

BANK INDONESIA

REPORT FOR THE YEAR 1958-1959

R E P O R T

OF THE GOVERNOR OF BANK INDONESIA
FOR THE FINANCIAL YEAR 1958 - 1959

BANK INDONESIA

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SURABAJA, TJIREBON.

Report of the Governor

I. GENERAL REVIEW

Inflation, the always threatening danger to economic development both in highly developed and in underdeveloped countries, in so-called capitalistic as well as in socialist countries, grew rampant in Indonesia during the report year 1958/1959. The volume of money circulation increased from Rp 18.9 billion at the end of 1957 and Rp 19.6 billion per March 31, 1958 to Rp 29.3 billion at the end of 1958 and about Rp 29.9 billion per March 31, 1959. The above figures show a rise by 50%. This meant an increase of purchasing power by the same proportion which, employed to the full, was bound to generate rising prices, unless it would have been possible to increase production, stock of goods and services by 50%. Obviously this could not be realized in Indonesia as it would have been impossible anywhere, because inflation generally rises at a faster rate than production can be stepped up, in the end even hampering production. On account of heavy pressures on the balance of payments, increasing stocks of goods and/or services through imports could not be done either. Without restrictions on imports the excessive purchasing power would have caused foreign exchange reserves to be consumed entirely, which would have been unjustifiable. The level of prices in Indonesia showed an undeniably rising trend. Index numbers (June 1953 = 100) of prices of 12 foodstuffs in villages in Djawa and Madura rose from 267 per December 1957 to 282 at the end of 1958, while index numbers (Djakarta 1953 — 100) of 19 foodstuffs in some cities showed the following developments:

		<i>Djakarta</i>	<i>Palembang</i>	<i>Makassar</i>
1957	December	244	243	212
1958	March	275	256	238
	June	229	303	212
	September	277	383	232
	December	287	367	262

Prices of foodstuffs increased in the villages as well as in the cities, but as can be understood, in cities where food has to be “imported” prices rose to a greater extent than in the production centres, i.e. in the countryside. At this stage I would like to limit the subject on prices to those of foodstuffs. In another part of this general review I shall return to this subject in another connection. The developments in the index numbers for foodstuffs illustrate sufficiently the effects of the expanding volume of money in circulation on prices in Indonesia.

The monetary analysis as given elsewhere in this annual report explains the causes of inflation which is encumbering Indonesia’s economy. There is no denying that the Government was the largest source of the increased volume of money in circulation in 1958. The public sector and the sector of international trade increased the money volume by Rp 10,858 million and Rp 1,214 million respectively. Against these increases in money volume stood a deflationary amount of Rp 850 million from private enterprises and Rp 135 million from other sectors (capital, etc.). Conclusively, the increase of money in circulation amounted to Rp 10,453 million of which the public sector indeed formed the greatest source, by creating money to the amount of Rp 10,858 million.

Inflation may originate from various sources, e.g. from developments in the business cycle or from economic development in general. In the latter case the Government can generate increases in the volume of money in circulation by its expenditures on development projects. The private sector too may cause inflation in relation with the business cycle, in which case bank credits will increase exceptionally in connection with activities in the private sector to reach higher levels of production. In 1958 the private sector appeared to have increased the money volume by Rp 731 million, while in 1957 it caused a decrease in the money supply by Rp 423 million. The private sector eventually caused a deflationary effect by Rp 850 million, as prepayments by importers decreased the money supply by Rp 1,562 million.

As it is clear that the private sector did not cause inflation in relation with the business cycle, the conclusion may be drawn that the Government was the source

of the excessive money supply, but not in connection with expenditures on development projects. This means that the inflation in Indonesia should not be attributed to the business cycle. The inflation we are confronted with now is originating from the large expenditures of the Government, but not in regard of economic conditions, but in view of the task of the Government to restore peace and order in Indonesia after the disturbances by the rebellion in the beginning of 1957. Regions which had been occupied by the rebels were brought under the authority of the Government and organized resistance from the insurgents was broken by the Armed Forces. There remains only unorganized resistance which the Government must put an end to, in order to restore security throughout the Republic of Indonesia. The discharge of this task, which is laid upon the Armed Forces has to be financed and causes Government expenditure to rise beyond proportions, generating the current inflation.

Exclusive of expenditure in the security field the deficit on the 1958 budget was estimated at Rp 2.4 billion. Eventually the deficit was estimated at about Rp 10 billion including Rp 4 billion earmarked to restore security.

Realization of the 1958 budget showed a deficit to the amount of Rp 12 billion.

It is self-evident that the Government could not finance the large expenditures in a non-inflationary manner, e.g. by loans or an increase of taxes, but was impelled to borrow on short term from the Central Bank, i.e. Bank Indonesia. Net Government debt with Bank Indonesia increased by Rp 5,372 million in 1957 and by Rp 8,780 million in 1958.

In the year under report Indonesia was not only confronted with inflation as mentioned above but its economy was also affected by other factors.

Economic activity in large parts of the world with which Indonesia maintains important trade relations was slackening. As discussed elsewhere in this annual report, economic activity in the United States moved into a recession, so that its Gross National Product in 1958 decreased by 3%. The recession in Western Eu-

rope, though not to such an extent as to reduce the Gross National Product as much as in the United States, caused industrial production to rise by only 1.5%. As I have brought to the fore several times, a rise in the level of the business cycle does not always need to be followed by an increase in prices for raw materials, the more so at a time when economic activity is slowing down. Trade relations with industrial countries basically exist of selling the natural produce of Indonesia and purchasing industrial goods. Recession generally reduces the demand for raw materials due to slackening industrial activity. Though the volume of exports could possibly be maintained or even raised, the export value is bound to decrease as a result of falling prices of raw materials. Thus export proceeds will fall, which does not always need to be accompanied by reduced prices for imports. More often than not, prices for raw materials are falling at a faster rate than prices for industrial goods, causing deterioration of the terms of trade for countries exporting raw materials.

The recession in 1957/1958 affected the United States more than Western Europe. A large part of Indonesia's exports, namely 40% (including transit trade via Singapore) is sold to the United States.

According to figures of the "Commodity Survey 1958" compiled by the United Nations, the index numbers of the import volume of raw materials declined from 116 in the third quarter of 1957 to 95 at the end of the second quarter of 1958, so that during the period of recession—second halfyear 1957 and first halfyear 1958—the decline amounted to 18% (first quarter of 1957 = 100). The figures on the value of imports indicate a still steeper fall, i.e. by 88 or 22%. Imports of the United States generally remained on the same level during the recession of 1957/1958, but this clearly did not benefit underdeveloped countries. As explained elsewhere in this report, exports of Western Europe to the United States increased. The decline in the imports of raw materials in the United States may be understood in view of slackening activity in the industrial field, e.g. in the production of motorcars, which resulted in a reduced demand for rubber.

Though imports of raw materials in Western Europe, owing to a better economic situation than in the United States, only declined in volume—by 2% in the

first half of 1958 if compared with the same period in 1957 — this decline nevertheless occurred and, added to developments in the United States, generated considerable pressures on the commodity markets during the recession of 1957/1958. Other industrial countries, e.g. Japan also reduced its imports of raw materials, so that the import volume decreased to 85 (first half of 1957 = 100) in the second half of 1958.

The slackening demand for raw materials, especially in the United States, obviously affected prices, which generally fell by 10% between the first quarter of 1957 and the middle of 1958. Prices for industrial goods, on the other hand, rose by 1% in the period January/September 1958, compared with the same period of 1957. Consequently the terms of trade for the underdeveloped countries deteriorated as did their capacity to import, namely at a rate which, as reported by the United Nations, could not be offset by the loans granted by the International Bank for Reconstruction and Development during the last few years. The underdeveloped countries were not able to reduce their imports within short notice in view of reconstruction work being in the process of execution. This meant that exports from industrial to underdeveloped countries had to be financed—besides by foreign credits—by using their foreign exchange reserves. While, on the one hand, Western Europe and the United Kingdom experienced an increase in their foreign exchange reserves by US \$ 3,240 million in the period June 1957—June 1958, the countries exporting raw materials, on the other hand, consumed US \$ 1,612 million of their reserves in the same period (International Financial Statistics, December 1958). Such were, in brief, the international economic conditions and the position of the commodity markets during the period of recession up to about the middle of 1958. Since the third quarter of 1958, conditions have been improving for the underdeveloped countries.

Prices for industrial goods were fairly stable, while prices for raw materials began to show a rising trend.

The countries of the Eastern bloc, achieving improvement in various fields during 1958, were able to strengthen the commodity markets e.g. cotton, wool,

rice, wheat and rubber, but by their supply and exports, weakened the markets for other products, e.g. sugar, tin, aluminium and lead.

In the meantime the measures taken against the Dutch enterprises were continued in 1958. As I have explained in the report for 1957/1958 the consequences of the measures taken against the Dutch enterprises can be viewed from the short-term and from the long-term aspect. The short-term aspect of the problem brought the need for adjustments in the field of production as well as in trade. Other trade channels than those via the Netherlands had to be looked for. It is self-evident that those adjustments for a certain period affected the smoothness of production and trade. New procedures and methods always need adjustments and errors are unavoidable in a renewal of the organization at home and abroad, but they must be corrected as soon as possible. It is necessary to continue with the measures against the Dutch enterprises until Indonesia will have freed itself entirely from Dutch domination in the economic field. Viewed from the long-term aspect the control of all the Dutch enterprises can only be beneficial to the interests of Indonesia.

Not everything occurring in 1958 was detrimental to the economic development of Indonesia. At the end of 1958 several West European countries associated in the O.E.E.C. and E.P.U. decided to declare their currencies convertible against the US\$ as far as their owners are nonresidents of the countries concerned. This external convertibility was started by the United Kingdom, West Germany, France and followed by other countries associated in the O.E.E.C./E.P.U. Concurrently the E.P.U. was terminated as it was no longer needed for payments transactions among the West European countries. These occurrences have their consequences for Indonesia. As already known, Indonesia participated in inter-European convertibility through N.F.I. in the frame of the E.P.U. After the termination of the E.P.U., participation in West European convertibility through the E.P.U. also ended and Indonesia now deals directly on the exchange markets of Western Europe. After the £ sterling was declared convertible the exchange of £ against US \$ could be effected in London and not in Zurich or New York as was the case at the time of transferable sterling. Thus London became again the centre of the foreign ex-

change trade as it was prior to World War II. Since the end of 1958 Indonesia succeeded in transferring its activities on the exchange market from Amsterdam to London and other centres, as for instance Frankfurt. The direct participation of Indonesia in the exchange market means an improvement and facilitates payments transactions with West European and other countries which in principle do not need clearing agreements.

It is to be regretted that the problem of the Common Market—which through its common tariff, can be detrimental to the interests of countries such as Indonesia—has not yet found its solution.

Indonesia's economic development in the period 1958/1959 was clearly influenced by three important factors, namely:

- 1) inflation;
- 2) recession accompanied by falling prices for raw materials;
- 3) the transfer of the Dutch enterprises which brought the necessity of adjustments in the fields of production and trade.

The external convertibility of the West European currencies though an improvement for Indonesia, was initiated too recently as to be able to show a clear impact on economic development. The Common Market has further not been in operation long enough to show the ill effects of its common tariff on our exports. Economic life is generally subject to various influences which are interrelated. This was also the case with economic life in Indonesia during 1958/1959. The three above mentioned factors were mainly responsible for the decline in economic activity during the period of recession, i.e. up to about the middle of 1958. Activity in the production sector is decisive for the economic activity. It is clear that the recession in the important parts of the world reduced the demand for our export products, which again was the cause for slackening production, because production which does not meet ready demand is bound to decline. It is further understandable that under these circumstances a change in production management and trade channels, becoming necessary as a result of our strained relations

with the Netherlands, will have no favourable effects as long as the process of adjustments has not been completed. If under these conditions inflation becomes rampant, it is self-evident that its effects will be intensified in the sense that production and trade, already showing a declining trend, will suffer from still stronger pressures. Inflation generates rising prices, which increase cost of production, impeding in turn the sales of the products, the more so during a recession and a transition period from a colonial economy to an economy free from foreign domination.

Inflation fundamentally impedes exports because the rising cost of production hampers sales abroad. On the other hand, inflation stimulates imports and the sales of export products on the domestic markets due to the high level of domestic prices. But imports, as a means of increasing stocks, is generally being restricted in a period of inflation because of declining export proceeds and in relation with the necessity to maintain monetary reserves. Finally, declining production and restricted imports reduce stocks of goods, while encouraging hoarding on account of diminishing confidence in the currency.

Since the beginning of the second halfyear of 1958, marking the end of the recession, there was some relief from the effects of inflation and the strained relations with the Netherlands.

Generally, economic development in Indonesia suffered a setback in 1958 indeed, especially in the field of production. As discussed elsewhere production of sugar, estate coffee, estate and smallholders' rubber, palm oil, palm kernels, in short, production of all export products declined. The following setbacks were registered: sugar 7%, estate coffee 21%, estate rubber 14%, smallholders' rubber 9%, palm oil 8%, palm kernels 11%. In the agricultural sector rises were recorded in the production of foodstuffs, such as rice, maize and cassava, though large quantities of rice still need to be imported. The production of tea remained on the same level. The decrease of production in many sectors was not only a result of economic developments in the year under report but was also related to the insufficient rejuvenation of plantings. More attention should be paid to this problem, otherwise, it would hamper progress even under improved conditions.

In the mining sector production of petroleum increased (4%), as did production of bauxite (43%) but the output of tin and coal decreased, by 16% and 13% respectively.

In 1958 output in the industrial sector was lower than in 1957, with the exception of cement, motorcar tyres, bicycle tyres and cigarettes which rose by 16%, 7%, 10% and 35% respectively. On the other hand, output of sarongs declined by 12%, knitted shirts by 13%, gunny-sacks by 31%, coconut oil by 24%, margarine by 17% and paper by 8%.

Production in Indonesia is closely related with international trade. Firstly our products are partly exported so that foreign demand plays an important role in the development of our production. Secondly, production in agriculture, mining and industry and also transport equipment necessary for production, are largely dependent on imports, i.e. in the form of machinery, raw materials and auxiliary goods. It is clear that, if imports of these goods are reduced, production is also bound to fall. As known, imports is also dependent on exports.

Developments in foreign trade showed a declining trend in 1958. The export volume in 1957, including petroleum amounted to 17,994,300 tons against 15,261,000 tons in 1958. Export proceeds amounted to Rp 11 billion and Rp 8.6 billion respectively. Excluding petroleum, the above figures were: 2,380,900 tons, valued at Rp 7.4 billion in 1957, 1,881,800 tons at Rp 5.4 billion in 1958. Import figures were as follows:

Both exports and imports declined.

	<i>Volume</i> <i>(in '000 tons)</i>		<i>Value</i> <i>(in million Rp)</i>	
	<i>1957</i>	<i>1958</i>	<i>1957</i>	<i>1958</i>
Imports (excl.oil)	6,310.1	3,505.4	9,160	5,900
Imports (incl.oil)	2,568.3	1,801.1	7,295	4,610

Source: Central Bureau of Statistics.

The amount of imports in 1957 which could not be considered as sufficient showed a further drop of about Rp 3 billion in 1958. These untoward developments caused shortages of production equipment and materials, the more so if one keeps in mind that part of the total of Rp 4.6 billion consisted of imports for the Ministry of Defence.

It is self-evident that production generally had to decline because of rising prices in relation with inflation as well as the inflation generating pressures on both sectors of international trade, i.e. exports and imports. Besides, international trade was affected by the recession abroad. In regard of the above it should be noted that in 1958 economic development in Indonesia could not be safeguarded from a slow-down in relation with pressures from inflation and recession, even though if there had been no difficulties with the Netherlands.

The above problem and the difficulties in other fields, largely resulting from the rebellion, added to the downward trend of economic development.

The tensions in the economy in Indonesia began somewhat to lessen after the end of the recession abroad (in the middle of 1958) and the rise in production activity in the United States, causing prices for commodities to gain, e.g. the price for rubber, which during the recession dropped by 16%. Another important factor, however, causing this improvement were the results achieved by the Armed Forces in putting down the rebellion in the exporting regions in Sumatera and Sulawesi bringing them again under the rule of the Republic of Indonesia. We cannot benefit by a high level of the business cycle unless we are able to provide the goods which are in demand abroad. With some of the important regions in Sumatera and Sulawesi participating again in international trade, exports and imports of Indonesia showed signs of improvements in the second half of 1958, as witness the following figures :

The rise in exports in the second half of 1958 was also proved by the amount of B.E. issued during that period :

	<i>Imports</i>			<i>Exports</i>		
	<i>Volume</i> ¹⁾	<i>Value</i> ²⁾	<i>Average</i> ³⁾	<i>Volume</i> ¹⁾	<i>Value</i> ²⁾	<i>Average</i> ³⁾
1957	6.3	9	1,440	18	11	614
1958	3.5	5.9	1,770	15	8.6	559
1st quarter	1	1.7	1,770	3.2	1.8	550
2nd quarter	0.7	1.4	2,000	3.9	1.9	482
3rd quarter	0.7	1.4	2,000	3.9	2.3	595
4th quarter	1	1.5	1,500	4.1	2.5	603

1) in million tons

2) in billion Rp

3) in million Rp

Source : C.B.S.

1958	(in million Rp)
January	322.9
March	263.1
June	255.4
September	452.8
December	443.2

: B. A. D.—Bureau for the Administration of Foreign Exchange.

Developments in imports and exports as illustrated above show that in the second half of 1958 there were indeed some changes which, on the one hand were related with the restoration of peace and order putting an end to barter trading, and on the other hand, were brought about by the revival of economic activity after the recession came to an end.

The volume of exports and export proceeds in the second semester of 1958 increased from 7.1 million tons and Rp 3.7 billion to 8 million tons and Rp 4.8 billion. On the other hand, the volume of imports was the same in the first and second semester (1.7 million tons), while it should be noted that outlays on imports dropped from Rp 3.1 billion in the first semester to Rp 2.9 billion in the second. The above development indicates that exports began to rise, while im-

ports showed the same tendency but at a slower rate. Prices for import goods further remained stable, even showing some weakening, while prices for export products were on the rise. Exports could be stepped up because some important regions were brought back under the Central Government rule whereas the rising trend of export prices were caused by the upward movement of the business cycle. Terms of trade for Indonesia which have deteriorated should improve if export prices continue to rise and import prices remain at the same level or do not rise as they did before.

It is self-evident that developments in exports and imports as illustrated above had an impact also on the balance of payments. Current transactions in 1958 resulted in a surplus during the period January — September to the amount of Rp 744 million, while the fourth quarter showed a surplus of Rp 623 million. In 1957 a deficit of Rp 656 million was registered.

Gold and foreign exchange reserves in the fourth quarter of 1958 increased by Rp 575 million, while in the period January— September the increase was Rp 701 million. These figures too indicate an improvement in the last halfyear of 1958. In 1957 gold and foreign exchange reserves suffered a setback of Rp 402 million. In 1958 however, an increase was reported of Rp 1,276 million. Indonesia's foreign exchange reserves fell to Rp 1,237 million in March 1958 (December 1957 —Rp 1,699 million), increased to Rp 2,976 million at the end of 1958 and finally stood at Rp 2,698 million on March 31, 1959. This improvement came from a rise in exports while imports were restricted to a very small amount.

In short it can be said that Indonesia's economy proceeded under pressures of inflation and recession during the first half of 1958, while the rebellion in certain regions added to the burden. In the second semester, the pressure from recession eased and barter trade stopped as the Armed Forces put down the rebellion in the regions in Sumatera and Sulawesi. Improvements though on a small scale were gained, which mainly resulted in an increase in the foreign exchange reserves.

The above developments, through gratifying and proving again the vitality of Indonesia's economy, do not mean the end of all difficulties. Inflation is still going on

and even growing; according to the 1959-budget and the estimates of the supplementary budget the deficit will probably reach Rp 11.5 billion (1958 = about Rp 10 billion).

The inflation still originates from money creation, mainly in the field of security. Expenditure for the security field is not financed from internal sources only, but also needs foreign exchange. Conclusively both the budget and the balance of payments are still showing and will continue to show heavy deficits. The necessity of large expenditures in rupiahs as well as foreign exchange narrows the monetary basis for production and the economic development in general so that a continuous vigilance is required of the authorities concerned. In this connection I can give the assurance that the central bank in its endeavours to mitigate inflationary effects, rigorously supervises money creation in the private sector. Though credit extension to private enterprises increased, in the end the private sector turned out to have caused a deflationary effect of Rp 850 million. This result was attained by credit restrictions, which were continuously imposed and even improved lately and without which credits to private enterprises would have amounted to much more. Another means in attaining the above result was the increase of prepayments by importers to 133 1/3% ^{*)}. In this way an amount of Rp 2.2 billion was blocked at the end of 1958 and Rp 4.2 billion per March 31, 1959. Besides the above measures, the increase of imports, which would also have a deflationary effect, could not well be brought into practice to any large extent, as it would have reduced foreign exchange reserves to such a low level as not to be justifiable. Under such circumstances it can be understood that prices show a rising trend, both prices of goods for daily use and prices of commercial goods. The price for rubber sheet I (f.o.b. inclusive of export duty) in : Djakarta for instance, rose from Rp 1,430 to Rp 2,231 per quintal at the end of 1958, a rise by more than so which certainly could not be obtained on foreign markets.

Till the end of the year under report (March 31, 1959) exports rose steadily, but if the inflation and/or the effects of inflation could not be curbed, the value of this improvement is bound to diminish. Economic conditions and developments

*) On April 20, 1959 prepayments by importers were raised to 230%.

in Indonesia are therefore far from stable, even though some improvement has been achieved in the second half of 1958 and there after. The recession has passed, foreign demand is rising while prices of raw materials are strengthening on foreign markets. Finally, the control of Dutch enterprises and the new channels for foreign trade do not present a great obstacle anymore. Only inflation is still rampant, which is fortunately not followed by large wage rises and strikes.

In our attempts to improve economic conditions in Indonesia, it is my opinion that we must start facing some facts and realities.

There are three points which I would like to bring to the fore :

First : inflation is an actual great danger threatening our economic development which must be overcome in the shortest time possible.

Second: : however necessary the inflation has to be suppressed we cannot hope to accomplish this within a short time. As I have explained before, the current inflation is largely caused by the measures taken in the security field.

Third : the Indonesian nation, its people and its economy have sufficient vitality, strength and wealth to overcome the dangers and difficulties with which our Republic is being confronted.

It is understandable that the people, both consumers and entrepreneurs, who have to face the effects of inflation in every-day life, are complaining of the rising prices and of the difficulties in obtaining consumer goods or materials for the enterprises. However, in facing the current inflation, we have to keep in mind that the Government is at the moment accomplishing the all important national task of guarding and restoring the wholeness and unity of the State. The sacrifices which have to be made and which are felt in the form of shortages in everyday life are necessary for the accomplishment of the national goal. They will also be difficult to avoid as long as the whole of Indonesia has not yet been brought back under

one rule and one sovereignty. It means that our country is going through a period of struggle in which, though not to such an extent as during the Revolution of 1945, sacrifices are unavoidable.

As long as the struggle is going on, it will be difficult for the Government to put an end to expenditure in the field of security. Therefore it is clear that the inflation cannot be eliminated quickly. How much the Government is spending, in the form of rupiahs as well as foreign exchange, can be seen from the following figures; in the 1958-budget an amount of Rp 35,313.0 million or about 48% was needed for the security field, while 45% of foreign exchange spending was used for the same purpose.

The current inflation, whether we like it or not, is a fact that has to be admitted.

Acknowledging the inflation as a reality in the present period of struggle, however, does not at all mean that we should surrender to it. Inflation is a very great danger and an obstacle which hampers economic development seriously and which must be removed. And though for the time being we have to admit that inflation exists, we must keep on endeavouring to mitigate its strength and effects. We have further to give all our energies to avoid a slump in our economy to a level that would be unjustifiable, both in relation with living conditions of the people and with production. We must prevent our economy from slowing down to such an extent that it would be very difficult to revive it to normal activity after the object of restoring security has been reached.

The restoration of security is also hampered by the effects of inflation because it would be easier to provide for its financing under sound economic conditions. Besides, the realization of prosperity throughout Indonesia under peaceful circumstances for which we are working, is endangered by inflation. Thus the task imposed upon us under the present circumstances is in my opinion as follows:

To reach stability in all economic sectors, i.e. in the monetary and budget sector, the balance of payments, production and consumption.

Monetary equilibrium being disturbed, will not make it possible to restore stability very soon. The unbalanced monetary position, however, has to be corrected at its sources as well as in its effects. Moreover, it is necessary— where possible—to maintain and even to improve the level of production, stocks of goods and services. A consideration of the present conditions based on the equation $MV = PT$ reveals that MV is increasing (inflation), while T (production and trade) declines, so that P (prices) is going up. The task imposed upon us at present— though for the time being we have to concede that MV will continue to be large— is to restrict as much as possible the volume of money in circulation (M) as well as its velocity (V), at the same time strengthening T (stocks of goods and services) so that prices (P) can be brought under control.

Up to the present, measures have been taken in the monetary field in order to curb MV . The restrictions on credit-granting imposed by Bank Indonesia aim at reducing money creation by banks so that the velocity of circulation, and its deteriorating influence on the budget is neutralized as much as possible. As I have mentioned at the beginning of this general review and as can be seen elsewhere in this annual report, granting of credits by banks increased but the limited rate of increase was a result of the restrictions imposed.

Another monetary measure is the obligatory prepayments by importers, which blocked a fairly large amount of money so that finally the private sector caused the volume of money in circulation to reduce by Rp. 850 million. Both monetary measures discussed above are related to factor MV ; credit restrictions aim at reducing M (money volume), by limiting money creation at its source, while blocking the money from prepayments by importers will slow down the velocity of money in circulation (V) after the money has been created.

Measures reducing factor MV should be continued. There are however certain limitations to be observed if they are taken against enterprises as they need

purchasing power for their development. If this purchasing power will be reduced too much, those enterprises will encounter difficulties in the financing of their production. From the above it may be concluded that measures aiming at the reduction of the volume as well as the velocity of money in circulation can not be taken without certain limitations.

Another sector, besides the private enterprises and the Government sector, which may cause inflation or deflation is the sector of international trade, which in the year under report had an inflationary effect because of an increase in foreign exchange. This inflation did not amount to a considerable extent and was caused by a hopeful increase in exports. Deflation which could be brought about in this field would be by the increase of the much needed imports. But the necessity to maintain sufficient reserves does not allow imports to increase to a large extent, except in the case of rising exports and/or if credits or capital could be obtained from abroad. In this connection I would like to bring to the fore the necessity of reconsidering the manner in which foreign credits are being used. Up to the present medium-term credits, i.e. credits with a term of 5 to 6 years have been *inter alia* used for all kinds of purchases including factory equipment, capital goods and if possible raw materials, auxiliary goods, and even consumer goods. This is in my opinion not the most effective way to utilize those credits. Fundamentally, the terms of the credits have to be adapted to the sort of project. Factories can be established by using medium-term credits if they can start to operate within 1 or 2 years' time so that foreign exchange can be earned or the use of it reduced, thereby facilitating the repayment of the credits. Financing the imports of consumer goods, or raw materials and auxiliary goods by using credits with a term of 5 years, is generally difficult to be accepted by creditors. We must be conscious of the above facts. Medium-term credits are used most effectively for the purchase of capital goods needed by the production units, enabling them in this way to reduce the outlay of foreign exchange or increase foreign exchange earnings. Small and medium-sized factories can also be established with those kind of credits if, as stipulated before, those factories can turn out their products within a short time.

The purchase of consumer goods or raw materials and auxiliary goods should better be effected by other means, i.e. on a cash basis if possible; if necessary through a “general purpose loan” which may be used in every country. Such endeavours are being carried out at the moment ^{*)}. The establishment of factories and other large projects requires financing with long-term loans, the term of the loan being dependent on the project concerned— or through the Act on Foreign Investment. In short, loans with a term of 5 years can not be used effectively due to their term being too short.

The necessity of monetary measures taken against enterprises seems to be clear, though these measures should be limited to a justifiable extent, i.e. based on considerations of their importance and the financing of their production. Another sector however, being the greatest source of inflation at present, should not be overlooked in the endeavours to reduce MV, namely the Government sector. Though it must be admitted that a balanced budget can not be hoped for under the present circumstances, restrictions must be imposed wherever possible. Postponing various expenditures which are not deemed urgent is a course adopted by the Ministry of Finance. Reducing factor M in this manner is indeed very effective and should be continued and intensified. Besides, any spending of money by all Ministries and other Government bodies should be kept within the limits of the budget. In a time of declining incomings, any spending of money which has not been determined in advance will endanger planning which is already unstable and confronted with all kinds of difficulties. The same restrictions should be imposed on any spending of foreign exchange, not included in the estimations beforehand. Additional spending which has not been determined before will exercise heavy pressures on the balance of payments and foreign exchange reserves. In the year under report several Ministries have entered into commitments at home and abroad which had not been included in the budget or the planning for foreign exchange spending. Such practices must be stopped and efforts to obtain foreign loans have to be coordinated.

*) In May 1959 a general purpose loan amounting to U.S. \$ 50 million was received from a consorsium of American banks.

By postponing expenditures which are not urgent, by exercising more restraint in the budget and in forecasting the balance of payments the Government should be able to curb inflation as much as possible.

In her attempts to slow down the velocity of money circulation (factor V) the Government should not only take monetary but also fiscal measures. Up to the present the obligatory investment in treasury notes and bills in the frame of credit supervision has been such a measure. Another measure in the fiscal field is the issue of long-term loans^{*)} besides stimulation of savings and the imposing and increasing of taxes in the strata of the society which are able to pay them.

As I have explained before, measures do not have to be restricted to the monetary sector (MV) but attention must also be paid to factor T. Increasing stocks of goods and services through production and trade is indeed one of the most effective ways to curb inflation or, at least under the present circumstances, to lessen inflationary pressures. Peace reigns over the greater part of the territory of the Republic of Indonesia. Though inflation is still encumbering economic life, productive activity can be continued, intensified and expanded in the regions where no disturbances occur. Stimulating economic activity need not be postponed until peace and order have been restored throughout Indonesia.

First, production already existing can be normalized as much as possible. We must prevent output of the formerly Dutch-controlled units of production from declining.

Second, industries showing a declining trend in their production on account of shortages of materials and capital should be consolidated.

