822 <sup>1)</sup>	
<sup>1)</sup> Exclusive December 1957				

Sources : Djawatan Kereta Api ; Deli Spoorweg Maatschappij

munications reported on March 29, 1957 that the working loss of the State Railways is estimated at Rp 26 million. This is ascribed to reduced frequency of train services due to lack of coal; security conditions which necessitated the closing down of several routes either temporarily or for longer periods; floods which caused landslides; multifarious new rules and regulations and other conditions which forced working expenditure up beyond the estimates for the year.

Working results in Djawa and Madura were fairly satisfactory. Improvements in Djawa were aimed in the first place at rehabilitating and extending the main line, renewal of rails and replacement of old locomotives by diesel engines wherever possible. In the year under report Djawa had 35 diesel and 60 dieselhydraulic engines at its disposal.

In Atjeh (North Sumatra) improvements were carried into effect in various fields from the beginning of 1957. The line Kutaradja-Seulimeuen could be travelled twice a day as from February 1, 1957. The line Sigli-SamalangBireuen is open to traffic three times a week; old railway tracks have been relaid and stations rebuilt.

In South Sumatra 250 tons of gauge-14 rails—out of a total of 15,000 tons ordered from the U.S. — have arrived for the improvement and renewal of railway tracks. Priority is given to the tracks of the Kertapati—Tandjung Enim line, where traffic is very heavy. Furthermore, South Sumatra is to receive 25 locomotives, which will be put into service when the new rails have been laid.

Furthermore, the State Railways envisage a 25-year modernization plan. The Government has no definite plans yet for the nationalization of the Deli Spoorweg Maatschappij. To fulfil the need for supervision, the Government has set up a supervisory board as a first step towards nationalization.

### *Shipping*

The K.P.M. fleet of 74 freighters (totalling 116,516.68 GRT) and 26 passenger ships (totalling 78,464.33 GRT) ceased its interinsular operations as from December 6, 1957. This gap was partly filled by PELNI and other national shipping companies with 37 vessels (36,843.35 GRT) and 36 vessels (17,899.64 GRT) respectively. The laying-up of K.P.M. vessels reduced overall interinsular tonnage (249,724 GRT) by 78%. To fill

this vacancy, 16 Hongkong vessels were chartered by PELNI for service in the eastern part of Indonesia. Furthermore, 10 ships were bought by the Government from the U.S.S.R.

As stated in the foregoing annual report, the expansion of national shipping by about 150,000 tons over a period of 10 years to replace foreign shipping, is part of the Government 5- year plan.

Construction and extension work in several of the main ports such as Tandjung Priok, Balilipapan, Belawan, Semarang and Bandjarmasin, was entrusted to the Compagnie Industrielle de Travaux (Citra) on February 11, 1956, which has now been taken in hand energetically. This project, estimated at Rp 200 million, is expected to be completed in 1960. Furthermore, the port of Kalianda (South Lampung), closed since World War II, was reopened on January 14, 1958. For port facilities and equipment at Bitung Rp 1 million has been set aside, Bitung being an important centre for shipment of produce from the interior.

### *Airways*

As table 87 shows, Garuda Indonesian Airways flew 5% more kilometres during this report period, while goods and passenger traffic rose by 0.58% and 5% respectively as compared with 1956.

TABLE 87 — AIR TRANSPORT BY GARUDA INDONESIAN AIRWAYS			
	Aircraft kilometres flown (’000)	Freight and mail (tons)	Passengers carried
1951	9,200	15,500	291,000
1952	9,600	14,700	294,000
1953	10,400	15,400	296,000
1954	12,390	15,800	308,000
1955	13,325	17,677	401,000
1956	13,715	19,294	442,000
1957	14,466	19,407	464,000

Source : G.I.A.

This increase was caused by alteration of and/or more frequent air services, as well as the re-establishment of routes which had been discontinued due to regional conditions. The service Surabaya-Balikpapan-Menado was opened mid February with a frequency of one flight a week, while the connection Pakanbaru-Tandjungpinang was opened the following month. A new air field near Gorontalo was put into commission in June, so that the first flight between Gorontalo and Menado was made in that same month. An information office was opened in Manila with a view to giving wider publicity to G.I.A. activities abroad. In July six flights were made between Djakarta and Djeddah by Convair-340 to carry a total of 240 pilgrims. So as to meet its steadily mounting operating costs owing to the Export Certificate system which raised expenditure on imports of goods and services from abroad, G.I.A. raised its fares by 30% as from September 2, 1957.

Plans are afoot for extending air services both at home and abroad. A Makassar-Djakarta service via Bandjarmasin will be started with a frequency of four flights a week. Other routes to be opened are Makassar-Menado, Makassar-Ambon, Makassar-Gorontalo via Menado, Makassar-Maumere-Sumba and Den Pasar. The route Makassar-Menado will be flown daily, Makassar-Ambon twice a week, while the other lines, to be flown by Dakotas, will have a frequency of once a week.

The foreign routes will be extended by introducing a service to Rangoon (Burma) and Calcutta (India) by way of Singapore, while on the flights Djakarta-Bangkok a stop will be made in Kuala Lumpur.

The composition of the G.I.A. airfleet underwent changes by the total withdrawal of Herons, while orders for new aircraft were placed, including 3 Convair-440 (arrived in January 1958) and 3 turbo-prop Lockheed Electras (to arrive in 1960). For the rest the fleet is made up of: 8 Convair-340, 8 Convair-240; and 20 Dakotas. The flight personnel consisted of 68 pilots, 5 air mechanics, 16 flight radio operators, and 86 stewards and stewardesses, all Indonesian nationals. Likewise, all local and foreign agencies of G.I.A. are staffed by Indonesians.

From January 26, 1958 to the end of February a number of 296 persons, belonging to the foreign personnel of G.I.A. among whom 65 pilots, gradually left Indonesia, causing G.I.A. to reduce its flight operations by 40 %. To make up for this shortage Indonesia personnel from other services are being trained

## Prices and wages

### Prices

Table 88 shows that the weighted index numbers of 12 foodstuffs in the countryside of Djawa and Madura dropped in the first 6 months of 1957 as compared with the end of 1956

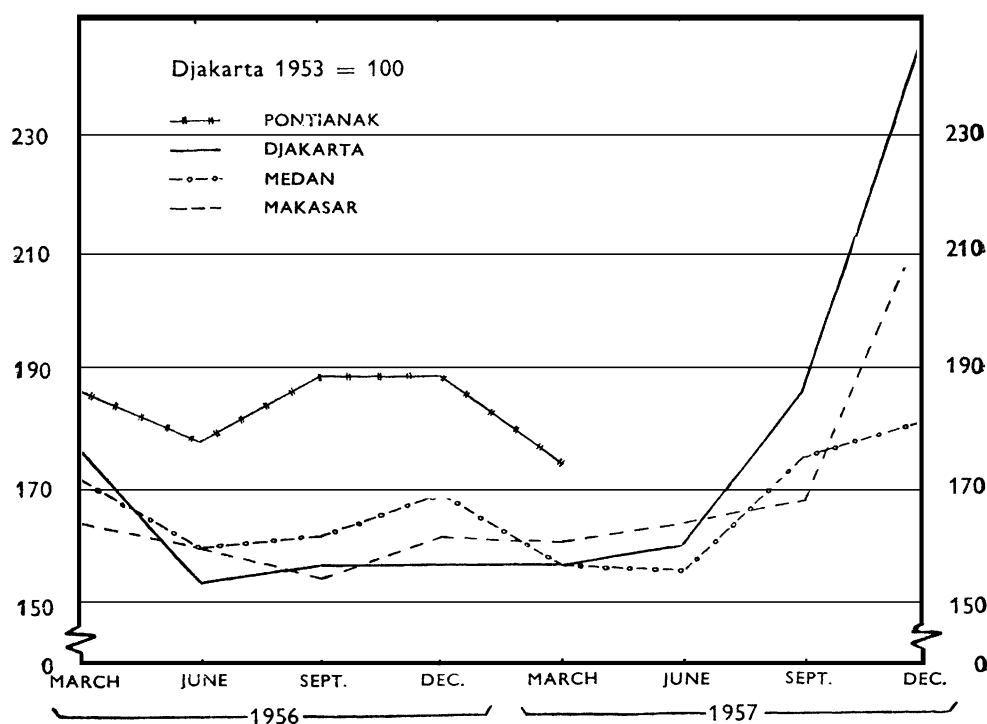
TABLE 88 — INDEX NUMBERS OF FOOD PRICES					
	1953 = 100	Djakarta 1953 = 100			
	Twelve foodstuffs	Nineteen foodstuffs			
	Country-side of Djawa	Djakarta	Makasar	Medan	Pontianak
1952	117	94	87	96	117
1953	100	100	87	100	115
1954	97	106	94	110	120
1955	127	141	135	167	171
1956	153	161	161	168	186
1957	160	177	169	165	...
1957 March	137	157	161	157	174
June	137	160	164	156	...
September	167	186	168	175	...
December	250	244	212	181	...

Source : C.B.S.

Since the end of June, however, the index numbers steadily mounted till the end of the year. Marked increases were registered in the 4th quarter as the index numbers per the end of 1957 shows. In fact the index numbers at the end of the year were the highest since 1953—namely, 250 or a rise by 100% compared with end 1956. The higher prices for rice which started since June 1957, were the prime movers in this upward trend, sweeping the other prices for foodstuffs along with them.

As regards the weighted price index numbers of 19 foodstuffs for several cities, the index in the first quarter 1957 was practically stable for Djakarta and Makassar while a downward trend was noticeable for Pontianak and Medan. In the second quarter the index showed an upward tendency for Djakarta and Makassar and remained stable for Medan. In the remainder of the year the index rose for Djakarta, Medan and Makassar

CHART VI — INDEX NUMBERS OF PRICES OF 19 FOODSTUFFS



(the figures for Pontianak are not yet available). The higher price for rice was again the prime mover for this development in the index number for 19 foodstuffs, which showed a height at the end of December 1957. Yet, although Medan—and the other towns—showed a higher index as per the end of 1957 than in the preceding year, the average index for 1957 was still lower than that for the previous year.

As table 89 shows, the weighted index number of the f.o.b. price of 18 export products showed a downward trend in the course of 1957.

On the whole, the prices of 44 import commodities were steadily on the increase in the year under report, the greatest increase being registered in the third quarter, as demonstrated in table 89. The average for 1957 was 22% higher than for 1956. The index numbers per December 1957 stood 45% higher than that per December 1956.

Compared with the end of 1956 printed shirtings rose by 52%, years by 51% and striped twills by 35%, while salted fish was up by 18%. Rice increased by 80%, maize by 86%. So it would seem that the terms of trade favoured the farmers.

TABLE 89 — PRICE INDEX NUMBERS OF EXPORT AND IMPORT COMMODITIES (1953 = 100)								
	Exports (fob-prices) (weighted index numbers)				Imports (wholesale prices) (unweighted index numbers)			
	18 export products	of which :			44 import commodities	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	127	123	130	94	94	84	89	90
1953	100	100	100	100	100	100	100	100
1954	100	87	100	104	109	110	110	109
1955	125	121	128	81	145	144	169	151
1956	120	117	123	77	136	146	118	137
1957	116	111	120	73	158	178	135	137
1957 March	121	113	128	77	143	162	116	125
June	117	114	121	75	151	168	126	129
September	109	105	112	70	170	189	147	148
December	105	102	108	71	184	212	168	154

Source : C.B.S.

As regards the development of prices of other export products, coffee and rubber were continuously on the increase from February till the end of 1957. Copra and sugar were stable in the first 6 months of 1957, while afterwards sugar—as has been periodically the case at the beginning of the third and fourth quarter of previous years—showed increases and copra climbed steadily from August till October 1957. Domestic wholesale prices of several products were up in the period June through August 1957, the average price level being higher than in 1956, with the exception of citronella oil and tapioca flour.

TABLE 90 — 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 December	52.—	33.50	85.—	9.—	11.—
1956 December	49.50	31.—	80.—	8.—	10.25
1957 December	70.—	49.—	125.—	15.—	14.50

At the end of the year under report tea was up by 11% compared with the end of 1956, Robusta coffee by 149%, cassava flour by 7%, kapok by 10%, white pepper by 35%, rice by 148%, rubber by 30%, and maize by 110%

During January and February 1957, curb market prices of foreign currency did not show any appreciable changes as compared with the end of 1956. From March till the end of August prices were higher all-round and after a drop in September prices did not drop significantly till the end of November. A sudden change occurred in December and among the enhancements of all foreign currency the Dutch florin showed the highest rate, namely by 40%.

The curb market prices for good did not fluctuate appreciably in the 1st quarter 1957. In April and May prices soared and after settling down in June, shot up in July at the greatest rate of the whole year. After a drop in August, the gold price remained stable up to the end of November. At the end of December the price rose by Rp 5 (to Rp 70 per gramme), the highest year-end level since 1952.

### Wages

Minimum daily wages in the various industries in Djawa generally rose at the beginning of 1957 as compared with the same period of 1956, as the figures in table 91 show.

TABLE 91 — MINIMUM DAILY WAGES IN VARIOUS INDUSTRIES IN DJAWA			
	Beginning of		
	1955	1956	1957
Estate agriculture	Rp. 4.50	Rp. 4.25 à 4.80	Rp. 4.25 a 4.80
Food and beverages	" 3.50 à 4.50	" 4.— „ 4.50	" 4.— „ 5.—
Mining	" 6.—	" 6.70	" 8.—
Tobacco industry	" 4.50	" 4.50	" 4.50 „ 5.—
Sugar and rice factories	" 4.50 „ 5.85	" 4.50 „ 6.25	" 5.— „ 6.50
Chemical industry	" 3.50 „ 5.—	" 4.50 „ 6.—	" 4.50 „ 6.—
Leather industry	" 3.50 „ 4.—	" ...	" ...
Furniture industry	" 3.50 „ 4.50	" 3.50 „ 4.50	" 4.— „ 6.—
Textile industry	" 3.50 „ 4.50	" 4.— „ 5.—	" 4.— „ 5.75
Transport companies	" 5.— „ 7.—	" ...	" ...
Metallurgic industry	" 5.30 „ 6.—	" 5.50 „ 6.25	" 5.75 „ 6.50
Ship-building	" 5.30 „ 6.25	" ...	" ...
Coconut oil industry	" 6.—	" 7.—	" 7.— „ 10.—
Ice factories	" 4.50	" 4.50 „ 6.75	" 6.25 „ 7.75

Source : Labour Control Service



This rise in wages was primarily caused by demands for wage increases due to the rising cost of living in 1957 as compared with the preceding year.

As table 92 illustrates, the absolute wage level in the Estate Agriculture sector in Djawa and South Sumatra (figures covering nominal wages are as yet unavailable) rose at the end of 1957 as compared with the corresponding period in 1956. The steepest increase was seen in the sugar industry in Djawa.

TABLE 92 — MINIMUM WAGES IN ESTATE AGRICULTURE (rupiahs per day)					
	End of				
	1941	1954	1955	1956	1957
<b>DJAWA</b>					
<i>Sugar industry</i>					
Absolute wage					
in money	0.275	4.---	4.50	4.50	4.75
in kind	—	3.80	4.10	4.20	4.80
Total	0.275	7.80	8.60	8.70	9.55
percentage	100%	2,836%	3,127%	3,164%	3,473%
Nominal wage					
per net working day	0.275	9.49	10.47	10.65	---
percentage	100%	3,451%	3,807%	3,873%	---
<i>Perennial crops</i>					
Absolute wage					
in money	0.275	3.50	3.50	4.25	4.50
in kind	—	2.16	2.65	2.65	2.65
Total	0.275	5.66	6.15	6.90	7.15
percentage	100%	2,058%	2,236%	2,509%	2,600%
Nominal wage					
per net working day	0.275	6.89	7.48	7.60	---
percentage	100%	2,505%	2,720%	2,764%	---
<b>SUMATERA SELATAN</b>					
<i>Perennial crops</i>					
Absolute wage					
in money	0.35	3.75	3.75	4.25	4.25
in kind	—	6.64	7.60	7.60	7.90
Total	0.35	10.39	11.35	11.85	12.15
percentage	100%	2,969%	3,243%	3,386%	3,471%
Nominal wage					
per net working day	0.35	12.64	13.81	13.88	---
percentage	100%	3,644%	3,945%	3,966%	---

Source : Labour Control Service

Although in South Sumatra (unlike in Djawa) absolute wages in money did not change at the end of the year under report as compared with the end of 1956, the absolute wage level in Djawa was still lower than in south Sumatra. Demands for higher wages due to advancing prices of daily necessities is not uncommon, if considered from the viewpoint of improved conditions for labour only. As pointed out in the preceding Annual Report, however, tension between wages and prices will continue and will boost the inflationary tendencies created by the Government budgetary deficit and other causes, if such wage increases are not attended by increased productivity so as to restore the balance.