Third, new sectors of production which may expand the basis of our economy should be utilized as soon as possible. There are still opportunities to increase

*) After the end of the year under review the Government submitted a draftbill to Parliament regarding this matter.

production in the fields of mining, forestry and rice cultivation. On certain conditions so as not to harm the national interests, aid may be acquired from the Western as well as from the Eastern bloc to offset the shortage of skills and capital. For this purpose provisions have been made in the already existing Act on Foreign Investment and in the Law on Mining and Oil, of which the draft has been submitted to Parliament. It is necessary that the Council for Foreign Investment as stipulated in the above Act will soon commence its work to set some clear outlines in this matter. Indonesia needs such a central body which can settle relations with foreign countries willing to cooperate in the development of our country.

The National Planning Council, when established, can further canalize and coordinate all attempts in this field.

Though it must be admitted that all productive activity is hampered by pressures from inflation, it is not impossible to carry on. In this connection, the changes in structure and organization of Indonesia's economy should give the necessary aid to expand and increase our production. What I have in mind is the transition of leadership in a large field of economic activity from the hands of private enterprise to Government bodies. The role of the Government in regulating economic development in Indonesia has been laid down in the Constitution of 1945 as well as in the Provisional Constitution which is still effective. In the 1957/1958 annual report I have drawn the attention to Government leadership in economic activity which in my opinion, is necessary in our country and which is more in agreement with the character of the Indonesian people, being more inclined to "gotong rojong" (mutual assistance) than to separate efforts. The social spirit of the Indonesian people is greater than the individual spirit. Government activity seems to be more appropriate under the current economic conditions, as lack of skills and capital can more easily be overcome by the Government than by individual entrepreneurs, who in the end generally need Government support thus imposing the public as a whole with the risk of any loss, while any profit will only be to the advantage of the entrepreneurs concerned.

The acquisition of Dutch enterprises by the Government means that in the important sectors the State has taken charge of economic activity thereby eliminating the colonial and liberal economic structure. Government control of important and strategical economic sectors, such as estate agriculture, trade and banking has brought a fundamental change in the roles played by the Government and by private enterprise, national as well as foreign. Thus Indonesia's economy is developing in the way as indicated by the Constitution of 1945 and the Provisional Constitution, in which Government leadership in the important sectors is to become increasingly predominant.

Estate agriculture, now for the greater part under Government control, can be given the necessary attention and support, so that its output can be stepped up as well as the export of its products, which is regulated by Government bodies. However, support should also be given to production of smallholders.

In the previous annual report (1957/1958) I suggested the establishment of export centres under joint control of the Central Government and the Regions in order to increase production of smallholders.

This increase can be obtained by shortening the way between producers and exporters which DOW hampers production as well as exports. It is to be regretted that this suggestion— although its utility has been admitted— has not yet been brought into practice. I would like to repeat that suggestion.

The import organizations which have come into the hands of the Government cover a very large field and can now engage in the import of goods in the cheapest way, while distribution can be led along such channels as to reach the people who actually need the goods thereby preventing speculative manipulations. These import bodies also engaged in exports can continue their activity under Government leadership. The State is bound to suffer losses, if its existing organs are not operating in the appropriate way.

The Government itself, i.e. the society as a whole, will benefit from any support given to the Government-controlled enterprises. An increase of production being realized by Government support will not be to the advantage of only a small group of private entrepreneurs. Increased export proceeds will add directly to the foreign exchange earnings of the State as the Government itself will benefit by commission, excess value, reduction of **freight and insurance**, etc. Imports will be similarly affected. It is known that commission attached to a sole agency is rather high and will be earned by the Government, as will be all deductions from the prices of import goods.

All practices in the fields of production, exports or imports, aimed at self-enrichment only, may be prevented by the Government-controlled enterprises. The Government on her part will not hesitate to aid the above enterprises as she knows that the help will be to her own advantage. It is necessary, however, to exercise a strict supervision on those enterprises to ensure that all benefits will go to the Government.

It is self-evident that imports being channelled through Government bodies will reduce the scope of activity of private importers. It is therefore necessary to aid this group to move their activity to other economic sectors, e.g. to distribution and industry. With the exception of some vital sectors, industry still offers many opportunities for private initiative, national as well as foreign. Aid should be given on a large scale to activities in the industrial sector.

The fact that the Government has joined in economic activity—especially after nationalization of the Dutch enterprises—will, in my opinion, make it easier to raise the level of production and trade (factor T). A clear conception of the underlying principles is necessary, the Government enterprises must be impressed with the conviction that they are Government bodies and not private enterprises working for profit.

As mentioned above a close supervision must be exercised on the Government enterprises to safeguard their managements from being influenced by capi-

talist liberal ideas. This supervision can be effected for instance by L.A.A.P.L.N. (Foreign Exchange Institution) and by the Inspection of Inland Revenue. The organization of cooperatives, regulated by Law, must be given adequate attention. Through these cooperative more can be achieved than by individual efforts.

It is not my intention to extenuate the difficulties and obstacles from inflation, with which we are confronted. But it is my conviction that conditions in our State can be improved, for the moment partially and afterwards in its entirety. My belief is based on the vitality of our nation and the resources of our country. It must be admitted that we are confronted with multifarious difficulties but we must not lose confidence in our nation and our State which still have sufficient strength and resources to be capable of weathering the present crisis.

Finally, I reiterate that admitting the fact of inflation must not keep us from exerting all our strength to mitigate its effects, as I have attempted to explain before. Moreover, we must in the shortest possible time find ways to eliminate the inflation from Indonesia's economy. The Government should draw up a plan to restore security—for instance within a year's time—including its financial consequences, i.e. expenditures in rupiahs as well as in foreign exchange. When this plan has been agreed to, all Government bodies, civil as well as military should strictly abide by it. Every deviation would endanger the already unstable economic equilibrium. In this way the Government would have some guiding principles to proceed as regards finances and based upon these estimates economic development could be taken in hand as much as possible, i.e. for the present under inflationary pressures, afterwards (in 1960/1961) under more peaceful circumstances, when we will be able to reach stability in all sectors concerned, namely the budget, the monetary sector, the balance of payments, production and consumption.

II. INTERNATIONAL ECONOMIC DEVELOPMENTS

Introductory

In reviewing economic developments in various countries of the world attention should be given to two questions of importance, first whether natural resources, labour and all other factors of production are being used to the full, in other words the problem of under- or full employment, and second the question of harmonic growth of the sectors of consumption and investment in accordance with the well-known formula :

$$Y \text{ (national income)} = I \text{ (investment)} + C \text{ (consumption)}.$$

Classifying the countries of the world into three main groups, 1) the United States, Western Europe and Japan, 2) the Soviet Union and other countries of Eastern Europe and 3) the underdeveloped countries as Indonesia, India and the countries in Africa and South America, the following outline may then be inferred:

The first group is composed of countries which at present have in general achieved full employment of their factors of production and have further been able to come to a harmonic distribution of their national income between production of consumer goods and production of capital goods. The second group of countries is well on the way to full employment, in the meantime giving all their attention to production for sector I, and are less or not yet in a position to lay any stress on factor C. The third group is in the initial phase of employing its production factors, thereby confronted with difficulties making up a vicious circle in order to increase Y there must be production for which capital is essential. Capital, however, is mainly acquired from savings (S), which in its turn is bound to be on a low level as long as Y is small. Further to its deficiency in savings the third group is lacking expert know-how. The first and second group of countries have surmounted these two difficulties. As regards the third group, at the present stage

no clear picture can be given to enable an assessment of the factors I and C, though pressures originating from C are very much in evidence.

By their economic development the first group of countries have achieved improvement of their national income. The rate of this growth, however, can not possibly be so fast as with the other two groups. The countries of the first group are further always confronted with two difficulties, namely of maintaining equilibrium of supply and demand of goods and services and the danger of inflation if one of the production factors should be over employed. As a consequence, the economy of the countries of this group is always threatened by the possibility of a recession or a depression or even a crisis. This actually occurred in 1957/ 1958 when Gross National Product of the United States declined while in Western Europe economic activity was hampered, some sectors even experiencing a recession. Slackening demand as well as growing inflation which compelled the Government to take measures virtually curbing the business cycle, generated a recession in the countries of the first group from about the middle of 1957 till the middle of 1958, after which economic activity showed an upturn again.

The countries of the second group are steadily making progress owing to the fact that their production factors are not yet employed to their full extent. However, planning need to be adjusted to circumstances in order to reach the equilibrium between I and C. After this point economic growth is bound to be not so fast as in the past, because of adaptation in the field of production as well as the distribution to I and C. This adjustment took place in 1958.

The countries of the third group are confronted with the greatest difficulties. The shortage of capital or savings could only be offset by a reduction of C which is already small or by attracting foreign capital or both. The recession caused exports of the underdeveloped countries to decline thereby reducing the most important source of capital and savings based on own exertions. The year 1958 saw economic development in the underdeveloped countries encumbered by deficits on their balances of payments. Only when the recession has passed, will there be hope for the underdeveloped countries for the so- much needed increase of their exports.

In this introductory mention should be made of an important event occurring at the end of 1958, namely the external convertibility of the Western European currencies and the £ sterling, made possible by the weathering of the recession and the improvement in the monetary reserves of the United Kingdom, the Federal Republic of Germany, Benelux, Switzerland, Scandinavia and other countries. This external convertibility facilitates the settlement of payments and is certain to have a favourable impact on international trade.

United States of America

Economic activity in the United States in 1958—as was also generally the case in Western Europe—showed a mixed development. The recession which set in during the third quarter of 1957 continued throughout the first and second quarter of this year. Several indications gave evidence that the declining tendency came to an end in April 1958 and that since May business was on the rise again. Thus the year 1958 witnessed a recession covering a period of 9 months, the shortest of the three recessions after World War II, viz. in 1948- 1949 = 11 months, 1953-1954 = 13 months and an activity towards economic recovery.

Notwithstanding its shortness the recession in 1957-1958 caused a decrease of industrial production by 12,4% while during 1948-1949 and 1953-1954 decreases were respectively 7.7% and 9.6%. Compared with the depression in 1929-1933 when industrial production fell by 50.8% those postwar recession could be considered as fairly moderate. *)

The gross national product dropped from \$ 440.3 billion in 1957 to \$ 437.7 billion in 1958. This gives evidence that the declining tendencies which occurred

*) Sources of figures : Dept. of Commerce
Economic Indicators
Economic Report of the President (1958)
Federal Reserve Bulletin
International Financial Statistic
Budget U.S.A

since 1958 were definitely stronger than the rising trends. Expressed in 1958 prices the decrease of the G.N.P. of this year appeared even much higher, viz. from \$ 451.1 billion in 1957 to \$ 437.7 billion in 1958.

A closer view of the economic conditions during 1958 gives the impression that not all economic sectors showed a setback during the recession. Broadly outlined the consumer and Government sectors were able to maintain their previous levels and it even appeared that Government expenditure was higher than in 1957. Demand for consumer goods and services did not decrease but slightly, and it even appeared that consumer buying rose from \$ 284.4 billion in 1957 to \$ 290.6 billion in 1958. If consumers expenditure were based on 1958 prices, however, a slight drop was evident, viz. from \$ 291.6 billion in 1957 to \$ 290.6 billion in 1958. This decline in real terms may be neglected. Government purchases of goods and services on the other hand increased nominally - 1957: \$ 85.7 billion, 1958: \$ 91.2 billion - as well as in real terms, i.e. based on 1958 prices, namely 1957: \$ 87.7 billion to 1958: \$ 91.7 billion.

The sectors showing setbacks were the business and export sector. Purchases of enterprises amounted to \$ 54.4 billion against \$ 65.3 billion in 1957 (or \$ 67.0 billion if computed on 1958 prices). Net export of goods and services declined from \$ 4.9 billion in 1957 to \$ 1.4 billion in 1958. Net outcome of exports suffered a rather large decrease in 1958, to wit by \$ 3.5 billion.

As can be seen from the figures of the gross national product the minus factor (enterprises and exports) appeared to have a stronger influence than the plus factors (consumers and Government) so that the United States economy was moving at a lower level. This slipping back obviously caused the increase of the number of unemployed which rose from 2,936,000 in 1957 to 4,681,000 in 1958, representing respectively 4.3% and 6.8% of the total employed persons. This unemployment figure is the highest since the previous recessions after World War II.

The tabulation below shows that the greater part of Government expenditures on goods and services which were higher than in 1957 were not made by the Federal Government but by the States.

TABLE 1 — AMERICAN GROSS NATIONAL PRODUCT (U.S. \$ billion)						
	1957			1958		
	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr
Consumption	283.6	287.2	286.2	288.3	291.5	295.5
Private Investment	66.5	61.5	50.9	50.7	54.5	61.6
Foreign countries	3.2	3.3	1.7	1.7	1.7	0.4
Central Government	50.6	49.7	49.7	50.7	52.2	54.2
Local Government	36.1	37.3	38.6	39.1	39.9	41.0

Sources : Survey of Current Business
Federal Reserve Bulletin

Government purchases on goods and services (in billion \$)

	Total	Federal	States
1957	85.7	49.4	36.3
1958	91.2	51.7	39.6

The Government did not increase defence expenditure (1957: \$ 44.3 billion, 1958: \$ 44.4 billion). But as the Government will not remain idle in facing the recession—though in fact efforts were also made to “guard” the budget — it is comprehensible that expenditures in other sectors were enhanced. In the calendar year 1958 the budget showed a deficit of about \$ 7 billion against a surplus of \$ 592 million in 1957. In the frame of giving aid to economical activity, to be precisely in the efforts of boosting the buying power for goods and services, the Central Bank facilitated its credit grantings to other banks by reducing the discount rate successively from 3.5% in September 1957 to 3% at the end of 1957 and further to 2.5% in May 1958. These measures of the Government and Central Bank resulted in increasing the total deposits and currency from \$ 232.3 billion in 1957 to about \$ 245.9 billion (time deposits included) in 1958. Demand deposits and currency in 1957 amounted to \$ 138.6 billion and rose to about \$ 143.1 billion at the end of 1958. (These figures originated from the Economic Report of the President which differed slightly from those of the IMF.).

Due to the following causes consumers buying could be maintained on about the 1957 level:

- 1) the granting of unemployment allowances;
- 2) the increase of labour wages in manufacturing industries from \$82.39 in 1957 to \$ 83.50 in 1958 per week;
- 3) agricultural income which rose from \$ 11.6 million in 1957 to \$ 19.2 million in 1958.

Personal disposable income i.e. after deduction of taxes and which in principle can be used for consumption entirely or put partly into savings, increased from \$ 305.1 billion in 1957 to \$ 311.6 billion in 1958.

Savings amounted to \$ 20.7 billion in 1957 and \$ 21.0 billion in 1958, so consumptions (expenditures on goods and services) were \$ 290.6 billion in 1958 against \$ 284.4 billion in 1957. Those amounts were spent as follows:

	<i>Expenditures for personal consumption</i>			
	<i>(in billion \$)</i>			
	<i>Total</i>	<i>Durable</i>	<i>Non-durable</i>	<i>Services</i>
		<i>goods</i>	<i>goods</i>	
1957	284.4	39.9	138.0	106.5
1958	290.6	36.8	141.9	111.9

The above figures show that although consumers expenditure could be fairly kept on the 1957 level a shift in spending the money however, was evident. Durable goods (cars, refrigerators, radios, television-sets, washing machines etc.) were less bought, while more money was spent on non- durable goods (foodstuffs and the like) and services.

Such a shift in the spending of money had obviously its impact on the production as well as on the activities of the manufacturers sector. Among other things

mention can be made that the index figure for the production of durable manufacture (1947— 1949 = 100) which stood at 160 in 1957 dropped to 142 in 1958, while the figure for nondurable manufacture remained at the previous level of 130. The index number for consumer durable goods fell from 130 in the preceding year to 113 in 1958 and weekly production of motorcars amounted to 81,600 in 1958 against 117,600 in 1957.

In general the index number for industrial production (1947 — 1949 = 100) declined from 143 in 1957 to 134 in 1958—a decrease which took place in the sector of durable manufacture (see above) and in the sector of minerals (1957: 128; 1958: 117). As is generally known stock of goods or inventories played an important role .

The changes in business inventories (in billion \$) were as follows:

	<i>Total</i>	<i>Non-farm</i>
1957	+ 1.0	+ 2.0
1958	- 4.7	—5.8

Contrary to 1957, when inventories too did not contribute much to economic developments, 1958 witnessed a very strong decline in inventories.

An obvious evidence that the recession in the United States was seriously felt by the investment sector was demonstrated by the drop in expenditures on new plant and equipment from \$ 36.96 billion in 1957 to \$ 30.53 billion in 1958. Besides the setback in the industrial sector, noteworthy was also the fact that the prevailing productive capacity was not yet fully utilized. While as a result of investments during the past years the capacity of manufacturing industry rose from the end of 1957 to the end of 1958 by 7 to 8%, production during 1958 stood below the 1957 level and it even underwent a severe drop during the first half of the year.

Besides by the slackening of industrial production — the agriculture sector fortunately showed a rising trend—the weak economic condition was also caused by developments in the of the export of goods, grants and aids included, was \$1,488 million against \$1,738 million during 1957, a serious drop which could not be counterbalanced by the slight fall of the monthly import figures (1957: \$ 1,082 million, 1958: \$ 1,069 million). The surplus of exports dropped from the monthly average of \$ 656 million in 1957 to \$ 419 million in 1958. If grants and aids were not taken into account the monthly average should be \$ 543 million and \$ 290 million respectively. A significant fact in the recession of 1957/1958 was that the import figures of the United States remained fairly untouched, while the recession of 1953/1954 witnessed a setback of the monthly average import value from \$ 906 million in 1953 to \$ 851 million in 1954. This was among other things caused by the fairly stable demand of consumers and the continuous flow of goods from Western Europe, for example of small European motorcars.

Meanwhile it has to be noted, that the development of the business cycle in general and the development of the balance of trade in particular did not strengthen the confidence in the position of the U.S. dollar so that the balance of payments resulted in a substantial decrease of the United States' gold reserves. According to data from the IMF. The gold reserves which amounted to \$ 22.86 billion per the end of 1957 dropped to \$ 20.58 billion at the end of the year under report, a decrease by \$ 2.28 billion or about 10%.

The success in maintaining the import level of the United States was an important aid to the economy of Western Europe which also suffered a slowdown as stated in another part of this report. Those imports however, were not of much aid for the exports of underdeveloped countries, because the greater part of the United States imports was intended for the production sector, which as referred to above, was slackening down seriously.

Besides those developments of imports another significant phenomenon in the recent American recession was displayed by the development of prices. The downward tendency of economic development during 1957/ 1958 could not be said to cause the fall of prices. Various items even showed a rising trend:

	<i>Index numbers of whole-sale prices</i>			<i>Index numbers of prices of consumer goods</i>		
	Total	Agricultural products	Textile	Total	Foodstuffs	Services
1957	117.6	90.9	95.4	120.2	112.3	137.7
1958	119.2	94.9	93.5	123.4	113.3	142.3

The causes of such development originated from the consumers sector which particularly used their buying power for nondurables (foodstuffs) and services, while their decreasing purchases of clothings seemed to have caused the fall of textile prices.

Thus was in short the development of the recession in the United States which came to an end in April 1958. In May 1958 economic activity regained a rising trend and strode on till the end of the financial year of Bank Indonesia.

The following data regarding gross private domestic investment bear evidence of that rising trend:

<i>(in billion \$) *)</i>	<i>Total</i>	<i>New constructions</i>	<i>Change in stocks</i>
1958 1st Quarter	50.9	36.3	— 8.2
2nd „	50.7	34.9	— 6.5
3rd „	54.5	36.3	— 4.2
4th „	61.6	38.6	— 0

*) Seasonally adjusted annual rates

Three conclusions could be drawn from those figures, first: there is no gain-saying that investments have been rising since the second quarter of 1958, as is the case—this is the second conclusion—with new constructions, and third: liquidation of inventories by enterprises started to reduce, so that necessary new supply of inventories will create new orders, which in their turn will strengthen the United States economy.

Another evidence of the end of the economic recession in the middle of 1958 was given by the figures concerning new plant and equipment:

<i>(in billion \$) *)</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Durables</i>	<i>Non-durables</i>
1957	36.96	15.96	8.02	7.94
1958 1st Quarter	32.41	13.20	6.58	6.62
2nd „	30.32	11.53	5.57	5.96
3rd „	29.61	10.86	5.16	5.70
4th „	29.97	10.56	4.86	5.72
1959 1st Quarter	31.16	11.56	5.35	6.21
2nd „	32.03	12.25	5.74	6.51

*) Seasonally adjusted annual rates

The setting up of new plants also demonstrated the returning confidence in the economic recovery. Figures concerning this sector are usually very sensitive, because when business is slackening entrepreneurs are not inclined to invest money on new plants and equipments, while when economic condition is starting to recover they prefer a waiting attitude, watching whether the recovery is going on or not. This explains why the real increase of investments only started at the beginning of 1959. The sector durables, which as referred to above experienced a rather weak demand from consumers, underwent the same process. After suffering serious decreases the weekly production of motorcars was also moving upward, to wit from 29,000 in September 1958 to 56,700 in October 1958 and 124,800 at the end of December 1958

Developments of the business cycle during the second half of 1958 could also be followed from the index numbers of total industrial production as stated below:

<i>(1947 — 1949 = 100)</i>	<i>1957</i>	<i>1958</i>	<i>March</i>	<i>June</i>	<i>September</i>	<i>December</i>
Seasonally adjusted annual rates	143	134	128	132	137	142

Figures on unemployment were also declining, namely from about 5.2 million in March 1958 and 5.4 million in June to 4.1 million in September. The last figure did not change much until the year end.

Thus, there are strong indications that the business cycle in the United States—though a number of sectors still need vigilant attention—is levelling up and recession has come to a definite end. The sector making an exception was for example the unemployment sector, which though reduced still remained at a high level. One of the causes was the increasing automation which on short term hampered the decrease of unemployment. With the advance of technology in various fields (and countries) the problem of automation deserves serious attention so that the problem of unemployment could be solved. The world is facing a second industrial revolution, broader and deeper than when mechanization was started in production.

Besides unemployment, the balance of trade still showed an unfavourable picture. This is understandable in connection with the high level of imports—due to the revival of economic activity—while exports were still unsatisfactory. In January 1959 exports were 8% lower than in January 1958. The question arose then whether the level of prices in the United States which remained high during the recession did not hamper exports. The decrease of gold reserves, though not at such a big scale as during 1958, went on in January, February and March 1959. In this connection it was comprehensible why President Eisenhower laid so much stress on the importance of a balanced budget, notwithstanding the fact that in their efforts of making objections against the Government budget various circles used military expenditures as an argumentation. In line with the measures taken by the Government, the Central Bank which also endeavoured to make progress without causing inflation started to alter its discount policy by raising the discount rate from 1.75% to 2% in October 1958, 2.4 % in November 1958, 2.5 % in December 1958 and to 3% in March 1959.

Thus were the economic developments of the United States in broad outlines, which after having overcome the recession at the end of the first quarter 1958, had to face two important problems: unemployment as an excess of automation and

the danger of inflation which successively will hamper economic activity in the country and influence exports, while the declining confidence in the U.S. dollar will cause a reduction of the gold reserves.

Western Europe

Since the Western European countries succeeded in normalizing their economy from a war-economy to an economy of peace, the business cycle no longer continued under conditions of capital shortages and heavy destructions in various fields. Soon after the war was over a new danger arose from the large numbers of unemployed ex-servicemen and from industrial capacity formerly used in the production of war equipment. Thanks to the Marshall Plan the shortage of capital could be supplied. Factories and housing destroyed could be rebuilt, communications were restored and the overcapacity of certain factories were again put into use, thereby employing the labour of ex-servicemen. Gradually production became normal and the much-feared depression and crisis could be prevented, while unemployment did not develop. The increase in output of goods found a ready demand, which had so long been deferred on account of the war. This rising demand provided a strong base for reconstruction, beginning at a low level but steadily rising to a higher level every year.

Thus depression or a crisis and unemployment could be checked while inflation (except in the period of the Korean War) could be counteracted because labour, being a factor of production that had not been employed to the full, constituted a source sufficient large to meet the demand without resulting in exceptionally rising wages which could have generated rising prices in other sectors.

However, after the reconversion was effected and the war economy had become again an economy of peace, having reached the level of full employment in all production sectors, the always present danger of inflation, inherent to the economic cycle at such a stage, had to be faced. A sector of production growing at a faster rate was apt to draw factors of production from other sectors, thereby caus-

ing prices of those factors to rise and finally create inflation. Besides the problem of inflation, economic development on a high level always faces the possibility of insufficient demand after having filled deferred demand.

It may be assumed that economic development in Western Europe had reached the level of full employment since 1955. As explained in the annual reports of 1955/1956 and 1956/1957 economic activity reaching a higher level every year could not always avoid disturbances in the equilibrium between its sectors and provide sufficient demand for ever-increasing production.

The Government concerned could of course not remain passive. They could not allow prices to advance and deficits on their balances of payments to continue. It was deemed necessary to take measures in order to check economic developments resulting in inflation, though they were convinced that fundamentally economic activity must grow in order to provide for the increase of population and to ensure a higher standard of living.

Owing to the above measures and the factors inherent to a high in the business cycle—demand not being adequate to supply—economic activity in Western Europe slowed down, beginning in the second half of 1957, and in the middle of 1958 the business cycle levelled off or even showed instances of a decline as shown hereunder by the figures on industrial production.

<i>(1953 = 100)</i>	<i>1958</i>	
	<i>1st quarter</i>	<i>2nd quarter</i>
Austria	153	149
Belgium	120	113
Finland	131	125
United Kingdom	117	114

Source: Economic Survey of Europe 1958.

Not all Western European countries experienced a slump. Developments in Yugoslavia and Norway for instance still showed an upward trend, while the Federal Republic of Germany and France demonstrated neither decline nor progress.

It is clear, however, that the business cycle in Western Europe moved from a boom into a recession. Figures of production in the industrial sector generally still showed a slight progress for the whole of Western Europe but the rate of growth was considerably slower than in 1955/1956 and 1956/1957 :

<i>(1953 = 100)</i>	1955	1956	1957	1958
Industrial production in Western Europe	120	127	134	136

A similar slowdown was evident in other sectors, so that development in the gross national product showed only slight improvements, while some countries even experienced a setback.

<i>Percentage of movements compared with preceding years</i>	<i>Gross national product</i>		
	1956	1957	1958
Austria	5	6	3
Finland	3	1	— 2
France	5	6	2
Western Germany	6	5	3
Italy	4	6	4
Netherlands	4	2	...*)
Norway	4	3	— 1
Sweden	3	4	1.5
United Kingdom	2	2	— 1.5
Yugoslavia	4	22	3

*) not yet available, but gross fixed investment showed a decrease by 10% if compared with the preceding year.

Source : Economic Survey of Europe 1958.

On further examination it appears that the sectors showing a decline in production were coal, iron and steel, textiles, clothing, leather, shoes and machinery. Production sectors still showing an upward trend were transport equipment (mainly motorcars), chemicals and food.

An aspect of the situation in the coal industry is related to the recession, namely declining demand due to declining industrial activity; another aspect is related to

the Suez crisis. As an evidence of the prevailing difficulties there is the accumulation of pithead stocks in the United Kingdom, Western Germany, Belgium and other countries amounting to 45 million tons at the end of 1958 or 1 1/2 times their level a year earlier. The Suez crisis had an unfavourable impact because of the accumulation of stocks by consumers on account of their anxiety of a shortage of oil. Long-term contracts for coal imports from the United States were concluded. When the Suez crisis ended and oil was available again it turned out that all those precautionary measures had not been necessary. Production of coal fell because of slack demand and accumulated stocks. In Belgium the coal problem was most acute.

The decline in economic activity was automatically reflected in the labour market. During the boom this market had to endure considerable pressure by demand for labour in various sectors. Rising wages originating from a strong demand for labour as well as from demands for higher wages added to the inflationary pressures. The downward trend in the business cycle eased off and in various countries as the United Kingdom, Belgium, the Netherlands, Finland, Norway and France unemployment started to rise to a level well above that of 1957, but did not reach serious proportions on the average.

Such was the economic condition of Western Europe in the year under report. The business cycle showing a downward movement since the middle of 1957 continued slackening till the middle of 1958. As explained before, the slump in economic activity, besides originating from autonomous factors, was a result of measures taken by the respective Governments to ease inflationary pressures of the boom, which had caused rising prices and deficits in the balance of payments in various countries, inter alia in the United Kingdom, France and the Netherlands. The above measures consisted of a direct curtailment of investments in the public as well as in the private sector, which further affected consumption; on the other hand, a monetary and fiscal policy and budget control resulted in a contraction of the volume of money. The raise of the Bank of England discount rate to 7% in September 1957 was an example which attracted much attention and was followed by other countries, except by Western Germany, which was confronted

with a different problem, namely with a surplus on its balance of payments. Besides raising the discount rate various measures were taken by the central banks to restrict the granting of credits.

The results of those measures did not always come up to expectations, prices in some countries continued to rise, as witness investigations by O.E.E.C. and E.C.E., while not all balances of payments improved. Nevertheless inflation levelled off and the pressure on prices, labour wages and the balance of payments eased.

Prices and wages in selected European countries are given below.

<i>(1955 = 100)</i>	<i>1957</i>				<i>1958</i>		
	<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>	<i>I</i>	<i>II</i>	<i>III</i>
<i>Belgium</i>							
Wholesale prices	105.9	105.9	105.9	105.5	102.8	100.4	100.5
Consumers' prices	105.1	105.7	106.6	107.7	107.1	107.6	107.2
Hourly earnings	115.9	119.1	118.7	122.5	121.7	123.4	...

As regards the balance of payments position, the following may be observed:

The slackening of economic activity basically resulted in a decrease of the need for imports, while repressing of inflation eventually generated increased exports. Available data indicated a decrease in exports by 2% if compared with 1957; imports, on the other hand, declined by 9%. Such developments indicated improvement of the balance of trade position and had automatically an impact on the balance of payments.

In reviewing developments in Western European foreign trade three directions may be distinguished, viz. inter-Western European trade, trade directed to the United States and to other countries, including the underdeveloped countries. Inter- Western European trade declined by 2%, but exports to countries outside Western Europe, i.e. to the United States and the underdeveloped countries increased. Those rising exports were noteworthy as they occurred in a period when

(1955 = 100)	1957				1958		
	I	II	III	IV	I	II	III
<i>Sweden</i>							
Wholesale prices	106.5	106.5	105.8	105.8	105.1	107.3	103.6
Consumers' prices	107.5	109.0	109.8	111.3	113.5	114.3	114.3
Hourly earnings	111.3	115.1	114.9	116.7	119.6	121.6	120.6
<i>Switzerland</i>							
Wholesale prices	103.6	105.2	103.6	103.4	101.9	100.7	100.0
Consumers' prices	102.1	103.2	104.2	104.9	104.6	105.7	106.0
Wage rates	105.2	105.5	105.9	106.8	108.4	108.9	109.3
<i>France</i>							
Wholesale prices	105.8	107.7	110.8	121.1	122.6	123.7	122.5
Consumers' prices	101.7	102.8	106.1	112.6	119.3	121.0	122.1
Wage rates	113.3	116.1	119.6	124.2	129.0	131.9	132.9
<i>Western Germany</i>							
Wholesale prices	104.2	104.2	104.2	105.0	105.9	105.0	105.0
Consumers' prices	103.6	104.5	105.5	107.3	108.2	108.2	107.3
Hourly earnings	115.5	119.3	120.7	122.1	125.0	127.5	128.7
<i>United Kingdom</i>							
Wholesale prices	106.5	107.4	109.1	109.8	109.9	109.5	109.5
Consumers' prices	107.0	108.7	109.1	111.3	111.5	113.3	111.5
Wage rates	110.0	114.0	114.9	115.2	115.6	116.2	117.0

Source: Economic Bulletin for Europe Vol. 10, No. 3.

the United States experienced a recession and economic conditions in the underdeveloped countries were highly unfavourable. The above developments originated from the following.

- 1) Though the United States experienced a recession consumers' purchasing power remained high due to Government policy regarding social security. The greatest increase occurred in the exports of European-made private motorcars.
- 2) The underdeveloped countries had to maintain their imports on the former level due to their development projects, which could not be abandoned at short notice without great difficulties. In this exigency those countries had to use their foreign exchange reserves for imports of foreign goods, mainly from the United States and Western Europe.

Thus exports to countries outside Western Europe remained high. imports from those countries, however, declined :

(1953 = 100)	1957	1957 Jan./ June	1958 Jan./ June
Imports	127	133	121
Exports	138	137	135

Source : O.E.E.C.

Such developments obviously resulted in improvements in the balance of payments position and foreign exchange reserves:

<i>Foreign exchange reserves (in millions of U.S.\$)</i>	1957			1958		
	June	Sept.	Dec.	June	Sept.	1
Europe	14,275	14,800	14,995	15,970	17,205	18
United Kingdom	2,420	1,890	2,374	3,110	3,155	:
Continental E.P.U.	13,960	14,485	14,675	15,605	16,790	15
Inter alia :						
France	1,226	825	775	—	—	
Western Germany	4,888	5,759	5,644	5,830	6,098	1
Switzerland	1,832	1,895	1,918	1,990	2,055	2

Source : International Financial Statistics.

The above figures demonstrate that foreign exchange reserves of Western Europe and the United Kingdom steadily increased since the end of 1951 till the end of 1958. The foreign exchange crisis in September 1957, when rumours were strong about a devaluation of the £ sterling—figures for September 1957 indeed show a decline for the United Kingdom and France—has definitely passed.

The measures taken by some countries did not result in controlling the business cycle in order that economic activity should improve without inflation and without endangering monetary and external equilibrium, but on the other hand, there is no denying that developments in prices, labour wages and in the balance of payments did not proceed under great pressures.

The rise of prices and wages, which could not be avoided, did not endanger the growth of the economy, while, due to measures taken by the Government and

to external factors — exports to the United States rose as did exports to the underdeveloped countries—the balances of payments returned to normal and even showed surpluses putting an end to speculations of devaluation and revaluation, and in many countries of Western Europe foreign exchange reserves improved considerably.

But when the aim of slowing down the rate of progress was partially achieved in the middle of 1958, economic conditions turned out to be less satisfactory in relation with a slackening in some sectors and deterioration in some countries. Thus the time had come for the Governments concerned to ease controls in various fields and to make regulations with the aim of restoring activity which had slowed down. This action was taken when the recession in the United States had shown signs of coming to an end in the second quarter of 1958. Among the measures taken by several countries were:

- 1) the termination or easing of credit restrictions as reserve requirements, ceilings as well as rationing, e.g. in the United Kingdom and the Netherlands
- 2) the lowering of the discount rate which during the high in the foreign exchange crisis in September 1957 had been raised.

	1957	1958		1959
	September	II	III	March
Belgium	4.5	4	3.5	3.25 (Jan.)
France	5	—	4.5	4.25 (Feb.)
Western Germany	4	3	—	2.75 (Jan.)
Netherlands	5	3.5	—	2.75 (Jan.)
Sweden	5	4.5	—	4.5
United Kingdom	7	5	4 (Dec.)	4

Source : I.M.F.

It should be observed that Western Germany did not raise its discount rate in September 1957, but even lowered it from 4.5% to 4%. This was due to the position of the balance of payment which continuously showed a surplus, stimulating speculative activities on the revaluation of the Western German currency.

- 3) Several direct and indirect taxes were lowered as occurred in the United Kingdom with regard to some purchase and income taxes.
- 4) Regulations were issued to stimulate private investment, while public investment rose, thereby allowing a restricted budget deficit for the time being.

The above measures were taken by the Governments when the danger of inflation appeared to have lessened and a slackening of economic activity became apparent. And the business cycle in Western Europe seems indeed to have improved since the middle of 1958 although at a slower rate. The index for industrial production (1953 = 100) which was 136 at the end of the second quarter of 1958 rose to 137 at the end of November 1958. Among the countries recording considerable advances were Italy (2nd quarter: 138, 4th quarter: 144), Norway (2nd quarter: 123, 4th quarter: 127) and Yugoslavia (2nd quarter: 188, 4th quarter: 201), while France was still experiencing a recession, Western Germany maintained a high level of industrial production and the United Kingdom showed a slight improvement (2nd quarter: 114, 4th quarter: 115) .

There is good hope that economic activity in Western Europe will regain higher levels in the near future, thereby avoiding inflation. This optimistic view is justifiable considering the fact that unemployment still exists in some regions (e.g. the United Kingdom) and consequently this factor of production should not generate pressures as it did during the former boom. Further, liberalization of inter-Western European trade has recently assumed increasing importance, while the Common Market has been initiated. Finally, as is generally known, the convertibility of £ sterling and other West European currencies announced at the end of December 1958 (mostly for “nonresident”) and promoting liberalization will facilitate trade and payments transactions.

On the other hand no fast improvement is to be expected because exports to the underdeveloped countries do not constitute a great source of expansion for Western Europe in relation with the deteriorating economic conditions of the underdeveloped countries, which have used their foreign exchange reserves to an alarming extent. Only if the underdeveloped countries will be aided by sufficient

loans and/or their exports can be increased, could hopes be held out that they will become a strong factor to the growth of the business cycle in Western Europe.

Close cooperation among the countries of Western Europe as well as in their relationship with the outside world, especially with the underdeveloped countries should be created, based on mutual respect and consideration of the interests of all concerned. Prosperity is difficult to gain and to maintain by individual countries and international collaboration is very much needed lest efforts should become detrimental and harmful.

Eastern Europe

As economic activities in Eastern Europe, the Soviet Union included, are carried out under the guidance and conduct of the Government, it is sometimes necessary to make confrontations between the de facto realities and the guiding principles. The economy of each country can be developed according to certain systems, but as economy is an organism divided in various sectors which affect each other, the final judgement of its course, level and value of activities can only be made by its implementation and its outcome. The changes of directions in Eastern European countries which sometimes were given through their economic plans bear evidence that such confrontations had been made by the Governments concerned.

With the aim of conducting the business cycle according the principles desired Eastern European countries brought alterations in their systems during 1958. Before going into those alterations, mention has to be made that the dynamic strength of the economy in Eastern Europe was still existing. It appeared that they managed to overcome the difficulties usually inherent to the first stage of economic development—as is evident in new underdeveloped countries—namely shortage of capital and experts on one hand and abundance of natural richness and manpower on the other. When the lack of capital and experts could partly be surmounted, natural sources and manpower could be utilized and production or na-

tional income could gain a steeper rise. This was the case in East European countries, which are now in the middle of a process towards full employment of their natural wealth and labour forces.

The efforts of surmounting the first phase and reaching higher levels of development brought to light deficiencies which called for improvement. During the past year Eastern European countries still carried out revisions of the prevailing economic principles and their implementation. Those changes were mainly aimed at boosting productivity and at reducing production cost. The alterations which were effected in the industrial as well as in the agricultural sector were as follows:

1. Several times in the past industry experienced shortages of raw materials and machineries. Production was furthermore hampered and disturbed by bottlenecks in the supply of those materials. In 1958 attempts were made to improve the supply and distribution of goods.
2. The problem of costs was given careful attention. The increase of production only was not considered sufficient, and the problem of costs has been thoroughly examined so that the largest possible rise of production could be reached at the lowest costs. It was reported that the „input— output” system of the American economic expert W. Leontieff—which makes a comparison between what is entered into production (input) and what is produced (output)—will possibly be brought into practice.
3. The administration which had become bureaucratic was simplified and employees who were dispensable were shifted and directly used in the production process.
4. In the agricultural field, especially in the Soviet Union, the problem of collective—and state—farms was brought into the focus of interest as it was evident that state farm production was more satisfactory than the former.

<i>Man-hours per Q</i>	<i>Collective Farms 1956</i>	<i>State Farms 1957</i>	<i>U.S.A. 1956</i>
Wheat	7.3	1.8	1.0
Potatoes	5.1	4.2	1.0
Beet sugar	3.1	2.1	0.5
Cotton (unginned)	42.8	29.8	18.8
Milk	14.7	9.9	4.7
Meat	112.0	52.0	7.9
Pork	103.0	43.0	6.3

(Source : Economic survey of Europe 1958)

Above figures prove the efficiency of state farms. The Soviet Union and other East European countries also envisage to reach the level of the United States.

5. More autonomy in the operational as well as in the financial field has been granted to production units of the agricultural sector.
6. The important role of central stations of tractors during the last 30 years of agricultural development was diminishing. In March and at the end of 1958 sales of tractors to collective farms were permitted, and 83% of those farms purchased tractors.
7. Compulsory sales of agricultural products at low prices ceased and sales were carried out at higher price levels resulting in income of collective farms in the Soviet Union rising from 95.2 billion Rubles in 1957 to 135 billion Rubles in 1958.
8. Greater attention was paid to the problem of consolidation. In 1957 for example, 894 new farms have been set up in the Soviet Union against only 150 in 1958.

Thus was in short a review of a number of changes, new directions and measures conducted during 1958, aimed at gaining progress in economic activities, which had not yet reached the limit of full employment of its production factors.

The countries of Eastern Europe achieved a higher level of economic activity in 1958, due to a spontaneous development as well as to measures and revisions in the regulations and organization made by the Government.

Foreign trade, the trade with underdeveloped countries included should be noted as an external factor which sponsored those economic activities. As was the case with Western European countries exports to underdeveloped countries could be maintained at the previous level. As prices of raw materials were dropping, the terms of trade were in fact favourable for the Eastern European countries.

Czechoslovakia, Hungary and Poland managed to improve the position of their balance payments, though Poland was still facing difficulties. The terms of trade of the Soviet Union also improved in 1958. It was evident also that the Soviet Union had stabilized its exports which were based on deferred payments (i.e. on a credit basis) while payments of credits in the form of various kinds of import goods started to flow from the Chinese People's Republic.

In East Germany reduction of the compulsory contributions to the Russian Army which when stopped entirely on January I, 1959, was a considerable relief as from that time the consumption of the goods by that army was actually exports and no longer a burden, which it had been before.

1958 production of East European countries, the Soviet Union included in general gained increases from 6% to 9% if compared with 1957. Those increases were for the major part due to improvements in the agricultural sector. In the Soviet Union, Poland and East Germany for example, agricultural production rose steeply while such was not the case in Czechoslovakia. Agricultural production of other countries if not decreasing remained at the same level. The following figures compiled by the Economic Commission for Europe of the United Nations show the development in several East European countries :

From the above figures the following conclusions may be drawn:

Percentage increase over the foregoing year :

<i>Gross Production</i>	<i>Czechoslovakia</i>		<i>East Germany</i>		<i>Hungary</i>		<i>Poland</i>		<i>Soviet Union</i>	
	'57	'58	'57	'58	'57	'58	'57	'58	'57	'58
Industry	10	11	8	11	12	12	10	10	10	10
Capital goods	10	12	...	...	9	17	9	8	11	11
Consumer goods	11	11	...	...	15	6	10	10	8	7
Constructions	10	9	12	5	11	5	2	6	13	16
Agriculture	— 1	3	...	7	13	— 3	4	3	— 2	11
<i>Railway transport :</i>										
Goods	15	8	5	3	16	9	6	3	12	7
Passengers	2	— 1	— 1	— 4	8	16	...	1	8	...
Domestic production (net)	7	8	9	8	21	3	8	6	6	9
Fixed capital formation (gross)	10	5	9	15	— 4	9	7	8	12	11

1. Net production increases were evident in all countries, the highest (9%) in the Soviet Union and the lowest (3%) in Hungary. This was as referred to above, partly due to developments in the agricultural sector (the setback in Hungary was 3%).

2. Increases in the output of capital goods in general, except in Poland, appeared to be higher than the production of consumer goods. If a comparison was made with 1957, a setback would come to the fore as for example in Hungary and the Soviet Union. The stress which was to be laid on the manufacture of consumption goods appeared to have negative results. It has to be noted, however, that the problem was not wholly ignored and it was significant also that here and there hire purchase facilities were granted. Demand for durable consumer goods (radio, TV-sets, refrigerators) was strong in general and the production in Czechoslovakia could be said as being at the same level with other West European countries. With the exception of the Soviet Union, prices were still rather high. The consumption level rose generally.

3. An interesting development was further shown by the railway transport. Increases of this sector were not in proportion with the industrial development and if compared with 1957, decreases were even perceptible.

Thus were some general conclusions from the figures on the national income and their components.

The conditions in each country, based on its progress in general and if taken into account the shortcoming in various sectors—shortages in stocks, difficulties in the supply of materials etc., bureaucracy, excessive centralization —were rather different from each other.

The Soviet Union being the largest economic unity in Eastern Europe as the United States are in the Western world, has undeniably a great influence on the economic development of the surrounding countries. Even countries outside this community began to feel the impact. As an example could be given, that purchases by the Soviet Union in the rubber market during the recession in industrial centres of Western countries helped the developments in rubber prices; its sales of tin on the other hand depressed tin prices to a rather dangerous extent, which fortunately could be overcome. The influence of the economy of the Soviet Union in world economy and the underdeveloped countries, will gain power and has to be reckoned with.

The 1958 - plan which aimed at raising the gross production value by 7.6% resulted in an increase by 10.1% thus exceeding the target by 2.5% This plan gives priority to the production of chemicals, oil and refineries, natural gas, iron mining and metallurgy. Those plans (excepting oil refinery equipment) could be fully realized and even exceeded. Output of oil and gas rose steeply, this increase was desirable as coal (and firewood) had to be replaced in the chemical industries.

Among the sectors which did not make progress were the sectors of fertilizers and synthetic fibres. The realization of long-term programs in the agricultural as well as in the textile industries still need development at a faster rate. Shortages of materials might also hamper development.

Czechoslovakia has become a country with the most developed industry with the largest diversification. After having surmounted difficulties in the form of

material shortages and unbalanced productive capacity in 1953/1954, conditions were improving and up till now progress is still going further. This does not imply that the problem of energy (oil, coal and other fuels) has been solved entirely. Besides the diversification of its industry, Czechoslovakia also joined in exportations to countries outside its community, the results of which had reached favourable heights before economic recession took place in Western Europe.

East Germany on the other hand laid stress upon and gained improvement only in a few industries (heavy industries) and did not conduct diversification like Czechoslovakia. Hence the economy of East Germany could be considered as being more in danger as was demonstrated for example by the development of its exports. The conclusion of war reparation payments to the Soviet Union relieved the economic burden for the country. Increased imports of industrial materials (oil included) from the Soviet Union also reduced difficulties which have been prevalent.

As was the case in Czechoslovakia and East Germany, other countries also experienced, besides improving conditions—shortages of raw materials and oil or other fuels. In order to be able to import the raw materials needed and other goods, Hungary received a credit from the Soviet Union. Among the sectors which gained momentum was the pharmaceutical industry. Hungary's economic plans did not give much attention to the agricultural sector which resulted in difficulties. During recent years improvements were made in this condition. The industrial development of Poland laid much stress on its heavy industries and due to this a number of unbalanced situations came to the fore. Coal production, one among the oldest in Poland, began to increase. Generally speaking the commotions in Hungary and Poland could be considered as having lost their causative role in threatening economic development in both countries.

It would seem that economic activities of East European countries will go further in a sphere of progress. Among the autonomous factors making such development possible was the fact that productive capacities were not yet fully utilized (natural sources, manpower), while shortages of capital and experts which

formed an obstacle at the beginning, could be overcome. Nevertheless, attention ought always to be paid to shortages of materials, unbalanced developments, etc. And sometimes, when facing bottlenecks, it is likely that revisions of system and organization will also be conducted.

Asia

General

Principally due to bad weather conditions, agricultural production of Asian countries—the Chinese People's Republic not included—suffered setbacks in 1958. The index number of agricultural production in Burma, India, Pakistan and Muang Thai dropped. The prolonged dry season and overdue rains caused paddy production of Asian countries (the Chinese People's Republic excepted) to decline by 7.6%. Production amounted only to 110.5 million tons during the crop year 1957/1958. Thanks to a favourable weather change at the end of 1958 the 1958/1959 crop is estimated to gain an important increase. Provisional figures on the 1958/1959 paddy production give an indication of about 115 million tons or 4% higher than the preceding year. In this connection it is noteworthy that 1956/1957 with an output of 118.7 million tons is still a record year of paddy production.

Industrial development of Asian countries during the year under report showed a more favourable picture than agricultural production. Improvements in industrial productivity have been achieved in Japan and Pakistan. The index numbers of industrial production of both countries were respectively 2% and 12% higher than 1957, while the index of India—based on figures of three quarters—remained at the previous level. An interesting development was shown by the industrial activity of those three most advanced countries. Industrial production declined steeply in the second quarter of 1958 but rose again during the following quarters. The decrease of the index number of industrial production in Japan during the second quarter was caused by the economic recession, while the decline in India was a result of the setbacks in agricultural production. The local demand for textiles in India is determined by the fluctuations in income

TABLE 2 — OFFICIAL GOLD AND FOREIGN EXCHANGE HOLDINGS OF SOME ASIAN COUNTRIES (U.S. \$ million)							
	1955	1956	1957	1958			
				1st quarter	2nd quarter	3rd quarter	4th quarter
Indonesia	307	254	224	189	177	173	217
Burma	92	121	93	94	112	128	119
Ceylon	204	221	183	185	163	172	172
India	1,791	1,360	872	808	704	634	644
Japan	1,339	1,507	1,019	1,132	829	892	861
Pakistan	370	373	291	316	283	232	258
Philippines	155	161	71	83	70	78	92
Thailand	297	310	328	332	329	326	327

Source : International Financial Statistics

in the agricultural sector which is reflected also in the buying power of the rural population.

Asian countries whose industries are in the initial stage of development like South Korea, the Philippines and Taiwan showed progress during 1958, particularly their sugar and textile industries.

Production of paper and cement in Asia rose from 3.29 million tons to 3.38 million tons and from 24.2 million tons to 25.3 million tons respectively.

Regarding mining production in Asian countries it can be stated that the reduction of tin export quotas by the International Tin Council had a serious impact on the tin mining industries in Malaya and Indonesia. As a result of this restriction a difficult problem of unemployment arose in Malaya when a lot of mineworkers turned out to become workless. Tin production of Asian countries in 1958 amounted to 73,400 tons against 104,500 tons in 1957.

The production of manganese and tungsten dropped in several countries, while those of oil and iron ore rose, respectively from 57.2 million tons to 62.6 million tons and from 11.6 million tons to 12.1 million tons. Coal production fell by 0.6 million tons to 103.5 million tons.

TABLE 3 — BALANCES OF TRADE OF SOME ASIAN COUNTRIES
(U.S. \$ million)

	1938			1955			1956			1957			1958		
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
Indonesia	381	275	+ 106	946	631	+ 315	896	861	+ 35	969	797	+ 172	755	518	+ 237
Burma	181	79	+ 102	227	181	+ 46	250	198	+ 52	230	296	— 66	190	200	— 10
Ceylon	104	86	+ 18	407	307	+ 100	364	342	+ 22	353	379	— 26	359	360	— 1
Hongkong	185	188	— 3	444	651	— 207	563	799	— 236	529	901	— 372	524	804	— 280
India	—	—	—	1,276	1,413	— 137	1,300	1,725	— 425	1,350	2,154	— 804	1,216	1,644	— 428
Japan	767	759	+ 8	2,011	2,471	— 460	2,501	3,230	— 729	2,858	4,284	— 1,426	2,877	3,032	— 155
Malaya	} 327	315	+ 12	774	504	+ 270	739	572	+ 167	713	590	+ 123	616	540	+ 76
Singapore				1,101	1,262	— 161	1,120	1,284	— 164	1,136	1,327	— 191	1,025	1,222	— 197
Pakistan	—	—	—	401	290	+ 111	340	417	— 77	358	440	— 82	298	396	— 98
Philippines	117	153	— 36	389	641	— 252	439	597	— 158	432	725	— 293	496	663	— 167
Thailand	89	57	+ 32	335	334	+ 1	334	365	— 31	365	406	— 41	309	383	— 74

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

Source : International Financial Statistics

Table 2 demonstrates that gold and foreign exchange holdings of all Asian countries—with the exception of Burma and the Philippines—dropped seriously during the year under report. As was the case in 1957 India, Japan and Pakistan suffered the largest decline, viz. by 26%, 15% and 11 % respectively. Food production in India and Pakistan were disappointingly low, so that foodstuffs had to be imported to meet with domestic consumption needs. Besides burdened by those substantial imports of foodstuffs, India's foreign exchange holdings had to face also difficulties with regard to the financing of its development plan. The foreign exchange holdings of India showed a deficit exceeding the statutory limit of US \$ 868 million. Japan's foreign exchange position suffered a substantial drop in the second quarter of 1958, but the reserves rose again during the second semester as a result of restrictions imposed on imports. Japan's exports on the other hand gained improvement at the end of the year.

Table 3 shows the development of the balance of trade of various Asian countries. As was the case in 1957, the balance of trade of all countries—with the exception of Indonesia and Malaya—still show deficits in 1958. If compared with 1957, however, the deficits in 1958 were generally lower. These improvements, though in a relative sense, had been achieved only through drastic import restrictions, because the stimulation of exports appeared to be difficult due to the weak position of raw materials—the main export commodities of the major part of Asian countries—in the world market. The Philippines was the only country with an increase of exports, thanks to its sugar exports, whereas Japan and Ceylon were

TABLE 4 — EXPORTS OF ASIAN COUNTRIES (U.S. \$ billion)						
	1953	1954	1955	1956	1957	1958
a. Total world exports ¹⁾	75.3	78.0	84.8	94.1	101.0	96.0
b. Asian countries ²⁾	6.0	5.9	6.7	6.7	6.9	6.2
c. b in % of a	8.0	7.6	7.9	7.1	6.8	6.5
¹⁾ Exclusive of China, USSR and some East European countries ²⁾ Burma, Cambodja, Laos, Vietnam, Ceylon, Hongkong, India, Indonesia, Malaya, Singapore, North Borneo, Philippines, Pakistan, Serawak, Taiwan and Thailand.						

Source : International Financial Statistics

able to maintain their export value at about the 1957-level. Asian countries experiencing deterioration of exports were Indonesia, India, Pakistan, Malaya, Singapore, Burma and South Vietnam. Drastic import curtailments were imposed by the Governments of India, Indonesia, Burma and Thailand. Those restrictions on imports were in a direct way as well as through monetary measures. The sliding back of Ceylon's imports however was caused by labour unrest in the port of Colombo.

Compared with the previous year, world export proceeds in 1958 were lower. The exports of Asian countries as a whole decreased also, viz. by US \$ 700 million to US \$ 6,200 million, so that the share in world exports deteriorated from 6.8% to 6.5%. Table 4 demonstrates clearly that this percentage has been dropping continuously since 1956.

As regards the production of raw materials in Asian countries, mention can be made that rubber registered a volume of about 1,720,000 tons, or 2% less than in 1957. Nearly all rubber producing countries in Asia gained production increases, only Indonesia and Serawak suffered setbacks, to wit by about 10% and 5% respectively. Tea production decreased also, from about 700,000 tons to 600,000 tons. The volume of rubber exports slid from 1,699,000 tons in 1957 to 1,687,000 tons, while the sugar and tea exports rose respectively from 1,804,000 tons to 1,959,000 tons and 420,000 tons to 457,000 tons. The setback in rubber exports was mainly experienced by Indonesia (-10%) and Serawak (-6%). Indonesian and Indian sugar exports dropped by 40% and 57% respectively, while Philippine and Taiwan sugar shipments were up by 36% and 9% respectively. Furthermore, it can be reported that copra exports of all copra producing countries in Asia—with the exception of North Borneo—decreased: Indonesian exports fell by 60% and the Philippines by 13%. Pakistan exported 15% more jute in 1958 than in the preceding year, while India on the other hand suffered a drop of 12%.

The figures of table 5 show that the level of the cost of living in a number of Asian countries was generally higher during 1958 than in the previous year. It appeared that the general cost of living index during the first three quarters of

1958 were rising unabatedly. During the last quarter however, the index started to slide in Burma, Thailand and Pakistan. But it turned out afterwards that only Burma had been able to maintain a stable index, while the other two countries saw their level of the cost of living rise again during the first quarter of 1959. It can be added here that the index number of wholesale prices showed a development identical to that of the cost of living index.

When there were still countries which succeeded in reducing their volume of money in circulation in 1957, namely Burma and Ceylon, the volume of money of all Asian countries increased without exception during the year under report. Indonesia showed the largest increase (55.5%) while the volume of money in Burma and Japan also rose substantially.

	Burma	Ceylon	India	Japan	Pakistan	Philippines	Thailand
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	121	101	105	108	106	102	117
1958 1st quarter	112	104	104	107	111	104	119
2nd quarter	119	103	107	109	112	105	129
3rd quarter	128	103	113	109	114	106	129
4th quarter	112	104	114	111	103	107	121
*) Average figures							

Source : International Financial Statistics

In addition to aid received from organizations like the Colombo Plan, the World Bank, the Eximbank, the International Cooperation Administration and from the Governments of the Soviet Union and the People's Republic of China, several Asian countries also concluded loans with the Development Loan Fund, a new organization of the United States. An amount of about US \$ 292 million had been ratified to be extended to i.a.: India (US \$ 175 million), Taiwan (US \$ 31.1 million), Malaya (US \$ 10 million), South Korea (US \$ 5.64 million), Pakistan (US \$ 5.5 million) and Ceylon (US \$ 3.25 million). Those D.L.F. loans will be used for the implementation of various projects: electric power plants, irrigation, rehabili-

TABLE 6 — 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
1953 December	7.49	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	1.08	20.47	2,331.—	4.54	1.34	6.92
1956 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	7.70
September	16.88	1.21	1.05	22.34	2,389.—	5.04	1.55	7.96
December	18.91	1.11	1.04	22.75	2,824.—	5.26	1.60	8.19
1958 March	19.62	1.28	1.02	23.89	2,547.—	5.31	1.61	8.44
June	21.65	1.28	1.02	23.80	2,555.—	5.38	1.64	8.04
September	23.93	1.30	1.07	23.14	2,658.—	5.30	1.66	8.39
December	29.37	1.31	1.08	23.50	3,185.—	5.51	1.74	8.36*)
Per cent increase 1958	55.3	18.0	3.8	3.3	12.8	4.8	8.8	2.1

*) November

Source : International Financial Statistics

tation and modernization of industries (cement, jute), communications (telecommunication, road system), transport (introduction of diesel engines and improvement of railroads, purchase of buses, trucks), harbour construction, fisheries and agriculture.

The loans granted by the World Bank to Asian countries totalled US \$ 374 million in 1958. India received US \$ 153 million, Japan US \$ 164 million, Malaya US \$ 35.6 million, Pakistan US \$ 14 million and Ceylon US \$ 7.4 million. Eximbank granted loans to an amount of US \$ 219.9 million, viz. US \$ 150 million to India, US \$ 60 million to Japan and and US \$ 9.9 million to the Philippines.

A further survey of the economic development in various countries during the year under report is given in the following pages.

Pakistan

Foreign exchange proceeds from the export of raw jute was Rs 58 million more in the year under report than in 1957. Overall receipts from sales of raw jute

rose from Rs 781 million to Rs 839 million. Export of jute goods increased by Rs 26 million, i.e. from Rs 92 million in 1957 to Rs 118 million in 1958. Exports of other products, however, declined:

	In million Rs	
	<i>1957</i>	<i>1958</i>
Cotton	331	237
Yarns	77	11
Raw wool	103	48

Imports generally decreased, except imports of transport equipment and machinery, which rose from Rs 114 million and Rs 37 million respectively in 1957 to Rs 127 million and Rs 73.8 million in 1958. Imports of chemicals and medicines did not differ from 1957 (Rs 91 million), while imports of sugar fell considerably from Rs 71 million in 1957 to Rs 26 million in 1958 owing to much increased domestic sugar production.

The above developments in imports and exports resulted in a deficit on the balance of trade which was much higher than in the preceding year, namely Rs 471 million against Rs 390 million.

The revised 5-year Development Plan of Pakistan (1955 — 1960) envisages an increase of national income by Rs 3,000 million or 15% of

Rs 20,000 million, i.e. the national income in 1954—1955. During the period the plan is being implemented, the population of Pakistan will grow by about 7 1/2%. Per capita national income is estimated to increase by about 7% or Rs 17.—, namely from Rs 245 in 1954—1955 to Rs 262 in 1960.

Outlays on the 5-year Plan were fixed at Rs 10,800 million, of which Rs 7,500 million was earmarked for reconstruction projects in the public sector and Rs 3,300 million for the private sector.

Capital expenditure on the original plan had been estimated at Rs 11,600 million: Rs 8,000 million for projects in the public sector and Rs 3,600 million for the private sector. In the former plan the rise in national income had been estimated at 20%, while per capita national income would increase by 12%. Though expenditures for the new 5-year Development Plan have been reduced, it still contains the original essential goals of the former plan. In the new plan top priority is given to development of the agricultural sector and to projects which will in the shortest possible time develop the regions in West and East Pakistan.

Outlays on the 5-year Development Plan will be defrayed from internal sources amounting to Rs 6,600 million and from foreign sources, in the form of loans as well as of aid to an amount of Rs 4,200 million. Capital from internal sources constitute Government and private savings at a ratio of 6% of Pakistan's gross national product during the implementation of the plan.