It is obvious that discrepancies between the level of wages and the level of productivity cannot be tolerated since this will cause domestic price levels (incl. the price of export commodities) to rise, thereby weakening the competitive position of this country in the world market.

The regulations issued by the Government and the Military Authority in the year under report (covering wage increases and prohibiting strikes) may be helpful in stemming the difficulties referred to above due to leapfrogging wage demands.

It is to be hoped that the better labour relations in 1957 (as compared with the foregoing year). due to better understanding between trade unions, federations of industries, the Government and the Military Authority may continue.

#### *Labour affairs*

#### *Labour legislation*

The act to supersede Emergency Act 1951 No. 16 concerning settlement of labour disputes - whose enactment has been deferred for several years— was at last ratified by Parliament on March 13, 1957, and promulgated as Act No. 22 of the year 1957, on April 8, 1957. Afterwards revisions

were made and on August 10, 1957, ratified and promulgated as Act 26/1957 under the name “Act to revise the Act on the Settlement of Labour Disputes”. Under this revision the words: “a representative of the Ministry of Economic Affairs”, were revised

to read: “a representative of the Ministry of Industry”, and the words. “a representative of the Ministry of Communications” were revised to read: “a representative of the Ministry of Communications or the Ministry of Shipping”, the Consideration being that the alteration in the composition of the Ministries requires supersession of the representatives of the Ministry of Economic Affairs and of the Ministry of Communications as members of the Central and Regional Committees for the Settlement of Labour Disputes.

On November 18, 1957. Government Ordinance No. 50, 1957 concerning the repeal of Government Ordinance No. 63/1951 and the enactment of the rules and procedure for the Central Committee for the Settlement of Labour Disputes was ratified and promulgated. On that same day, Government Ordinance No. 51/1957 (concerning the appointment and discharge of the Chairman, Members and Alternate Members of the Central Committee for the Settlement of Labour Disputes) was also ratified and promulgated.

The draft Bill on the Employment of Foreign Workers was ratified by Parliament on October 4, 1957, with a few amendments. Seeing that the implementation of this Act and the provisions it contains relate to the activities of other Ministries, a Committee for the Preparation of an Act on the Employment of Foreign Workers was set up by Decree No. 13/1957 of the Minister of Labour. The terms of reference of this Committee are to submit proposals to the Minister of Labour on all matters relating to the implementation of this Act. Decree No. 17 of the Minister of Labour issued on December 30, 1957, deals with social security and labour welfare, and contains provisions on the granting of aid/allowances to workers and their families in case of sickness, pregnancy, childbirth, or death.

### *Labour Disputes and Strikes*

The figures set out in table 94 show that the frequency of strikes was lower than in the preceding year. This was mainly due to the issue—by the Central as well as by the Regional Military Authorities — of regulations prohibiting strikes, and further to Government measures intended to adjust wage levels both for Government and private employ. The Government Ordinance on this subject became operative as from Septem-

ber 1, 1957 and provided that the salaries of the lowest-bracket Government servants were to be raised by Rp 1 a day, while those of the middle and higher brackets were to be raised by 5 to 6% and by 3 to 4% of the gross income respectively.

Salaries of workers in private enterprises were to be advanced by 10% to 20%. Strikes were also related to the volume of employment (recruitment and dismissal) and wages, which rose by 34.8% and 43.2% respectively as compared with 1956. Wage disputes cropped up as the result of increasing prices of daily necessities, which made themselves most seriously felt from July 1957 onwards. Every rise in the prices of commodities means lower real wages with the corollary of labour unrest and disputes centering on demands for higher wages. The number of strikers (1,031,679) and the number of man-hours lost in December 1957 (7,231,200) have to be considered as an extraordinary exception as they were the result of the 24-hour general strike launched as part of the West Irian campaign in which all workers in Dutch enterprises took part. This strike action was followed by a succession of events in which Dutch enterprises were put under control and taken over by the workers engaged in them, which was halted by a directive of the Army Chief of Staff. In this directive of December 13, 1957, the Army Chief of Staff in his capacity of Military Authority prohibited the taking over of Dutch enterprises by the workers engaged in them and ordered all Military Authorities in their respective jurisdictions to take over such enterprises on behalf of the Gov-

TABLE 93 — LABOUR DISPUTES IN 1957 <sup>1)</sup>					
Economic sector	Number of disputes	Workers involved	Nature of disputes	Number of disputes	Workers involved
Agriculture, forestry, stock-breeding, fishing	852	786,597	Wages	1,170	1,073,723
Mining	54	125,512	Working hours	18	11,239
Industry	1,172	1,198,107	Employment	943	605,057
Building & contracting	84	20,845	Other working conditions :		
Public utilities	10	2,190	a. Social security	76	83,202
Trade	202	44,382	b. Special Lebaran bonus	143	62,106
Transport, docks and communications	204	69,213	c. Others	187	171,082
Services	132	6,556	Labour Movements/ Labour Agreements	156	225,061
			Miscellaneous	17	22,932
<b>Total</b>	<b>2,710</b>	<b>2,254,402</b>	<b>Total</b>	<b>2,710</b>	<b>2,254,402</b>
<sup>1)</sup> Provisional figures					

Source : Ministry of Labour

ernment with a view to keeping them in production. To deal with the problems arising from the West Irian campaign, the Minister of Labour issued a Decree on December 7, 1957, under which a Central Coordination Bureau was established in the Ministry of Labour, under the Chairmanship of the Secretary General of the Ministry of Labour. This Decree also provides for setting up Regional Coordination Offices comprising the chiefs of regions/inspections/regional offices/districts and regional labour offices. The policy pursued by the Minister of Labour aims at: maintaining production and services and, if possible, stepping up the process of production; maintaining the volume of employment and labour conditions; maintaining good relations between labour and management with a view to mutual understanding and cooperation.

TABLE 94 — STRIKES			
	Strikes	Strikers	Man hours lost
1951	541	319,030	3,719,914
1952	349	132,963	878,911
1953	280	419,580	4,812,090
1954	319	157,582	2,385,730
1955	469	238,872	4,097,803
1956	505	340,203	6,968,931
1957 <sup>1)</sup>	128	1,079,537	7,921,477
<sup>1)</sup> Provisional figures			

Source : Ministry of Labour

The sectors that suffered most from labour unrest were still: industry, agriculture, cattle breeding, forestry and fisheries. A classification by regions shows that Medan, Surabaya and Semarang recorded the greatest number of disputes, North Sumatra and East Djawa being the important plantation areas and Central Djawa having the greatest number of industrial enterprises.

In the 4th quarter of 1957, the Djawatan Latihan Kerdja (Labour Training Service) was two years old. In places where no Labour Training Centres have been established, the Kantor Penempatan Tenaga (Labour Offices) organize regular and incidental training courses, specially designed for adults and organized to teach the trainees a trade in the shortest possible time. In connection with the exodus of many dutch skilled labour those trainings were seriously needed. The courses given include basic vocational training in house building, metal work, motor repairs, radio & electricity, commerce, clerical

work, agriculture and horticulture. Labour training courses have been inaugurated at Pasar Rebo (Djakarta), Bandung, Singosari, Semarang, Surakarta, Jogjakarta, Lembang, Klampok (Purwokerto), Wonodjati (Singosari), while incidental courses have been instituted at Medan, Djakarta, Palembang, Makassar, Modjokerto, Surabaya. The courses are attended by the unemployed and ex-soldiers. Besides, there are special courses for workers, trained to be iron workers, sheet workers and machinists. At Bandung there is a special course for training deaf-mutes to be cabinet makers. The instructors at the Labour Training Centres are those who have successfully completed the course for Labour Training Instructors.

Indonesia participated in the 40th I.L.O Conference held in Geneva from 5 to 27 June 1957. The items of the Agenda included the following: report of the Director General; finance and budget; exposition of and report on the implementation of conventions and recommendations; forced labour; weekly rest in commercial enterprises; census and integration in free countries of the autochthonous populations as are backward and underdeveloped; discrimination in employment; labour conditions for plantation workers. The following questions were also included in the Agenda: the resolution concerning Article 17 of the Rules of Procedure; several proposals submitted by the Governing Body to amend the Rules of Procedure for the election of Members of the Governing Body and the Asian Advisory Committee.

This session was of importance for Indonesia in that it was to elect the full Members of the Governing Body. For the past three years Indonesia was elected a deputy member to the said Body. However, the efforts of Indonesia to be elected a full Member were to no avail.

In 1957 I.L.O. supplied senior fellowships for 5 trainees in the following fields:

- 1 trainee for employment information,
- 1 trainee for vocational training,
- 1 trainee for Asian legislation (administration ),
- 2 trainees for industrial relations and wages.

Further, trainees will be sent abroad with I.C.A. aid, and under the Colombo Plan. On August 10, 1957, four leaders of federations of trade unions left for London at the invitation of the British Government to study the labour movement in the U.K. for one month and to meet leaders of trade unions over there.

From August 26 to September 6, 1957, a seminar on Rehabilitation for Asia and the Far East was held at Solo. This seminar, which was international in character, was sponsored by various international agencies.

The Asian Advisory Committee held its 8th session in New Delhi on November 11/12, 1957. Indonesia sent to this session the delegation of Government representatives who also served on the delegation to the 4th Asian Regional Conference, held in that same city from November 13 to November 26, 1957. In that same month, the Government sent a delegation to the Tripartite Meeting on Mines other than Coal Mines.

Indonesia also sent two delegates to attend the Seminar on Vocational Guidance, entirely at the expense of I.L.O., held in New Delhi from November 27 to December 21, 1957.

### *Unemployment*

According to data of the Employment Service, fewer people registered for employment in 1957 than in the previous year. While the number of registrations in 1956 amounted to 169,942 including women, registrations in the year under report only amounted to 152,057. Employment was found for 17,168 persons including women in 1956, and for 20,235 in 1957. The emergency employment service in general work, which was discontinued in 1957, was resumed though restricted to ax- student combatants and invalids. The funds being exhausted, no further allowances can be paid to invalids for whom emergency work has been found.

### *Cooperatives*

As in the preceding year, the cooperative movement gained more and more ground in Indonesia. Due to the unavailability of figures concerning 22 Kabupatens (administrative units) outside Djawa, the overall figures covering cooperatives and their membership were 0.3% and 3.3% lower than in 1956. According to revised returns of the Government Cooperative Service membership totalled 1,990.4 thousand at the end of 1956 and 1,924.1 thousand at the end of 1957.

The registration of cooperative societies with Government Cooperative Service under the Act on Cooperatives (Statute 1949/179) section 7 paragraph 5, demonstrates that the cooperative idea is gaining ground among the various economic sectors and Social groups.

TABLE 95 — NUMBER OF CO-OPERATIVE SOCIETIES (as at December 31)				
	1955 <sup>1)</sup>		1956	
	Total	Registered	Total	Registered
Central co-operative associations	143	10	145	13
Desa co-operatives	3,873	113	4,085	180
Credit co-operatives	4,319	770	4,824	855
Lumbung co-operatives	642	—	358	—
Production co-operatives	1,344	99	1,349	121
Consumer co-operatives	821	36	840	39
Other co-operatives	304	6	300	7
	11,446	1,034	11,901	1,215
<sup>1)</sup> Revised figures				

Source : Service for Co-operatives

As from July 12, 1957 (the 7th Indonesian Cooperative Day), the training of officials for cooperatives has been entrusted by the Government Cooperative Service to the Indonesian Cooperative Council. The number of permanent and mobile training courses for officials of cooperatives was 43 and 22 respectively as in 1956. In all, 640 courses were held, attended by about 27,000 trainees. Cooperative societies set aside 5 % of their net profits to finance these courses which were started in 1951. The Asia Foundation granted Rp 225,000 to the government Cooperative Service for the promotion of training courses, specifically for establishing a building in the Province of Nusa Tenggara as a training centre.

The capital collected by cooperative societies in the form of entrance fees, compulsory shares purchased, voluntary and other savings (which have the character of demand deposits), amounted to Rp 583 million at the end of the year under report (1956—Rp 394 million or an increase by 48%). Total turnover (including credits granted and goods sold) amounted to Rp 3,048 million (1956—Rp 2,139 million).



TABLE 96 — CO-OPERATIVE SOCIETIES IN THE VARIOUS AREAS		
	End of	
	1956	1957
Djakarta Raya	251	307
Djawa Barat	2,747	2,537
Djawa Tengah	2,550	2,387
Djawa Timur	2,984	2,835
Djawa	8,532	8,466
Sumatera Selatan	317	322
Sumatera Tengah	830	978
Sumatera Utara	714	732
Sumatera	1,861	2,032
Kalimantan	575	536
Sulawesi	717 <sup>1)</sup>	508
Rest of Indonesia	216 <sup>1)</sup>	321
Total	11,901 <sup>1)</sup>	11,863
<sup>1)</sup> Provisional figures		

Source : Service for Co-operatives

It is as yet impossible to report the structural development of cooperatives 1957, due to unavailability of figures. From the data available it may be taken that Credit and Desa (village) cooperatives increased by 11% and 5 % respectively during last year.

The number of incorporated cooperatives rose by 53% in the year under review against 42% in 1956.

The Funds of cooperative centres (reserves, deposits and other assets) amounted to Rp 405.6 million at the end of 1957 against Rp 238 million in 1956.

All figures covering 1957 are very provisional in character since the basic data for the computation of the figures for the 22 Kabupatens outside Djawa have not yet been received by the Government Cooperative Service.

## VIII. ACTIVITIES OF THE BANK

As to the position and operations of Bank Indonesia I would, primarily refer to the balance sheet per March 31, 1958, annexed to this Report as appendix A, to the Profit and Loss account covering the period April 1, 1957— March 31, 1958, shown in appendix B, and to the survey covering the principal items of the weekly abridged balance sheets, given in appendix E. The following additions and elucidations may further be given:

### *Balance Sheet*

#### *Issue Department*

GOLD COIN AND BULLION, BALANCES IN CONVERTIBLE FOREIGN EXCHANGE AND CLAIMS ON THE GOVERNMENT ON ACCOUNT OF GOLD DEPOSITED ON ITS BEHALF WITH I.M.F. AND I.B.R.D. Rp 464,7 20.627.10

The claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D. is based on article 16 of the Bank Indonesia Act, which provides that, apart from gold and holdings in generally convertible foreign currencies, such rights to draw on the International Monetary Fund and the international Bank for Reconstruction and Development as have been, or will be, endorsed to the Bank by law, are included as reserves against the Bank's demand liabilities.

The abovementioned holdings per March 31, 1958 were as follows:

Gold coin :

16,115.358,336 kg fine at Rp 12,796.05 .....	Rp 206,212,931.04
--	-------------------

Gold bullion:

18 242.168,173 kg fine at Rp 12,796.05    Convert- ible    foreign exchange balances	Rp 233,427,696.06
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Claims on the Government on account of gold deposited  
on its behalf with:

I.M.F.	
I.B.R.D.	Rp 25,080,000.00

Total	Rp 464,720,627.10
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as compared with (on April 1, 1957)	Rp	518,356,456.19
Thus the Bank's monetary reserves decreased by	Rp	53,635,829.09

In consequence of the Republic of Indonesia's accession to the International Monetary Fund and the International Bank for Reconstruction and Development by virtue of Act No 5/1954, Bank Indonesia made compulsory gold deposits with these institutions on behalf of the Government on April 7, 1954 in amounts of \$ 15,500,030.70 and \$ 2,200.000.— respectively (on the basis of \$ 35 per troy ounce fine). A further deposit was made with I.M.F. on June 22, 1956, of which \$ 11,999,969.30 could be considered supplementary to the compulsory gold deposit to the amount of \$ 27,500,000.—, which makes up 25% of the Republic of Indonesia quota

So long as the legal endorsement (as provided for in article 16 of the Bank Indonesia Act) of the right to draw on the I.M.F. and the I.B.R.D. arising from membership, has not taken place, and insofar as the Government is entitled to reclaim this gold which, on receipt, will have to be re-endorsed to Bank Indonesia under article 3 of Act no 5/1954, the gold deposited is substituted in the books of the Bank as a claim in gold on the Government. This claim is added to the reserves held as coverage for the Bank's demand liabilities as referred to in article 16 of the Bank Indonesia Act.