<i>Sources</i>	<i>Amounts (In million Rs)</i>
Government savings	1,000
Private savings	5,600
Sub-total	6,600
Foreign	4,200
Total	10,800
<i>Use</i>	<i>Amounts (In million Rs)</i>
Investment in the private sector	3,300
Reconstruction in the public sector	7,500
Total	10,800

The amount of Rs 5,600 million from private savings will only be reached with severe restrictions on imports of for instance luxury goods and the practice of the utmost austerity. It is hoped that of the amount of Rs 4,200 million of foreign

capital, Rs 400 million will come from foreign private investment during the implementation of the plan, while the balance of Rs 3,800 million is to be acquired from foreign aid and loans. According to the Economic National Board foreign exchange reserves are hardly sufficient to supply in the need of the country for consumer goods (excl. foodstuffs), raw materials and other goods.

To cope with food deficiency caused by unfavourable climatic conditions Pakistan plans to build food storehouses in Karachi, Chittagong, Lyallpur and Landhi, which will be able to store about 1.8 million tons foodstuffs. Since the achievement of its independence, Pakistan only possesses storehouses in Punjab and Sind, each with a capacity of 60,000 tons and 30,000 tons respectively. Further to its endeavours to overcome the shortage of food an agreement was concluded with the United States in November 1958 which provided for the delivery to Pakistan of a specified quantity of surplus agricultural commodities during the next two years. Pakistan will receive 450,000 tons of wheat in the year ending June 30, 1959 (which is 190,000 tons less than receipts in the year ended June 30, 1958) and another 400,000 tons in the following year. Also in the current year (ending June 30, 1959), it will receive 50,000 tons of rice and 20,000 tons of soya beans and cottonseed. The amount of long-staple cotton to be received over the two-years' period is set at 5,000 bales. The total cost of the items to be provided in the two years is U.S. \$ 82.15 million, including freight of U.S. \$ 12.4 million. This brings the total amount of surplus commodities aid received by Pakistan from the United States to U.S. \$ 268 million, while another U.S. \$ 116 million worth of surplus commodities was received as a gift. The agreement also makes provision for the release of Rs 58.5 million from counterpart funds accumulated against surplus commodities aid, to be used for various development projects.

In order to aid in the successful implementation of its 5-year Development Plan, Pakistan received a loan from the International Finance Corporation amounting to U.S. \$ 1,380,000: U.S. \$ 630,000 was allocated to the Steel Corporation of Pakistan Ltd. and U.S. \$ 770,000 to the textile industry of the Adamjee Industries Ltd. at Karachi.

From the World Bank Pakistan received a loan of U.S. \$ 14 million for development of electric power generation in the Karachi region. This loan was the ninth, making up to a total of U.S. \$ 126.45 million of World Bank loans to Pakistan. An agreement was concluded between the Pakistan Industrial Development Corporation and the Kobe Steel Works of Japan to establish a fertilizer factory at Fenchugunj in the Northern part of East Pakistan. Outlays on this project amount to Rs 150 million inclusive of Rs 100 million of foreign exchange and interest, while the project is expected to be completed within three years.

Four American oil companies—Standard Vacuum Oil Co, Burmah Oil Co Ltd, California Texas Corp. and Shell Oil Co—have contracted to build an oil refinery at Karachi. Outlays amount to U.S. \$ 32 million; the plant will have a capacity of 30,000 barrels of crude oil a day and will be able to supply in the country's need for all kinds of oil products with the exception of gasoline for airplanes.

On December 31, 1958, 14 agreements covering U.S. technical and economic assistance to Pakistan were signed. The agreements relate to water resources, railways, civil aviation, forestry, fisheries, etc. Outlays will be covered by the counterpart funds from the S.A.C. agreement and are allocated, inter alia, through the Pakistan Finance Corporation (Rs 20 million = U.S. \$ 4.2 million) to industrial enterprises, through the Small Industries Corporation (Rs 10 million = U.S. \$ 2.1 million) and Rs 5 million (U.S. \$ 1.1 million) for the improvement of the road connecting Pakistan and Afghanistan.

Besides, Pakistan has received from the International Cooperation Administration the equivalent of U.S. \$ 10 million in Italian and West German currencies to be used for the import of industrial equipment. Finally, in the framework of the Colombo Plan, Pakistan is to receive U.S. \$ 13 million from Canada for the purchase of wheat and the financing of development projects.

India

India's gold and foreign exchange holdings amounted to U.S. \$ 644 million at the end of the year, representing a deficiency of U.S. \$ 224 million as regards

the statutory gold cover of U.S. \$ 868 million. In spite of import restrictions imposed as from mid-1957, India's gold and foreign exchange holdings dropped, due to unfavourable crops which made food imports necessary. Besides, foreign exchange expenditures rose on account of the implementation of the Second Five-Year Plan. Due to the restrictions in 1958 imports fell by U.S. \$ 340 million to U.S. \$ 1,814 million. Food production amounted to 5,725 million tons in 1956/1957 while total population was 392 million. In 1957/1958 food production decreased by 6.7 million tons, while the population increased by 5 million. As a consequence, foodstuffs had to be imported this year to the amount of no less than 7 million tons to fulfil the need. To overcome the food shortage a loan agreement with Canada was concluded in March 1958 covering an amount of Can. \$ 25 million for the purchase of 400,000 tons wheat from that country. The loan constituted a part of a total of Can. \$ 35 million earmarked for assistance to countries associated in the Colombo Plan to purchase wheat and flour.

Under Public Law 480 the United States agreed in June 1958 to the delivery to India of U.S. \$ 57 million of food: U.S. \$ 37 million for the purchase of about 570,000 metric tons of wheat, U.S. \$ 5 million for about 100,000 tons of yellow corn, U.S. \$ 4 million for about 100,000 tons of sorghum wheat, while the balance of U.S. \$ 11 million was to defray the cost of transportation. Payments could be effected in Rupees of which 25% would be channelled through the Eximbank to private Indian and American enterprises. Also under the provisions of Public Law 480 an agreement was signed in September 1958 for the sales of food to India to an amount of U.S. \$ 238.8 million. With the conclusion of the above agreement the total sales of surplus agricultural commodities to India amounted to U.S. \$ 664.2 million. In October 1958 a loan agreement was concluded with Canada in which Canada would supply 141,000 tons of wheat and about 35,000 tons of fertilizer to India. The wheat was supplied under a new scheme "Food for all Countries", authorized by the Canadian Parliament, which will make wheat available to countries in need of it, on deferred payments basis. Payments for the wheat delivered to India, amounting to Can. \$ 8.8 million, are deferred for three years, after which they may be effected over a period of ten years.

As regards the Second Five-Year Plan, India's National Development Board laid down in May 1958 that outlays on the plan should be reduced to Rs 48 billion. This amount is split into two parts: A and B. Part A covers a budget of Rs 45 billion, to be used for the finance of important projects concerning steel, coal, railways, harbours and projects to increase agricultural production. Part B, covering a budget of Rs 3 billion, concerns other projects. In September 1958 the Planning Commission moved a reappraisal of expenditures and with the approval of the Government outlays regarding part A were raised by Rs 1.5 billion. Of the increase an amount of Rs 920 million has been allotted to the industrial and mining sectors.

In the frame of the Second Five-Year Plan progress and growth have been most evident in the industrial field. In several parts of India modern factories have been established and more are in the process of being completed. In the Bangalore region are factories for telephone equipment, airplanes, electrical equipment etc. The following table gives some indicators to progress in the industrial field reached in 1951 and 1957 in the framework of the Second Five Year Plan:

<i>Production</i>	<i>1951</i>	<i>1957</i>
Cotton textiles	4,076 million yds	5,317 million yds
Steel	1 million tons	1.3 million tons
Aluminium	3.8 thousand tons	7.8 thousand tons
Electric generators	5,900 million KWH	10,800 million KWH
Super phosphate	61 thousand tons	142 thousand tons
Ammonium sulphate	53 thousand tons	380 thousand tons
Cement	3 million tons	6 million tons
Glass	12 million sqft.	54 million sqft.

Development projects in the public sector also showed progress inter alia: an iron mine and steel project at Rourkela which is expected to be completed in 1960; a coke-oven battery at Bhilai which is to begin operations at the end of 1959 and a mill at Durgapur to be completed in the middle of 1961.

Index numbers for industrial production, based on 1953 - numbers showed a continuous increase: 107 (1954), 116 (1955), 126 (1956) and 130 (1957).

In 1958 foreign investments in private enterprises in India amounted to Rs 56.2 million (U.S. \$ 11.8 million): Rs 19.9 million from the United States, Rs 13.6 million from Italy, Rs 10.5 million from the United Kingdom, Rs 10.4 million from Switzerland and Rs 1.8 million from Japan.

In order to ease pressures on its balance of payments and on behalf of the Second Five-Year Plan, India concluded several loan agreements. The Governments of India and France concluded an agreement for economic and technical co-operation in January 1958, within the frame of the Second Five-Year Plan. Under this agreement the French Government supplied capital goods to the value of U.S. \$ 59.4 million over a period of 12 months. Besides, a loan of U.S. \$ 225 million was effected in March 1958, the greater part of which was used for the purchase of capital goods. The French loan was supplemented by the Development Loan Fund, which loaned U.S. \$ 75 million, the first loan given by this Fund. In December 1958 the Development Loan Fund again granted a loan to the amount of U.S. \$ 100 million, in order to support development in the public sector as well as in the private sector. The loans are repayable in Rupees and vary for periods from 10 to 20 years. The rate of interest for public utility projects is 3 1/2% and for commercial projects about 5 1/2%. The U.S. \$ 100 million loan was used to finance imports of railway equipment, steel, electrical equipment, machinery and other capital goods. Further, the Exim Bank gave a loan of U.S. \$ 150 million in March 1958 for the purchase of several capital goods needed, while the World Bank extended the following loans: 1) In April 1958 U.S. \$ 43 million for the construction of docks in Calcutta and Madras, to the amounts of U.S. \$ 29 million and U.S. \$ 14 million respectively. 2) In July 1958 U.S. \$ 25 million in order to expand hydroelectric projects in the Damodar Valley, the centre of India's heavy industry. By these projects the Damodar Valley Corporation—a semi autonomous enterprise established in 1948—will increase its capacity by 225,000 kw. Brown Brothers Harriman & Co participated in this loan to the amount of U.S. \$ 239,000, which was not guaranteed by the World Bank. 3) In September 1958, U.S. \$ 85

million for expansion and development of the India Railways, forming an important part of the Second Five Year Plan. In this loan the First Pennsylvania Banking and Trust Company — without guarantee of the World Bank either—participated to the amount of U.S. \$ 509,000. This loan has a maturity of 20 years and carries interest at 5³/₄%.

In an agreement signed in June 1958, India received a loan of U.S. \$ 20 million from the United States under the Mutual Security Act Program for Asian Economic Development. This loan was used to finance the development of an iron mine in the Rourkela district, the improvement of highways and docks so as to step up iron - ore exports to Japan. On the whole, U.S. \$ 67 million will be required for the last-mentioned project. In December 1958 a loan agreement was also concluded with the United Kingdom, concerning an amount of £ 28.5 million, relating to the Export Credit Guarantee Act. From Japan, India also received a loan of U.S. \$ 10 million, additional to a loan of U.S. \$ 50 million received in February 1958. The Rumanian Government authorized a loan agreement in October 1958 in which a short-term loan was granted to the amount of Rs 52.4 million (U.S. \$ 11 million) for the financing of an oil refinery in Assam.

Taking 1953 as a basis, the cost of living in 1958 rose by 4%, while the wholesale price index only rose by 1%.

Ceylon

Some important occurrences during the year under review, as a great flood and strikes, had a deteriorating effect on Ceylon's economy. Disturbances and strikes among the dock workers at Colombo beginning at the end of 1957 and culminating in May 1958, almost paralysed the export trade through this principal seaport. However, the greater part of activities of the port of Colombo could be transferred to the ports of Galle and Trincomali, so that an overall stagnation of exports could be prevented.

Notwithstanding the above events Ceylon's economy showed a fairly good picture in the year under report. Production in the cultural and other sectors turned out to have increased generally if compared with 1957. The paddy harvest amounted to 699,000 tons against 658,000 tons in the preceding year, while the area under paddy increased by 42,000 ha to 500,000 ha. Rubber output rose from 99,338 tons to 101,606 tons, but the harvest of coconuts fell slightly from 2,100 million to 2,043 million coconuts. Furthermore, with the implementation of a plan for rehabilitation and rejuvenation of tea plantations with Government aid, tea production is expected to increase in the future. In the new development plan covering a period of 10 years (1959—1969) an amount of Rs 114.7 million will be invested in the estate agricultural sector. The areas of tea, rubber and coconut plantings are to increase with an estimated 12%, 58% and 33% respectively. The ten-year plan will involve total outlays to the amount of Rs 12.6 billion and basically aims at diversification of Ceylon's economy.

Ceylon's terms of trade improved in 1958. Export proceeds rose from Rs 1,682 million in 1957 to Rs 1,711 million, while outlays on imports fell from Rs 1,804 million to Rs 1,717 million, resulting in a decrease of the deficit on the balance of trade from Rs 122 million to only Rs 6 million. Though prices of export products fell slightly, the increase in the export volume especially of tea—Ceylon's main export product— could offset the fall in proceeds. It may be noted that the inelasticity of the demand for tea on the world market and ,the reduction in the freight rates were advantageous for the exports of Ceylon. Outlays on imports could be reduced because prices of import goods — mainly food and textiles, constituting 50% of overall imports—decreased by 8%.

As regards foreign aid received in 1958, the Soviet Union granted economic assistance for the establishment of a wheat- flour mill with an annual capacity of 100,000 tons and for which an amount of Rs 20 million was earmarked. Other projects include a tyre factory and a steel works. With the Chinese People's Republic a loan agreement was concluded in the form of materials, equipment and other Chinese-made goods to an amount of Rs 50 million. In the frame of a barter agreement with the latter country—rubber to be bartered against rice the Ceylon

Government delivered 34,000 tons rubber during 1958. As the domestic rice production is far from sufficient to meet with the need for foodstuffs, large quantities of rice have to be imported. For 1959 the plan for rice imports covers about 550,000 tons, i.e. 500,000 tons from the Chinese People's Republic and Burma, the balance being imported from the United States, Egypt, Northern Viet Nam and Spain.

Burma

Burma's rice production in the harvest year 1958—1959 (based on provisional figures) amounted to 6,486,000 tons, which was 10% higher than in the preceding year; it was also the highest production in postwar years. Although excessive rainfall during the end of the harvest year caused damage to the paddy plantings, climatic conditions were generally very favourable in that period. The area under paddy increased in 1958 and covered 4,411,000 ha against 3,868,000 ha in the preceding year.

At the beginning of 1959 the Government ordered co-ordination committees to be set up at the centre as well as in the regions, charged with the extension of paddy plantings and the raise of rice production as the main objective of a 4-year plan to reach the prewar level of rice production.

Burma is the chief rice exporting country in the world but in the last few years its part in the total of world rice-exports showed a declining trend. While in 1956 Burma still contributed 34.9% of world rice-exports, in the next year its part declined to 32.5% and in 1958 its contribution further fell to only 29.6%. The volume of Burma's rice-exports amounted to 1,405,000 tons in 1958, a decrease by 20% if compared with the preceding year. Proceeds fell by 135.2 million kyats to 675.5 million kyats. The unsatisfactory 1957—1958 crop was the main reason of the decrease in rice-exports. In relation with overall export proceeds of 921.7 million kyats in 1958 and 1,092 million kyats in 1957, the conclusion may be drawn that rice-exports are Burma's chief source of foreign exchange earnings, accounting for about 80% of overall export proceeds.

Another important product of Burma is timber. Improvements were achieved by intensifying and developing of the forestry services. The estimated production of timber in 1958—1959 amounted to 889,000 cubic tons consisting of 288,000 cubic tons teak wood and 601,000 cubic tons of other kinds. The above output was still 7% below prewar level, when production was about 995,000 cubic tons annually.

As regards industrial development in Burma, two sugar factories were established in 1958, namely at Pinyinana and Namti which began operations with satisfactory results. This was also the case with a pharmaceutical works and a tiles and bricks factory. Construction work on several projects—inter alia the extension of the Thayetmyo cement plant—is nearing completion.

The Government current budget for 1958 — 1959 shows a surplus of 54 million kyats, against a surplus of 36 million kyats in the preceding year. As regards capital outlays for the budget year 1958—1959, first priority has been given to security and defence (20.6%), and to communications and transport (19.5%). Other important sectors were electric power generation (14%), and agriculture and irrigation (12.2%). It is worthy of note that the Burmese Government earmarked an amount of 558.5 million kyats for capital expenditure in the budget year 1958—1959. The high percentage of allocation to electric power generation due to increased capital requirements is conceivable as construction work on the hydroelectric project at Balu Chaung is now in its final stage of completion.

Gold and foreign exchange holdings showed an increase in the period January—September 1958 but declined slightly afterwards. At the end of the year reserves amounted to US \$ 118.9 million against US \$ 93.8 million at the end of 1957.

The cost of living index rose continuously in 1957 and during the greater part of 1958, reaching a high of 126 in September 1958. After the coming into power of the Ne Win Government and towards the end of the year the index decreased at

an average monthly rate of 8%. During the first months of 1959 prices were becoming stable.

Thailand

Export proceeds decreased in 1958—especially from rice and tin—and were largely responsible for the deteriorating trend in Thailand's economy. Exports of rice showed a fall by 446,000 tons, from 1,570,000 tons in 1957 to 1,124,000 tons in 1958, while proceeds dropped from U.S. \$ 175.9 million to U.S. \$ 142.6 million. Rice exports declined due to restrictions imposed to ensure sufficient supplies for internal consumption. Restrictions on export quotas by the International Tin Council reduced Thailand's tin exports in 1958 to only half of its volume compared with the preceding year. The above curtailment of tin exports effected a decrease of its volume by about 5,000 tons, and a drop in proceeds from U.S. \$ 25.7 million to U.S. \$ 12.1 million. As regards export of rubber, it is noteworthy that its volume increased by 47% but proceeds fell by U.S. \$ 4.7 million to U.S. \$ 63.5 million, due to easing prices on the world market. Total export proceeds amounted to U.S. \$ 308.7 million in 1958, while outlays on imports were U.S. \$ 383.4 million. Though payments for imports could be reduced by 6% if compared with 1957, the decline in export proceeds was relatively greater (15%). As a result, the deficit on the balance of trade amounting to U.S. \$ 41.9 million in 1957, increased to U.S. \$ 74.7 million per the end of 1958.

The cost of living index edged up in the period January — October 1958, but in November a reaction set in and the index dropped by 7%, remaining fairly stable afterwards. On an average the cost of living index was 7% higher in 1958 than in the preceding year. The index number for wholesale prices showed a rising trend during the year under review and in December last were 4% higher than at the end of 1957.

According to recent estimates Thailand's paddy crop amounted to about 7,000,000 tons. Though below the output of 8,297,000 tons in 1956 - a record

year—the paddy crop in 1958 represented an increase by 13% over the production in 1957 (5,583,000 tons). The rise in paddy output was the result of an increase in the area planted, namely 5,247,000 ha in 1958 against 4,576,000 ha in the preceding year.

As for production in the mining sector, output of manganese and iron ore increased by 140% and 65% respectively, but a drop was recorded in the output of tin and wolfram, i.e. by 20% and 33% respectively.

The Sarit Thanarat Cabinet set up an Economic Advisory Board in October last to improve economic conditions in the country. According to planning, endeavours to improve the economy were to be effected in three phases, an important objective during the first phase being a reduction of the cost of living, while measures against arrears of taxes also formed a part of the program. No changes in import regulations were apparent in the last months of 1958.

Besides the deficit in the balance of payments and a significant rise in the cost of living as stated above, other difficulties to be faced during the year under report were the slackening internal trade and the slowdown of industrial development. Gold and foreign exchange reserves could fairly be preserved on the same level in 1958; gold and foreign exchange reserves with the Bank of Thailand amounted to U.S. \$ 327 million at the end of December last, against U.S. \$ 328 million at the end of 1957.

Viet Nam, Cambodia and Laos

The plan for land reclamation in South Viet Nam started to be implemented on a large scale in 1958 in order to enable the settlement of transmigrants from the densely populated areas. In accordance with a Government regulation concerning the expropriation of land in excess of 100 ha from landowners and its distribution to farmers, the National Agricultural Credit Institute granted loans to an amount of 87 million piastres in the period April 1957 - September 1958 for the purchase

of the excess land by the farmers in the frame of the above landreform policy. The total of excess land amounted to 248,000 ha. Further, an agreement was signed with the French Government relating to a loan of Frs 1,890 million for the purchase of 185,000 ha of land owned by French citizens in South Viet Nam.

Owing to favourable climatic conditions, though there was a long dry period, paddy output in 1958/1959 was estimated at about 3,500,000 tons, which was in excess of the output in the preceding year (3,192,000 tons). The area in paddy was 2,800,000 ha in 1958 (in 1957: 2,719,000 ha). According to provisional estimates the excess of rice which could be exported was 250,000 tons. Exports of rice, however, amounted to only 118,000 tons, as the result of heavy competition from the Chinese People's Republic on the world market.

As regards other agricultural products, a considerable improvement was made in the production of sugar, so that import of sugar could be reduced from 55,700 tons in 1957 to 44,000 tons in 1958. With technical assistance of the Taiwan Government 4 sugar factories will be established in Central South Viet Nam with a total production capacity of 150,000 metric tons each year.

Though total imports could be reduced by 20%, i.e. from 10,104 million piastres in 1957 to 8,125 million piastres in 1958, export proceeds showed a greater setback (30%), i.e. from 2,819 million piastres to 1,925 million piastres. The decline in South Viet Nam's exports resulted from a decrease in its main export products: rubber and rice. In 1958 export proceeds from rubber amounted to 1,214 million piastres against 1,690 million piastres in the preceding year, while rice export fell from 711 million piastres to 489 million piastres. In 1959 import restrictions will be imposed. Gold and foreign exchange reserves rose slightly, namely from U.S. \$ 138 million at the end of 1957 to U.S. \$ 159 million at the end of 1958.

In the plan for industrial development is included a project for a cement factory in the province of Hatien with a capacity of 160,000 to 200,000 tons annually. A survey was started on an area containing about 225 million tons of lime. At Dan Tieng near Saigon a tyre plant will be erected with the assistance of Michelin. The

network of water communications plays an important role in South Viet Nam in the transportation of agricultural and other products. Due to war conditions repairs and maintenance had to be postponed for about 15 years. An amount of 47 million piastres was earmarked for dredging and maintenance of rivers, canals and irrigation.

Paddy production of North Viet Nam, amounted to 4,575,000 tons in 1958, an increase of 16% over output in 1957. The above results surpassed the original estimated target by 12 %. According to reports on industrial development a factory for agricultural tools, a cement works and a phosphate fertilizer plant have been completed in the province of Lang Son in the East Northern part near the border with the Chinese People's Republic, while a bauxite mine is being developed. Bauxite is inter alia used in the glass works at Haiphong and the ceramics factory in the province of Hai Dong. In February 1959 work was started on the establishment of a centre of iron and steel factories; after completion at the end of 1960 it is hoped to have an output of 100,000 tons in the first year and afterwards to increase its production to an annual 200,000 tons. In the frame of economic cooperation the North Viet Nam Government signed an agreement with the Chinese People's Republic for long-term loans and aid covering a total amount of U.S. \$ 168 million for the establishment of various industrial objects (steel and iron works, fertilizer plants, textile factories), coal mines, hydroelectric power stations, railways and shipyards. In pursuance of a decree of the President of North Viet Nam at the beginning of March 1959 a new currency was introduced, namely the Dong, 1 Dong being equal to 1,000 IIsong.

Though in Cambodia the area planted in paddy increased in 1958, if compared with the preceding year— 1,322,000 ha against 1,225,000 ha— paddy output did not rise (about 1,200,000 tons). Production of rubber rose by about 5,000 tons to 35,600 tons. The area under rubber amounted to 34,000 ha in 1958, against 30,000 ha in 1957. In the first 11 months of 1958 the volume of exports amounted to 427,400 tons, with proceeds amounting to 1,670 million riels. In the corresponding period of 1957 export proceeds were almost as much, namely 1,669 million, while the export volume was 414,600 tons. Rubber, rice and maize were

the most important export items, amounting to 31,700 tons, 237,000 tons and 109,000 tons respectively. In 1957 those three items were 31,500 tons, 217,800 tons and 87,900 tons. Construction work on docks at Kompong Son (Sihanoukville) were stepped up. A highway of 180 km connecting this free port with the capital Pnom-Penh is planned to be completed in-1999. The port project is being executed with the assistance of the United States and France. At the end of February 1959 Cambodia concluded an agreement on economic and technical cooperation with Japan. The aid covering an amount of 1,500 million Yen will be used to establish an agricultural centre and the construction of a drinking-water supply system. Both projects will be completed within 3 years.

In the frame of economic and technical aid Laos also received aid from Japan, namely 1,000 million Yen in October 1958. On October 9, 1958, the Government announced the devaluation of the currency from 1 U.S. dollar = 30 Kip to 1 U.S. dollar = 80 Kip.

Philippines

Several indicators show that the Philippines had to face a grave and difficult economic year in 1958. Besides a growing Government deficit—inter alia caused by inadequate tax collecting—foreign exchange reserves dwindled to an alarming extent; at the end of November 1958 foreign exchange reserves amounted to only U.S. \$ 128 million, the lowest level in history. Endeavours at austerity which had already been introduced by the Garcia Government since 1957 apparently did not bear the results as had been previously expected. Reduced imports—from P 1,229 million in 1957 to P 1,124 million in 1958 —and the ever - increasing deficit spending of the Government constituted a further boost to inflationary pressures. The volume of money in circulation rose by 9% to reach P 1,738 million at the end of 1958. Cost of living went up by 3.6% compared with 1957, while the index number for wholesale prices rose by 4%. It seems clear from the above that it turned out to be very difficult to maintain the official exchange rate of 2 Pesos to 1 U.S. \$, though a devaluation of the Peso was not yet considered by the Garcia Government.

While monetary developments and foreign exchange position were not satisfactory, agricultural production—as was the case in 1957—showed a fair improvement. Exports also rose compared with the preceding year. Due to favourable weather conditions the 1958/1959 rice crop amounted to 3,495,000 tons against 3,203,000 tons in 1957. Export proceeds totalled U.S. \$ 992 million (1957: U.S. \$ 863 million). The increase in export proceeds was mainly due to rises in the exports of sugar by U.S. \$ 67 million (30%), timber by U.S. \$ 49 million (54%) and copra by U.S. \$ 16 million (5%). On the other hand, exports of abaca decreased by U.S. \$ 20 million (26%). The above figures show that sugar contributed most to the increased exports. Sugar output of the 1958/1959 crop amounting to 1,202,309 short tons, fell 17% short to the latest estimate of 1,447,078 short tons, but was still in excess of the sugar output in 1957 of 1,172,124 short tons. In 1958 the construction of 4 sugar factories was completed in Luzon and of 3 more in the Southern regions of the Philippines.

Lack of foreign exchange hampered industrialization in the Philippines during 1958. In order to fulfil at least partly the need for wheat flour, a mill was established at Pasig, in the province of Rizal at the cost of P 2 million. The flour mill being the first in the Philippines started operations in October last. Its annual output of 2.25 million sacks of 50 lbs supplies about 25% of the total consumption of the country. The National Economic Board has drawn up a plan for the integration of the textile industry covering a period of 3 years with outlays estimated at U.S. \$ 29 million. As regards the multipurpose project at the Marikina river, an agreement was signed with the Japanese Government in December last, for an amount of U.S. \$ 47.8 million. The financing of this project will be effected in the frame of war reparations.

Taiwan

The year under report was the second year of Taiwan's Second Four-Year Economic Development Plan. The execution of this plan emphasizes long-term industrial development. Of the total of N.T. \$ 20 billion earmarked for investment, the greater

part, namely N.T. \$ 8.5 billion is to go to industry, mining and electric power generation, N.T. \$ 4 billion to the agricultural, forestry and fisheries sectors, N.T. \$ 2.5 billion to expansion of communications, the remaining N.T. \$ 5 billion being set aside to finance various other projects. Under the Second Four-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 hydroelectric 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. Work at the Shihmen dam is to be completed in 1961. The targets set in the Plan were achieved, generally speaking, particularly with regard to industrial development. On the basis of 1953 the index number for industrial production for 1958 was 149 against 142 in 1957. Progress in the agricultural sector has not been so marked as in industry. Paddy output in the year under review was about 2,130,000 metric tons against 2,316,000 metric tons in the preceding year, a decrease which was attributed to short supply of fertilizers. To overcome this shortage the establishment of 3 fertilizer plants was planned which, in fact, should have been completed in 1956. The construction of ,the 3 fertilizer plants encountered difficulties and their completion has been included in the Second Four- Year Plan. The 3 plants should be capable of stepping up fertilizer output to 420,000 tons annually, to which the expansion of the sulphate of ammonia plant at Kaoshiung 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 parts of Taiwan. This project, started in 1956, is financed with U.S. aid. The total of U.S. aid in the form of supplies in the period from 1950 to 1958 amounted to U.S. \$ 367.2 million, including: 845,000 bales raw cotton, 1,117,000 metric tons wheat, 69,000 metric tons soya beans, 960,000 metric tons fertilizers, 5,000 metric tons butter-oil and 2,000 bales tobacco. As regards economic aid since 1950, the United States allocated an amount of U.S. \$ 902.5 million of which U.S. \$770.5 million has been used.

Taiwan's balance of trade showed a deficit larger than in 1957—U.S. \$ 70.4 million against U.S. \$ 64.0 million—though export proceeds increased from U.S.

\$ 148.3 million to U.S. \$ 155.8 million, outlays on imports, however, showed a larger increase from U.S. \$ 212.3 million to U.S. \$ 226.2 million, the latter figures including imports financed with foreign aid (U.S. \$ 83.5 million in 1957 and U.S. \$ 66.8 million in 1958). Sugar exports, Taiwan's chief export commodity fell from U.S. \$ 92.5 million to U.S. \$ 80.9 million caused by falling prices on the world market and the decrease of sugar purchases by Japan. Taiwan's export quota for sugar in 1959 was 750,000 tons, but the World Sugar Conference — of which Taiwan is a member — decided to curtail the above quota by 7.5% or 56,250 tons to prevent sugar prices from falling further.

Rice and tea exports, on the other hand, showed increases by U.S. \$ 8.5 million and U.S. \$ 0.8 million respectively.