The aforementioned claim in gold on the Government amounted to Rp 201,780,349.98 at the outset, and increased to Rp 338,580,000.— in view of the supplementary deposit referred to above (based on the rate of U.S. \$ 1 = Rp 11.40).

Since August 1954, the Government has availed itself of its drawing rights. The Government withdrew dollars from the I.M.F. transferring same to the Foreign Exchange Fund to strengthen the Fund's ready dollar reserves. Insofar as the amounts drawn remained within the subscriptions deposited in gold, the claim in gold of Bank Indonesia on the Government decreased correspondingly, being replaced by "Claims in rupiahs on the Government on account of payment on its behalf to I.M.F.".

The countervalue of the above Government drawings far exceeded the subscriptions to the I.M.F. Consequently, the claim in gold on the Government merely comprised the countervalue of the deposit with the I.B.R.D. to the amount of Rp 25,080,000. On the other hand the claims in rupiahs amounted to Rp 313,500,000.

FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE OF ACCOUNT	Rp	1,382,518,050.09
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FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES	Rp	1,868,353,277.79
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The items included under the heading "Foreign Exchange Fund, foreign exchange account" represented the cash foreign exchange holdings of the Foreign Exchange Fund, calculated at the official parity rate per March 31, 1958. This heading comprised the following items:

Golds and convertible foreign exchange holdings ...	Rp	1,278,352,135.74
Other foreign exchange holdings	Rp	104,165,914.35
	Rp	1,382,518,050.09

On March 31, 1958, the gold holdings of the Foreign Exchange Fund were nil, since all gold received by the Fund was immediately transferred to the Bank.

In consultation with the Monetary Board, the generally convertible foreign exchange holdings of the Foreign Exchange Fund - totalling Rp 1,278,352,135.74 on March 31, 1958 - were considered monetary reserves of the Bank as referred to in article 16 of the Bank Indonesia Act.

The items comprised under the heading "Foreign Exchange Fund, foreign liabilities" constituted the countervalue in rupiahs, calculated at the official parity rate ruling on March 31, 1958, of the debts of the Foreign Exchange Fund on account of credit taken up under current payment agreements with foreign countries. These items consisted practically exclusively of the Fund's debts on the so-called "Large A Account" with the Netherlands Bank, the U.S. \$ account with the Bank of Japan, Tokyo, and the Sterling Account with the Central Bank of the Chinese People's Republic.

The movements in the assets and liabilities of the Foreign Exchange Fund during the calendar year 1957 are discussed in detail elsewhere in this report, which paragraphs may be referred to.

### *Demand Liabilities of the Bank and monetary reserves*

As stipulated in article 16 paragraph 1 of the Bank Indonesia Act, Indonesia must have reserves of purchasing power in the form of gold, generally convertible foreign exchange, or rights to draw on the I.M.F. and the I.B.R.D. This provision relates the total amount of those reserves to the volume of currency, and supply of deposit money in Indonesia, by stipulating that monetary reserves must at least be equivalent to 20% of the demand liabilities of the Bank. In the relative paragraph the total amount of these monetary reserves is related to the volume of the currency and deposits in Indonesia.

TABLE 97 — DEMAND LIABILITIES AND MONETARY RESERVES OF THE BANK (Rp '000)									
		Bank notes	Deposits	Drafts and transfers payable	Total of liabilities	Monetary Reserve			
						Amount	As %		
1957	March	31	9,318,903	1,920,118	13,990	11,253,011	1,908,534	16.96	
	April	29	9,777,552	2,346,313	20,753	12,144,618	1,811,263	14.91	
	May	29	10,201,359	3,424,177	50,836	13,676,372	1,768,510	12.93	
	June	26	10,538,503	3,372,741	15,142	13,926,386	1,817,043	13.05	
	July	31	11,395,638	4,041,137	12,482	15,449,257	1,891,121	12.24	
	August	28	11,970,009	3,704,951	11,692	15,686,652	2,179,015	13.89	
	September	25	12,342,518	3,746,071	8,881	16,097,470	2,329,350	14.47	
	October	30	12,588,365	3,736,775	16,607	16,341,747	2,509,060	15.35	
	November	27	12,876,387	3,554,757	14,125	16,445,269	2,410,291	14.66	
	December	31	13,814,962	3,541,782	28,432	17,385,176	2,047,718	11.78	
	1958	January	29	13,898,254	4,017,175	21,123	17,936,552	1,954,923	10.90
		February	26	13,899,331	4,757,412	18,882	18,675,625	1,886,707	10.10
March		31	14,492,585	4,375,668	21,787	18,890,040	1,743,073	9.23	

Deviation from the above provision is provided for in article 16 paragraph 3 and article 22 of Bank Indonesia Act, which empower the Monetary Board to depart from this rule in special circumstances for a period not exceeding three months and to such a percentage as the Monetary Board may deem fit.

Under these powers, the Monetary Board reduced the minimum compulsory very cover from 20% to 15% for the period July 11, 1956 to October 11, 1956 inclusive (Decree No 17 of July 12, 1956). This reduction was withdrawn by Decree No 22 of October 6, 1956, as from October 3, 1956, while the reduced cover of 15% became operative again for the period January 30, 1957 to April 30, 1957 (Decree No 23 of February 2, 1957).

On expiry of this period the cover had not yet been restored to the prescribed 20% and an Emergency Act was passed granting exemption for the period April 30, 1957 to November 1, 1957 (see appendix F). A draft bill had meanwhile been submitted to Parliament to convert this Emergency Act into a regular Act, which up to the present has not yet been enacted. The deadline of November 1, 1957 being long past, the draft bill provided for an extension from April 30, 1957 to November 1, 1958 inclusive.

The demand liabilities of Bank Indonesia, as specified in table 97, rose by about Rp 7,637.0 million in the period April 1, 1957 to March 31, 1958 Inclusive.

Against the liabilities of the Bank aggregating Rp 18,890,040,150.95 per March 31, 1958, the Bank's holdings on that date were Rp 464,720,627.10 (consisting of gold, generally convertible foreign exchange and claims on the Government on account of gold deposited on Government behalf with I.B.R.D.) and as holdings of the Foreign Exchange Fund in generally convertible foreign exchange stood at Rp 1,278,352,135.74; the sum total amounted to Rp 1,743,072,762.84 or 9.23%, of the aforementioned demand liabilities.

Of the monetary reserves to the amount of Bank's	Rp	1,743,072,762.84
gold holdings actually present in Indonesia amounted to	Rp	345,447,095.69
Claims on the Government on account of gold deposited		
for the Government with I.B.R.D	Rp	25,080,000.--
Generally convertible foreign exchange holdings of the Foreign Exchange Fund	Rp	1,278,352.135.74
	Rp	1,648,879,23 1.43
CONSOLIDATED ADVANCES TO THE GOVERNMENT	Rp	3.554,947,500.--

This account was opened on July 1, 1953 under article 42 paragraph 1 of Bank Indonesia Act with an initial amount of Rp 3,838 million. As regards the rate of interest and redemption the Decree of the Minister of Finance No 198989/U.M.I. of September 17, 1954 made the following provisions:

- a) the rate of interest is fixed at 3 % per annum;
- b) redemption within 40 years, reckoning from 1957
- c) accelerated redemption is permitted from, for instance, public loans especially floated for this purpose, such extra redemption to be settled pro rata parte with subsequent redemption installments
- d) interest and redemption payments fall due annually on March 31st at the latest.

As regards the distribution of the 3 % interest the following was laid down in the Decree of the Monetary Board Nr Sekr/D.M./257 Confidential of June 29, 1955:

1/2 % to be entered into Profit and Loss Account of Bank Indonesia;  
 21/2% to be used to redeem consolidated advances and, for that reason, not entered in the Profit and Loss Account of the Bank.

In consequence of aforementioned Decree of the monetary Board the first redemption on consolidated advances was made on March 31, 1956 employing the 2 1/2% interest due on that date.

Balance of Consolidated Advances after the second redemption of March 31, 1957	Rp	3,648,498,750.--
1/39th of balance deducted by way of redemption	Rp	93,551,250.--
		<hr/>
Balance per March 31, 1958	Rp	3,554,947,500.--
		<hr/>
ADVANCES TO THE GOVERNMENT	Rp	17,286,378,602.50

The above total represents the balance of advances on current account as per March 31, 1958 extended to the Government since July 1, 1953 under article 19 of the Bank Indonesia Act.

In the course of the year under report, about Rp 3,730,000,000 was passed by the Foreign Exchange Fund to the credit of the Government account, being deposits made by importers with foreign exchange banks for import Surcharges (T.P.I. — Bukti Tambahan Pembayaran Impor) to obtain import permits (under Foreign Exchange Fund Announcement A No 79 of June 27, 1957).

Furthermore, an amount of about Rp 19 million was entered to the credit of the Government, being the proceeds from the levy on bonds and stocks imported into Indonesia (T.P.I.E. —Tambahan Pembayaran Impor Efek) at the rate of 33 1/3 % of the Stock Exchange price (under Foreign Exchange Fund Announcement A No 62 of February 19, 1955).

The above balance further includes about Rp 56 million, being the proceeds from the levy on transfers (T.P.T.—Tambahan Pembayaran Transfer) paid through foreign exchange banks (under Emergency Act No 5/1954 of March 2, 1954).

When considering the debit balance on the Government account the following should be noted:

- a) importers' prepayments amounted to about Rp 87,100,000 per March 31, 1958—they have to be refunded when actual payment for foreign exchange is due (under Foreign Exchange Fund Announcement B No 680 of March 8, 1956);
- b) importers' deposits (which replaced the prepayments referred to under (a) when the Export Certificate System was introduced on June 20, 1957) amounted to about Rp 495,800,000 per March 31, 1958.

The deposits have to be refunded to importers when the Export Certificates are bought and T.P.I. is paid.

As long as imports remain at the same level, the Government debit balance will not be affected, but a decline in imports will increase the debit balance. For a fuller discussion of this subject Chapter IV of this report is referred to.

CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENTS MADE ON ITS BEHALF TO I.M.F....	Rp 313,500,000.--
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This item has been discussed under the heading "Gold coin and bullion, balances in convertible foreign exchange and claims 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 14,492,584,534.50

*Movements in cash position*

Table 98 gives a breakdown of the outflow from and inflow into the Bank's offices in the period April 1, 1957 to March 31, 1958 inclusive.

The figures include Government notes. The outflow amounted to about Rp 5, 127. 5 million — a much higher figure than last year when it was Rp 1,651.5 million. Substantial additional orders were given with a view to replacing notes taken out of circulation for reasons of wear and tear and other causes (84 million units at a value of Rp 719 million against 133 million notes at a value of Rp 2,396 million in 1956/1957)

TABLE 98 — OUTFLOW FROM AND INFLOW INTO THE BANK'S OFFICES (bank notes and Government notes; Rp '000)			
	1955/1956	1956/1957	1957/1958
Djakarta	+ 963,196	+ 205,181	— 813,582
Bandung	— 346,248	— 495,524	— 605,719
Jogjakarta	— 257,462	— 269,463	— 362,592
Kediri	— 155,458	— 163,428	— 205,697
Malang	— 211,209	— 252,586	— 290,469
Semarang	+ 255,651	+ 316,002	+ 374,238
Solo	— 60,970	— 83,486	— 70,510
Surabaja	+ 251,531	+ 59,675	— 106,212
Tjirebon	+ 31,736	+ 86,788	+ 49,418
Djember	—	—	— 24,789
Total Djawa offices	+ 470,767	— 596,841	— 2,055,914
Medan	— 269,433	— 165,316	— 812,644
Padang	+ 185,499	+ 30,750	— 334,936
Palembang	— 369,205	— 419,317	— 866,463
Total Sumatera offices	— 453,139	— 553,883	— 2,014,043
Bandjermasin	— 91,613	— 158,373	— 273,014
Pontianak	— 40,560	— 47,616	— 184,876
Total Kalimantan offices	— 132,173	— 205,989	— 457,890
Makassar	— 155,377	— 204,715	— 271,605
Menado	+ 42,338	— 8,634	— 194,047*)
Total Sulawesi offices	— 113,039	— 213,349	— 465,652
Ambon, Maluku	+ 5,639	— 80,186	— 146,985
Ampenan, Bali	—	—	+ 4,698
Total offices outside Djawa	— 692,712	— 1,053,407	— 3,079,872
Grand total	— 221,945	— 1,650,248	— 5,135,786
— = outflow + = inflow	*) Menado up till January 1958		

The monthly outflow and inflow of bank notes .as recorded by the bank's offices in the period under report showed peaks of outflow in April, July and December. This point has been reviewed At greater length in Chapter III under the heading "Money supply".

A breakdown of the circulation of bank notes and Government notes specified in denominations is given in table 99.

TABLE 99 — BREAK DOWN OF THE CIRCULATION OF BANK NOTES AND GOVERNMENT NOTES						
Denomination	March 31, 1940		March 31, 1957		March 31, 1958	
	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	1,552,532	15.4	2,635,287	17.2
" 500.—	7,181	3.4	1,022,861	10.2	1,715,833	11.2
" 100.—	42,352	20.1	3,439,511	34.2	4,794,824	31.2
" 50.—	13,693	6.5	1,327,704	13.2	2,255,585	14.7
" 25.—	30,167	14.3	885,753	8.8	1,678,162	10.9
" 10.—	52,698	25.0	735,251	7.3	957,717	6.2
" 5.—	43,795	20.8	399,894	4.0	519,853	3.4
" 2.50	—	—	318,065	3.1	363,838	2.4
" 1.—	—	—	346,243	3.5	406,010	2.6
" 0.50	—	—	29,426	0.3	24,980	0.2
Total	210,806	100.0	10,057,240 <sup>1)</sup>	100.0	15,352,089 <sup>2)</sup>	100.0
<sup>1)</sup> Rp 9,319 million in bank notes and Rp 738 million in Government notes <sup>2)</sup> Rp 14,493 million in bank notes and Rp 859 million in Government notes						

The shift in the composition of notes in circulation continued in the year under report as it did in foregoing years. The volume of the denominations of Rp 0.50 up to Rp 10, expressed in percent of the total paper money circulation, successively amounted to 46.7% (31/3/'51), 37.3% (31/3/'52), 30.5% (31/3/'53), 28.2% (31/3/'54), 24% (31/3/'55), 22.3% (31/3/'56), 18.2% (31/3/'57), and 14.8% (31/3/'58). On the corresponding dates the volume of denominations of Rp 25 up to Rp 1,000 accounted for the following percentages of the total paper money circulation: 53.3% - 62.7% -69.5% -71.8%—76% —77.7 %— 81.8 % and 85.2 % .

### *Government -Notes*

Government notes were brought into circulation by Bank Indonesia for account of the Government up to May 29, 1954. Since then Government notes have been brought into circulation by the Government itself or by Bank Indonesia, at the request and for account of the Government. (Government Ordinance No 38 of May 19, 1954—Government Gazette 1954 No 63). Bank Indonesia is charged with keeping the accounts and printing the notes. The volume of Government paper money in circulation, that is, the outflow from Bank Indonesia Offices, is entered as a debit item for purposes of calculating the Government debt.

The supplies of Government notes to circulation, which were reported in foot-notes in the abridged weekly balance sheets of the Bank, were again reported in the Official Gazette as from May 29, 1954 as had been the prewar custom.

The volume of Government notes in circulation on March 31, 1958 consisted of the following amounts and denominations:

Rp	152,000,000.--	in denominations of Rp 5. - and Rp 10.- (issued under Act No 17 of October 12, 1951 Governments Gazette 1951/100);
Rp	334,000,000.--	in denominations of Rp 1.- and Rp 250 (issued under Government Ordinance No 20 of May 11, 1953, Government Gazette 1953/34; Decree Minister of Finance No 103141/U.U. of May 12, 1953 under the aforementioned Ordinance; Government Ordinance No 38 of May 19, 1954, Government Gazette 1954/63 and Decree of the Minister of Finance No 82490/U.M.I. of May 27, 1954 under the latter Ordinance);
Rp	373,000,000.--	in denominations of Rp 1.- and Rp 2.50 (issued under Government Ordinance No 22 of July 23, 1955, Government Gazette 1955/46; Decree of the Minister of Finance No 1 55033/U.M.I. of July 28, 1955 under the aforementioned Ordinance; Government Ordinance No 56 of November 18, 1957, Government Gazette 1957/154, and the Decree of the Minister of Finance No 236670/U.M.I. under the latter Ordinance..
Rp	859,000,000.--	

CURRENT ACCOUNT BALANCES (OF THE GOVERNMENT)	Rp	297,888,932.75	
This heading includes "Special Account No.1 re E.C.A. aid to the amount of .....			
representing the unspent part of the Rupiah equivalent of E.C.A. aid received by Indonesia through the Netherlands in the U.S. fiscal year 1948/1949.	Rp	106,663,522.60	
On March 31,1957 the balance of this account was .....	Rp	282,438,540.80	
From which amount the following was spent in the year under report :			
Expenditure for experts and administrative personnel of the U.S.			
Operations Mission to Indonesia	Rp	12,500,018.20	
Anti Malaria operations	Rp	50,000,000.--	
Agricultural and fisheries projects	Rp	34,525,000.--	
Trust Fund for U.S. Operations Mission to Indonesia	Rp	14,000,000.--	
Carry forward	Rp	111,025,018.20	Rp 282,438,540.80
Brought forward	Rp	111,025,018.20	Rp 282,438,540.80
Sea fisheries extension and modernization projects	Rp	17,550,000.--	
U.S. Operations Mission to Indonesia	Rp	10,000,000.--	
Housing accommodation for foreign experts	Rp	35,000,000.--	
Ministry of Home Affairs projects	Rp	2,200,000.--	Rp 175,775,018.20
Balance per March 31, 1958			Rp 106,663,522.60

This heading also includes "Special Account No 2 re I.C.A. Aid" to the amount of Rp 191,225,410.15 comprising the counterpart funds — notified but not yet spent—of I.C.A., T.C.A., and F.O.A. Aid allocated to Indonesia direct in the U.S. fiscal years 1950/51 through 1954/55.

At the beginning of the year under report the balance amounted to Rp 157,433,137.05

During the year under report, these counterpart funds increased by notification to Rp 33,792,273.10

Balance per March 31, 1958 Rp 191,225,410.15

No entries for payment of projects approved by the authorities concerned were made on the debit side in the year under review.

The countryart funds relating to I.C.A., T.C.A. and F.O.A. Aid received by Indonesia direct and not as yet notified per March 31, 1958 may be found under the heading "Sundry Accounts" on the credit side of the balance sheet.

CURRENT ACCOUNT BALANCES (I.M.F. AND I.B.R.D.) Rp 641,759,680.88

The specification is as follows:

International Monetary Fund, Account No I Rp 639,557,482.48

This amount comprises:

Rupiah deposits to the amount of Rp 940,500,000.--

(representing 75% of the quota of Indonesia) from which must be deducted the demand notes issued by the Government for

Rp 927,900,000.-- Rp 12,600,000.--

Carry forward Rp 12,600,000.--

	Brought forward	Rp	12,600,000.--
increased by the countervalue of Government drawing of U. S. \$ 55,000,000.— ( at the rate of Rp 11.40)		Rp	627,000,000.--
		Rp	639,600,000.--

decreased by the countervalue of sundry payments in U.S. \$ to I.M.F	Rp	6,117.52	
transfers to I.M.F., Account No 2	Rp	36,400.00	Rp 42,517.52
Balance per March 31, 1958			Rp 639,557,482.48

International Monetary Fund, Account No 2	Rp	48,067.60
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Items not directly related to monetary transact are entered on this account.

International Bank for Reconstruction and Development, Account "A"	Rp	2,154,130.80
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Initially the Government deposited an amount of Rp 2,257,200.— as part of the quota of I.B.R.D. shares allotted to Indonesia 011 account of membership as from April 1954. Payments were made from this account on behalf of I.B.R.D. leaving a balance of Rp 2,154,130.80 per March 31, 1958.

Total per March	31,19 5 8	Rp	641 ,759,680.88
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### *Banking Department*

FOREIGN BILLS AND BALANCES .....	Rp	360,914,586.35
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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 other Government services and bodies) as well as foreign bills en route.

The various items have been valued at the official parity rates as per March 31, 1958.

In this respect the Bank does not maintain an independent foreign exchange position since the Bank's cash foreign exchange holdings are offset by forward contracts with clients, while all other forward contracts with clients are covered by corresponding contracts between the Bank and the Foreign Exchange Fund.

The working capital supplied to the Bank's branch in Amsterdam, valued at the official rate, is also included under this heading.

CASH (subsidiary coins) .....	Rp	251,859.04
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The nominal value of the stocks of Government and bank notes held at the Bank's offices is not entered under this heading, nor under the heading "Bank notes in circulation", the notes not actually being in circulation.

BILLS DISCOUNTED AND ADVANCES ON COLLATERAL, PAYABLE IN RUPIAHs	Rp	1,353,708,306.97
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The considerable increase in credits granted by the Bank is to be ascribed to additional credits extended to semi-Government bodies. This increase amounts to Rp 351.6 million as compared with the position on March 31, 1957. Additional credits, for instance, were made available to: Garuda Indonesian Airways, whose debit balance was of the order of about Rp 82.2 million per March 31, 1958 (Rp 9.4 million per March 31, 1957); to "Jajasan Bahan2 Pertanian", whose credit climbed from nil on March 31, 1957 to Rp 64.6 million in March 31, 1958; further about Rp 397.6 million had been drawn per March 31, 1958 by "Jajasan Urusan Bahan Makanan" against the credit opened for rice imports, against last year's debit balance of Rp 64.1 million. The debit of "Jajasan Kopra"—about Rp 104.5 million per March 31, 1957 was completely cleared due to liquidation.

The credits granted to foreign exchange banks were lower in the year under report, due to the decline of credits extended to several Government banks. Credits to national private banks, on the contrary, rose by about Rp 70.6 million.

TABLE 100 — 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
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
1957	7,894,165	3,648,499	545,101	182,750	276,589	1,004,449
1958	17,286,379	3,554,948	896,672	167,395	289,641	1,353,708

Credits to private enterprises showed a decrease in the imports and industrial sectors, but an increase for the sector agricultural estates.

INVESTED CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND  
Rp 309,418,594.09

The Bank is entitled, under Article 17 paragraph 1 of the Bank Indonesia Act, to invest its Capital, Reserve Fund and its Special Reserve.

The securities making up the invested Capital and Reserve funds will be discussed at greater length later in this report. The securities have been valued at list prices per March 31, 1958 or lower insofar as they are officially quoted on the Djakarta or foreign stock exchanges; valuations of securities not officially quoted have been conservative. Securities quoted in foreign currency have been converted into rupiahs at the official rate.

The Investment of the Bank's Capital in securities per March 31, 1957 amounted to .....	Rp	18,599,989.30
increased by:		
purchases of securities for	Rp	6,975,308.05
and advanced value of securities per March 31, 1958, entered to the credit of the Profit and Loss Account of the 5th financial year .....	Rp	537,336.--
	Rp	26,112,633.35



decreased by:		
redemptions .....	Rp	304,640.--
transfer to debit "Special Reserve Investment"	Rp	808,852.--
Balance per March 31, 1958	Rp	<u>24,999,141.35</u>

The investment of the Reserve Fund in securities per March 31, 1957 amounted to .....	Rp	24,999,947.40
increased by:		
purchases of securities for .....	Rp	100,247.41
and advanced value of securities per March 31, 1958 entered to the credit of the Profit and Loss Account of the 5th financial year ..	Rp	1,024,686.39
	Rp	<u>26,124,881.20</u>

decreased by:		
redemption and transfer of securities to other investment deposits of the Bank	Rp	1,124,918.--
Balance per March 31, 1958	Rp	<u>24,999,963.20</u>

Advances in value of the securities in which Capital and Reserve Fund have been invested must be added to the Reserve Fund (Article 17 paragraph 2 Bank Indonesia Act). Such additions no longer being possible when the Reserve Fund equals the Bank's Capital (Article 34 paragraph 5 Bank Indonesia Act), they were passed to the credit of the Profit and Loss Account of the 5th financial year.

The Investment of the Special Reserve in securities per March 31, 1957, amounted to .	Rp	167,458,437.40
increased by:		
purchases and transfer of securities from other investment deposits of the Bank	Rp	54,389,592.21
advanced value of securities per March 31, 1958 entered to the credit of Special Reserve	Rp	4,831,187.99
	Rp	<u>226,679,217.60</u>

decreased by:		
redemption of securities .....	Rp	18,787,540.--

Balance per March 31, 1958	Rp	207,891,677.60
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The Investment of The Pension Fund per March 31, 1957 amounted to:

Securities .....	Rp	38,426,534.70	
Mortgages .....	Rp	21,414.64	
Advances in current account against promissory notes	Rp	69,632.93	Rp 38,517,582.27

increased by:		
purchases and transfers of securities from other investment deposits of the Bank, and re-investment of redemptions ...	Rp	21,003,147.68
increase in value of securities per March 31, 1958	Rp	1,367,450.77
	Rp	60,888,180.72

decreased by:		
sales and/or redemption of securities and transfer of securities to other investment deposits of the Bank	Rp	9,282,074.45
redemptions mortgages ,,	Rp	8,661.40
decrease advances in current account against promissory notes,,	Rp	69,632.93
	Rp	9,360,368.78

Balance per March 31, 1958	Rp	51,527,811.94
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Specified as follows:

Securities .....	Rp	51,515,058.70
Mortgages .....	Rp	12,753.24
Advances against promissory notes .....	Rp	-.-
	Rp	51,527,811.94

PREMISES AND INVENTORY	Rp	43,552,663.06
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Premises have been written down to site value, with the exception of premises purchased after the so-called “moment of adjustment” which are written down in installments in accordance with fiscal regulations.

Inventories have been written down to Rp 1 per building, with the exception of inventories of buildings purchased after the “moment of adjustment”.

The premises and inventory of the Amsterdam Branch Office appear in the books at their fiscal residual value converted at the official rate.

The above amount of Rp 43,552,663.06 includes :

- 1) outlays to the amount of Rp 21,082,063.87 for new buildings (inclusive of their site value) which have not yet been completed;
- 2) balance to the amount of Rp 3,595,876.30 of the multiplication difference resulting from the revaluation of premises and inventories as per April 1, 1949, the so-called “moment of adjustment” under the 1953 Revalorization Decree, after making maximum fiscal depreciations over the year under report and the 5 preceding financial years.

SUNDRY ACCOUNT (debit)	Rp	476,501,204.77
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Specified in:

Sundry debtor accounts	Rp	270,942,818.88
Government payment orders and bills, and stamp duties	Rp	211,553.57
Miscellaneous	Rp	10,426,667.09
Assets of Amsterdam Branch ..	Rp	194,920,165.23

Total per March 31,1958	Rp	476,501,204.77
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The item “Assets of Amsterdam Branch” comprises the countervalue at the official rate of the assets of the Amsterdam Branch per March 31, 1958, insofar as they have not already been entered in the balance sheet under other items.

CAPITAL	Rp	25,000,000.--
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The capital of the Bank amounts to Rp 25 million (article 4 Bank Indonesia Act). During the debates on the draft bill, which among various other points provided for an increase of the capital to Rp 50 million, Parliament generally appeared to recognize the necessity of this expansion of capital.

RESERVE FUND	Rp	25,000,000.--
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Under article 34 paragraph 5 of Bank Indonesia Act, 20% of the approved net profits —after allocation to Special Reserve — must be paid annually into the Reserve Fund until it equals the amount of the Bank's Capital. No such payment was made in the year under report since the total of the Reserve Fund equalled the total of the Bank's Capital.

The object of the Reserve Fund is to cover possible losses on the Bank Capital (Article 5 paragraph 2 of Bank Indonesia Act).

SPECIAL RESERVE	Rp	251,454,041.69
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The Special Reserve, referred to in article 6 of Bank Indonesia Act, per March 31, 1957 stood at .....	Rp	213,522,853.70
increased by:		

advanced value of securities per March 31, 1958 from investments of Special Reserve Fund under article 17 paragraph 2 of Bank Indonesia Act .....	Rp	4,831,187.99
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(The interest on the investments amounting to Rp 7,720,937.67 was credited to the Profit and Loss Account under Article 17 paragraph 2 of Bank Indonesia Act).

Transfer to the debit of the Profit and Loss Account under Article 34 paragraph 5 of Bank Indonesia Act ...	Rp	33,100,000.--
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Balance per March 31, 1958	Rp	251,454,041.69
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The necessity of strengthening the Special Reserve has been repeatedly stressed in foregoing reports. The results of the year under report have enabled Rp 33,100,000 to be transferred to the Special Reserve, against Rp 38,500,000 in the 4th financial year (1956/57).

Should the previously mentioned Bill aimed at raising the Bank's capital to Rp 50 million be enacted and go into operation, the need would arise for transferring Rp 25 million from Special Reserve to Capital Account.

After the transfer from Profit and Loss Account of Rp 33,100,000 and the transfer of Rp 25 million to Capital Account, Special Reserve would appear in the books with a balance of Rp 226,456,041.69.

PENSION FUND	Rp	6,583,000
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The balance of this account per March 31, 1957		
amounted to	Rp	50,533,000.--
increased by:		
contributions received, less refunds .....	Rp	1,003,444.89
interest on mortgages, advances in current account against promissory notes and securities .....	Rp	2,153,405.07
advanced value of securities per March 31, 1958 ..	Rp	1,367,450.77
payments received and other revenue from reinsurance of pensions .....	Rp	3,726,193.82
indemnification paid by the Netherlands Government compensation of contributions payable by participants and taken over by the Bank (Pension Fund)	Rp	7,023.30

allocations:			
from Profit and Loss Account .....	Rp	16,379,083.17	
from Amsterdam Branch Office .....	Rp	704,271.30	RP 17,083,354.47
			Rp 75,873,872.32

decreased by:		
pensions and subsistence allowances paid	Rp	1,982,521.96
additional allowances under the Pension Fund Rules (article 56) effective as from August 1, 1955 .....	Rp	183,984.59
single premiums for reinsurance pensions, less refunds .....	Rp	8,107,884.82
miscellaneous expenditure .....	Rp	16,480.95
		<hr/>
Balance per March 31, 1958		Rp 10,290,872.32
		<hr/>
		Rp 65,583,000.--
		<hr/>

In accordance with article 35 paragraph 2 of the Bank Indonesia Act the above balance offsets the computed cash pension obligations undertaken and predictable, towards the staff, excluding pension liabilities taken over by assurance companies. The obligations not accommodated with insurance companies include also obligations of additional allowances.

CURRENT ACCOUNT BALANCE (NON-GOVERNMENT)	Rp	4,375,668,286.70
DRAFTS ON OWN OFFICES	Rp	21,787,329.75

The total of current account balances (non-Government) increased by about Rp 2,456 million as compared with March 31, 1957. The balances of clearing banks accounted for about Rp 2,208 million of the total against Rp 753 million per March 31 1957.

### *Giro transfers*

Table 101 shows the development of the giro system from April 1, 1957 March 31, 1958.

The figures in the above table do not cover the complete system of transfers, seeing that the columns "Local transfers (no clearing)" and "Transfers (mail and telegraphic)" only cover Bank Indonesia Offices and not the other banks in Indonesia.

TABLE 101 — TRANSFER AND CLEARING OPERATIONS						
Financial year	Local transfer (no clearing) at the offices of the Bank in Indonesia		Transfer (mail and telegraphic) between the offices of the Bank in Indonesia		Clearing and "central settlement" 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
1951/1952	102,425	9,580,507	68,626	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	1,176,585	46,472,754
1955/1956	100,663	22,421,894	87,390	16,152,649	1,328,695	64,716,607
1956/1957	91,772	25,028,745	87,686	17,434,126	1,484,407	78,081,317
1957/1958*)	87,770	20,768,573	92,678	20,667,217	1,262,878	81,712,200
*) Figures from the branch offices at Padang and Menado are not included ; figures from Ambon concerning March 1958 not included.						