Gold and foreign exchange holdings gradually rose in the year under report— from U.S. \$ 108 million at the end of 1957 to U.S. \$ 111 million at the end of 1958, the increment of U.S. \$ 3 million being the balance of a decrease of gold holdings by U.S. \$ 7 million and an increase by U.S. \$ 10 million in foreign exchange reserves. Other indicators illustrating Taiwan's economic development during 1958 are given below :

	<i>1957</i>	<i>1958</i>
	(in million N.T. \$)	
Volume of money in circulation	3,938	5,238
	(1953 = 100)	
Cost of living	133	134
Wholesale prices	141	143

Japan

Economic developments in Japan, which in 1957 revealed a picture of concern, showed a trend of progress, thanks to the economic policy of the Japanese

Cabinet which has been carried out since June 1957 as already put forward in the previous annual report, consisting of 9 main points, namely :

1. Promotion of exports; there will be no credit restriction on exports; measures will be taken to step up foreign exchange revenue from services rendered 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 industrial enterprises.
6. Raising of the interest rate for long-term loans.
7. Stabilization of prices.
8. Stimulation of savings and reduction of expenditure; promotion of the use of home-made goods, and higher interest rates for deposits.
9. Employment of foreign capital and the immediate use of loans obtained from the International Monetary Fund, World Bank and Export-Import Bank in Washington.

Progress was seen among others in the growth of Japan's foreign exchange reserves by U.S. \$ 337 million to U.S. \$ 861 million, even though a payment of U.S. \$ 125 million was effected to the International Monetary Fund. The growth of foreign exchange reserves was caused by a fall in imports by U.S. \$ 1,251 million to U.S. \$ 3,033 million, while exports increased by U.S. \$ 19 million to U.S. \$ 2,877 million.

Important products of which exports declined in 1958 in comparison with 1957 were inter alia: textiles, mainly chintz, cotton and silk yarns and ships. Exports of machineries remained at a constant level. Products of which exports showed progress were metals, metal wares, canned food, iron articles, steel articles and fish.

In the import sector there was a decline of all kinds of goods, except machineries. Especially imports of metal ore showed a considerable decrease. A

great falling off was also seen in imports of raw materials for industries, such as raw cotton, wool and coal. On the other hand, imports of wheat, sugar, soya beans and rice indicated a big increase if compared with total imports.

Japan's imports and exports (in U.S. \$ million)

	<i>Imports</i>			<i>Exports</i>	
	1957	1958		1957	1958
Food and beverage	574.1	529.2	Food and beverage	183.2	235.8
Textile materials	825.5	618.5	Textiles and textile		
Metal ore	692.8	257.6	materials	1,015.1	891.4
Minerals (non-metal)	108.2	65.8	Medicines and		
Fuel	679.8	514.3	chemicals	126.0	137.7
	<i>Imports</i>			<i>Exports</i>	
	1957	1958		1957	1958
Other raw materials	383.4	356.1	Minerals (non-metal)	116.4	106.9
Medicines and chemicals	183.4	166.3	Metal and metal articles	323.4	371.5
Machineries	288.4	341.2	Machineries	629.6	626.7
Other	548.0	183.2	Other	464.5	506.2

During 1958 exports from Japan to North America, Europe, South America and Oceania increased, while exports to Asia and Africa declined. The fall in exports to Asia was chiefly caused by: 1) a stop in the trade with the Chinese People's Republic since May 1958 and 2) a decrease in exports to countries of South Asia and South East Asia on account of economizing in those countries in the sphere of imports in relation to the state of their foreign exchange reserves. The rise in exports to North America resulted from the increase of exports of consumer goods, which constitutes the greater part of exports from Japan to those countries. Exports to European countries generally proceeded at a low level, but in the last few months of 1958 went up at such a rate, that the amount of exports in 1958 was greater than that of the preceding year. This was caused among others by the increase of exports from Japan to England in the end of October 1958 as the result of the relaxation of import regulations in England.

Imports into Japan from all over the world were generally on the decline during 1958. The following table shows the figures of imports and exports by Japan from/to different areas in 1957 and 1958 (in U.S. \$ million).

	<i>Imports from</i>			<i>Exports to</i>	
	1957	1958		1957	1958
Asia	1,246.0	982.0	Asia	1,146.0	1,074.0
Europe	391.9	268.7	Europe	326.5	333.3
North America	1,978.5	1,356.7	North America	725.9	848.5
South America	122.0	80.7	South America	93.8	115.0
Africa	103.8	83.7	Africa	499.0	415.5
Oceania	441.1	260.8	Oceania	66.2	89.8

Some indicators are given hereunder of Japan's economic developments in several other fields.

(1953 = 100)	1957	1958
Industrial production	179	181
Mining production	118	113
Wholesale trade	105	98
Cost of living	188	109

During the year under report loan agreements were concluded between Japan and the World Bank, the Eximbank, the United Arab Republic and the Philippines. With the World Bank the following loan agreements were successively effected:

1) In June 1958 the World Bank granted a loan of U.S. \$ 37 million to Japan for the financing of a hydroelectric project in the Kuroke River, which will have a capacity of 258,000 kilowatt. In the same month the World Bank also granted a loan of U.S. \$ 25 million to Japan Development Bank— a Government agency which provides long-term credits for industrial development in Japan—which in turn issued the loan again to a private enterprise for the financing of a hydroelectric power station in the Yoganji River on the island of Honshu in order to increase its capacity to 261,000 kilowatt. The whole project will absorb an amount of U.S. \$ 92 million.

2) In July, August and September 1958, 3 loans were received from the world Bank respectively U.S. \$ 33 million (for the modernization and enlargement of the iron and metal works owned by the Sumitomo Metal Industries Ltd.), U.S. \$ 10 million (for assisting the Kobe Works Ltd.) and U.S. \$ 51 million (U.S. \$ 22 million for the Steel and Tube Corporation Ltd. and U.S. \$ 29 million for the Chubu Electric Power Inc.) Up to now the World Bank has granted 15 loans to Japan amounting to U.S. \$ 246 million: U.S. \$ 101 million for steel industries, U.S. \$ 5 million for other industries, U.S. \$ 129 million for electric power generation and U.S. \$ 11 million for the agricultural sector.

In August 1958 Japan received a loan of U.S.\$ 60 million from the Exim Bank for ,the purchase of raw cotton in the U.S.A., so that up to now the purchase of raw cotton covers an amount of U.S. \$ 542.2 million. This loan from the Exim Bank was the tenth since 1948.

On the other hand, in October and November 1958 Japan granted loans to the Philippines and the United Arab Republic respectively U.S. \$ 47.8 million for the construction of a dam at Marikina and the expansion of telecommunication, and U.S. \$ 30 million for the financing of imports of various industrial equipment.

In facing the second phase of the current fiscal year (October 1958-March 1959), U.S. \$ 1,757 million was allocated from the foreign exchange budget for the imports of commercial goods and an amount of U.S. \$ 457 million for other payments. The budget for the imports of commercial goods was U.S. \$ 105 million higher than that of the same period of the previous year. The largest entries were those on imports of textile raw materials (U.S. \$ 337 million), foodstuffs (U.S. \$ 215 million), machineries (U.S. \$ 150 million) and fuel (U.S. \$ 127 million). Allocations for imports of textile raw materials were approximately U.S. \$ 40 million lower than allocations in the budget of the preceding year, because of the large supply of textiles on hand. The budget on other payments increased by U.S. \$ 100 million, if compared with the same period of the previous year. The increase was a result of the intention to repurchase Yens to the amount of U.S. \$ 62.5 million from the International Monetary Fund and the discharge of credits

amounting to U.S. \$ 60 million with the Export-Import Bank. According to the economic report made by the Japanese Bureau of Economic Planning, in the 1957/1958 fiscal year, Japan invested 1,358,310 million Yens in industrial sectors or about £ 1,358,300,000. Compared with the preceding year capital investments in 1958 for industrial equipment rose by 31%, electric plants by 114.2%, iron and steel by 92.1%, trains and cars by 70.2% rubber processing enterprises by 83.7%, transport equipment by 52.5% and agriculture by 55.5%. Besides the economic report, the Bureau of Economic Planning also prepared a directive to draft the budget and to determine the Government economic policy for the coming fiscal year (April 1959 — March 1960). The directive was ratified by the Japanese Cabinet on the 9th of December 1958. The abovementioned economic report estimated that the gross national product was to increase by 5.5% to 10,762 billion Yens in 1959 mining production and industrial output would rise by 6.1%, and the balance of payments was to produce a surplus of U.S. \$ 160 million. These estimates were based on the calculation that world economy would rise by 5 — 6 %. In concurrence Japanese exports were believed to increase by approximately 9% to about U.S. \$ 3.0 billion, while imports were to increase by about 18.4% to U.S. \$ 2.9 billion. Private capital investments in machineries and industrial equipment were supposed to decrease by about 5%, resulting from the surplus of industrial equipment; individual spending on consumer goods would rise by approximately 5.5% capital investments for the supply of raw materials for the producers and the stock of goods for the agents—in the preceding year only a small amount of capital was invested in this way—were expected to rise. Prices in general although still high would show a slight fall. Public expenditure would rise, resulting from the increase of public loans and there would be work opportunities for about 740,000 people. The Government economic policy for the coming year would basically be as follows :

- 1) Continuing the efforts of promoting exports.
- 2) Creating an equilibrium between capital investments and savings and strengthening of the industrial foundation.
- 3) Effecting improvements and nationalization in industrial and business sectors.

- 4) Preventing excessive competition.
- 5) Improvement of national life through providing for greater employment opportunities and adopting better social welfare measures.

Korea

In accordance with the figures published by the Ministry of Commerce and Industry, South Korea's balance of trade for 1958 experienced a deficit amounting to U.S. \$ 28 million. Expenses for imports covered an amount of U.S. \$ 44.8 million — excluding imports under foreign aid programs — whereas income from exports only achieved an amount of U.S. \$ 16.8 million. If compared with 1957 a decline in exports is to be noted by U.S. \$ 5.6 million (33%); on the other hand imports increased by U.S. \$ 5.9 million (19%). The main exports comprised metal ware and metal ore realizing U.S. \$ 6.9 million in 1958, whereas the export of foodstuffs brought in U.S. \$ 3.3 million worth of foreign exchange. To reduce South Korea's requirements of and dependence on the import of foreign raw materials and goods, the Government started to make various attempts, for instance by setting up a glassworks at Inchon, by which the need for foreign-made glass can be offset. The Chinju fertilizer plant—expected to be completed in April 1959—with its initial annual output of 85,000 tons can save the expense of foreign exchange up to approximately U.S. \$ 10 million. The production of said fertilizer plant during the forthcoming years can be stepped up to 200,000 tons per annum. Further, by replacing steam locomotives using bituminous charcoal by diesel locomotives, the import of this kind of coal is no longer necessary. Likewise, when 2 cement factories are completed shortly, the country can fulfil its domestic requirements. It can be added that as far as textile requirements are concerned South Korea has still to import from abroad, except for silk.

1958 was still a hard year for South Korea. The rehabilitation period since the armistice 6 years ago is relatively speaking almost over and in the Government's policy stress is now being given to economic constructions. It can be brought forward that the developments in the past were not so satisfactory notwithstanding foreign aid. Since 1950, up to and including 1958, U.S. \$ 1,942.2 million

worth of foreign aid was received—for the greater part U.S. aid—which was used for the financing of imports to the value of approximately 85%.

In the year under report U.S. aid was still amounting to U.S. \$ 321.3 million (in 1957: U.S. \$ 382.9 million). The State Budget for 1958 showed a deficit of 151.4 billion hwan which means a slight progress with regard to the deficit of the preceding financial year—to the value of 169.3 billion hwan—owing to the increased receipts. Besides, the volume of the money in circulation increased considerably (20%), from 476.3 billion hwan at the end of 1957 to 565.7 billion hwan at the end of 1958. But, on the other hand, the price level regarding wholesale articles as well as the cost of living, could not only be kept stable but even showed a downward trend. Index figures at the end of last December dropped by 7% and 3% respectively, if compared with the end of 1957. The production of foodstuffs (rice and barley) which was good in the year under report, together with wheat imports and imports of other foodstuffs from the United States under the P.L. 480 Act, was the main reason for a stable price development. South Korea's paddy yield increased from 3,086,000 tons in 1957 to 3,204,000 tons in the following year.

An agreement on the construction of a hydroelectric project at Chung-Ju on the Han river, has been signed with the U.S. Government. From the Development Loan Fund an initial loan will be received amounting to U.S. \$ 1.5 million, as the first financing for the drafting and preparation of the above project. The capacity of the project is 150,000 kilowatts and it is hoped that the construction will be completed in 1964.

Industrial development in the Korean People's Democratic Republic (North Korea) during the year under report presented a good picture. A significant progress in production was reported by the textile factories at Hesan and Daodong, South Pyungan Province. At the end of 1958 a start was made with the hydroelectric project on the Yalu river at the Northern frontier with the Chinese People's Republic. Its realization is scheduled to be completed in 1962. This "Conbong" electric power station (with a capacity of 600,000 kilowatts), is also a multipurpose

project (irrigation, inland fishery, river traffic, flood control). On February 13, 1959, the Central Bank of North Korea started the issue of new currency: the new Won being equivalent to 100 old Won. This measure is within the scope of the Government's policy to consolidate the monetary system.

Chinese People's Republic

Economic development of the Chinese People's Republic showed outstanding progress in 1958. According to the Chinese State Statistical Bureau overall agricultural as well as industrial production increased by about 65% if compared with 1957. Output of steel, pig iron, wheat, cotton and several other industrial and agricultural products was multiplied in 1958. In the following tabulation some indicators illustrate the progress which was achieved in 1958 in the various economic sectors.

		1957	1958	% increase
Steel	(million tons)	5.35	11.08	107%
Pig iron	(„)	5.95	13.69	131%
Coal	(„)	130	270	108%
Petroleum	(„)	1.46	2.26	55%
Paper	(„)	1.22	1.63	14%
Cement	(„)	6.86	9.3	36%
		1957	1958	% increase
Fertilizers (excl. ammonium nitrate)	(thousand tons)	631	811	29%
Sugar	(„)	864	900	4%
Motorcars	(thousand)	7.5	16	113%
Electric power	(million kwh.)	19,300	27,500	42%
Clothing	(million m.)	5,050	5,700	13%

Source: State Statistical Bureau

Agricultural production increased if compared with the preceding year, inter alia: soya beans (+ 24%), groundnuts (+ 56%), beet-sugar (+ 93%), cane-sugar (+ 30%), tobacco (l 115%), tea (+ 26%) and silk (+ 24%). The progress achieved in

the agricultural sector was the result of the implementation of 8 principles, i.e.: promotion of the fertility of agricultural land, irrigation, sufficient supply of fertilizers, high quality seed, planting at fixed intervals, guarding of plantings, good maintenance and practice of new inventions in agriculture.

The network of railways and roads, including roads not- metalled, were expanded in 1958 if compared with the preceding year, namely by 3,564 km and 150,000 km. At the end of 1958 there were 31,193 km of railroads, more than 400,000 km of highways, more than 150,000 km of inland waterways and 33,000 km of civil air routes.

Capital investment for development was higher than in foregoing years. Total capital investment amounted to 26,700 million yuan, representing half of total capital investment during the First Five-Year Plan (1953 — 1957). Investment of 21,400 million yuan was effected through the Government budget, which was 70% more than in 1957. Of the total capital investment 65 % was used for the industrial sector, 10% for agriculture, forestry and irrigation; 13% for transport and communications, while the balance of 12% was invested in other sectors.

The draft for the 1959 budget submitted to the National People's Congress covered an amount of 52,010 million yuan. If compared with the budget of the previous year, revenue as well as expenditure increased, i.e. by 10,150 million yuan (+ 24.2%) and 11,050 million yuan (+ 27%).

Revenue on the 1959 budget was estimated as follows :

1. Revenue from various taxes covering 19,900 million yuan or 38.3 % of overall budget revenue and 106% of revenue from taxes in the preceding year. Of this amount 15,200 million yuan came from the industrial and commercial sectors—7.2% more than in 1958. Taxes from the agricultural sector amounted to 3,300 million yuan or 1.3,% more than in the previous year.
2. Revenue from enterprises amounted to 31,800 million yuan or 61.1% of overall budget revenue and 44.4% more than in 1958.

- Revenue from other sources was 310 million yuan, the same as in the preceding year and 0,6% of overall revenue.

Expenditure on the 1959 budget was estimated as follows :

- Economic development: 3 1,700 million yuan or 25.9% more than in 1958. The above amount represented 61% of overall budget expenditure.
- Social welfare, cultural and educational affairs: 5,730 million yuan or 32% more than in 1958 and 11.2% of overall budget expenditure.
- Defence: 5,800 million yuan or 16% more than in 1958 and 11.2% of overall budget expenditure.
- Government administration: 2,690 million yuan or 18.3 % more than in 1958 and 5.2% of overall budget expenditure.
- Redemption of loans: 1,100 million yuan or 21.7% more than in 1958 and 2% of overall budget expenditure.
- Foreign aid: 600 million yuan or 218% of expenditure in 1958 and 1.2% of overall budget expenditure.
- Increase of credit allocations to banks: 3,170 million yuan or 6.1% of overall budget expenditure.
- Other expenditure: 270 million yuan or 13.3% more than in 1958 and 0.5% of overall budget expenditure.
- General reserves: 950 million yuan or 1.8 % of overall budget expenditure.

Some targets for production in 1959 are given below :

		1958	1959 <i>targets</i>	% <i>increase</i>
Steel	(million tons)	11	18	64
Coal	(„)	270	380	41
Cotton	(„)	3.3	5	49
Wheat	(„)	375	525	40
Electric power	(million kwh.)	27,500	40,000	45

Malaya

The lowering of tin export quotas stipulated by the International Tin Council since the beginning of 1958 constituted a severe blow to tin mining in the Federation of Malaya. As a consequence Malaya's tin output in 1958 amounted only to 38,458 long tons, the lowest figure for 11 years. Production in 1956 and 1957 was respectively 62,295 long tons and 59,293 long tons. Malaya is the chief tin ore producer with a portion of one third of the world tin ore production. The restrictions on export quotas resulted in the closing of about 40% of the tin mining industries in Malaya, particularly in Perak, creating a difficult problem of unemployment. But after a depression for about more than 15 months signs were present since the beginning of the second quarter of 1959 that Malayan tin could regain its stable position, considering the possibilities of the increase of purchases from large consumers, such as the United States, Japan and Australia. For the controlled period from April 1 to June 30, 1959 the International Tin Council has increased the total export quota of tin by 3,000 long tons to 23,000 long tons. Of this total Malaya has a share of 8,625 long tons. The proceeds of Malayan tin exports for 1958 amounted to M \$ 223 million only, a decline by M \$ 129 million or 37% if compared with 1957.

Malaya rubber exports in 1958 also declined. Export proceeds decreased by M \$ 123 million (—10%) to M \$ 1,124 million. The Soviet Union and the Chinese People's Republic were the chief buyers of Malaya rubber in 1958. The rejuvenation of rubber plantings went on smoothly—especially of estates, while smallholders' rubber plantings were also given attention; credits of M \$ 80 million have been set aside for the replanting of 130,500 acres with high quality rubber trees or one fifth of the total smallholders' rubber acreage. Total rubber production increased from 639,000 tons in 1957 to 664,000 tons in 1958.

The balance of trade of Malaya and Singapore for 1958 still reveals a deficit of M \$ 232 million, but compared with the deficit of the previous year (M \$ 366 million), there was an improvement, mainly caused by the decrease of the deficit on the balance of trade in the final quarter of 1958.

In December last, the Minister of Finance drafted the budget for 1959. Although various tax increases were introduced—worthwhile mentioning was the raising of petrol tax by 20% resulting in petrol prices going up to M \$ 1,20 per gallon and the increase of income tax applicable to commercial enterprises by 10% — yet Government revenue in 1959 was estimated at M \$ 760 million only, while expenditure would cover an amount of M \$ 874 million. In consequence the budget deficit will be M \$ 114 million.

As regards Malaya's economic development, since its independence at the end of August 1957 work at various industrial, mining and harbour projects have already started. A cement factory was set up at Ratu Caves near Kuala Lumpur. Production to be started in July 1959, in the first stage to amount to 2,500 tons each month, will be further increased to 4,000 tons. A large iron mining project will be carried out in Pahang Selatan and completed in 1964. Iron ore expected to be exported will amount to 800,000 tons in the first year of exploitation. Exports of iron ore will be stepped up to 1.5 million and 2 million tons annually in the years ahead. Furthermore a credit of US \$ 10 million will enable to continue work at the harbour in Klang Utara Strait. A credit of US \$ 35.6 million will be received from the World Bank for the hydroelectric project in the Cameron Highlands; the technical implementation of this project will be carried out with aid from Japan.

An important event was the opening of the Central Bank (Bank Negara Tanah Melayu) in Kuala Lumpur, which started to operate on the 26th of January 1959. For the financing of its development plan, the Government of Malaya at the end of 1958 issued a public loan of M \$ 50 million at the interest of 5 1/2%. Before that, a loan of M \$ 50 million was also launched in 1958. In November 1958 a long-term loan was obtained from Brunei to the amount of M \$ 100 million. This loan will be used inter alia for the construction of roads and bridges, and the financing of agricultural industries.

British Colonies in Asia

Hongkong's foreign trade was not exempted from the influence of the worldwide economic recession in 1958. The decrease of purchasing power becoming

evident by new import restrictions in South East Asian countries and the increased activity in the export field of other Asian countries enhanced the competition by which Hongkong saw itself confronted. The Chinese People's Republic entered the trade arena and intensified its export drive, while Japan sought to increase its exports by offering easy term credits to South East Asian countries. The volume of Hongkong's foreign trade declined from H.K. \$ 8,166 million in 1957 to H.K. \$ 7,583 million in the following year. Outlays on imports fell considerably, by H.K. \$ 556 million to H.K. \$ 4,594 million, while export proceeds decreased with H.K. \$ 27 million to H.K. \$ 2,989 million. From developments in its foreign trade during the last few years it has become very evident that Hongkong's trade is changing from a re-export/entrepot pattern into an export trade of its own industrial products. The importance of Hongkong as a centre of intermediate trade is decreasing as the Chinese People's Republic and Japan are increasingly developing direct trade relations with South East Asian countries.

In 1958 Hongkong's industry showed considerable improvement, particularly its textile garment and plastic industries. Industrial enterprises, generally speaking, were able to adjust themselves to the changing circumstances by modernization. Hongkong's textile industry suffered a severe blow in October 1958, when the Government of the United Kingdom imposed restrictions on the import of textiles from Hongkong. The measures were taken on instigation of textile manufactures in Lancashire who objected to unfair competition which was made possible by lower wages in Hongkong. Those restrictive measures on import of Hongkong goods were afterwards followed by France and Switzerland with a view to protect their own industries.

The developments in the industrial sector, the rapidly increasing population and the very limited area suitable for building purposes constitute a big problem to the Hongkong Government. A plan was recently drawn up for land reclamation in which earth dug out of the hills will be used in obtaining level sites at the seaside.

Serawak exported 38,543 tons rubber in 1958, a decrease in comparison with the preceding year when rubber exports amounted to 41,003 tons. Exports of white pepper, on the other hand, registered an increase by 2,830 tons to twice its volume (5,137 tons). Exporters in Serawak endeavoured to sell their products direct to buyers, thereby avoiding Singapore which until now has acted as an intermediary. To reach this aim expansion of port- and storehouse facilities would be necessary. Imports of rice, sugar and textiles commenced to be effected direct from the producing countries. In 1958 the new bauxite mine at Sematan near the capital Kuching exported 100,000 tons bauxite ore at a value of M \$ 1.8 million. The supply of bauxite ore contained in that area is estimated at about 2.6 million tons.

Brunei ranks second among the important oil producing countries of the British Commonwealth. Crude oil output in three quarters of 1958 amounted to 3,942,000 tons. Brunei granted a loan of M \$ 100 million to the Malaya Federation for the financing of its economic development.

Several industrial projects will be established in North Borneo with the assistance of Japan, inter alia a textile factory and a paper mill. Rubber constitutes the main source of foreign exchange income, but in 1958 the exports of timber and forest products exceeded those of rubber and copra. As is the case in Malaya, the rejuvenation of smallholders' rubber plantings made good progress and during the last four years the area planted has been extended by 50%.

Australia and New Zealand

Australia

In the financial year 1957/1958 the surplus on Australia's balance of trade decreased to A £ 25 million, against a surplus of A £ 262 million in the financial year 1956/1957. (It should be noted that the financial year in Australia ends on July 30). At the end of December 1958 the balance of trade showed a deficit of A £ 54 million. The following tabulation illustrates developments in the balance of trade of Australia since June 1956 (in million A £):

	<i>Exports*</i>)	<i>Imports</i>	<i>Balance</i>
June 1956	773	818	— 45
December 1956	843	765	+ 78
June 1957	979	717	+ 262
December 1957	985	752	+ 233
June 1958	815	790	+ 25
December 1958	744	798	— 54

*) excl. gold

(Source : Commonwealth Bank of Australia Statistical Bulletins)

The deterioration of Australia's balance of trade was caused by a decrease in the quantity of wool exported and a fall of wool prices (nearly half of Australian exports consist of wool). The following table contains the price, of several important export products of Australia:

<i>Products</i>	<i>average prices</i>	<i>July-Dec.</i>	<i>Jan.-June</i>	<i>July-Dec.</i>
	1955/56 — 1956/57	1957	1958	1958
Wool	100	100	81	68
Wheat	100	106	113	111
Meat	100	94	90	104*)
Butter	100	90	63	71
Sugar	100	115	103	101
Metals	100	76	67	69

*) July — November

(Source : Commonwealth Statistician, Monthly Reviews of Business Statistics)

A decrease in volume and prices of some important export products resulted in a fall of net income in the agricultural sector, as illustrated in the table below (in million A £):

<i>Year</i>	<i>Nominal</i>	<i>Actual*</i>)
1952/1953	572	572
1953/1954	499	484
1954/1955	447	431
1955/1956	438	406
1956/1957	535	472
1957/1958	359	317
1958/1959 (rough estimate)	(400)	(350)

*) on the basis of prices in 1952/1953

(Source : Commonwealth Statistician, National Income and Expenditure)

Net income in the agricultural sector showed a very low level in 1957/ 1958 if compared with the preceding year. Total net national income at factorcost exclusive of net income in the agricultural sector showed a continuously less proportional increase as illustrated by the table below in million A £):

<i>Year*)</i>	<i>Net national income at factor cost</i>	<i>% increase of national income</i>	<i>% increase in detail prices</i>
1954/1955	3,680	9.3	1.1
1955/1956	3,989	8.1	4.2
1956/1957	4,230	6.0	5.8
1957/1958 (provisional)	4,351	2.9	1.1

*) end of the financial year June 30

(Source: Commonwealth Statistician, National Income and Expenditure)

Besides, prices for import goods showed a rising trend, causing a deterioration of Australia's terms of trade (1953 = 100).

	<i>Export prices</i>	<i>Import prices</i>	<i>Terms of trade</i>
1954	92	100	92
1955	83	103	81
1956	84	105	80
1957	88	108	81
1958	69	109	62

(Source: International Financial Statistics)

Concurrently with the deterioration in the balance of trade gold and foreign exchange reserves of Australia decreased by A £ 90 million at the end of 1958 to A £ 500 million. The decrease was the result of a rise in gold holdings by A £ 16 million and a fall in foreign exchange reserves by A £ 106 million.

In 1958 Australia borrowed from the capital markets of London and New York, respectively to the amounts of £ 15 million and US \$ 50 million. With the Federal States of Malaya a trade agreement was signed on August 26, 1958, for a period of three years. For the Malayan Federation this trade agreement was its first.

In the following some indicators are given of the economic development of Australia in 1958:

		1957	1958
Volume of money in circulation (in million A £)		1,677	1,633
Cost of living	} (1953 = 100)	113	115
Wholesale prices		107	105
Wages		113	115

(Source : International Financial Statistics)

According to estimates of the National Council of Wool Selling Brokers, the Australian Wool Growers' Council and the Bureau of Agricultural Economics the production of wool in 1958 — 1959 will amount to about 1,459 million lbs. against 1,433 million lbs. in 1957 — 1958. The following table shows output of several important products:

	1956/1957	1957/1958*)	1956/1957	1957/1958*)
	<i>(in thousand acres)</i>		<i>(in thousand bushels)</i>	
Wheat	7,874	8,848	134,445	97,566
Oats	2,556	2,959	35,396	31,426
Barley	2,093	2,121	49,278	30,466
Rice	50	47	4,262	5,656
			<i>(in thousand tons)</i>	
Hay	1,861	2,237	3,043	2,969
Cane Sugar	370	376	9,272	9,249
			<i>(in thousand lbs.)</i>	
Tobacco	12	13	8,709	11,568

*) provisional figures

(Source : Treasury Information Bulletin)

New Zealand

In 1958 export proceeds of New Zealand decreased by NZ£ 26.5 million to NZ£ 249.8 million, against NZ£ 276.3 million in 1957. The fall in export proceeds was chiefly caused by a decline in export earnings from wool by NZ£ 25.7

million to NZ£ 79.9 million, against NZ£ 105.6 million in 1957. Imports also decreased, by NZ£ 9.9 million to NZ£ 252.6 million, resulting in a deficit on the balance of trade in 1958 to the amount of NZ £ 2.8 million, against a surplus of NZ£ 13.8 million in 1957. The deficit on the balance of trade was caused inter alia by a fall in export prices, while import prices tended to rise, resulting in a deterioration of the terms of trade as shown in the table below :

<i>(1953 = 100)</i>	<i>1954</i>	<i>1955</i>	<i>1956</i>	<i>1957</i>	<i>1958</i>
Export prices	103	104	102	100	86
Import prices	99	99	103	109	103
Terms of trade	104	105	99	92	83

(Source : International Financial Statistics)

Developments in export prices of several important products are given on the following page:

<i>Average prices</i>	<i>July-Dec.</i>	<i>Jan.-June</i>	<i>June-Dec.</i>
<i>(1955/56 — 1956/57 = 100)</i>	<i>1957</i>	<i>1958</i>	<i>1958</i>
Wool	99	78	67
Butter	82	68	74
Cheese	57	66	99
Meat	105	96	100

(Source : New Zealand Government Statistician, Monthly Abstracts of Statistics)

Wool is the chief export product of New Zealand and constitutes more than 1/3 of total export proceeds.

The fall in export prices resulted inter alia in a decrease of farm income. as illustrated in the table below (in million NZ£):

Net national income exclusive of the agricultural sector (at factor cost) were as follows:

Though net national income increased each year, the rate of growth never amounted to 10.6% again as in 1954/1955.