The trend of the figures shows a rise in the average per transaction as compared with 1956.,57.

The clearing and "central settlement" system was extended to further banks during the year under report.

The Surabaya branch of the Great Eastern Banking Corp. Ltd. joined the clearing in that town, while Bank Dagang, Nasional Indonesia N.V., Bank Perdagangan Indonesia N.V., Bank Merdeka N.V., and Bank Timur N.V., increased the number of their branch offices participating in the sub-clearing by one office each.

Bank Nusantara P.T. withdrew from the sub-clearing in September 1957 with two offices. When Nationale Handelsbanks N.V. closed its branch in Tjirebon, the number of offices participating in the clearing in that town was reduced by one.

The members of the clearing in Djakarta agreed to permit Bank Rakjat Indonesia to convert indirect into direct participation.

The total number of bank offices participating in the clearing in 9 towns in Indonesia was 87, while 33 of this total participating in the sub-clearing.

Central settlement was adopted in Menado from October 1, 1957 by Bank Indonesia, Bank Negara Indonesia, Bank Rakjat Indonesia and Escompto bank N.V. thus bringing the number of towns with Central settlement up to six and the number of participating offices to 24.

RESERVE FOR COMPANY TAX .....	Rp	192,194,502.50
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On March 31, 1957 this reserve amounted to		
which was increased by:.....	Rp	92,230,145.--
Transfer from Profit and Loss Account for company		
tax due over the 5th financial year (1957/58) .....	Rp	187,168,252.50
	Rp	279,398,397.50

Which was decreased by:		
Company tax paid over the 4th financial year ( 1956/57)	Rp	87,203,895.--
Balance per March 31, 1958	Rp	192,194,502.50

SUNDRY ACCOUNTS (credit)	Rp	3,288,919,100.67
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This heading comprises counterpart funds relating to E.C.A., T.C.A., I.O.A., and I.C.A. aid allocated and supplied to Indonesia in the U.S. fiscal years 1950/51 (E.C.A.); 1951/52 and 1952/53 (T.C.A.); 1953/54 and 1954/55 (F.O.A.); 1955/56 (I.C.A.); but for which no notification has yet been received.

In the beginning of 1957/ 1958 these accounts		
amounted to	Rp	53,932,859.66
In the course of 1957/58 this amount increased by the		
countervalue of U.S. \$ received under I.C.A. aid .....	Rp	14,882,812.42
	Rp	68,815,672.08

while notification was received for an amount of ...	Rp	33,792,273.10
(this amount was transferred to "special Account No 2 re		
I.C.A. aid", as mentioned under "Current Account		
Balance-Government")		
thereby reducing the balance per March 31,1958 to	Rp	35,023,398.98



This heading further comprises:

U.S Surplus commodities Sales Account under which the countervalue of surplus agricultural commodities (S.A.C.) delivered by the U.S.A. to Indonesia was entered Agreement March 2, 1956 under U.S. Publiclaw 480) .....	Rp	974,474,904.--
Treasurer of the U.S. (I.M.G.-funds) under which the countervalue of informational media" was entered .....	Rp	5,636,042,08
(mainly books and magazines), supplied under the agreement of September 15, 1955 under the U.S. "I.M.G. program")		
Sundry accounts of the Foreign Exchange Funds in rupiahs	Rp	1,471,316,695.31
Amsterdam Branch Liabilities.....	Rp	198.053,954.40
the countervalue of liabilities per March 31, 1958 of the Amsterdam Branch insofar as not entered under other Balance Sheet headings, valued at official rate		
Miscellaneous .....	Rp	604,414,105.90
		<hr/>
Total per March 31,1958	Rp	3,288,919,100.67

### *PROFIT AND LOSS ACCOUNT*

The gross income of the Bank over the 5th financial year (1957/ 58) rose by about Rp 226.0 million as compared with the income during the preceding, financial year.

The item "Interest on bills discounted and on foreign balance, profit on exchange, on coin and bullion and on sundries" fell by about Rp 2.9 million. This is to be attributed to:

- a) a rise of about Rp 7.7 million in interest on foreign balances. This rise was due to an increase of interest to the amount of Rp 8.8 million on the so-called Small A account in the books of the Amsterdam Branch and paid to Head Office (calculated at the rate of exchange under the Export Certificate System), against a drop in interest earnings on U.S. Exchequer issues by Rp 1.1 million.
- b) the fall of profits on exchange business by about Rp 11 million. The introduction of the export Certificate System on June 20, 1957 removed the profit margins on foreign exchange contracts; the Bank now receives a commission on the sale/purchase of Export Certificates --- for which the paragraph on "Commission" is referred to.

The item "Interest on advances to the Government" amounting to Rp 381.3 million (against Rp 168.4 million in 1956/1957) represents interest to the amount of Rp 18.2 million (Rp 18.7 million in the previous year) on consolidated advances to the Government, under article 42 of Bank Indonesia Act, (the decrease of Rp 0.5 million emanating from the regulation mentioned on page 214) and interest to the amount of Rp 363.1 million (Rp 149.7 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 Bank Indonesia Act. The last mentioned interest items reflect the much increased average debit position of the Government as regards Bank Indonesia. during the period under review.

TABLE 102 — RECAPITULATION OF THE CREDIT ITEMS OF THE PROFIT AND LOSS ACCOUNT (Rp '000)		
	Financial year	
	1956/1957	1957/1958
Interest on bills discounted and on foreign balances, profit on exchange, on coin and bullion and on sundries	48,287	45,355
Interest on advances : <i>to the Government</i>	168,359	381,296
<i>to others</i>	43,022	36,645
Commission	35,933	54,283
Interest on securities	8,277	10,172
Dividends of De Javasche Bank concerning the 124th bookyear, being lost through superannuation	—	3
Disparity in value of Securities of Capital Investment and Reserve Fund	—	1,562
Profit of the Branch Office in Amsterdam	—	585
Total	303,878	529,901

The item "interest on advances to others" (Rp 36.6 million against Rp 43 million in 1956/57) represents interest on advances in current account to semi-Government bodies, banks and private enterprises. The drop by Rp 6.4 million was caused by the withdrawal of some substantial credits, While the introduction of the Export Certificate System eliminated interest on draft against foreign credits.

The item "Commission" increased by about Rp 18.4 million thanks to the commissions earned on Export certificate transactions.

The item “Interest on Securities” covers interest earned on the securities in which Capital, Reserve Fund, and Special Reserve are invested (article 1, paragraph 2 Bank Indonesia Act.).

The item “Unclaimed dividends of De Javasche Bank concerning the 124th bookyear, being lost through superannuation” amounted to Rp 3,375. Generally an item of this description is passed to the credit of the Reserve Fund. Since, however, the total of the Reserve Fund equals the total of the Capital Account, this item had to be passed to the credit of the Profit and Loss Account.

The item “Differences arising from the revaluation of securities in which the Bank’s Capital and Reserve Fund have been invested” was carried to the credit of the Profit and Loss Account for the reason explained under the item “Invested Capital, Reserve Fund, Special Reserve and Pension Fund”.

The returns from normal business of the Amsterdam Branch in 1957 1958 showed a decrease (Nf 4,300—Rp 12,900).

This loss was mainly due to the increased rate of interest from 3 3/16% to 43/4% on the so-called small A Account.

Thanks, however, to an addition of Nf 199,000 to the returns for the year under report, a profit of about Nf 195,000—Rp 585,000 could still be made. This addition consisted of Nf 148,000 from unemployed Debtors Reserve and a refund on Company Tax of Nf 51,000.

The item “General Expenditure”<sup>7</sup> on the debit side of the Profit and Loss Account shows an increase by Rp 13.5 million, mainly caused by increased personnel expenses (Rp 10.6 million), office requirements (Rp 0.6 million), and transportation of bank notes (Rp 0.2 million).

The item “Ground tax, upkeep and insurance buildings” increased by Rp 1.5 million, mainly owing to increased upkeep work and higher cost of upkeep.

The item “Depreciations of inventories” represents the maximum fiscal depreciation permitted under article 3 paragraph 3 of the “1953 Company Tax Exemption De-

cree” to the amount of Rp 1.6 million, based on the market value per April 1,1949 (the so-called “moment of adjustment”), as well as depreciation on site value (to the amount of Rp 7. 5 million, the maximum permitted under article 9 paragraph 2 of the “1953 company Tax Exemption Decree”) of extensions and reconstructions carried out, and properties acquired in the year under report.

TABLE 103 — RECAPITULATION OF THE DEBIT ITEMS OF THE PROFIT AND LOSS ACCOUNT (Rp '000)		
	Financial year	
	1956/1957	1957/1958
General expenses	55,141	68,629
Ground tax, upkeep and insurance of buildings	3,098	4,565
Depreciation of buildings	3,673	9,121
Depreciation of furniture	13,512	11,590
Depreciation of printing cost of bank notes	25,300	91,130
Depreciation of bad and doubtful debts	14	—
Transfer to Reserve as compensation for extraordinary losses sustained by the agencies at Padang and Menado	—	108,000
Transfer to Pension Fund	10,909	16,379
Transfer to Reserve as provision for new buildings	20,000	—
Transfer to Reserve for Company Tax	87,230	187,168
Loss of the Branch Office in Amsterdam	157	—
Net profits (including transfer to Reserve Fund and Special Reserve)	84,844	33,319
Total	303,878	529,901

The item “Depreciation of buildings” represents the maximum fiscal depreciation permitted on expenditure in the year under report for the necessary renewal and extension of the motorcar fleet, for office equipment and furniture.

The item “Depreciation printing cost of bank notes” amounting to Rp 91.1 million shows the expenditure on orders placed for bank notes in the year under report.

The item “Transfers to reserves for new buildings” remained blank for the year under report, due to the cancellation of article 10 of the “1953 Company Tax Exemption Decree”, which permitted the amount of investment estimated for the next following year to be reserved.

The item "Transfers to reserve to cover estimated losses Padang and Manado Branches" provides for the losses suffered by the Bank's Branches estimated at Rp 181 million. This transfer to the debit of the Profit and Loss account has the approval of the Minister of Finance.

This reserve has provisionally been fixed at Rp 108 million (not exempt from Company Tax), on the understanding that any excess or shortage will be passed to the credit or debit of the Profit and Loss Account of the next following financial year. The balance of this reserve to be included in the balance of "Sundry Accounts", credit side.

Other expenditure, depreciations and reserves have, insofar as necessary, been reviewed earlier in this part of the report.

NET PROFIT	Rp	33,319,306,74
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The various movements referred to above resulted on balance in a net profit of

	Rp	33,319,306,74
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which, under article 34 paragraph 5 of the Bank Indonesia Act, is to be allocated as follows:

transfer to Special Reserve	Rp.	33,100,000.--
Thus leaving for the Treasury a share of the net profit to the amount of .....	Rp.	<u>219,306.74</u>

## **IX. PERSONALIA**

### *Management of the Bank*

In the year under report the formation of the Managing Board and of the Bank's representatives abroad underwent changes.

The Cabinet of the Republic of Indonesia in its session of January 30, 1958 decided to discharge Dr. Sjafruddin Prawiranegara as Governor of Bank Indonesia as per January 31, 1958.

In its session of April 8, 1958 the Cabinet appointed Dr. Loekman Hakim. then Managing Director and First Deputy Governor, Governor of Bank Indonesia.

In its session of May 23, 1958 the Cabinet appointed Dr. Boerhanoedin Managing Director, while in its session at June 14, 1958 Dr. Indra Kasuma, when Managing Director and Second Deputy Governor and Dr. Darmawan Mangoenkoesoemo, then Managing Director were respectively appointed Managing Director and First Deputy Governor, and Managing Director and Second Deputy Governor of the Bank.

Besides his positions as Managing Director of the Branch Office in Amsterdam and Delegate of the Bank for Europe, on July 1, 1958 Dr. Khouw Bian Tie was appointed Representative of Bank Indonesia for Great Britain with an office in London.

P.A. van Garderen, Managing Director of the Branch Office in Amsterdam and Delegate of the Bank for Europe resigned as per June 1, 1958 and as per the same date L. Swaan was appointed Managing Director of the Branch Office, Amsterdam.

The formation as per July 31, 1958 of the Managing Board and its Staff in the country as well as abroad is fully summarized in Appendix C of this report.

DJAKARTA, July 31, 1958

The Governor of Bank Indonesia

Dr. LOEKMAN HAKIM

## **Appendices**

# APPENDIX A

## BALANCE SHEET AT MARCH 31, 1958

Assets

Liabilities

		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. :			FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES .....	Rp	1,868,353,277.79
Gold coin and bullion .....	Rp 439,640,627.10		BANK NOTES IN CIRCULATION .....	"	14,492,584,534.50
Convertible foreign exchange .....	" 25,080,000.—	Rp 464,720,627.10	CURRENT ACCOUNT BALANCES :		
Claim in gold on the Government .....			Government, Special Account re :		
			E.C.A. Aid .....	Rp	106,663,522.60
FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT :			I.C.A. Aid .....	"	191,225,410.15
Gold coin and convertible foreign exchange balances .....	Rp 1,278,352,135.74		I.M.F. and I.B.R.D. ....	"	939,648,613.63
Other foreign exchange .....	" 104,165,914.35	" 1,382,518,050.09			
CONSOLIDATED ADVANCES TO THE GOVERNMENT (ARTICLE 42)		" 3,554,947,500.—	Sub total		Rp 17,300,586,425.92
ADVANCES TO THE GOVERNMENT .....		" 17,286,378,602.50	Banking Department		" 5,701,478,353.77
CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENTS MADE ON ITS BEHALF TO I.M.F. ....		" 313,500,000.—			
		Rp 23,002,064,779.69			Rp 23,002,064,779.69
			Department		
FOREIGN BILLS AND BALANCES WITH CORRESPONDENTS ABROAD		Rp 360,914,586.35	CAPITAL PAID UP .....	Rp	25,000,000.—
CASH : Subsidiary coins .....		" 251,859.04	RESERVE FUND .....	"	25,000,000.—
DISCOUNTS AND ADVANCES ON COLLATERAL PAYABLE IN RUPIAHS			SPECIAL RESERVE .....	"	251,454,041.69
Discounts .....	Rp 29,603,396.45	" 1,353,708,306.97	PENSION FUND .....	"	65,583,000.—
Advances on collateral .....	" 1,324,104,910.52		CURRENT ACCOUNT BALANCES (NON-GOVERNMENT) .....	"	4,375,668,286.70
INVESTMENT OF CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND :			DRAFTS ON OWN OFFICES .....	"	21,787,329.75
Invested Capital .....	Rp 24,999,141.35		RESERVE FOR COMPANY TAX .....	"	192,194,502.50
Invested Reserve Fund .....	" 24,999,963.20		SUNDRY ACCOUNTS .....	"	3,288,919,100.67
Invested Special Reserve .....	" 207,891,677.60	" 309,418,594.09	SHARE OF THE TREASURY IN THE NET PROFIT .....	"	219,306.74
Invested Pension Fund .....	" 51,527,811.94				
PREMISES AND INVENTORY :					
Premises .....	Rp 42,332,140.32	" 43,552,663.06			
Inventory .....	" 1,220,522.74				
SUNDRY ACCOUNTS .....		" 476,501,204.77			
		Rp 2,544,347,214.28			
Sub total		" 5,701,478,353.77			
Issue Department		Rp 8,245,825,568.05			Rp 8,245,825,568.05

Note : Due to political complications in the regions the balance sheet at March 31, 1958 of our agencies at Padang and Menado are not included in the balance sheet of this 5th financial year.

Provisionally approved by the Monetary Board at its meeting of August 14, 1958 and sanctioned by the Government of the Republic of Indonesia in Cabinet on August 22, 1958.