	<i>Receipts</i>	
	<i>Nominal</i>	<i>Actual</i> (Prices in 1952)
1952/53	114	114
1953/54	125	120
1954/55	127	115
1955/56	127	113
1956/57	131	113
1957/58	123	103
1958/59 (rough estimate)	(112)	(91)

(Source: New Zealand Government Statistician, Official Estimates of National Income and Expenditure)

	(in million NZ£)	% increase of <i>national income</i>	% increase of <i>retail trade</i>
1954/55	668	10.6	4.6
1955/56	714	6.9	2.5
1956/57	740	3.6	3.5
1957/58 (provisional)	787	6.4	2.1

(Source: New Zealand Government Statistician, Official Estimates of National Income and Expenditure)

Besides the difficulties encountered in the foreign trade sector, in the form of declining prices for export products, economic conditions in the country also showed a deterioration. On account of the above developments the New Zealand Government decided to impose several new taxes, inter alia on income, dividends, tobacco, spirits, and to restrict imports. Furthermore, foreign aid was received in the form of loans, from the United States, the United Kingdom and Australia total-ling £ 54 million.

Gold and foreign exchange reserves of New Zealand increased by NZ £ 17 million in 1958 to NZ£ 67 million against NZ £ 50 million in 1957. The rise in gold and foreign exchange reserves resulted from an increase of foreign exchange reserves by NZ £ 17 million, while gold holdings remained unchanged.

Finally some indicators of the New Zealand economy in 1958 are given below:

	<i>1957</i>	<i>1958</i>
Wholesale prices	105	108
Cost of living	114	119
Wages	119	120
Volume of money in circulation (in million NZ£)	314.4	297.1

(Source : International Financial Statistics)

III. MONETARY DEVELOPMENTS

Introductory

The monetary analysis in this report for the financial year 1958—1959, as in the report for the previous year, was drawn up on the basis of figures received from such institutions which are considered as money-creating bodies, i.e. the Government, Bank Indonesia, Bank Negara Indonesia, Bank Rakjat Indonesia and eleven other large banks, ten of which are foreign-exchange banks and one a former foreign-exchange bank. With its circular letter C No. 798 of October 30, 1958, based on the decision of the Monetary Board of October 28, 1958, L.A.A.P.L.N. (Foreign Exchange Institute) announced the Nationale Handelsbank N.V. to be a non foreign-exchange bank as from November 3, 1958, thereby reducing the number of foreign-exchange banks to thirteen. Beside the abovementioned banks there are other commercial, 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 since 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 report would have led to technical accounting difficulties. Besides, the aggregate money-creating capacity of those banks has no great influence on a monetary statistical report.

Table 7 sets out the sectors and items causing movements in money supply. It should be noted that the indication “increase = +” after an item signifies that an increase of that item will cause the money supply to increase, while the indication increase = —” 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 1958 were primarily caused by movements in the following four sectors (in millions of rupiahs):

TABLE 7 — CAUSES OF CHANGES IN THE MONEY SUPPLY (Rp million)

	1957	1958	1st Qr 1958	2nd Qr 1958	3rd Qr 1958	4th Qr 1958
A. Money creation for account of the public sector						
I. Government (increase = +)						
a. Net debt with Bank Indonesia	+ 5,372	+ 8,780	+ 1,866	+ 1,226	+ 1,531	+ 4,157
b. Credits granted by other banks	+ 213	+ 406	+ 22	— 341	+ 695	+ 30
c. Government notes and coins	+ 87	+ 153	+ 30	+ 39	+ 29	+ 55
d. Net transfers from the counter-part accounts to the Treasury's account	+ 94	+ 194	+ 78	+ 28	+ 77	+ 11
Total	+ 5,766	+ 9,533	+ 1,996	+ 952	+ 2,332	+ 4,253
II. Autonomous ressorts (increase = +)	— 6	0	— 1	+ 2	— 5	+ 4
III. Government enterprises and foundations (increase = +)	+ 73	+ 1,325	+ 472	+ 659	+ 722	— 528
Total A	+ 5,833	+ 10,858	+ 2,467	+ 1,613	+ 3,049	+ 3,729
B. Money creation for account of the private sector						
I. Enterprises predominantly financed by the Government (increase = +)						
II. Other private enterprises and individuals (increase = +)	— 423	+ 731	— 190	+ 147	+ 639	+ 135
III. Prepayments by importers (increase = —)						
IV. Guarantee deposits (increase = —)	+ 2,662	— 1,562	+ 54	— 567	— 511	— 538
V. Time deposits (increase = —)	— 65	— 27	— 45	+ 7	+ 6	+ 5
Total B	+ 2,237	— 850	— 163	— 390	+ 63	— 360
C. Money creation originated from changes in regard to relationship with other countries						
I. Gold, claims in gold and foreign exchange holdings with Bank Indonesia and Foreign Exchange Fund (increase = +)						
II. Foreign exchange holdings with other banks (increase = +)	— 339	+ 1,568	— 295	+ 1,150	+ 106	+ 607
Movements in gold and foreign exchange holdings	— 73	— 354	— 350	— 45	+ 64	— 23
III. Amounts credited to the counter-part accounts (increase = —)	— 412	+ 1,214	— 645	+ 1,105	+ 170	+ 584
IV. I.M.F. (increase = —)	— 597	— 573	+ 64	— 3	— 278	— 356
V. Rurni balances (increase = —)	0	0	0	0	0	0
VI. Unrealized B.E.	— 14	— 28	— 15	+ 4	— 3	— 14
Total C	— 1,023	+ 580	— 1,632	+ 731	— 518	+ 1,999
D. Miscellaneous causes						
I. Capital, reserves and profit and loss accounts (increase = —)						
II. Inter-bank transitory accounts	— 446	— 557	+ 63	— 368	— 13	— 239
III. Others	— 242	— 161	— 217	+ 96	— 108	+ 68
Total D	— 839	+ 583	+ 187	+ 346	— 188	+ 238
Total D	— 1,527	— 135	+ 33	+ 74	— 309	+ 67
E. Net change in money supply = A+B + C + D (increase = +)						
a. currency	+ 5,520	+ 10,453	+ 705	+ 2,028	+ 2,285	+ 5,435
b. deposit money	+ 4,719	+ 5,780	— 122	+ 1,447	+ 1,045	+ 3,410
	+ 801	+ 4,673	+ 827	+ 581	+ 1,240	+ 2,025

	1957	1958
A. Public sector	+ 5,833	+ 10,858
B. Private sector	+ 2,237	— 850
C. Foreign sector	— 1,023	+ 580
D. Miscellaneous	— 1,527	— 135
	-----	-----
	+ 5,520	+ 10,453

The above figures show that the supply of money increased by Rp 10,453 million in 1958, against Rp 5,520 million in 1957. The greatest increase occurred in the fourth quarter, i.e. by Rp 5,435 million. The average monthly increase was Rp 871 million, against Rp 460 million in 1957.

As in the foregoing years, 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 by Rp 8,780 million. The final quarter saw the greatest increase of Government debt with Bank Indonesia, namely by Rp 4,157 million or 47.3% of the overall increase of indebtedness in 1958. In this amount is included the additional expenditure of the Ministry of Defence amounting to Rp 3,035.6 million (73%) and the redemption of Treasury notes and bills to the amount of Rp 293.7 million. The smallest increase in “Government’s net debt with Bank Indonesia”, namely by Rp 1,226 million occurred in the second quarter. It should be noted that one of the components of this amount was the liquidation of the debt to Japan of Rp 1,333 million—resulting from the agreement on war reparations with that country—seemingly having a deflationary effect on the “Public sector”. Actually, however, this deflationary effect has been offset by the net balance of gold and foreign exchange holdings (item C I), which seems to be inflationary. The conclusion may be drawn that the liquidation of the trade debt to Japan has been of no consequence to the internal volume of money.

The item “Credits granted by other banks” to the Government increased by Rp 406 million which was inflationary. Since this item shows a debit balance, this

movement actually means that Government claims on the other foreign-exchange banks fell by that same amount—claims of the Government being composed of Government “transfer and deposit” balances with the foreign-exchange banks. If the movements in the items “Government notes and coins” and “Net transfers from the counterpart accounts to the Treasury account” (which rose by Rp 153 million and Rp 194 million respectively) were included, the Central Government caused, in all, an inflationary effect to the amount of Rp 9,533 million.

No movements were reported in the item “Autonomous resorts”, while credits extended to “Government enterprises and foundations” expanded by an inflationary Rp 1,325 million. This expansion by Rp 1,325 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 895 million in 1958, inter alia to J.U.B.M. (Food Foundation), C.T.C. (Central Trading Company) and G.I.A. (Garuda Indonesian Airways) to the amounts of Rp 650.2 million, Rp 172.0 million and Rp 95.0 million respectively. As the result of the movements as above, the public sector caused, on balance, an inflationary effect to the amount of Rp 10,858 million, which represent the cash deficit of the Government for 1958 (see further Chapter IV).

The private sector, on the other hand, caused a deflationary effect of Rp 850 million if compared with 1957. As explained in the foregoing Annual Reports, the items grouped under the heading “Private sector” attempt to give a picture of the part played by private enterprises and by individuals in affecting the volume of money in circulation.

The items “Enterprises predominantly financed by the Government” and “Other private enterprises and individuals” caused the volume of money in circulation to increase by Rp 23 million and Rp 731 million. The items “Prepayments by importers”, “Guarantee deposits” and “Time deposits” increased by Rp 1,562 million, Rp 27 million and Rp 15 million respectively, causing the volume of money in circulation to decrease to the same amounts. Examining the figures as

presented by the above items it appears that the greatest movements occurred in the items “Other private enterprises and individuals” and “Prepayments by importers”.

The inflationary increase in the item “Other private enterprises and individuals” was mainly caused by the expansion of credits to banks and credit institutions and exporters. The specifications of debtors of twelve foreign-exchange banks (excluding Bank Rakjat Indonesia) and the Nationale Handelsbank N.V. show that total credits to “banks and credit institutions” (the term indicating all banks with the exception of the foreign-exchange banks and former foreign-exchange bank N.H.B., in so far as those banks are not included in the “Enterprises predominantly financed by the Government”), advanced from Rp 70 million at the end of December 1957 to Rp 235 million at the end of December 1958, while credits granted to exporters increased from Rp 434 million to Rp 895 million.

The considerable movements in the item “Prepayments by importers” were in consequence of a new regulation on import prepayments issued on February 3, 1958. Under the new regulation prepayments were increased from 20% to 100% of the c & f value, while such prepayments must be made at the time the importer submits his P.I.I. (Import Permit Application) to bank.

The increase in gold and foreign exchange holdings during the year under report by Rp 1,214 million had an inflationary effect, against a drop by Rp 412.0 million in 1957, which was deflationary. The rise of Rp 1,214 million was the net balance of the item “Gold, claims in gold and foreign exchange holdings with Bank Indonesia and Foreign Exchange Fund” increasing by Rp 1,568 million, and a drop by Rp 354 million in “Foreign exchange holdings with other banks”. The greatest increase in gold and foreign exchange holdings occurred in the second quarter, namely by Rp 1,105 million. These movements included the liquidation of the trade debts with Japan to the amount of Rp 1,333 million which, as stated above, did not actually affect the volume of the money. The item “Amounts credited to counterpart accounts” increased by Rp 573.0 million indicating a contraction of the money volume by the same amount. The item representing the mon-

etary relations between Indonesia and I.M.F., i.e. "I.M.F. Ioans" showed no movements, while in the items "Rurni balances" and "Unrealized B.E." deflationary movements occurred to the order of Rp 28.0 million and Rp 33.0 million. The item "Unrealized B.E." has only recently been created in consideration of the fact that items relating to B.E. (Export Certificates) should be included in the foreign sector. They have therefore been excluded from the sector "Miscellaneous causes", thus causing a decrease in the item "Others" which, in contrast to the character of a "Miscellaneous" item, had been expanding beyond proportions. The above item indicates the balance of movements in the total of B.E. payments to be obtained from and B.E. payments to be made to the Foreign Exchange Fund by the foreign-exchange banks. By B.E. to be received from the Foreign Exchange Fund is meant the foreign currency that is to be paid abroad for imports, while B.E. to be surrendered to the Foreign Exchange Fund is the foreign currency earned from exports. It should be noted that an increase in the amount of B.E. to be received from the Foreign Exchange Fund has a deflationary effect, while, on the other hand, any increase in the total of B.E. to be submitted to the Foreign Exchange Fund is inflationary.

Consequently, on balance, the "Foreign sector" at the end of December 1958 showed an increase by Rp 580 million, which had an inflationary effect, against a drop by Rp 1,023 million, being of a deflationary character, at the end of December 1957.

The items "Capital, reserves and profit and loss accounts", and "Inter-bank transitory accounts" were deflationary to the amounts of Rp 557.0 million and Rp 161.0 million respectively, while on the other hand, the item "Others" was inflationary to the amount of Rp 583.0 million. In conclusion, the sector "Miscellaneous causes" had a deflationary effect amounting to Rp 135 million.

Monetary balance sheet

The monetary balance sheet as shown in table 8 has been drawn up on the basis of the balance sheets of 13 foreign- exchange banks and N.H.B. and figures

TABLE 8 — MONETARY BALANCE SHEET (as at December 31 ; Rp. million)							
	1956	1957	1958		1956	1957	1958
I. Net credits to Government:				I. Currency in circulation			
a) Credits from banks to Government	12,206	17,523	26,267	Total issued :			
b) Government notes and coins	865	953	1,107	a) Bank notes	9,175	14,063	19,986
c) Treasury notes and bills and Government securities with banks	295	753	1,274	b) Government notes	698	762	880
minus:				c) Coins	167	191	227
d) Bank notes with Government	222	395	445	minus:	10,040	15,016	21,093
Total	13,144	18,834	28,203	d) Bank notes with Government	222	395	445
II. Credits from banks to private sector (incl. privately owned securities with banks)	4,842	4,521	6,620	e) Notes and coins with banks	446	530	777
III. Gold and foreign exchange holdings	1,701	1,289	2,503	Total	9,372	14,091	19,871
IV. Sundry items	758	—	45	II. Deposit money	4,021	4,822	9,495
	20,445	24,644	37,371	Total money supply	13,393	18,913	29,366
				III. Non-monetary liabilities	7,052	5,731	8,005
					20,445	24,644	37,371

originating from the Ministry of Finance. As in the previous Annual Report, the debit side of the balance sheet 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 on the debt side of the monetary balance sheet does not represent the volume

of money in circulation at the end of the year as the counter-entries of the so-called nonmonetary liabilities are also included. Nonmonetary liabilities are liabilities that need not immediately be met and for this reason are not considered monetary. The amount of nonmonetary liabilities is shown on the credit side, namely, Rp 8,005 million at the end of 1958, consisting of the items Capital, Reserves, Profit and Loss accounts, Time deposits, Rurni balances, Guarantee deposits, Prepayments, E.C.A. and S.A.C. counterpart accounts, 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. Out of the total money supply of Rp 29,366 million as shown in the monetary balance sheet, the amount of currency issued was Rp 21,093 million, while the currency in circulation amounted to Rp 19,871 million.

Money supply

As shown by the monetary analysis, money supply increased by Rp 10,453 million in 1958. This increase occurred in the currency sector as well as in deposits, viz. by Rp 5,780 million and Rp 4,673 million respectively. In the preceding year the increase primarily took place in the currency sector, i.e. by Rp 4,719 million, while deposits grew by only Rp 801 million. So currency constituted 74.5% of the overall money supply at the end of 1957, against 67.7% in the year under report. During 1958 the volume of money steadily rose from quarter to quarter showing an excessive rise in the second and fourth quarters, namely by Rp 2,028 million and Rp 5,435 million. Besides from the liquidation of the trade debt with Japan the increase in money supply during the second quarter, as was the case in the preceding year, originated mainly from the payments of bonuses in view of the Lebaran (end of the Moslem month of fasting). The expansion in the volume of money in the final quarter, as explained in the monetary analysis, was mainly caused by additional expenditures of the Ministry of Defence, amounting to Rp 3,035.6 million.

TABLE 9 — MONEY SUPPLY IN INDONESIA (Rp million)					
End of	Currency	Deposit money	Total money	% currency	% deposit money
1938 March (estimated)	240.0	180.0	420.0	57.1	42.9
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 December	14,091.4	4,822.0	18,913.4	74.5	25.5
1958 January	13,775.0	5,235.2	19,010.2	72.5	27.5
February	13,920.4	6,083.6	20,004.0	69.6	30.4
March	13,969.3	5,649.1	19,618.4	71.2	28.8
April	14,531.1	5,754.2	20,285.3	71.6	28.4
May	15,030.4	6,190.7	21,221.1	70.8	29.2
June	15,416.6	6,229.7	21,646.3	71.2	28.8
July	15,669.3	6,807.9	22,477.2	69.7	30.3
August	16,052.7	7,275.8	23,328.5	68.8	31.2
September	16,461.6	7,469.7	23,931.3	68.8	31.2
October	17,103.5	7,743.7	24,847.2	68.8	31.2
November	18,002.8	8,420.9	26,423.7	68.1	31.9
December	19,871.7	9,494.5	29,366.2	67.7	32.3

Developments in the volume of deposit money showed an unstable tendency in the first half year of 1958. The volume of deposit money increased slightly after June and after a stable period in August, September and October, increased again and finally reached its share of 32.3% in the total money supply at the end of December 1958.

IV. PUBLIC FINANCE

General review

The budget for 1958 was prepared in the first semester of 1957. Consequently, no account was taken of events taking place after the first semester of 1957, causing increased expenditures and declining incomings. The important events occurring after the first halfyear of 1957 and the factors which had not been taken into account in the 1958 budget were inter alia:

- The Export Certificate (B.E.) System initiated on July 1, 1957.
- Revision of salary scales of Government servants.
- Exigencies, particularly in the field of public security. —Exceptional decline of exports and imports in 1958.

It was not surprising that, on the Treasury Account with Bank Indonesia, the part of the 1958 budget that was realized up to July 30, 1958, showed a cash deficit of Rp 4,132 million, while the overall budgetary deficit for the year had originally been estimated at Rp 625 million and after the Export Certificate System was taken into account, had been estimated at Rp 2,384 million. In relation with the revision of salary scales of Government servants and the measures taken by the Government, inter alia, with a view to accelerate the restoration of peace and order, it was deemed necessary to adjust the 1958 budget to the new conditions and besides, to draw up a supplementary budget. According to the new estimates Government revenue for 1958 was smaller than originally estimated. Government revenue related to international trade, viz. from import/export duties, T.P.I. (import surcharges) and P.B.E. export certificate payments was estimated at Rp 4.4 billion, Rp 3 billion and Rp 2.6 billion respectively. Revenue was estimated at Rp 10 billion and was based on the assumption that exports in 1958 would amount to Rp 4,500 million. If compared with the original estimates, Government revenue related to international trade showed a decrease by Rp 3.1 billion. Revenue from taxes was also estimated to decrease in comparison with the original estimates,

i.e. from Rp 4.5 billion to Rp 4.3 billion. The Government had also to draw up a supplementary budget of about Rp 4 billion in relation with exigencies in the security field. Thus the estimated deficit of the 1958 budget turned out to comprise:

a. The deficit from the original estimates	Rp 2.4 billion
b. Decrease in revenue from international trade	Rp 3.1 billion
c. Decrease in revenue from taxes	Rp 0.2 billion
d. Supplementary budget related to exigencies in the security field	Rp 4.0 billion

Estimated deficit for the 1958 budget	Rp 9.7 billion

For the second time the “Karya” Cabinet succeeded in complying with the provisions as laid down in article 114 of the Provisional Constitution of the Republic of Indonesia, 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 budget for 1959 was prepared in the middle of 1958. The lack of realization figures covering a sufficient space of time and the rapid changes in the economic situation presented difficulties in obtaining a clear picture of economic developments in 1959, necessary to serve as a basis for the 1959 budgetary estimates. At the time the 1959 budget was composed, an unfavourable external factor, as was the economic recession in the United States had somewhat abated so that its adverse influence is expected to cease in 1959. The price of several export products as rubber and tin showed a rise at that time due to political tensions in the Middle East. Although at the time symptoms were evident that certain external factors were developing favourably, the Government deemed it premature to incorporate them in the budget for 1959.

At the time of preparing the 1959 budget the internal economic and financial situation was still very unstable, though certain developments showed a favourable tendency. Interinsular shipping for instance showed signs of recovery with

the acquirement of ships from the Soviet Union, Japan and Poland. It may furthermore be hoped that the production of foodstuffs, especially of rice will improve in 1959 as a result of extensive land reclamations outside Djawa.

A comparison between the budgets for 1958 and 1959 gives the following picture:

	<i>1958*)</i>	<i>1959</i>
	(Rp million)	
Revenue	19,727	20,969
Expenditure	29,412	28,969
	-----	-----
Deficit	9,685	8,000

*) According to the estimation at the middle of 1958, including the supplementary budget.

The estimated revenue for 1959 was Rp 1,242 million higher than for 1958. This was due to an expected rise in revenue from international trade in 1959 by Rp 1.5 billion if compared with 1958, while revenue from taxes was expected to rise by Rp 0.2 billion. As regards exports and imports estimations amounted to Rp 5.2 billion and Rp 5 billion (excl. rice) respectively for 1959, against estimations amounting to Rp 4.5 billion and Rp 4.2 billion for 1958.

Expenditure in 1959 was estimated to be Rp 0.5 billion lower than in 1958. It must be observed that an additional budget will probably be submitted in 1959, presenting expenditures in connection with the security field, the advance in salaries of Government servants, the Asian Games, etc. As a result, the 1959 deficit should be larger than the estimated Rp 8 billion.

This deficit of Rp 8 billion was the largest ever submitted to the House of Representatives at the first phase. In its financial note the Government stated its

intention to endeavour its utmost to avoid extravagance and stressed the need for simplification, rational retrenchments and keeping expenditure within the limits of the budget.

In relation with the “Law on Proportional Finances 1957” a total amount of Rp 4,600 million has been appropriated for the aid of autonomous regions, and chargeable to the Ministry of the Interior and the Ministry of Finance. The aid through the Ministry of Finance is related to the transfer of tax receipts to the autonomous regions in pursuance of the Law on Proportional Finances, while the Ministry of the Interior assists in defraying current expenditures and construction work in the autonomous regions.

So far, the advances of Bank Indonesia to the Government have been the main source for financing deficits on the successive budgets. Article 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. Actual developments showed that under the prevailing extraordinary circumstances, particularly the exigencies of economic development and the state of war, the Government need for advances was far in excess of the 30% stipulated. In connection herewith, Law No 84, 1958 was promulgated, revising inter alia article 19 of the Bank Indonesia Act. Law No 84, 1958 stipulates that advances from Bank Indonesia to the Government shall not be allowed to exceed thirty per cent in each budgetary year, or fifty per cent under extraordinary circumstances, of the revenues of the Treasury in the preceding budget year, which were approved by law. If the limit to the advances of fifty per cent is exceeded, the Government shall report to the House of Representatives within one month after this limit has been exceeded. The Government shall further render an account to Parliament each three months after the first report as mentioned above has been given, as long as the limit of fifty per cent is still exceeded.

As is known, the financing of deficits by advances from Bank Indonesia is of an inflationary character. Although it is quite understandable that the Karya Cabi-

net is facing the trouble of restoring security, due attention should be paid to the problem of increasing inflation, arising from the budgetary deficits each year. The inflationary pressure is particularly felt by people who has a fixed income seeing their real income dwindling away. The ever-increasing budgetary deficit wipes off entirely the influence of the monetary policy of Bank Indonesia which, in pursuance of its task, aims at the stability of the currency, while the employment of foreign exchange reserves has no significant deflationary influence if compared with the prevailing inflationary pressures. Should inflationary pressures develop at the present rate, the time would not be far away that the advancing prices would completely get out of hand, even with the application of price-control. It is clear that this situation not only affects economic life in Indonesia but has its adverse influence also on other sectors. It is therefore necessary that consciousness of this danger comes to whom it concerns in order to endeavour the utmost for a budget and balance of payments policy aimed at the internal and external stabilization of the Rupiah, so that the development of Indonesia will continue unhampered.

The Government cash deficit

As set forth in the monetary analysis (chapter III), the creation of money to the amount of Rp 10,858 million for the public sector in 1958 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 its financing.

Government net expenditure abroad totalled Rp 2,175 million. In computing the internal monetary effects, external net expenditure must be deducted from the above cash deficit. On the one hand, 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 of 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 budget revenue and expenditure, movements in the amounts of net Government loans from domestic and foreign capital markets, and the movements in treasury notes and bills with the private sector. As table 10 shows, the budget of 1958 resulted in a deficit of Rp 10,128 million. Net borrowings from the domestic capital market decreased by Rp 93 million, while those from the foreign capital market decreased by Rp 654 million. As the amount of treasury notes and bills with the private sector rose by Rp 17 million, the Government cash deficit stood, on balance, at Rp 10,858 million. This was Rp 5,025 million more than the cash deficit in 1957, which amounted to Rp 5,833 million.

	1957	1958				
	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 = -)	- 5,711	- 10,128	- 2,484	- 921	- 2,993	- 3,730
Net borrowing on capital market : (increase = +)						
a. internal origin	+ 1	- 93	- 93	0	0	0
b. external origin	- 201	- 654	+ 101	- 689	- 61	- 5
Movements in treasury notes and bills with private sector (increase = +)	+ 78	+ 17	+ 9	- 3	+ 5	+ 6
Cash deficit(—)	- 5,833	- 10,858	- 2,467	- 1,613	- 3,049	- 3,729
<i>Financing of the cash deficit :</i>						
a. Advances from Bank Indonesia (increase = +)	+ 8,321	+ 9,318	+ 1,768	+ 1,679	+ 1,709	+ 4,162
b. Prepayments from importers (increase = +)	- 2,834	- 181	+ 341	- 493	- 24	- 5
c. Net transfer from counterpart-accounts (increase = +)	+ 94	+ 194	+ 78	+ 28	+ 77	+ 11
d. Movements in treasury notes and bills with banks (increase = +)	+ 501	+ 452	+ 15	- 64	+ 539	- 38
e. Movements in bank-notes balances with Government pay-offices (increase = -)	- 174	- 50	- 179	+ 45	- 43	+ 127
f. Movements in currency issued by the Government (increase = +)	+ 87	+ 153	+ 30	+ 39	+ 29	+ 55
g. Movements in other debts of the Government to banks (increase = +)	- 229	- 352	- 58	- 281	+ 45	- 58
h. Movements in balances of autonomous ressorts with banks (increase = -)	- 6	0	0	+ 1	- 5	+ 4
i. Movements in balances of Government enterprises and foundations with banks (increase = -)	+ 73	+ 1,324	+ 472	+ 659	+ 722	- 529
Total	+ 5,833	+ 10,858	+ 2,467	+ 1,613	+ 3,049	+ 3,729

Table 10 further shows that a deficit occurred each quarter in the Government cash position. The deficit in the fourth quarter was the largest. The monthly cash deficit averaged Rp 905 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 9,318 million in 1958 compared with a rise by Rp 8,321 million in 1957. The fourth quarter saw the largest amount of advances in 1958, i.e. Rp 4,162 million. This considerable increase was mainly caused by the rise in Government expenditure for the security sector. In the period under review prepayments by importers decreased by Rp 181 million. A striking change occurred between the first and second quarter, which was mainly caused by the Decree of the Monetary Board of March 29, 1958. The Government had to refund prepayments, which resulted in the fall of this item during the following quarters.

The item Net Transfers from Counterpart Accounts rose by Rp 194 million in 1958. The 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 452 million. The relative movement shows that the money drawn by the Government from banks increased by the above amount. The largest movement in this item was in the third quarter. The increase by Rp 50 million in the amount of bank notes with Government pay-offices means that the amount 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 the volume of money in circulation by Rp 153 million. Further, it is worthy of note that other Government debts with banks decreased by Rp 352 million. Finally, the total balance of autonomous resorts remained unchanged, while the balance of Government enterprises and foundations with banks decreased by Rp 1,324 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 11 shows that the actual budgetary deficit for 1958 appeared to be higher by Rp 7,001 million than that for the preceding year.

Compared to 1957, net expenditure rose by Rp 9,784 million, while net revenue showed an increase of only Rp 2,783 million.

Table 12 depicts—these figures are preliminary yet—the actual gross expenditure specified according to the various sectors. In its entirety, actual expenditure proved to be higher by Rp 992 million than the originally estimated budget. Mainly responsible for the increased outlays were the Foreign sector with a total of Rp 726 million, the Economic sector (primarily the Financing Service to the amount of Rp 1,605 million) and the Cultural Sector with Rp 309 million. Conversely, expenditure of other sectors proved to be lower than was estimated.

	Net expenditure		Net revenue		Balance	
	1957	1958	1957	1958	1957	1958
Budget	18,826	31,430	17,424	18,246	— 1,402	—13,184
Provisional results	21,912*)	31,696	16,873	19,656	— 5,039*)	—12,040
Difference	+ 3,086	+ 266	— 551	+1,410	+3,637	— 1,144

*) revised figures.

Source : Ministry of Finance.

TABLE 12 — GROSS GOVERNMENT EXPENDITURE
(Rp. million)

	1957 ***)		1958		Difference between 1957 and 1958 out-turns
	Provisional estimate	Provisional outturn	Provisional estimate	Provisional outturn	
<i>General Sector</i>					
High Colleges of State	1,799.4	1,799.5	2,334.0	2,230.4	+ 430.9
Finance	1,340.5	1,448.8	1,599.0	1,574.4	+ 125.6
Sub total	3,139.9	3,248.3	3,933.0	3,804.8	+ 556.5
<i>Security sector</i>					
Defence	4,953.0	6,051.5	10,987.6	11,084.6	+ 5,033.1
Justice	323.9	362.6	459.6	476.4	+ 113.8
Home Affairs	4,459.6	4,459.6	5,678.0	5,373.9	+ 914.3
Inter territorial relations *)	25.0	0.9	3.7	4.4	+ 3.5
Sub total	9,851.7	10,874.6	17,128.9	16,939.3	+ 6,064.7
<i>Economic sector</i>					
Agrarian Affairs	46.5	41.4	95.9	61.0	+ 19.6
Agriculture	697.3	775.0	1,102.2	972.0	+ 197.0
Economic Affairs **)	117.7	159.2	—	—	— 159.2
Trade *)	52.7	84.5	296.6	106.3	+ 21.8
Industry *)	113.0	63.0	298.4	325.9	+ 262.9
Financing Service	3,957.8	5,102.2	4,519.3	6,124.2	+ 1,022.0
Transport and Communications	300.5	316.2	442.9	366.8	+ 50.6
Navigation	329.0	326.2	1,412.9	674.8	+ 348.7
Public Works/Energy	689.6	748.9	1,020.5	927.6	+ 178.7
Sub total	6,304.1	7,616.5	9,188.7	9,558.6	+ 1,942.1
<i>Cultural sector</i>					
Information	230.4	260.0	299.9	367.3	+ 107.3
Education and Cultural Affairs	1,274.3	1,408.6	1,642.0	1,741.7	+ 333.1
Religious Affairs	311.5	366.3	403.3	545.1	+ 178.8
Sub total	1,816.2	2,034.9	2,345.2	2,654.1	+ 619.2
<i>Social sector</i>					
Health	491.4	515.2	620.7	623.8	+ 108.6
Social Affairs	313.7	331.0	467.9	417.4	+ 86.4
Labour	79.1	79.4	97.9	100.8	+ 21.4
Mobilization of the People's Potentials for Reconstruction*)	30.0	3.2	40.8	17.3	+ 14.1
Veterans Affairs *)	30.0	21.9	92.9	65.8	+ 43.9
Sub total	944.2	950.7	1,320.2	1,225.1	+ 274.4
<i>Foreign sector</i>	218.0	885.1	404.8	1,131.1	+ 246.0
Grand total	22,274.1	25,610.1	34,320.8	35,313.0	+ 9,702.9

*) Ministries created in 1957

**) Closed down in 1957

***) Revised figures

Source : Ministry of Finance

The actual expenditure of the Ministries of Shipping, Trade and Agriculture was lower than was budgeted, viz. as much as respectively Rp 738 million, Rp 190 million and Rp 130 million.

As compared to 1957, actual gross expenditure in 1958 proved to be higher by Rp 9,702.9 million.

Government revenue

Government net revenue for 1958 preliminarily reached the amount of Rp 19,656 million as against Rp 16,873 million for 1957. Since the 1958 budgetary net revenue was estimated at Rp 18,246 million, actual revenue proved to be Rp 1,400 million above the estimates.

Table 13 shows that actual revenue from direct taxes reached the total of Rp 4,279 million or Rp 252 million higher than was planned and Rp 754 million higher than the 1957 collections. Compared with 1957, revenue from all kinds of “direct taxes” depicted a rise; principally corporate taxes, transition and other direct taxes increased appreciably.

The same applies to the collections of all indirect taxes which showed an overall increase, with the exception of import duties. Total receipts on indirect taxes for 1958 amounted to Rp 6,812 million showing an increase by Rp 1,100 million as compared with the previous year, which was largely due to the increase of excise duties receipts amounting to Rp 942 million.

The 1958 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.

Revenue under “Sundries” reached the total of Rp 8,424 million, or Rp 652 million more than the original estimate. As compared to the foregoing year, rev-

TABLE 13 — NET GOVERNMENT REVENUE (Rp. million)				
	1956	1957	1958	
	Provisional outturn	Provisional outturn	Provisional outturn	Provisional estimate
<i>A. Taxes</i>				
1. <i>Direct taxes</i>				
Transition tax	1,169	1,455	1,688	1,450
Income tax	327	348	366	351
Company tax	1,569	1,581	1,945	1,875
Free sales tax	2	3	4	3
Other direct taxes	48	138	276	348
Sub total	3,115	3,525	4,279	4,027
2. <i>Indirect taxes</i>				
Turnover/sales tax	942	833	1,137	825
Import duties	1,872	1,785	1,644	1,689
Normal export duties	161	60	—	—
Other export duties	263	139	185	134
Excise	1,877	2,593	3,535	3,403
Other indirect taxes	235	302	311	255
Sub total	5,350	5,712	6,812	6,306
Total of A	8,465	9,237	11,091	10,333
<i>B. Balances of Government enterprises</i>	476	355	141	141
<i>C. Sundries</i>				
Foreign exchange certificates and T.P.I. levies	4,985	4,411	2,925	3,000
T.P.T. levies	212	103	17	—
Share of profits	75	81	145	171
Mining concessions	102	12	190	177
Court fines, etc.	18	22	31	18
L.A.A.P.L.N.	99	107	30	100
B.E. (20%)	—	1,587	3,706	3,300
Miscellaneous	1,301	958	1,380	1,006
Total of C	6,792	7,281	8,424	7,772
Grand total	15,733	16,873	19,656	18,246

Source : Ministry of Finance

enue under this heading rose by Rp 1,143 million. This rise was primarily ascribable to the increased receipts on P.B.E. (Export Certificate Payments) (20%) totalling Rp 2,119 million and to "Miscellaneous" receipts totalling Rp 422 million. Receipts from T.P.T. levies and L.A.A.P.L.N. (Foreign Exchange Institute) declined. Conversely, receipts from mining concessions, which in 1957 showed disappointing decreases, soared up in 1958. The unspecified "Miscellaneous" re-

ceipts totalling Rp 1,380 million or Rp 442 million higher than in 1957, included among others: the counter-value of Eximbank loans amounting to Rp 422 million, reserves on counterpart funds (I.C.A.) amounting to Rp 201 million, and the surplus balance of the A.A.P.L.N. (Foreign Exchange Fund) amounting to Rp 144 million.

Public debt

From table 14 can be seen that the total public debt rose from Rp 25,064 million to Rp 34,317 million during 1958. This increase of Rp 9,253 million was the greatest since 1952 and occurred in the Government floating debt to the amount of Rp 9,851 million, while the Government consolidated debt, both internal and external, decreased by Rp 93 million and Rp 505 million respectively.

End of	Consolidated debt		Floating debt (internal)	Total debt	Movements
	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	2,820 *)	4,763	17,481	25,064 *)	+ 5,995 *)
1958	2,315	4,670	27,332	34,317	+ 9,253

*) revised figures.

The development and component parts of the floating debt are outlined in table 15. The total of Bank Indonesia advances to the Government increased by Rp 9,407 million, and so did the amount of money (including subsidiary money) issued by or on behalf of the Government, namely by Rp 154 million. The amount of treasury bills and notes issued increased by Rp 469 million, of which Rp 17 million was taken up by the private sector and the balance by banks. Only the debt to importers decreased in the period under review, i.e. by Rp 179 million.

TABLE 15 — 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	15,425	952	855	249	—	17,481
1958 March	17,286	983	879	590	—	19,738
June	18,965	1,022	812	97	—	20,896
September	20,673	1,051	1,356	75	—	23,155
December	24,832	1,106	1,324	70	—	27,332
MOVEMENTS IN FLOATING DEBT IN 1958						
1st quarter	1,861	31	24	341	—	2,257
2nd quarter	1,679	39	— 67	— 493	—	1,158
3rd quarter	1,708	29	544	— 22	—	2,259
4th quarter	4,159	55	— 32	— 5	—	4,177
Total	9,407	154	469	— 179	—	9,851

The external consolidated debt amounted to Rp 2,315 million or Rp 505 million less than at the end of the preceding year. The above decrease represented the balance of the redemption of debts to Australia, the United States (surplus credits), E.C.A. and Japan to the amounts of Rp 29 million, Rp 23 million, Rp 10 million and Rp 684 million respectively and credits received from the Eximbank and the Soviet Union to the amounts of Rp 92 million and Rp 149 million respectively. The above credit of Rp 149 million from the Soviet Union covered the purchase of 12 ships and 5,000 metric tons of crude oil and of textiles, to the respective amounts of Rp 138 million and Rp 11 million.

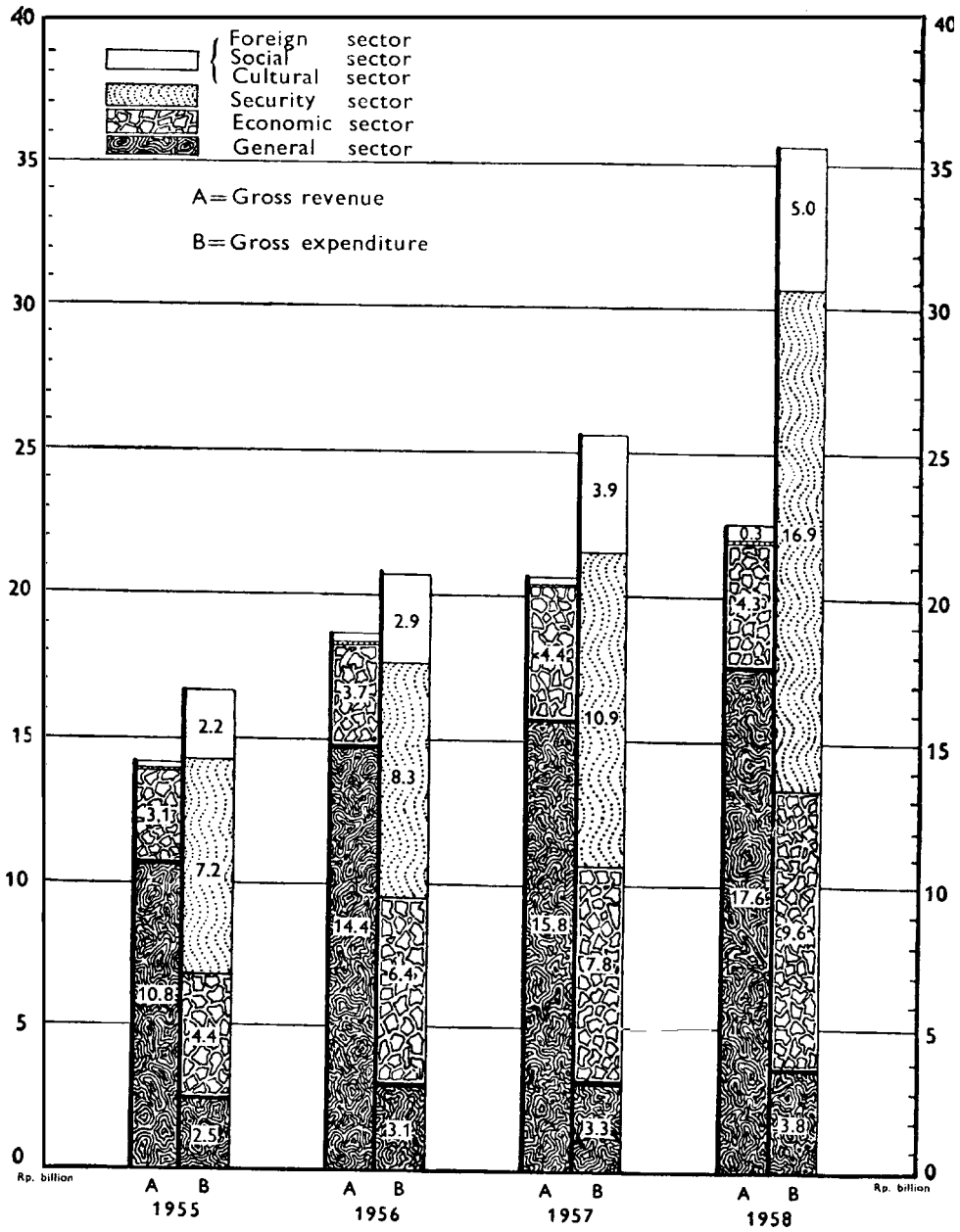
The internal consolidated debt decreased by Rp 93 million to Rp 4,670 million, due to a decrease of the Government debt to Bank Indonesia to the above amount.

On the whole, Government consolidated debt, both external and internal, fell by Rp 598 million compared with a decrease by Rp 252 million in 1957.

TABLE 16 — CONSOLIDATED DEBT
(Rp million)

	Debt as at the end of		Movements in 1958					Debt as at the end of 1958
	1956	1957	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	
<i>External debt</i>								
1. <i>Prewar loans</i>								
Netherlands	—	—	—	—	—	—	—	—
2. <i>Postwar loans</i>								
Australia	87	58	— 29	—	—	—	— 29	29
Canada	—	—	—	—	—	—	—	—
United States (Surplus credit)	568	544	—	—	— 23	—	— 23	521
E.C.A.	185	174	—	— 5	—	— 5	— 10	164
Eximbank	825	772	+ 130	—	— 38	—	+ 92	864
Japan	684	684	—	— 684	—	—	— 684	—
Netherlands	630	588*)	—	—	—	—	—	588
U.S.S.R.					+ 7	+ 142	+ 149	149
Total postwar loans	2,979	2,820*)	+ 101	— 689	— 54	+ 137	— 505	2,315
Total external consolidated debt	2,979	2,820*)	+ 101	— 689	— 54	+ 137	— 505	2,315
<i>Internal debt</i>								
1. Public loan 1950	1,114	1,115	—	—	—	—	—	1,115
2. Bank Indonesia	3,742	3,648	— 93	—	—	—	— 93	3,555
Total internal consolidated debt	4,856	4,763	— 93	—	—	—	— 93	4,670
Total consolidated debt	7,835	7,583*)	+ 8	— 689	— 54	+ 137	— 598	6,985
*) revised figures.								

CHART I — BUDGET RESULTS



V. BANKING AND CREDIT

Credit restrictions

In its efforts to check the danger of inflation, developing in the monetary field in the previous year under review, the Monetary Board in its meeting on May 28, 1957, decided upon a general regulation to restrict the extension of credits by private credit institutions. The general regulation which came into effect as from July 1, 1957, was made effective only for private credit institutions with deposits, demand liabilities and bills payable to the amount of Rp 75 million and more. In the main the general regulation made it obligatory for these credit institutions to:

- a. invest 10% of their cash assets (cash plus balance with Bank Indonesia) in Treasury notes and bills. Since October 15, 1957, the 10% has been increased to 20% for private credit institutions with deposits, demand liabilities and bills payable of at least Rp 150 million;
- b. maintain a minimum ratio of 30% between the amount of their cash assets, after deducting the 10% or 20% to be kept as Treasury notes and bills, and the total of deposits, demand liabilities and bills payable.

The total of deposits, demand liabilities and bills payable, components of the cash money which must be kept as Treasury notes and bills, and the minimum ratio of 30%, must be calculated per the middle and the end of each month.

In the implementation of the above Decree of the Monetary Board it was found that at the end of the fourth quarter of 1957, the credit institutions concerned were still having enough attitude to expand their credit granting.

In view of this, the Monetary Board deemed it necessary to issue supplementary regulations on the restriction of credits as defined in Monetary Board Decree

No. 33 December 3, 1957. This Decree made it obligatory for private credit institutions referred to in Monetary Board Decree No. 28 May 28, 1957, to deposit part of their cash assets on the "Special Account" with Bank Indonesia, that is to say, temporarily on a basis of 50% of their cash money surplus found at the end of October 1957.

Besides the private credit institutions referred to in Monetary Board Decree No. 28 above, Monetary Board Decree No. 33 December 3, 1977, also obliged all private foreign exchange banks with deposits, demand liabilities and bills payable to an amount of less than Rp 75 million, and all Government foreign exchange banks to maintain the 30% minimum ratio between the totals of cash and deposits, demand liabilities and bills payable, and to deposit part of their cash on the "Special Account" with Bank Indonesia.

Monetary Board Decree No. 33 dated December 3, 1957, could not be implemented before the middle of March 1958, because of the development of conditions at that time in connection with the launching of the West Irian campaign.

The table below gives the results of the implementation of the decrees of the Monetary Board as mentioned above.

	Investments in Treasury notes and bills			Excess of cash	Deposits in the "Special Account"			Ratio of cash to deposits, demand liabilities and bills payable		
	Obligatory	Actual	Difference		Obligatory	Actual	Difference	Obligatory	Actual	Difference
	<i>(million Rp)</i>									
1957										
September	164.5	192.4	+ 27.9	—	—	—	—	30%	62.2%	+ 32.2%
December	216.7	247.4	+ 30.7	—	—	—	—	30%	45.1%	+ 15.1%
1958										
March	334.5	356.5	+ 22.0	731.5	368.7	438.4	+ 69.7	30%	58.7%	+ 28.7%
June	343.6	356.5	+ 12.9	829.7	420.1	444.3	+ 24.2	30%	51.2%	+ 21.2%
September	361.4	436.5	+ 75.1	761.9	381.3	362.7	— 18.6	30%	45.6%	+ 15.6%
December	486.3	547.4	+ 61.1	1,300.9	650.6	412.7	—237.9	30%	51.3%	+ 21.3%

The obligatory investment in Treasury notes and bills proved to be much greater in 1958 than at the end of 1957. Figures in the above table show that the compulsory investments in Treasury notes and bills by the end of the first, second,

third and fourth quarters of 1958, were respectively: Rp 334.5 million, Rp 343.6 million, Rp 361.4 million and Rp 486.3 million, however, the actual investments made were respectively: Rp 356.5 million, Rp 356.5 million, Rp 436.5 million and Rp 547.4 million. So there was, for the first, second, third and fourth quarters, an excess of actual investments respectively to the amount of Rp 22.0 million, Rp 12.9 million, Rp 75.1 million and Rp 61.1 million.

Figures of the surplus of cash money recorded at the end of the first, second, third and fourth quarters of 1958 were Rp 731.5 million, Rp 829.7 million, Rp 761.9 million and Rp 1,300.9 million respectively, so that the amounts entered on the "Special Account" should be respectively: Rp 368.7 million, Rp 420.1 million, Rp 381.3 million and Rp 650.6 million. But the actual deposits made were Rp 438.4 million, Rp 444.3 million, Rp 362.7 million and Rp 412.7 million respectively. Thus, the entries on the "Special Account" showed an excess of Rp 69.7 million and Rp 24.2 million at the end of the first and second quarters of 1958, and a deficiency of Rp 18.6 million and Rp 237.9 million at the end of the third and fourth quarters of 1958. The deficiency in deposits was due to the fact that there were still national (private and Government) credit institutions which failed to enter 50% of their surplus cash on the "Special Account". This failure was made possible as the decisions of the Monetary Board did not rule out exceptional cases under certain circumstances. It should be added here that the figures referring to the surplus cash, do not include the surplus cash of Bank Rakjat Indonesia.

The ratio between the surplus cash (after deduction of the part invested in Treasury notes and bills) and the amount of deposits, demand liabilities and bills payable, was respectively 58.7%, 51.2%, 45% and 51.3% for the first, second, third and fourth quarters of 1958 exceeding the (30%) minimum ratio by respectively: 28.7%, 21.2%, 15.6% and 21.3% at the end of the quarters stated above.

Developments in the cash position as have been discussed above; proved to have given enough attitude to banks to expand their credit grants. Accordingly, the Monetary Board in its session on April 8, 1959, deemed it necessary to stipulate, effective as from April 16, 1959, that :

- a. the portion of the cash money to be entered on the banks 'Special Account' with Bank Indonesia, be raised from 50% to 75% of the surplus cash;
- b. the credit grants extended by credit institutions referred to above, be limited and adjusted to the credit ceiling stipulated at the end of August 1958. This provision is not only applicable to private foreign exchange banks and such private banks with deposits, demand liabilities and bills payable to the amount of Rp 75 million and more, but also to all Government foreign exchange banks as Bank Indonesia, Bank Negara Indonesia and Bank Rakjat Indonesia.

Supervision of the Credit System

A number of 18 permanent licences for operating commercial banking business was issued in the course of the year under report. This number includes permanent licences to private commercial banks lodging applications in the course of the previous year (4), as well as private commercial banks who were granted temporary licences in 1957 fulfilling the requirements of Government Ordinance No. 1/1955, so that their temporary licences were converted into permanent licences (i). So, actually, 6 new private commercial banks with a permanent licence were established which is less than in the previous year (13).

In the period under review a new Government commercial bank, namely P.T. Bank Tani dan Nelayan (Bank for Smallholders and Fishermen) was established under provisions of Emergency Law No. 18/1957, which was confirmed by Law No. 77/1958.

Besides the establishment of the above new banks, a permanent licence for operating commercial banking business was withdrawn, while two temporary licences obtained no extension. The situation per the end of December 1958 as regards the number and regions of operations of private commercial banks with permanent/temporary licences and Government banks are set out in the following tabulation :

Region	Head Offices of Commercial Banks				Branches & Sub-branches of Commercial Banks				Total Commercial Banks	
	Private		Government		Private		Government		Priv. & Govt	
	1957	1958	1957	1958	1957	1958	1957	1958	1957	1958
1. Djakarta Raya	50	56	4	5	19	23	2	3	75	87
2. West Djawa	8	8	—	—	12	12	18	20	38	40
3. Central Djawa	13	11	—	—	38	54	32	32	83	97
4. East Djawa	6	6	—	—	43	40	33	34	82	80
5. Sumatera	9	10	—	—	40	45	31	32	80	87
6. Kalimantan	2	4	—	—	11	15	8	8	21	27
7. Sulawesi	7	7	—	—	9	12	13	13	29	32
8. Nusa Tenggara	1	1	—	—	7	5	9	9	17	15
9. Maluku + West Irian	—	—	—	—	—	—	3	3	3	3
Total	96	103	4	5	179	206	149	154	428	468

Note : In contrast with last year's annual report the above figures are based on the number of permanent/temporary licences issued and not on the number of licences for operating banking business applied for in the year under report.

As demonstrated by the above figures the number of commercial banks having their head offices in Djakarta Raya increased by 7, viz. 4 new private commercial banks, one Government commercial bank and 2 other private commercial banks which moved their head offices from Central Djawa to Djakarta Raya. Out of the total of 103 private commercial banks, 77 operate under permanent licence, while 26 still operate under temporary licence. In the year under report there were again many banks which were as yet unable to increase their paid-up capital to such a degree as to satisfy the requirement of minimum paid-up capital according to Government Ordinance No. 1/1955.

In order to arrive at a solution of this problem and to prevent it from becoming chronic, it was deemed necessary to examine the state of affairs of such credit institutions, their potentialities and whether they actually filled a need in their sphere of activity. In this connection a distinction had to be made between a group of people who just tried their luck at operating banking business in the hope that the Government would aid them and the people who though exerting all their energies did not succeed in satisfying the requirement of paid-up capital. Furthermore, it had to be decided in how far such banks filled a need of the communities concerned.

After direct examination of the above credit institutions had been made it turned out that among them were several who, though not yet in a position to satisfy the requirement of minimum paid-up capital, were considered very advantageous by the surrounding community on account of the integrity of their management and their services rendered. Furthermore, practical developments revealed that among such private credit institutions were to be found :

- a. credit institutions whose sphere of activity are limited to the village population. Those credit institutions accept money on transfer and deposit accounts and extend loans to the village population. On account of their activities they resemble village banks (according to Government Ordinance No. 25/1951);
- b. credit institutions with the object of extending financial aid in the form of loans to retail traders. Therefore those institutions accept money on transfer and deposit accounts from retail traders and grant them small loans. These credit institutions have the same object as the market banks which are generally established by municipalities by virtue of an ordinance of a Regional Council of Representatives;
- c. credit institutions as mentioned under b with the distinction that their activity is directed to the interests of workers and pensioners.

In regard of the above and with a view to canalize developments in the field of banking, the Monetary Board at its meeting on August 7, 1958, made the following decisions:

- a. to discontinue temporary licences of credit institutions which do not justify the hope that they will develop in the desired way and are not apparently advantageous to the community as they were meant to be;
- b. to give those credit institutions the opportunity to change from commercial banks into village banks, market banks or workers' banks, with the stipulation that these banks are not allowed to further participate in transfer transac-

tions, though they are allowed to accept money in demand deposit. In drawing money from those banks only special forms are to be used, as is done with the Post Office Savings Bank. Furthermore, loans granted are not to exceed a certain amount, e.g. Rp 25,000,—per loan.

Concurrently with the choice which had to be made as explained above, the Minister of Finance was able to declare art. 13 (e) of Government Ordinance No. 1/1955 applicable to those banks, thereby considering them as village banks, market banks or workers' banks. By obtaining a decision of qualification the banks concerned did not need to deposit the minimum paid-up capital of Rp 21/2 million, since by applying art. 13 (e) of Government Ordinance No. 1/1955, they did not need to fulfil the above requirement.

In order to prevent the occurrence of practices detrimental to the interests of the community, e.g. excessive rates of interest, the granting of loans against security and dealing with it in the way as is done with pledges at a pawnshop and other practices without due regard to the interests of the bank's creditors, the issue of a decision of qualification is subject to conditions as mentioned below, based on article 7 paragraphs (3), (4) and (5) of Bank Indonesia Act 1953:

1. Bank Indonesia is authorized to request all information and data from the credit institutions as deemed necessary;
2. Bank Indonesia or the persons commissioned are authorized at any time to examine the books and records of the above credit institutions;
3. The Minister of Finance, after consultation with Bank Indonesia is authorized to take all measures deemed necessary regarding the interests of creditors and the community in general.

In order to regulate the establishment of bank branches the Monetary Board with its Decree No. 38 of September 20, 1958, stipulated that the establishment of

branches by a bank may only be effected after permission of Bank Indonesia has been obtained and after the following conditions have been fulfilled :

- a. for the establishment of each branch of a commercial bank, paid-up capital or free reserves must be provided for to the amount of at least Rp 500,000.- in excess of the minimum paid-up capital of Rp 2,500,000.—
- b. for the establishment of each branch of a savings bank, paid-up capital or free reserves must be provided for to the amount of at least Rp 100,000.— in excess of the minimum paid-up capital of Rp 500,000.—.

The permission of Bank Indonesia is a separate condition. Though the condition of paid-up capital has been fulfilled, Bank Indonesia may, on considerations as will be explained hereunder, withhold its approval for the establishment of a bank branch. Thus unsound competition may be prevented and developments in the banking system more adjusted to normal rules.

The following is taken into consideration by Bank Indonesia in deciding on the establishment of bank branches :

- a. Has the applicant credit institution furnished sufficient proof by the scope of its activity to justify an extension of its business by the establishment of a branch.
- b. Has the applicant credit institution shown its ability in executing and conducting its business according to current standards.
- c. Is there an apparent need in the community concerned for another bank branch besides the other already existing banks.

Due attention must be paid to the above fundamental principles in order to prevent the establishment of bank branches from becoming uncontrollable and not based upon capability and utility for the surrounding community.

Similarly, the closing down of bank branches must proceed in a regular way, according to rules of liquidation and with due attention to the interests of creditors and the public in general. In consequence of the above and to prevent the closing down of bank branches from being prejudicial to the public interests the Monetary Board with its Decree No. 39 of March 11, 1958, decided that a request to close down a bank branch should be submitted to Bank Indonesia at least one month in advance of the closing- date, giving full particulars about its state of affairs at the time, the intended procedure of liquidation and other particulars deemed necessary according to the regulations issued by Bank Indonesia.

In the year under review the number of savings banks was the same as in the previous year, namely 18. One commercial bank was in the state of being converted into a savings bank. Two out of the 18 savings banks were still operating under temporary licences.

As mentioned in the previous annual report, all Dutch banks were placed under the control of the Military Authority (Central/Regional) by Decree of the Army Chief of Staff (in his capacity of Military Authority) No. Kpts/P.M./ 080/ 1957 dated December 8, 1957, while control of the activities of Dutch banks was brought under the charge of a Central Supervisory Board for Banks.

According to article 60, Law on the State of Emergency No. 74/1957 (Government Gazette No. 160), all regulations/decisions based upon “Regeling op de Staat van Oorlog en van Beleg” (Staatsblad 1939 No. 582) and/or the regulations in execution of “Regeling op de Staat van Oorlog en van Beleg”, ceased to be operative on April 17, 1958. In consequence of the above it was deemed necessary to issue a new regulation which placed all Dutch banks under Government control. This regulation was issued in the form of Government Ordinance No. 22/ 1958 (Government Gazette No. 38), placing all Dutch banks under the control of the Government of the Republic of Indonesia and establishing a Supervisory Board for Dutch Banks. Concurrently with the above Government Ordinance, endeavours were made to arrive at a more regulated cooperation between the Armed Forces and the Government (Cabinet Council), so that each Minister remained

responsible for everything coming within the scope of his Ministry, and each was in a position to employ his own means in the execution of his task, with due regard to the State of War. Thus since the promulgation of the above Government Ordinance, the Minister of Finance was responsible for the supervision of the Dutch banks.

Apart from the above, other regulations/decisions from the Army Chief of Staff were altered and adjusted to Government Ordinance No. 22/1958. As some shortcomings were still apparent in the aforementioned Government Ordinance, additional amendments were issued with Government Ordinance No. 8 /1959 (Government Gazette No. 14/1959).

By placing the Dutch banks under the supervision of the Central/Regional Supervisory Boards for Dutch banks, those banks were able to resume their normal activities in the year under report, to the benefit of the country's economy. Since November 3, 1958, Nationale Handelsbank N.V. in Indonesia—its head office as well as its branches— had to cease all foreign exchange dealings connected with foreign payments traffic, so that from the above date onward activities of Nationale Handelsbank N.V. were restricted to the liquidation of current business. Besides, Nationale Handelsbank N.V. had to transfer all foreign currency on its name with its foreign correspondents to the account of the Foreign Exchange Fund as soon as possible. On April 20, 1959, the management of the Nationale Handelsbank N.V. in Indonesia was brought under the charge of the Supervisory Board for Dutch banks, in virtue of Decree of the Minister of Finance No. 40269/U.M.II dated April 3, 1959.

Nederlandsche Handel Mij. N.V. and P.T. Escomptobank remained under control of the Central Supervisory Board for Dutch banks c.q. Supervisory Team in virtue of Government Ordinance No. 22/1958 jo. No. 8/1959.