Djakarta, July 25, 1958

Governor and Managing Directors of Bank Indonesia :

LOEKMAN HAKIM  
DARMAWAN MANGOENKOESEMO  
T. R. B. SABARUDIN  
BOERHANOEDIN



## APPENDIX B

### PROFIT AND LOSS ACCOUNT

FOR THE 5TH FINANCIAL YEAR 1957-1958

<i>Liabilities</i>			<i>Assets</i>		
GENERAL EXPENSE ACCOUNT .....		Rp 68,629,358.64	INTEREST ON BILLS DISCOUNTED AND ON FOREIGN BALANCES,		
GROUND TAX, UPKEEP AND INSURANCE OF BUILDINGS .....		„ 4,564,638.67	PROFIT ON EXCHANGE, ON COIN AND BULLION AND ON		
DEPRECIATION OF BUILDINGS .....		„ 9,121,050.63	SUNDRIES .....		Rp 45,354,843.18
DEPRECIATION OF FURNITURE .....		„ 11,589,400.84	INTEREST ON ADVANCES : TO THE GOVERNMENT .....	Rp 381,295,935.21	
DEPRECIATION OF PRINTING COSTS OF BANK NOTES .....		„ 91,130,000.—	TO OTHERS .....	„ 36,645,033.15	„ 417,940,968.36
TO PENSION FUND .....		„ 16,379,083.17	COMMISSION .....		„ 54,282,588.42
TO RESERVE AS COMPENSATION FOR EXTRAORDINARY LOSSES			INTEREST ON SECURITIES .....		„ 10,172,260.03
SUSTAINED BY THE AGENCIES AT PADANG AND MENADO .....		„ 108,000,000.—	UNCLAIMED DIVIDENDS OF DE JAVASCHE BANK CONCERNING		
TO RESERVE FOR COMPANY TAX .....		„ 187,168,252.50	THE 124TH BOOKYEAR, BEING LOST THROUGH SUPERANNUA-		
NET PROFITS :			TION .....		„ 3,375.—
To Special Reserve .....	Rp 33,100,000.—		DIFFERENCIES BY REVALUATION OF CAPITAL-AND RESERVE		
Share of the Treasury .....	„ 219,306.74	„ 33,319,306.74	FUND-INVESTMENTS ON SECURITIES .....		„ 1,562,022.39
			PROFITS OF OUR BRANCH OFFICE IN AMSTERDAM .....		„ 585,033.81
		Rp 529,901,091.19			Rp 529,901,091.19

Note: Due to political complications in the regions the profit and loss account at March 31, 1958 of our agencies at Padang and Menado are not included in this Profit and Loss Account for the 5th financial year.

Provisionally approved by the Monetary Board at its meeting of August 14, 1958 and sanctioned by the Government of the Republic of Indonesia in Cabinet on August 22, 1958.

Djakarta, July 25, 1958  
Governor and Managing Directors of Bank Indonesia :

LOEKMAN HAKIM  
DARMAWAN MANGOENKOESEMO  
T. R. B. SABARUDIN  
BOERHANOEDIN

## APPENDIX C

# BANK INDONESIA

Management as at July 31st, 1958

### Monetary Board

Minister of Finance,	Dr. SOETIKNO SLAMET	: Chairman
Governor of Bank Indonesia,	Dr. LOEKMAN HAKIM	: Deputy Chairman
Minister of Trade,	RACHMAT MOELJOMISENO	: Member
Minister of Industry,	Ir. F. INGKIRIWANG	: Alternate Member

### Managing Directors

Dr. LOEKMAN HAKIM	:Governor
Dr. INDRA KASOEMA	: Managing Director and 1st Deputy Governor
Ir. DARMAWAN MANGOENKOESOEMO	: Managing Director and 2nd Deputy Governor
T.R.B. SABARUDIN	: Managing Director
Dr. BOERHANOEDIN	:Managing Director

Proxy in Europe and Manager of the Branch Office Amsterdam  
KHOUW BIAN TIE, drs, ec

## HEAD OFFICE DJAKARTA

Deputy Managing Director  
Mr. R.B. GANDASOEBRATA

### ForeignDept.

Mr. R.B. GANDASOEBRATA	: Chief
R.H. DJAKOESOEMA	: Deputy Chief
R. SUJANTO	: Asst. Chief
TJOA SIEN KIEN	: Asst. Chief

### General Dept.

Mr. R.HERTATIJANTO	: Acting Chief
M.HOLTZ	: Asst. Chief and interim

### Economic-Statistical Dept.

R. SOERJADI, drs. ec.	: Chief ad interim
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### General Credit Dept.

TAN TIONG DJIN	: Acting Chief
TJIOE TIANG HAM	: Asst. Chief and interim

### Credit Supervision Dept.

Mr.M.DJOEANA KOESOEMAHARDJA	: Chief
R. MARATH ON WIRIJA MIHARDJA	: Asst. Chief

### Djakarta Credit Dept

SOEJAKTO SOEPARDAN	: Acting Chief
J.TH.LEMAIRE	: Asst. Chief

### Bills Dept.

N. KE RKHOVEN	: Chief ad interim
J.A. FRANSZ	: Deputy Chief
Nn. ROCHANI DJAJASASMITA	: Asst. Chief
D.D. RANTY	: Asst. Chief
Mr. R. MARKOEM DJOJOHADI	
SOEPARTO	: Asst. Chief

TAN TEK YONG	:	Asst. Chief
J. HARAHAHAP	:	Acting Asst. Chief
Foreign Exchange Fund		
Mr. R. SULAKSANA SUPARTO	:	Chief
TJOA TIANG TJOEN	:	Asst Chief
Securities Dept.		
P. DE QUACK	:	Acting Chief
KOEN SURI ATMODJ O	:	Asst Chief
M. A. SOE RIADI	:	Asst Chief
Secretarial Dept.		
R. KARDANA HARDJAKUSUMAH	:	Chief ad interim
ACHMAD MARTINOES	:	Asst. Chief
Personnel Dept.		
F.O. TUMBEL	:	Chief
KHOE SOE LIEM	:	Asst. Chief
General Accounting Dept.		
E.E.P. POUBLON	:	Deputy Chief
J. CH. E. LAMAISSON	:	Asst. Chief
PADMI WIRAATMADJA	:	Asst. Chief
Building Maintenance Dept.		
Ir. J.A.H. ONDANG	:	Chief
R. ABDULSALAM WIDJOJOATMODJO	:	Asst. Chief
Cash Dept.		
AMHAR GELAR SOETAN PALEMBANG	:	Chief ad interim
LAY SIONG KWAN	:	Deputy Chief
SOENTNDTJO	:	Asst. Chief

Bank Note Dept.

ABDUL HAMID GELAR

M. PARTLINDUNGAN : Chief

Accounting Dept.

H.B. VORTMAN

: Chief ad interim

A.U. LAOH

: asst. Chief

H. THIJSEN

: asst. Chief

P. SIREGAR

: asst. Chief

BRANCH OFFICE, AMSTERDAM

KHOUW BIAN TIE, drs. ec.

: Manager

L. SWAAN

: Manager

H.R. VAN DE LEEUW

: Sub-Manager

J. VAN DER MEER

: Sub-Manager

Jhr. Mr. E.R.D. ELLIAS

: Asst. Secretary

PROXIES

J.M. PALM

H. TUPPE

R. YAN REES VELLINGA

B.H. BURGEMEESTER

P. WATERDRINKER

L.E. DE GRUYL

H.J. VERBEEK WOLTHUYS

J.F. WIJSMULLER

AGENCY IN THE UNITED STATES (NEW YORK)

RACHMAT SALEH, drs. ec.

: Temporary Representative

AGENCY IN GREAT BRITAIN (LONDON)

KHOUW BIAN TIE, drs. ec.

: Representative

## **BRANCH OFFICES IN DJAWA**

### **Bandung**

J.A. SEREH	:	Branch Manager ad interim
WIJARDI	:	Deputy Branch Manager
IRLAN SOEHENDRA	:	Cashier
MAHFUD JAKILE	:	Cashier
R. ABAS	:	Accountant

### **Djember**

Jo TEK SOEI	:	Branch Manager ad interim
R. MASHERMAN	:	Accountant

### **Jogjakarta**

I. NJOMAN MOENA	:	Branch Manager ad interim
R. ARIANTO WIRIOSAPUTRO	:	Cashier
LIE HWAY KIONG	:	Accountant

### **Kediri**

SOEKARNO	:	Branch Manager ad interim
TAN PING HWIE	:	Accountant ad interim

### **Malang**

SULWAN S. ASTRADININGRAT	:	Branch Manager ad interim
HAN PING YAN	:	Cashier
OEI SIOK TIEN	:	Accountant

### **Semarang**

E. SOEKASAH SOMAWIDJAJA	:	Branch Manager ad interim
R.R. WENAS	:	Deputy Branch Manager
Mr. ARRO BAKSONO	:	Cashier
G.W. NAJOAN	:	Cashier
SUNJ OTO KUSUMODIDJOJO	:	Cashier
KHOE SOE KHOAN	:	Accountant

Solo

R. DHOEMADI SINGOWIGOENO	:	Branch Manager
Mr. R. SOEWIGNJO SOERJOKOESOEM	:	Cashier
R. SOENARTO	:	Accountant

Surabaja

TAN LIANG OEN	:	Branch Manager
GOESTI ABDUL AZIS	:	1 st Branch Manager
R. SOEJATNO SOEMARDJO	:	2nd Branch Manager
R. SOEJOTO	:	Cashier
BAMBANG SUSILO	:	Cashier
HAMDANI	:	Cashier
R. OEMAR SAID	:	Accountant
J. ENAS	:	Asst. Accountant

Tjirebon

R.H. KAMARGA	:	Branch Manager
F.H. RARUNG	:	Cashier
PHOA HONG GIN	:	Accountant

**BRANCH OFFICES IN SUMATRA**

Medan

R .W. L. ECHTER	:	Branch Manager ad interim
R.P. SOEMA DI PRADJA	:	1st Deputy Branch Manager
K.L. RANTY	:	2nd Deputy Branch Manager
ACHMAD SIROD	:	Cashier
Mr. R. MARTOJO KOENTO	:	Cashier ad interim
LOH THIM LOOK	:	Accountant

Padang		
Z.J. SAHUSULAWANE	:	Branch Manager
NANDANG KOMAR	:	Deputy Branch Manager
MAHJOEDIN	:	Accountant

Palembang		
ANDI FAISAL.	:	Branch Manager
R.S. NATALEGAWA	:	Deputy Branch Manager
WHIE PEK SOEI	:	Accountant ad interim

### **BRANCH OFFICES IN KALIMANTAN**

Bandjarmasin		
R. SOEMARTONO MS	:	Branch Manager ad interim
A.R.D. RICHIR	:	Accountant

Pontianak		
TRASNO KALIPROGO	:	Branch Manager ad interim
R.M. SOEMIRAT SOERJODARMODJO	:	Deputy Branch Manager
OH SOEI BIE	:	Cashier
R. SOEROTO DONO	:	Accountant

### **BRANCH OFFICES IN SULAWESI**

Makassar		
M. RIFAI	:	Branch Manager
S. SOEDITO	:	Deputy Branch Manager ad interim
B.R. BOHANG	:	Accountant

Menado		
H.P. TOAR	:	Branch Manager
A. NELWAN	:	Accountant



### **BRANCH OFFICES IN MALUKU**

Ambon

ONG SIAN TJONG : Branch Manager

R.M.W.T. LUNGGONO : Accountant

### **BRANCH OFFICE IN LOMBOK**

Ampenan

R. SOETANDIJO : Branch Manager ad interim

E.A. KOETIN : Accountant

## APPENDIX D

### INTEREST TARIFF OF BANK INDONESIA

IN FORCE AS FROM JULY 1st, 1953

Discounts :

<i>Bills of Exchange</i> with at least three signatures (minimum interest ten days) .....	3	%
<i>Bills of Exchange and acceptances</i> 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. Bills of Exchange, Promissory Notes, 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 ADVANCE IN CURRENT ACCOUNT AGAINST

<i>Bills of Exchange</i> .....	5	%
<i>Promissory Notes</i> .....	6 1/2	%
<i>Government Auction Promissory Notes</i> .....	3	%
<i>Securities</i> : 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, 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.	Foreign Exchange Fund, foreign exchange account	Consolidated advances to the Government	Current advances to the Government	Claim in rupiahs 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
<b>1957</b>													
3 April	518,481	1,415,635	3,648,499	7,866,350	313,502	1,861,500	9,206,762	1,081,600	513,788	974,175	256,313	1,982,810	748,152
10 "	518,094	1,417,374	3,648,499	8,290,904	313,502	1,844,515	9,353,415	1,081,600	503,402	1,037,038	256,121	2,331,110	749,071
16 "	516,837	1,377,789	3,648,499	8,445,529	313,502	1,805,490	9,528,778	1,081,600	473,125	1,080,149	255,893	2,315,255	757,014
24 "	513,561	1,359,723	3,648,499	8,736,083	313,502	1,802,632	9,693,202	1,081,600	459,687	1,020,119	257,027	2,322,979	754,171
29 "	506,050	1,366,500	3,648,499	8,962,692	313,502	1,822,218	9,777,551	1,081,600	424,502	1,005,402	257,179	2,367,066	752,358
8 May	502,770	1,361,496	3,648,499	9,232,354	313,502	1,793,510	10,092,519	1,081,600	424,141	1,103,870	257,225	2,427,258	754,662
15 "	502,770	1,312,869	3,648,499	9,691,655	313,502	1,755,340	10,174,989	1,081,600	380,892	1,086,432	257,260	2,724,241	764,742
22 "	501,996	1,315,338	3,648,499	10,153,136	313,500	1,753,969	10,253,466	1,081,599	395,502	1,054,692	257,224	3,062,910	763,732
29 "	497,572	1,344,195	3,648,499	10,612,871	313,500	1,717,437	10,201,359	1,081,599	342,777	971,918	257,331	3,475,012	764,850
5 June	493,883	1,409,268	3,648,499	10,772,785	313,500	1,700,154	10,237,041	1,081,599	328,670	961,632	257,461	3,743,226	767,127
12 "	487,142	1,416,867	3,648,499	10,760,490	313,500	1,671,964	10,378,956	1,083,335	320,669	1,019,029	257,831	3,683,422	773,062
19 "	487,106	1,406,531	3,648,499	10,526,250	313,500	1,656,863	10,532,337	1,083,335	340,398	1,000,321	258,153	3,264,824	774,775
26 "	485,807	1,414,182	3,648,499	10,687,083	313,500	1,638,268	10,538,503	1,104,405	340,911	998,074	258,265	3,387,883	777,790
3 July	485,710	1,389,184	3,648,499	10,870,689	313,500	1,652,780	10,631,386	1,104,434	364,087	1,003,117	258,504	3,432,322	776,639
10 "	485,711	1,371,283	3,648,499	11,375,448	313,500	1,608,500	10,918,725	1,104,502	401,274	987,136	259,125	3,725,213	772,419
17 "	485,711	1,390,681	3,648,499	11,993,458	313,500	1,581,251	11,183,554	1,104,502	389,128	768,188	259,202	3,760,196	776,368
24 "	485,711	1,427,903	3,648,499	12,153,009	313,500	1,618,112	11,296,608	1,104,502	430,763	763,099	259,202	3,916,081	772,876
31 "	485,615	1,483,054	3,648,499	12,138,947	313,500	1,629,605	11,395,637	1,104,502	437,156	826,325	293,205	4,053,619	773,154
7 August	477,820	1,568,137	3,648,499	12,335,249	313,500	1,618,460	11,589,345	1,104,502	425,400	828,093	293,204	4,096,450	778,307
14 "	475,077	1,612,744	3,648,499	12,520,039	313,500	1,628,894	11,710,557	1,104,502	413,635	891,168	281,241	4,215,386	777,480
21 "	496,327	1,624,830	3,648,499	12,482,368	313,500	1,576,722	11,914,739	1,104,502	426,923	884,773	274,631	4,001,749	777,555
28 "	495,678	1,749,077	3,648,499	12,561,479	313,500	1,622,752	11,970,039	1,092,002	294,191	835,310	274,732	3,716,643	780,031
4 September	495,444	1,789,435	3,648,499	12,632,843	313,500	1,667,967	12,033,201	1,092,002	321,239	842,206	274,772	3,715,478	777,058
11 "	492,934	1,822,369	3,648,499	12,719,208	313,500	1,667,512	12,134,239	1,092,002	323,239	840,034	273,334	3,788,554	775,606
18 "	491,653	1,856,336	3,648,499	12,715,734	313,500	1,684,598	12,239,555	1,042,002	312,706	911,302	273,335	3,803,860	779,748
25 "	490,915	1,919,731	3,648,499	12,912,538	313,500	1,674,742	12,342,518	1,042,002	353,461	791,292	273,425	3,754,952	780,401
2 October	490,817	1,943,777	3,648,499	12,959,364	313,500	1,670,027	12,376,570	1,042,002	374,491	914,707	273,446	3,862,248	779,576
9 "	490,246	1,998,518	3,648,499	13,080,955	313,500	1,662,348	12,504,890	1,042,002	354,671	967,300	273,465	3,951,343	779,288
16 "	495,744	2,047,674	3,648,499	13,248,030	313,500	1,708,366	12,582,207	1,042,002	330,058	831,983	274,122	3,722,784	778,852
23 "	491,584	2,078,293	3,648,499	13,452,757	313,500	1,751,041	12,614,450	1,042,002	350,616	841,300	274,030	3,956,912	782,100
30 "	495,479	2,103,250	3,648,499	13,492,898	313,500	1,744,777	12,588,365	1,042,002	349,649	844,497	275,503	3,753,382	784,091
6 November	495,392	2,113,982	3,648,499	13,607,731	313,500	1,778,847	12,627,004	1,042,002	244,893	867,539	275,885	3,885,550	779,466
13 "	494,633	2,071,987	3,648,499	13,467,375	313,500	1,843,559	12,727,991	1,042,001	303,469	859,805	275,995	3,731,944	780,863
20 "	490,576	2,035,499	3,648,499	13,492,954	313,500	1,861,421	12,871,408	1,007,476	278,450	843,081	277,972	3,628,881	779,894
27 "	488,873	2,022,484	3,648,499	13,568,718	313,500	1,891,009	12,876,387	1,007,476	239,933	792,333	278,154	3,568,881	778,648
4 December	488,157	2,156,901	3,648,499	13,846,449	313,500	1,935,959	13,007,410	1,007,476	232,919	831,937	278,346	3,326,749	797,150
11 "	487,765	2,065,658	3,648,499	14,068,839	313,500	1,991,325	13,308,744	1,007,476	277,573	987,403	278,737	3,295,321	801,490
18 "	469,510	1,890,866	3,648,499	14,350,395	313,500	1,995,312	13,534,830	1,007,476	340,928	1,222,163	283,942	3,655,564	801,544
24 "	469,314	1,788,211	3,648,499	15,023,624	313,500	1,964,639	13,713,843	1,007,476	330,462	847,355	286,462	3,416,143	816,004
31 "	469,337	1,674,391	3,648,499	15,270,117	313,500	1,969,360	13,814,962	1,007,476	400,604	842,621	288,665	3,570,214	822,228
<b>1958</b>													
8 January	469,337	1,645,269	3,648,499	15,447,313	313,500	1,957,969	13,971,880	1,007,476	365,865	862,379	288,881	3,582,846	824,418
15 "	469,383	1,642,707	3,648,499	15,661,114	313,500	1,946,936	13,948,058	1,007,476	327,759	964,011	290,990	3,837,292	832,065
22 "	469,383	1,631,750	3,648,499	15,726,002	313,500	1,931,820	13,916,384	1,007,476	385,996	1,014,043	290,771	4,011,766	832,648
29 "	469,383	1,583,989	3,648,499	15,638,894	313,500	1,885,690	13,898,254	994,920	418,643	1,170,097	291,343	4,038,298	834,280
5 February	469,405	1,549,921	3,648,499	15,924,967	313,500	1,881,470	13,855,905	994,920	433,191	863,020	291,411	4,111,113	833,813
12 "	469,439	1,542,032	3,648,499	16,142,889	313,500	1,879,076	13,849,253	994,920	379,923	874,612	291,866	4,325,300	836,681
19 "	469,439	1,518,492	3,648,499	16,181,008	313,500	1,871,553	13,936,192	994,916	350,440	914,717	292,317	4,221,599	839,956
26 "	468,958	1,520,756	3,648,499	16,397,273	313,500	1,894,953	13,899,331	932,366	364,165	990,623	292,746	4,776,294	843,351
5 March	465,060	1,463,557	3,648,499	16,907,023	313,500	1,889,819	13,976,195	932,366	365,078	1,114,082	292,751	4,699,352	846,688
12 "	465,101	1,441,622	3,648,499	16,983,909	313,500	1,856,199	14,021,250	932,366	340,573	1,231,677	286,965	4,739,565	847,171
19 "	465,110	1,442,488	3,648,499	16,741,457	313,500	1,875,643	13,990,997	932,366	371,639	1,271,530	287,295	4,532,957	851,609
26 "	464,721	1,412,828	3,648,499	16,983,572	313,500	1,860,287	14,022,728	941,840	338,992	1,312,418	288,022	4,584,506	854,148

## **APPENDIX F**

### **LAW EXEMPTING BANK INDONESIA FROM THE OBLIGATION REFERRED TO IN ARTICLE 16, PARAGRAPH 1, OF THE BANK INDONESIA ACT 1953**

(Emergency Law No 14, 1957; Government Gazette 1957, No 61)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Observing:

that by virtue of article 16, paragraph 3 of the Bank Indonesia Act, the Monetary Board laid down by its decree of February 2, 1957, No 23 that for the period January 30, 1957 up to April 30, 1957 the total amount of banknotes, balances on current account and other liabilities of the Bank shall be covered for fifteen percent by gold, gold coin, bullion, or by reserves consisting of freely convertible foreign currency, or by the right to draw on the International Monetary Fund and the World Bank as transferred or to be transferred to the Bank by law;

Considering:

- (a) that actual developments have shown that since January 30, 1957 the percent age of cover has dropped week by week so that it threatens to drop below the 15% cover referred to above;
- (b) that the percentage of cover had dropped to 15.14% on April 23, 1957;
- (c) that Bank Indonesia will nor be capable of restoring the conditions referred to in article 16, paragraph 1 of the Bank Indonesia Act 19 5 3 on short term; that even now it cannot with any measure of certainty be expected that the 15% cover can be maintained for a period of three months as referred to in article 16, paragraph 5 of the Bank Indonesia Act 1953;
- (d) that it is not considered expedient that another cover should be fixed at less than 15%

(e) that, on expiry of the Decree of the Monetary Board No 23 of February 2, 1957, it is deemed necessary that for a period of six months — from April 30 to November 1, 1957,—Bank Indonesia shall be exempted from the obligation to restore the gold cover as referred to in article 16, paragraph 1 of the Bank Indonesia Act 1953;

(f) that due to considerations of urgency it is deemed necessary that this regulation should be enacted by Emergency Law;

In view of:

article 96, paragraph I of the Constitution of the Republic of Indonesia and article 16, paragraph 3 of the Bank Indonesia Act 1953;

Having heard:

The Council of Ministers in their meeting of April 29, 1957;

Has resolved

To enact:

An Emergency Law providing for the exemption of Bank Indonesia from the obligation referred to in article 16, paragraph 1 of the Bank Indonesia Act 1953 for a period of six months upon the expiry of the decree of the Monetary Board of February 2, 1957, No 23, issued by virtue of article 16, paragraph 3 of the Bank Indonesia Act 1953 (Law No 11/1953; Government Gazette 1953 No 40), as follows:

#### Article I

Bank Indonesia shall be exempted from the obligation referred to in article 16, paragraph 1 of the Bank Indonesia Act 1953 for a period of six months—from April 30, 1957 up to November 1, 1957—to wit upon the expiry of the Decree of the Monetary Board of February 2, 1957, No 23, issued by virtue of article 16, paragraph 3 of the Bank Indonesia Act 1953.

## Article 2

This Emergency Law shall become operative on the date of promulgation and shall be retroactive to April 30, 1957.

## **APPENDIX G**

### **DECREE OF THE MONETARY BOARD No 27 dated May 27, 1957**

The Monetary Board:

Considering:

the necessity of extending the general conditions for granting licences to conduct banking operations as laid down in the Monetary Board Decree No 25 dated March 11, 1957;

In view of:

- (a) article 7 paragraph 3, 4 and 5 of the Bank Indonesia Act 1953,  
article 2 paragraph 2 of Government Ordinance No 1/1955;
- (b) Monetary Board Decree No 25 dated March 11, 1957;
- (c) the decision of the Monetary Board meeting of May 14, 1957;

Has decided :

to extend the general conditions under the Monetary Board Decree No. 25 dated March 11, 1957, by further general conditions reading as follows:

Firstly : without prejudice to the provisions referred to in the first paragraph of the Monetary Board Decree No 25 dated March 11, 1957, permanent licences for conducting banking operations or savings banks, as referred to in article 2 paragraph 1 of Government Ordinance No 1/1955, can only be granted by the Minister of Finance if the paid-up capital (working-capital) as laid down in article 2, paragraph 2 of Government Ordinance No 1/1955, consists exclusively of capital obtained from private sources and does not include capital obtained, directly or indirectly, from the Government or from corporate bodies established by the Government under Public or Civil Law.

Secondly : applicants for permanent licences shall have to supply adequate proof that the paid-up (working) capital does not include capital obtained from the Gov



ernment or from corporate bodies established by the Government, as referred to in firstly. Whenever necessary, the Bank Indonesia Managing Board can examine into the reliability of the proof supplied.

Thirdly : this Decree shall become operative on the date of signature.

## **APPENDIX H**

### **DECREE OF THE MONETARY BOARD No 28 dated May 28, 1957**

The Monetary Board:

Considering:

the necessity to lay down a general regulation governing the restrictions of credits granted by private credit banks, in view of current monetary developments;

In view of:

- (a) article 9 paragraph 2 (a), 3 and 4 of Government Ordinance No 1/1955.
- (b) the decision of the Monetary Board meeting of May 28, 1957.

H a s d e c i d e d

To establish a general regulation governing the restriction of credits granted by private credit banks, as follows:

Firstly : all private credits banks are required to :

- (a) invest part of their cash assets (cash plus balance with Bank Indonesia) in Treasury notes and bills ;
- (b) observe a minimum ratio between the amount of cash assets less the amount referred to under (a), and the amount of current and deposit accounts ;

Secondly : the part of the cash assets that is to be invested in Treasury notes and bills, as referred to under Firstly (a), and the minimum proportion as referred to under Firstly (b), shall be determined by the Bank Indonesia Managing Board in conformity with the exigencies brought about by monetary developments

Thirdly : this regulation shall only apply to private credit banks showing overall balances of current and deposit accounts to an aggregate of at least Rp 75,000,000 (seventy-five million rupiahs);

Fourthly : the implementation of this regulation is entrusted to the Bank Indonesia Managing Board.

## **APPENDIX I**

### **DECREE OF THE MINISTER OF FINANCE ON THE WITHDRAWAL FROM CIRCULATION OF GOVERNMENT CURRENCY NOTES IN DENOMINATIONS OF 25 SEN AND 10 SEN**

**dated November 8, 1956.**

THE MINISTER OF FINANCE OF THE REPUBLIC OF INDONESIA

Considering :

that the circulation of Government Currency Notes in denominations of 25 sen and 10 sen—issued by the erstwhile pre-federal Government under the Ordinance of November 21, 1947 (Government Gazette 1947, No 205) and of November 21, 1947 (Government Gazette 1949, No 343)—is no longer compatible with present conditions;

that, new coins having been issued since 1951, especially in the denominations of 25 sen and 10 sen to replace Government Currency Notes in the same denominations, it is considered necessary to withdraw the aforesaid Government Currency Notes of 25 sen and 10 sen from circulation;

that, under the provisions of article 5 of the Emergency Law No 2, 1954, and Law No. 1, 1955, the withdrawal of 25 sen and 10 sen Government Currency Notes, simultaneously has the effect of rendering the said Notes void as legal tender;

that a period must be fixed in which the 25 sen and 10 sen Government Currency Notes may be exchanged for legal currency at Government Pay Offices, and at Post Offices acting as Government Pay Offices.

In view of:

article 5 and 6 of Law No 1, 1955 (Government Gazette 1955 No 10)

**H a s d e c i d e d :**

- Firstly : to withdraw from circulation Government Currency Notes in the denominations of 25 sen and 10 sen, issued under the Ordinance of November 20, 1947 (Government Gazette 1947, No 205) and of November 21, 1949 (Government Gazette 1949 No 343), as from January 1, 1957, so that said Government Currency Notes shall no longer be legal tender;
- Secondly : as from January 1, 1957, no one shall be under the obligation to pass or accept the Government Currency Notes referred to under Firstly as legal tender; Thirdly: the currency notes referred to under Firstly may be exchanged at their nominal value for legal tender at Government Pay Offices, or at Post Offices acting as Government Pay Offices and other Government bodies under instructions of the minister of Finance, up to and including June 30, 1957;
- Fourthly : after June 30, 1957, all claims of holders of the Government Currency Notes, or part thereof, referred to under Firstly, shall become extinct and no exchange whatsoever shall be made;
- Fifthly : to ensure common knowledge, this Decree shall be published in the Government Gazette of the Republic of Indonesia.

## **APPENDIX J**

### **ANNOUNCEMENT OF BANK INDONESIA**

**dated November 22, 1957**

The Governor and Managing Directors of Bank Indonesia hereby announce that the currency notes in the denominations of Rp 2.50, Rp 1.00 and Rp 0.50, issued by the Javasche Bank and dated 1948, will be called in and withdrawn from circulation as from December 1, 1957.

Holders of the aforesaid currency notes are called upon to exchange same at the Cashiers' Departments of Bank Indonesia before December 1, 1958.

After the last-mentioned date, the currency notes referred to above can only be exchanged at the Head Office of Bank Indonesia in Djakarta. On request, however, the Branch Offices of Bank Indonesia, after receiving authorization therefor from the Head Office, will assist by forwarding such currency notes, free of charge, to the Head Office to be exchanged.

Claims relating to the exchange of the aforesaid currency notes not yet handed in, will become extinct on November 30, 1988.

## **APPENDIX K**

### **GOVERNMENT ANNOUNCEMENT**

As generally known, the Government is confronted at present with a variety of difficulties in the monetary, financial and economic fields. The main causes are the deficit of the budget and the sharp decline of foreign exchange income which has brought monetary reserves to a level dangerous for the economy, if no measures are taken promptly to improve conditions.

As a preliminary step in the foreign currency field, the Monetary Board restricted foreign exchange expenditure for imports of foreign commodities some time ago.

The Monetary Board fully realizes that restrictions of imports cannot continue indefinitely, since this would have the effect of greatly diminishing supplies and would disturb the economy.

Recurrent budgetary deficits over the past few years, coupled with negligible improvement in production, largely account for monetary conditions not yet having reached equilibrium. An excessive volume of money furthermore gave rise to an extravagant eagerness to buy, particularly import goods. This handicapped the balance of payments position and eventually caused foreign exchange holdings to slump.

The above developments caused the value of the rupiah to tumble down. which, in turn, was the primary cause for reduced exports and impeded foreign trade.

In connection with the above difficulties, the Monetary Board deems it necessary to introduce changes in the current regulations, with a view to:

- (a) bringing exports and imports in balance;
- (b) build up foreign currency holdings by promoting exports;
- (c) simplifying foreign exchange regulations.

In view of the considerations set forth above, the Government has sanctioned the Monetary Board Decree Nr 30, as decided on in the Board Meeting of June 18, 1957, and hereby announces the following regulation.

## I. FOREIGN EXCHANGE REVENUE

### *(a) Exports*

Exporters engaged in exporting Indonesian goods and produce under foreign exchange contracts concluded with a bank on or after May 20, 1957, will receive from the bank a B.E. (Bukti Ekspor = Export Certificate) when submitting exports bill of exchange in accordance with Form 18 signed by the Customs Service on or after June 20, 1957, together with the covering shipping documents.

In the case of exports on consignment, the bank will only issue a B.E. to the consignor when the proceeds of the consignment have been transferred to Indonesia. The B.E. will also be issued if the consignor, at the time of submitting Form 18 B signed by the Customs Service, draws a sight draft. In that case the B.E. will be issued upon surrender of the sight draft and after the shipping documents have been received by the bank.

The B.E. gives a title to the foreign exchange obtained and the nominal value of the B.E. is equal to 100% of the amount of foreign currency.

Its nominal value shall not only be expressed in foreign currency but also in rupiahs at the current parity-rate.

B.E.s have a validity of two months and can be sold by the holder— exporter/consignor to importers or to individuals who wish to make transfers abroad for services, this only insofar as they have obtained an S.I.D. (Surat Izin Devisen = Foreign Exchange Permit) from the Biro Devisen Perdagangan (Commercial Foreign Exchange Bureau) or the Lembaga Alat-Alat Pembayaran Luar Negeri (Foreign Exchange Institute).

Dealings in B.E.s are effected through Foreign Exchange Banks at the current B.E. price, which is dependent on supply and demand.

Exporters/consignors who sell their B.E.s pay to the Government so-called Pembayaran B.E. (Export Certificate Payment) at 20% (twenty percent) of the selling price (ad valorem) realized by the seller.

With the coming into operation of this regulation, export duties will be suspended for the time being.

*(b) invisibles*

The B.E. regulations set forth under (a) also apply to payments in foreign currency in the sector of services. The recipients of transfers from foreign countries also receive B.E.s from the Foreign Exchange Bank concerned at a nominal price equalling the amount of foreign currency transferred; this applies insofar as such transfers are received by a Foreign Exchange Bank in Indonesia on or after June 20, 1957.

This provision also applies for changing foreign paper currency, traveller's cheques etc.

Sellers of B.E.s as referred to above are equally subject to the levy of 20% Pembayaran B.E.

Capital transfers from abroad or imports of money under foreign credits are exempt from the 20% P.B.E. levy, insofar as such receipts meet the requirements of the Foreign Exchange Institute.

*(c) Gold deposited with the Foreign Exchange Fund*

The B.E. regulations equally apply to gold deposits made with Bank Indonesia or the Foreign Exchange Fund. In this case, the party concerned receives a B.E. to a nominal value equivalent to (100% of) Rp 12,465 for each kilogram of pure gold, with the proviso that 20% P.B.E. will be levied when the said B.E. is sold.

## **II. FOREIGN EXCHANGE EXPENDITURE**

*(a) Imports*

With regard to S.I.D.s (Foreign Exchange Permits) issued by B.D.P. (Bureau Commercial Foreign Exchange) on or after June 20, 1957, it is hereby decreed that imports



can only be effected if the importer deposits with the Foreign Exchange Bank handling the transaction, a B.E. equivalent to 100% of the C & F price of the goods to be imported and corresponding with the amount of the S.I.D. (Foreign Exchange Permit).

This does away with the need of a prepayment and the payment of T.P.I. at the time when putting in a P.I.I. (Application for Import Permit).

When putting in the P.I.I., the importer is bound to make a deposit to an amount of 20% (twenty percent) of the C & F value at the parity-rate.

Such a deposit is forfeited to the Foreign Exchange Fund (that is, the State) in case the S.I.D. is not realized within the period specified by LAAPLN in a special regulation.

In case imports fall within the categories of import goods on which T.P.I. is levied, the importer is bound to pay T.P.I. when the Foreign Exchange Bank receives the S.I.D. from B.D.P.

As from June 20, 1957, six T.P.I. categories have been introduced :

Category	I	-	0%
Category	II	-	20%
Category	III	-	50%
Category	IV	-	100%
Category	V	-	140%
Category	VI	-	175%

The Minister of Trade determines which imports come under T.P.I. Categories I—VI.

T.P.I. payments, at their specific percentage rates, are calculated on the basis of actual B.E. prices, that is, the actual price paid by the importer to buy the B.E.s.

Import duties are calculated on the basis of the so-called customs value, that is, the B.E. price the importer paid, with T.P.I. added.

*(b) Invisibles*

As from June 20, 1957, Foreign Exchange Banks are only permitted to effect transfers to foreign countries, provided the transferor has submitted B.E.s to a nominal value equivalent to 100% of the amount of foreign currency to be paid to the transferee abroad in accordance with the LAAPLN foreign exchange permit, irrespective of whether this permit was issued by LAAPLN prior to June 20, 1957.

This regulation also applies to sales of foreign paper currency, traveller's cheques etc.

*(C) T.P.T.*

A new regulation applies to the transfer of profits and dividends over the financial years 1955 and 1956, with the proviso that, should transfer under the new regulations turn out to be more expensive than under the old system in operation up to now, no T.P:T. payment under the old system is required.

Transfers of profits and dividends over the financial year 1957 are subject to T.P.T. at a percentage to be fixed at a later date.

Transfers of profits by enterprises, considered new investments, are exempt from T.P.T..

*III. TRANSITORY PROVISION*

The old system still applies for settling transactions running before June 20, 1957, and which, under this Announcement, cannot be classified under the new regulations.

Unexpired B.P.E.s (Export Inducement Certificates) can be applied in the same manner as B.E.s under the new regulations.

The date when this new regulation will come into force for the barter/ consignment areas in Sumatra will be determined later.

## APPENDIX L

IMPORTS OF CONSUMER GOODS INTO INDONESIA								
	Gross weight ( <sup>000 tons)</sup>				Value (Rp million)			
	1938	1955 <sup>1)</sup>	1955 <sup>1)</sup>	1957 <sup>2)</sup>	1938	1955 <sup>1)</sup>	1956 <sup>1)</sup>	1957 <sup>2)</sup>
Meat and canned meat products	1.8	0.5	0.5	0.4	0.8	5.5	5.8	3.5
Milk and related products	19.9	20.1	39.6	24.4	5.3	83.5	157.0	116.7
Butter and margarine	6.1	0.2	0.1	0.2	4.2	1.7	0.6	1.7
Cheese	1.2	0.2	0.7	0.5	0.7	2.1	5.4	4.3
Fish, dried or salted, Asiatic varieties	61.6	22.5	28.2	26.4	11.0	38.8	64.6	61.2
Rice	334.2	127.0	763.2	563.4	22.1	246.6	1,280.7	956.4
Wheat flour	85.3	120.1	196.9	156.0	7.7	135.5	223.1	186.6
Fruits (incl. marmalades, jams, etc.)	7.2	9.3	11.3	7.9	1.8	13.1	19.8	13.5
Vegetables	13.9	3.2	4.9	5.0	2.5	6.4	9.6	9.5
Spirits, distilled and undistilled	11.5	4.4	3.0	2.0	4.5	18.3	14.9	10.8
Tobacco and tobacco products	1.6	0.1	0.2	—	1.9	1.5	2.6	0.6
Sugar and related products	2.7	0.6	1.0	0.5	0.6	3.1	4.0	1.8
Coffee, tea, cocoa and chocolate	2.6	0.3	0.1	0.1	1.8	3.2	1.2	0.8
Kerosene	27.5	0.1	5.0	0.3	1.1	0.2	1.7	0.2
Sewing cottons	1.1	1.6	1.5	1.0	2.7	39.7	35.9	27.6
Cotton piece goods :								
dyed	11.1	13.8	18.5	15.9	12.7	255.4	331.8	275.8
printed	5.6	8.8	13.9	9.8	8.0	216.8	285.8	192.1
coloured woven	7.9	2.3	2.9	2.9	8.9	34.1	41.1	44.2
Cotton singlets and mesh shirts	2.7	1.7	4.4	0.1	3.2	30.6	81.4	2.5
Other clothing	3.8	0.4	1.1	0.3	6.9	12.2	24.5	6.2
Table and kitchen ware of earthenware and china	14.5	10.0	45.4	19.8	1.9	18.4	83.2	35.6
Sundry household articles of glass	5.4	5.5	14.9	5.1	1.0	11.0	28.0	10.8
Sundry household articles of metal	3.3	4.2	3.0	3.3	1.8	15.0	14.4	12.4
Matches	2.3	6.6	5.1	—	1.0	28.4	27.2	0.2
Wireless sets and sewing machines	1.7	3.8	9.9	6.6	2.8	34.1	76.3	46.1
Bicycles	0.8	0.4	0.9	9.3	0.8	5.2	12.3	69.6
Bicycle tyres	0.7	1.7	5.9	1.9	0.6	16.1	63.0	18.8
Other consumer goods	141.2	74.8	93.4	51.5	88.4	860.1	1,184.7	784.6
<b>Total</b>	<b>779.2</b>	<b>444.2</b>	<b>1,275.5</b>	<b>914.6</b>	<b>206.7</b>	<b>2,136.6</b>	<b>4,080.6</b>	<b>2,894.1</b>
Of which oil companies	27.5	8.3	13.0	9.1	1.1	56.7	53.2	67.0
<b>Total excl. oil companies</b>	<b>751.7</b>	<b>435.4</b>	<b>1,262.5</b>	<b>905.5</b>	<b>205.6</b>	<b>2,079.9</b>	<b>4,027.4</b>	<b>2,827.1</b>
<sup>1)</sup> Revised figures <sup>2)</sup> Provisional figures								

Source :C.B.S.

## APPENDIX M

IMPORTS OF RAW MATERIALS AND AUXILIARY GOODS INTO INDONESIA								
	Gross weight ( <sup>'000 tons</sup> )				Value (Rp million)			
	1938	1955 <sup>2)</sup>	1956 <sup>2)</sup>	1957 <sup>3)</sup>	1938	1955 <sup>2)</sup>	1956 <sup>2)</sup>	1957 <sup>3)</sup>
Dyestuff, prepared from coal tar	2.2	3.5	4.3	3.1	4.3	84.4	94.8	72.3
Fertilizers	122.4	147.6	183.8	207.9	7.5	116.0	142.7	185.2
Cloves and clove stems	5.7	6.8	12.8	7.2	3.7	72.5	130.6	77.2
Cases	23.9	4.8	3.1	3.7	3.8	15.8	10.5	12.0
Gunny bags	55.8	29.9	19.3	15.9	10.2	91.7	57.6	48.3
Cotton yarns	9.1	18.0	20.5	10.6	10.1	272.4	297.4	160.1
Cotton piece goods :								
unbleached	7.3	6.9	6.1	3.6	6.7	91.8	81.1	44.8
bleached	19.8	16.9	15.7	20.1	25.9	313.9	317.4	415.0
Paper and manufactures thereof	54.1	89.0	102.6	89.2	6.9	278.4	239.5	266.0
Building cement	121.0	356.8	396.1	312.7	1.6	114.7	129.3	109.1
Iron and steel rolled products	114.3	104.7	112.1	174.2	14.8	207.2	262.6	459.4
Iron roofing material and accessories	20.2	4.6	7.8	7.8	4.0	19.3	29.7	32.7
Tin plates and sheets	27.5	23.2	20.3	23.7	7.2	50.3	47.4	55.1
Nails, tacks and spikes	14.7	30.0	20.5	22.9	2.1	54.9	39.8	48.3
Mineral fuels (other than petroleum products)	84.2	33.8	43.9	41.7	1.5	11.5	20.4	18.7
Kerosene, gasoline and lubricating oils	93.3	116.2	143.6	338.0	3.5	46.4	52.0	128.7
Oil and other oil products <sup>1)</sup>	37.5	2,748.0	2,650.7	3,403.8	1.5	659.4	606.1	788.0
Other raw and auxiliary materials	243.9	355.3	454.8	531.4	39.1	1,259.2	1,216.1	1,387.3
Total <sup>1)</sup>	1,056.9	4,096.0	4,218.0	5,217.5	154.4	3,759.8	3,775.0	4,308.2
Of which oil companies <sup>1)</sup>	142.3	1,543.3	1,451.5	3,829.3	6.7	522.7	491.0	1,078.5
Total excl. oil companies	914.6	2,552.7	2,766.5	1,388.2	147.7	3,237.1	3,284.0	3,229.7
<sup>1)</sup> Of which oil for re-export	—	1,267.0	2,564.5	3,277.2	—	235.8	483.9	626.9
<sup>2)</sup> Revised figures								
<sup>3)</sup> Provisional figures								

Source : C.B.S.

## APPENDIX N

IMPORTS OF CAPITAL GOODS INTO INDONESIA								
	Gross weight ( <sup>0</sup> 000 tons)				Value (Rp million)			
	1938	1955 <sup>1)</sup>	1956	1957 <sup>2)</sup>	1938	1955 <sup>1)</sup>	1956	1957 <sup>2)</sup>
Iron and steel structures	2.4	2.3	3.3	6.9	0.6	8.5	14.4	26.4
Electric cables	2.8	3.0	5.2	6.0	1.1	27.2	43.2	50.0
Office machines	0.3	0.4	0.7	0.7	1.1	21.7	43.2	45.2
Motor vehicles	13.6	14.6	22.4	14.8	12.1	182.5	279.0	219.1
Motor vehicles'tyres and tubes	0.9	0.6	6.2	3.3	1.1	9.9	101.9	54.7
Stationary internal combustion engines	2.2	3.3	5.6	2.8	2.5	67.2	108.8	68.0
Textile machinery	3.4	1.8	6.0	3.7	1.4	20.3	69.9	41.8
Mining machinery	14.7	0.9	4.1	7.1	10.5	15.0	40.4	38.2
Other industrial machinery	4.5	9.8	22.9	19.5	2.8	120.3	236.1	267.9
Other capital goods	121.9	89.9	94.1	113.2	84.2	811.7	955.6	1,071.7
Total	166.7	126.6	170.5	178.0	117.4	1,284.3	1,892.5	1,883.0
Of which oil companies	—	21.5	28.6	51.3	—	183.5	209.8	433.7
Total excl. oil companies	166.7	105.1	141.9	126.7	117.4	1,100.8	1,682.7	1,449.3
<sup>1)</sup> Revised figures <sup>2)</sup> Provisional figures								

Source : C.B.S.

## APPENDIX O

### PRODUCTION, EXPORTS AND CONSUMPTION OF INDONESIA'S FOODCROPS

Maize		1955	1956	1957*)
Area harvested : ( <i>ha</i> )	Djawa and Madura	1,577,000	1,702,000	1,556,000
	Other islands	465,000	530,000	541,000
Indonesia		2,042,000	2,232,000	2,097,000
Production : ( <i>tons of kernels</i> )	Djawa and Madura	1,462,000	1,431,000	1,290,000
	Other islands	509,000	533,000	510,000
Indonesia		1,971,000	1,965,000	1,800,000
Exports		10,045	1	—
Available for consumption		1,960,955	1,964,999	1,800,000

Cassava and cassava products		1955	1956	1957*)
Area harvested : ( <i>ha</i> )	Djawa and Madura	876,000	899,000	987,000
	Other islands	202,000	226,000	295,000
Indonesia		1,078,000	1,125,000	1,192,000
Production : ( <i>tons, dry</i> )	Djawa and Madura	1,630,000	1,604,000	1,802,000
	Other islands	700,000	677,000	675,000
Indonesia		2,330,000	2,282,000	2,477,000
Exports		174,076	15,785	42,653
Available for consumption		2,155,924	2,266,215	2,434,347

Batatas		1955	1956	1957*)
Area harvested : ( <i>ha</i> )	Djawa and Madura	176,000	260,000	277,000
	Other islands	103,000	124,000	118,000
Indonesia		279,000	384,000	395,000
Production : ( <i>tons, dry</i> )	Djawa and Madura	254,000	376,000	397,000
	Other islands	225,000	284,000	261,000
Indonesia		479,000	660,000	658,000
Exports		—	—	—
Available for consumption		479,000	660,000	658,000
*) Provisional figures.				

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

Ground nuts		1955	1956	1957 *)
Area harvested : ( <i>ha</i> )	Djawa and Madura	253,000	264,000	289,000
	Other islands	45,000	53,000	48,000
Indonesia		298,000	317,000	337,000
Production : ( <i>tons, peeled nuts</i> )	Djawa and Madura	178,000	178,000	191,000
	Other islands	29,000	40,000	37,000
Indonesia		207,000	218,000	228,000
Exports		4,153	2,016	3,401
Available for consumption		202,847	215,984	224,599

Soya beans		1955	1956	1957 *)
Area harvested : ( <i>ha</i> )	Djawa and Madura	462,000	447,000	462,000
	Other islands	53,000	56,000	41,000
Indonesia		515,000	503,000	503,000
Production : ( <i>tons, dry</i> )	Djawa and Madura	306,000	311,000	299,000
	Other islands	40,000	46,000	28,000
Indonesia		346,000	357,000	327,000
Exports		—	—	—
Available for consumption		346,000	357,000	327,000
*) Provisional figures.				

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