As regards P.T. Escomptobank, the general meeting of shareholders on November 18, 1958, made the following revisions in its statutes:

TABLE 17 — COMBINED FIGURES OF BANK INDONESIA, BANK NEGARA INDONESIA, BANK RAKJAT INDONESIA AND 11 FOREIGN EXCHANGE BANKS
(Rp million; end of period figures)

	1956	1957	1958					1956	1957	1958			
	Dec.	Dec.	March	June	Sept.	Dec.		Dec.	Dec.	March	June	Sept.	Dec.
Cash in hand	446	530	726	720	755	777	Capital, reserves, profit and loss account	1,484	1,931	1,985	2,242	2,255	2,497
Balances of foreign exchange banks with Bank Indonesia	546	1,888	2,608	2,549	2,518	4,071	Time deposits	180	170	154	149	190	185
Balances of foreign exchange banks with other foreign exchange banks	45	83	93	146	166	214	Government accounts	1,629	1,799	1,769	2,154	2,123	2,193
Treasury notes and bills	168	669	732	668	1,206	1,169	Rurni accounts	108	122	136	132	136	150
Securities	129	131	154	149	157	163	Guarantee deposits	349	228	314	279	315	321
Participations	33	32	32	32	32	32	Demand deposits and bills payable	4,021	4,822	5,649	6,230	7,470	9,495
Advances and domestic bills discounted	4,806	4,443	4,722	5,550	6,884	6,530	Debt of foreign exchange banks to other foreign exchange banks	45	83	94	146	166	214
Foreign bills and balances	1,236	1,114	665	617	637	732	Prepayments from importers	3,343	681	627	1,194	1,705	2,243
Premises and inventory	394	451	461	483	482	493	Sundry credit accounts	156	1,272	2,239	2,333	3,491	1,906
Sundry debit accounts	206	—	—	—	499	1,126							
	8,009	9,341	10,193	10,914	13,336	15,307	Foreign Exchange Fund :	11,315	11,108	12,967	14,859	17,851	19,204
Gold, claims in gold on the Government and convertible foreign exchange	534	469	465	458	457	452	foreign liabilities	1,987	1,969	1,868	578	434	327
Foreign Exchange Fund :							Debt of Bank Indonesia to other foreign exchange banks	546	1,888	2,608	2,549	2,518	4,071
foreign currency account	1,918	1,674	1,382	1,252	1,258	1,645	Banknotes issued	9,175	14,064	14,286	15,644	16,738	19,986
Advances to the Government:							E.C.A. and S.A.C. counterpart accounts	945	1,449	1,308	1,282	1,483	1,948
a. from Bank Indonesia	10,752	19,073	20,735	21,455	24,228	28,390	I.M.F. and I.B.R.D. accounts	642	642	642	642	642	642
b. from importers	3,083	249	590	1,161	73	70							
Claims in rupiah on the Government	314	314	314	314	314	314							
	24,610	31,120	33,679	35,554	39,666	46,178		24,610	31,120	33,679	35,554	39,666	46,178

- a. shares of P.T. Escomptobank issued to bearer had to be changed into registered shares within 6 months after legalization of the revised statutes by the Minister of Justice; the change had to be made at the head office in Djakarta;
- b. to the Board of Directors and the Managing Board in Djakarta were given more power over the Advisory Board/Branch Management of Escompto bank offices abroad.

At present the entire Board of Directors and the Managing Board are composed of Indonesian citizens.

Credit facilities granted by foreign exchange banks

Table 17 contains the combined balance sheet of Bank Indonesia, 12 other foreign exchange banks and one former foreign exchange bank, namely Nationale Handelsbank N.V.(N.H.B.). The figures show that the following items increased in 1958: "Capital, reserves, profit and loss account" by Rp 566 million (29%), "Time deposits from the private sector" by Rp 15 million (8%), "Government accounts", i.e. credits granted by the Government in the form of loans, long-term deposits as well as on current account by Rp 3 94 million (22%), "Demand deposits amI bills payable" by Rp 4,673 million (97%), "Prepayments from importers" by Rp 1,562 million (229%) and "Guarantee deposits" by Rp 93 million (41%). The items "Demand deposits and bills payable" and "Prepayments from importers" showed exceptional increases. The rise in the item "Demand deposits and bills payable" to the amount of Rp 4,673 million resulted from a rise in "Demand deposits and bills payable" from Government enterprises and foundations, importers, the estates sector and the industrial sector by an average amount of more than Rp 500 million. The increase in prepayments from importers and guarantee deposits was related to a new regulation on import prepayments, which since February 3, 1958, were raised from 20% to 100% of the c. & f. value and were to be effected at the time of submitting the P.I.I. (Application for Import Permit).

TABLE 18 — CREDITS GRANTED BY BANK INDONESIA, BANK NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS ¹⁾ (Rp million ; end of period)					
	1957	1958			
	December	March	June	Sept.	Dec.
A. <i>Government enterprises and foundations</i>	426	903	834	1,601	1,347
B. <i>Enterprises predominantly financed by the Government</i>	100	102	121	91	124
C. <i>Private business and individuals</i>					
Banks and credit institutions (excl. foreign exchange banks)	70	109	105	144	235
Insurance companies, savings institutions, pension funds	19	18	18	13	2
Rice mills	10	3	3	3	2
Domestic produce trade	105	109	114	148	145
Exporters	434	390	492	713	895
Importers	996	777	728	993	877
Sugar estates	218	155	170	156	155
Other agricultural estates	130	135	142	141	98
Industries	383	300	361	372	371
Storage and transport companies	45	60	72	76	91
Mining	7	7	8	8	5
Miscellaneous enterprises	472	567	585	620	609
Private persons	118	82	80	95	169
Sub total	3,007	2,712	2,878	3,482	3,654
Grand total	3,533	3,717	3,833	5,174	5,125
¹⁾ Excl. Bank Rakjat Indonesia					

The credit facilities extended by banks in the course of 1958 were marked by a continuously rising trend, as shown by the item "Advances and domestic bills discounted" on the debit side of the combined balance sheet. This item stood at Rp 2,087 million more than at the end of 1957. The specifications of debtors of the foreign exchange banks (except Bank Rakjat Indonesia) in table 18 shows that this increase of credits was due to greater credit facilities to Government enterprises and foundations, banks and credit institutions and exporters by Rp 921 million, Rp 165 million and Rp 461 million respectively. The rise in credits extended to Government enterprises and foundations, especially in the second semester of 1958 was in relation with outlays on imports of rice by J.U.B.M. (Food Foundation), expenditure on exports of copra by C.T.C. (Central Trading Company), and increasing activity in the export field. Credits to banks and credit institutions rose in connection with outlays on the imports of fertilizers, which were effected through

those institutions, while credits to exporters rose because of increasing activity in the export field during the second semester of 1958, and rising prices on the domestic market which raised the need for credit facilities.

Table 19 shows the specification of credits granted by 7 foreign banks and 6 national foreign exchange banks to private enterprises and individuals. The figures show that at the end of the year under report, Rp 1,243.6 million or 24.3% of the overall amount of credits granted by 12 foreign exchange banks and one former foreign exchange bank, namely N.H.B. (excluding Bank Rakjat Indonesia) originated from 7 foreign banks, against Rp 1,422.9 million or 40.3% at the end of 1957. Of the above amount of Rp 1,243.6 million, Rp 764.9 million or 62% went to Indonesian enterprises and individuals, against Rp 553.7 million or 39% at the end of the preceding year. This shows that the share received by Indonesian enterprises and individuals increased relatively.

Granted to	1957				1958			
	7 foreign banks		6 other banks		7 foreign banks		6 other banks	
	Total	%	Total	%	Total	%	Total	%
1. Exporters	272.2	19	162.1	8	546.9	44	348.2	9
2. Importers	424.2	30	571.6	27	252.2	20	623.7	16
3. Agricultural estates	176.8	12	171.5	8	81.3	7	171.5	4
4. Industries	248.6	17	133.9	6	148.0	12	223.3	6
5. Others	301.1	22	1,070.9	51	215.2	17	2,514.2	65
Total	1,422.9	100	2,110.0	100	1,243.6	100	3,880.9	100
<i>a. Indonesian</i>	553.7	39	1,897.1	90	764.9	62	3,735.0	96
<i>b. Non-Indonesian</i>	869.2	61	212.9	10	478.7	38	145.9	4

¹⁾ Exclusive of Bank Rakjat Indonesia

Out of the total credit facilities extended by the 6 national banks, 96% (at the end of 1957: 90%) went to Indonesian enterprises and individuals.

A comparison of the total amounts of credits granted by 6 non-Indonesian foreign exchange banks and one non- Indonesian former foreign exchange bank, and 6 national foreign exchange banks to private enterprises and individuals during the last three years shows the following picture (in Rp million) :

	1956	1957	1958
6 non-Indonesian foreign exchange banks and one non-Indonesian former foreign exchange bank	1,768.7 (51.0%)	1,422.9 (40.3%)	1,243.6 (24.3%)
6 national foreign exchange banks	1,701.0 (49.0%)	2,110.0 (59.7%)	3,880.9 (75.7%)
T o t a l	3,469.7	3,532.9	5,124.5

The credit facilities extended by the 6 Indonesian foreign exchange banks increased steadily, while credits granted by the 7 foreign banks in contrast showed a downward trend. A proportional comparison of the credits granted by the two categories of foreign exchange banks shows that the percentage for the 7 foreign banks dropped from 51% per the end of 1956 to 40.3 % per ult. 1957, and declined further to 24.3% per the end of 1958. In contrast, the percentage of the 6 national

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)	
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 December	596.7	1,795.2	4,045.4	158.6	56.9
1958 March	732.0	2,150.8	4,671.9	130.1	60.0
June	739.1	2,128.5	5,340.0	154.3	52.2
September	770.4	2,250.5	6,149.1	176.7	47.8
December	799.1	3,462.9	7,461.9	321.7	54.8

¹⁾ Exclusive of Bank Indonesia

foreign exchange banks steadily rose from 49.0 % per the end of 1956, to 59.7% at the end of 1957 and further to 75.7% at the end of 1958.

The liquidity position of the 12 foreign exchange banks and one former foreign exchange bank—excluding Bank Rakjat Indonesia—as set out in table 20, compares cash assets (cash plus balances of the banks with Bank Indonesia) and demand liabilities (current accounts plus other debts on demand).

TABLE 21—SPECIFICATION OF CURRENT ACCOUNTS WITH BANK INDONESIA, BANK NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS¹⁾ (Rp. million ; end of period)					
	1957	1958			
	December	March	June	Sept.	Dec.
A. Government enterprises and foundations	250	510	514	763	858
B. Enterprises predominantly financed by the Government	84	90	104	90	116
C. Private business and individuals					
Banks and credit institutions (excl. foreign exchange banks)	228	288	230	292	466
Insurance companies, savings institutions, pension funds	199	245	270	287	309
Rice mills	7	4	5	4	7
Domestic produce trade	83	75	84	101	119
Exporters	117	117	144	184	222
Importers	428	548	602	743	914
Sugar estates	75	154	221	256	265
Other agricultural estates	621	624	724	1,140	1,372
Industries	494	556	717	857	1,169
Storage and transport companies	102	139	144	157	200
Mining	8	10	29	29	30
Miscellaneous	671	755	895	960	1,179
Private persons	421	423	434	519	665
Sub total	3,454	3,938	4,499	5,529	6,917
Grand total	3,788	4,538	5,117	6,382	7,891

¹⁾ Excl. Bank Rakjat Indonesia

Table 21 gives a 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 1958.

State Banks

Bank Negara Indonesia

The paid-up capital remained Rp 100 million for 1958. At the end of 1958 its commitments with the Government totalled Rp 617 million which were made up of Rp 183 million Government loans, Rp 225 million in time deposits and Rp 179 million current account balances of the Government with the B.N.I. Commitments which could be realized immediately included current account balances totalling Rp 1,516 million, some of which were in the name of Government enterprises and Government foundations aggregating Rp 367 million and bills payable totalling Rp 19 million. Liquid assets of B.N.I. totalled Rp 1,043 million, made up of Rp 170 million in cash and claims on Bank Indonesia and other Foreign Exchange Banks amounting to Rp 873 million. Credits granted by B.N.I. totalled Rp 1,551 million showing an increase of 58 per cent compared to 1957. Loans issued to various Government enterprises and foundations totalled Rp 112 million.

Bank Industri Negara

The increase in the figures of the balance sheets of Bank Industri Negara from Rp 1,735 million at the end of 1957 to Rp 2,003 million at the end of 1958 showed clearly the increase in the activities of the Bank in the year under review. At the end of 1958, the amount of paid-up capital and reserves totalled Rp 571 million showing a decrease of Rp 47 million if compared with 1957. Current account obligations of B.I.N. totalled Rp 552 million of which Rp 64 million was for account of the Government and Rp 454 million for account of enterprises predominantly financed by the Government. Loans received by B.I.N. totalled Rp 577 million which were made up of Rp 231 million Government loans and Rp 346 million of other loans.

Credits granted by B.I.N. increased from Rp 1,288 million to Rp 1,381 million at the end of 1958. Compared with the end of 1957, credits granted by B.I.N. to

Government enterprises, foundations and other enterprises increased by 17% and 14% respectively, whereas credits granted to enterprises predominantly financed by the Government decreased by 6%. Out of the total amount of credits granted to other enterprises, industrial enterprises and sugar estates, took 74% and 19% respectively.

Finally, it may be mentioned that participations in enterprises at the end of 1958 increased by 25% if compared with that of the foregoing year which aggregated Rp 274 million.

Bank Rakjat Indonesia

In the year under review Bank Rakjat Indonesia opened another six branches making the total of B.R.I. branches to 118 all over Indonesia. Compared to the end of 1957, the current account balances with Bank Rakjat Indonesia during 1958 increased by Rp 394 million so that by the end of the year the amount reached a

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	84.2	33	21.5	8	148.8	59	254.5
1953	95.0	21	59.5	13	305.7	66	460.2
1954	89.7	19	67.9	14	323.6	67	481.2
1955	103.7	17	84.5	14	419.4	69	607.6
1956	94.1	12	108.4	14	574.5	74	777.0
1957	197.7	25	120.2	15	477.7	60	795.6
1958	199.1	21	140.5	14	628.4	65	968.0

*) 1952—1957 revised figures
1958 provisional figures

Source : Bank Rakjat Indonesia

total of Rp 1,596 million. It may be reported that this amount includes the headings: Government (38%), Autonomous Resorts (10%) and Others (52%). Loan capital and time deposits aggregated Rp 431 million, as against Rp 399 million at the end of 1957.

Based on the revised figures of 1952 up to and including 1957 received from Bank Rakjat Indonesia, table 22 regarding credits granted by B.R.I had to undergo changes. The figures in the table show that credits granted in 1958 increased by Rp 172 million, as against an increase of Rp 19 million in 1957. With regard to the

TABLE 23 — DESA BANKS			
	Number of banks in operation	(Rp. million)	
		Loans outstanding	Loans issued during year
	(end of period figures)		
1938	7,114	3.9	20.7
1953*)	4,373	49.2	150.9
1954*)	4,604	57.5	200.2
1955*)	4,657	65.1	223.8
1956	4,633	67.6	232.9
1957	4,589	68.2	232.6
1958	4,587	70.1	241.7
*) Revised figures			

Source: Bank Rakjat Indonesia

distribution of credits, it can be said that, although credits granted to the three groups showed an increase in 1958, 88% of the increase nevertheless, took the form of credits to the middle-class and current account credits, 12% in the form of credits to Government pensioners, etc., while less than 1 % went to the agricultural sector. It can thus be concluded that relatively the amount of credits granted to the agricultural sector and Government pensioners, etc. declined notwithstanding the absolute amount increased, while the amount loaned to the middle-class and the amount of current account credits increased both relatively and absolutely.

The number of village banks in operation has decreased since 1955. Despite this, the position of current credits continued to increase at the end of every year. The amount of credits granted during a year also continued to increase since 1952. Credits granted in 1958 totalled Rp 241.7 million as against Rp 232.6 million in 1957. On the average every village bank in 1958 granted a total of about Rp 50,700 in loans.

Bank Tani dan Nelajan

By Emergency Law No. 18, 1957 (Government Gazette 1957, No. 70) which afterwards was established as a law by Act No. 77, 1958 (Government Gazette 1958, No. 136), the Bank Tani dan Nelajan (Bank for Smallholders and Fishermen) was set up with a capital of Rp 100 million. The total sum of this capital was taken and paid up by the Government. The shares of this Bank Tani dan Nelajan are to be spread over the Central Government and the Autonomous Regional Governments which are further to be transferred to co-operatives and other corporations bearing a cooperative character and having similar objectives, with the exception of priority shares which remain in the hands of the Autonomous Regional Governments.

The Bank Tani dan Nelajan was established in the form of a limited liability company as laid down in section 36 of the Commercial Code. Besides, to the aforesaid bank special rights have been granted to perform legal acts based on customary law, and to keep or obtain goods which in accordance with prevailing law can only be obtained by those subject to customary law, and to conclude a "credit relationship meant in the regulations laid down in 'Staatsblad (State Gazette) 1908, No. 542' and 'Staatsblad 1909 No. 584.'"

The objectives of the Bank Tani dan Nelajan comprise the assistance to smallholders, farm-hands and fishermen:

- a) to step up the production of agriculture, fishery and stock-breeding, as well as to perfect the process and sale of their products in order to achieve a higher standard of living;

- b) in additional efforts of smallholders and fishermen lying outside the scope of agriculture, fishery and stock-breeding;
- c) to free themselves from and avoid the bonds of usury and to enable them to develop their efforts;
- d) to finance the purchase of equipment and materials vital to agricultural efforts in its broadest sense.

National private banks

The number of national private banks up to December 1958 totalled 91. In this number were not included national private banks which functioned as foreign exchange banks. Of this number 61 were operating with permanent licences, because of having fulfilled the requirements of the Government Regulation (Government Regulation No. 1/1955, Monetary Board Decrees Nos. 25 and 27—1957) while the other 25 were still operating with temporary licences. The latter were given a chance by the Government to develop so as to fulfil the Government requirements. Of the number of the above 91 banks, only 49 have complete figures available.

Figures given in table 24, are based on the combined quarterly balance sheets of 49 banks which send in regular reports. Other banks cannot submit their reports regularly owing to technical-administrative difficulties.

This table submits a picture of the combined balance sheet of all national private banks which give regular reports to Bank Indonesia and moreover, a combined balance sheet of the 20 largest banks among them. The composition of the 20 largest banks is not similar to that at the end of 1957. From the figures of the 20 largest banks concerned it is discernable that their figures do not differ much from the figures of all banks with regular reports, so that it may be concluded that the potential of the other banks outside the 20 largest is not significant.

TABLE 24 — COMBINED FIGURES OF NATIONAL PRIVATE BANKS (end of period; Rp '000)				
	All reporting banks ¹⁾		20 largest banks	
	Dec. '57 ²⁾	Dec. '58 ³⁾	Dec. '57 ²⁾	Dec. '58 ³⁾
<i>Assets:</i>				
1. Cash	115,326	156,942	78,860	122,300
2. Balances with banks	229,085	319,473	179,124	211,273
3. Treasury notes and bills	700	700	700	700
4. Investment in securities	8,972	6,486	8,434	6,216
5. Debtors, domestic bills	949,510	1,326,461	680,261	1,017,292
6. Participations	1,904	1,515	1,260	1,000
7. Real estates	43,246	57,473	27,657	43,072
8. Sundry	279,451	485,754	241,703	332,041
Total	1,628,194	2,354,804	1,217,999	1,733,894
<i>Liabilities:</i>				
9. Capital	119,195	134,230	54,024	65,081
10. Reserves	15,081	21,399	9,165	14,659
11. Loan capital	112,699	147,162	46,041	98,972
12. Balances of other banks	58,013	131,868	29,360	126,067
13. Demand deposits, bills payable	673,029	891,807	516,143	605,456
14. Time deposits	214,772	216,142	182,575	176,576
15. Sundry	435,405	812,196	380,691	647,083
Total	1,628,194	2,354,804	1,217,999	1,733,894
¹⁾ Total: 49 banks. ²⁾ Revised figures. ³⁾ Provisional figures.				

An overall survey of all these national banks and a comparison of their position at the end of December 1958 and 1957, shows that the items Balances with banks, Debtors and domestic bills and Sundry on the debit side rose by Rp 90.4 million, Rp 377.0 million and Rp 206.3 million respectively.

On the credit side the items Balances of other banks, Demand deposits and bills payable and Sundry increased by Rp 73.9 million, Rp 218.8 million and Rp 376.8 million respectively.

Table 25 shows that of the total of credits granted by all national private banks reporting at the end of 1958, the trade sector took 53% and the industrial sector 24%, while at the end of 1957 the respective percentages were 48% and 30%.

TABLE 25 — SPECIFICATION OF DEBTORS (end of period; Rp. '000)				
Sector	All reporting banks ¹⁾		20 largest banks	
	Dec. '57 ²⁾	Dec. '58 ³⁾	Dec. '57 ²⁾	Dec. '58 ³⁾
1. Trade	458,552	682,516	294,343	512,500
2. Industry	267,383	308,126	243,862	232,921
3. Transportation	29,093	40,109	16,815	35,784
4. Estate agriculture	23,457	37,309	13,329	30,068
5. Individuals	36,917	61,508	22,486	45,973
6. Sundry	103,957	161,773	81,703	136,124
Total	919,359	1,291,341	672,538	993,370
¹⁾ Total: 49 banks. ²⁾ Revised figures. ³⁾ Provisional figures.				

TABLE 26 — SPECIFICATION OF CURRENT ACCOUNTS (end of period; Rp. '000)				
Sector	All reporting banks ¹⁾		20 largest banks	
	Dec. '57 ²⁾	Dec. '58 ³⁾	Dec. '57 ²⁾	Dec. '58 ³⁾
1. Trade	187,394	289,513	102,450	213,098
2. Industry	32,131	45,120	26,767	36,351
3. Transportation	5,866	29,648	3,863	16,782
4. Estate agriculture	8,275	21,073	7,656	16,814
5. Individuals	36,817	71,575	29,070	50,867
6. Sundry	222,153	228,757	185,702	144,192
Total	492,636	685,686	355,508	478,104
¹⁾ Total: 49 banks. ²⁾ Revised figures. ³⁾ Provisional figures.				

Table 26 specifies current account balances of national private banks. Comparing the figures of all the reporting banks at the end of 1958 and 1957, it turns out that Trade, Transportation, Estate agriculture and Individuals respectively increased by Rp 102 million, Rp 24 million, Rp 13 million and Rp 35 million or by 55%, 405%, 155% and 94,%. It should be noted that of the six sectors in this table, four sectors increased considerably.

Pawnshop service

The number of pawnshops in Indonesia increased by five in 1958. Since the end of 1951, on the average 9 pawnshops have been added every year. Compared to the previous year, the number of pawns decreased by one million, whereas the amount of loans made during the year increased by Rp 350 million.

End of	Number of pawnshops	Pawning		Redemption		Outstanding loans (million Rp)
		Number of pawns (million)	Amounts loaned (million Rp)	Number of articles redeemed (million)	Amounts repaid (million Rp)	
1940	468	50	88	45	85	33
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	46	2,042	45	2,081	711
1958	435	45	2,392	48	2,312	89

Source : Pawnshop Service

The number of pawns redeemed at the end of 1958 increased by three million, while the total amount of redemption money showed an increase by Rp 231 million standing at Rp 2,312 million at the end of 1958 compared to Rp 2,081 million at the end of 1957.

Loans outstanding increased from Rp 711 million at the end of 1957 to Rp 789 million at the end of 1958. The average period of “A” pawns (valued from Rp 0.50 to Rp 25.—) was 92 days showing a decrease of 3 days if compared with that of 1957.

Savings Banks

The number of branches of the Post Office Savings :Bank at the end of 1958 was 880 against 853 at the end of 1957. The number of savings books in circulation per the end of 1958 was 1,421,599 with a total of savings amounting to Rp 375,180,000.— while the average total per book worked out at Rp 263.91. At the end of the previous year 1,273,659 savings books were in circulation and the average balance per book was Rp 266.42. Consequently, owing to the increase in the number of savings books by 147,940 at the end of 1958 if compared with that at the end of the previous year, the average total per book also showed a decrease of Rp 2.51.

End of	Post Office Savings Bank	Private savings banks	Total
1940	50,607	15,941	66,548
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	295,988	43,293	339,281
1958 *)	375,180	48,239	423,419

*) Provisional figures.

Overall savings with the Post Office Savings Bank and the 6 largest private savings banks showed an increase of Rp 84 million in 1958.

Foundation Credit Guarantee Institute

In the year under review the reorganization work of the Jajasan Kredit (Credit Foundation) into Jajasan Lembaga Djaminan Kredit (Foundation Credit Guarantee Institute) as explained in the last year's report, has largely been completed, although in several regions the implementation of this work has met with difficulties due to the establishment of autonomous regions in compliance with Iaw No. 1/1957. In the meantime with the establishment of new provinces it is planned that branches of the Foundation Credit Guarantee Institute will also be established in these provinces. For this purpose since July 22, 1958, Bank Indonesia's ceiling of credits under Government guarantee has been raised by Rp 36 million to Rp 129 million. The establishment of branches of the Foundation Credit Guarantee Institute is now awaiting the availability of office accommodation, stationery and personnel, all of which are the responsibility of the regions concerned. But until now not one region has realized the above plan.

The development of credit issuance guaranteed by the Foundation Credit Guarantee Institute as given in table 29 is as follows.

In 1958 a total of 721 credit applications were received showing an increase of nearly 75% if compared with 413 in the previous year. This increase was mainly due to the great number of credit applications originating from enterprises under the jurisdiction of the Ministry of Agriculture inter alia from Sumatera, Kalimantan and West Djawa.

Credit applications in 1958 came to a total value of Rp 123.6 million. The previous year the total came to Rp 118.2 million, so that the increase in the amount of credits requested came to about 5%.

Although credit applications in 1958 showed an increase in the total amount if compared with that of 1957, the average request, however, showed a decrease, being Rp 286,000.— in 1957 compared to Rp 172,000.—In 1958 per application.

The number of applications granted in the year under review was 83 compared to 95 in the previous year which means a decrease of about 12%. Also in comparing the number of credit applications received, the number of credit applications granted in the year under review decreased in comparison with that of 1957, the figures came to 23% in 1957 and 11% in 1958. This was due to the fact that in 1958 part of the credit applications from several regions including North and South Sumatera, had to be suspended on technical considerations, while for Central Sumatera the suspension was due to developments in the area. The number of credit applications granted in the year under review amounted to Rp 10 million compared to Rp 14.5 million in 1957, showing a decrease of about 31%. This was also reflected in the average amount of credit applications approved i.e. Rp 154,000.— for 1957 compared to Rp 111,000.— for 1958 per credit application.

Five hundred and forty six credit applications were rejected. In the previous year the number was 245, so that in 1958 the number of credit applications rejected rose by more than 100% if compared with that of the previous year. Also comparing the number of applications received, the number of applications rejected in 1958 was larger than that of the previous year; i.e. about 59% in 1957 compared to 75% in 1958. This was due mainly to the fact that many applications did not meet the requirements as specified by the Credit Guarantee Institute.

The number of credit arrears at the end of 1958 was 427 or about 80% of the total amount of credits granted. At the end of 1957 the number was 488 or about 81% of the total of credits. These figures show a relative decrease in the number of arrears. In this connection it may be noted that the decrease in the number of arrears was mainly attributable to the Services of Industry and Internal Trade, whereas in the case of the Co-operative Service and the Ministry of Agriculture the number showed an increase. The number of credit arrears for Central Sumatera showed an increase by 17%, for West Djawa by 4%, and Maluku by 9%, whereas in North Sumatera the number decreased by 2%, South Sumatera by 3%, Central Djawa by 17%, East Djawa by 33%, and Nusa Tenggara by 7%.

TABLE 29 — OPERATIONS OF JAJASAN LEMBAGA DJAMINAN KREDIT
(figures covering period of September 1952/December 1958 including Branches of L.D.K.)

Sectors of activity	Credit applications						Credits in administration with the controlling banks		Current loans		Reported arrears in the accorded redemptions			
	Received		Rejected		Granted		Number	Amount Rp'000	Number of credits reported about	Amount Rp'000	Number of arrears		Amount of arrears	
	Number	Amount Rp'000	Number	Amount Rp'000	Number	Amount Rp'000					Total	As % of credits reported about	Total Rp '000	As % of credits reported about
General economic affairs	1,218	228,345	820	140,052	411	72,373	377	62,678	141	22,600	100	71	13,987	62
Industry	2,302	308,859	1,506	266,881	769	40,409	737	43,019	333	23,400	280	84	12,943	55
Co-operatives	254	27,928	117	21,241	173	11,642	162	10,055	51	3,400	40	78	2,958	87
Agricultural	414	137,146	154	42,894	13	5,500	11	2,650	9	8,100	5	64	261	3
"Jatra"	1	44,000	—	—	1	44,000	1	24,000	1	—	1	—	—	—
"Perrin"	1	29,000	—	—	1	16,000	1	8,100	1	5,800	1	—	—	—
Total	4,190	775,278	2,597	471,068	1,368	189,924	1,289	150,502	536	63,300	427	80	30,149	52

Source : Jajasan Lembaga Djaminan Kredit.

Seen from the volume of money, the total of credit arrears at the end of 1958 was 52% of the total of credits granted, meaning a decrease of 4% compared to that of 1957. In Rupiah, the total of credit arrears at the end of 1958 decreased by 12.5 million compared to that of 1957. In this connection it is worth noting that with the establishment of the Committee for the Settlement of Debts to the State (P3N) by the Central War Administrator, on its request a number of L.D.K claims has been entrusted to the Committee for collection.

The development of credit granting with the guarantee of the Credit Guarantee Institute since its establishment up to and including December 1958 can be seen from the table above.

Stock Exchange—B.E. Exchange

The Stock Exchange in Djakarta during the year under review proceeded under very quiet conditions. Enterprises whose shares and/or bonds were listed on the Exchange, were in the main passing through a transitional period due partly to the struggle for the return of Irian Barat (West Irian) to the Republic of Indonesia, and also to the Government efforts to change the economic structure of the country into a national one, so that these enterprises had to reorientate, which in turn influenced activities on the Stock Exchange.

Meanwhile, the traffic of securities between Indonesia and the Netherlands, could be said to have stopped completely, which influenced the Djakarta Stock Exchange where a lot of Dutch stocks and Dutch certificates of American stocks were on sale. On the basis of the present foreign exchange regulations, coupons and dividends which hitherto could be paid out in Holland, for the time being cannot be realized, so that investments in these stocks are not paying now. It is understandable therefore, that on the Stock Exchange there arose doubt over Dutch stocks and Dutch certificates of American stocks.

Regarding the use of the services of the Stock Exchange, it can be said that also in the year under report enterprises have made little use of the Stock Ex-

change services to fulfil their need for long-term capital. From the above explanation it can be concluded that there has been little opportunity for investment for those who wish to purchase stocks on Change.

Dealings in stocks on the Stock Exchange during the period under review were as follows: 3% R.I. Bonds 1950 and 3% Bank Industri Negara Bonds 1969, 1970 and 1971 were preferential bonds for institutional investors. The market for these bonds became a seller's market.

The highest rate for the R.I. Bonds was 941/2% and the lowest 551/2% while their prices developed as follows:

1958												
Explanation	Jan.	Feb.	March	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Average rate	56%	60%	61%	58%	59%	60%	61%	65%	74%	89%	64%	67%
Coupon yield	5.36%	5%	4.92%	5.17%	5.08%	5%	4.92%	4.62%	4.05%	3.37%	4.69%	4.48%

1959			
Explanation	Jan.	Febr.	March
Average rate	63%	65%	66%
Coupon yield	4.76%	4.62%	4.55%

Although the B.I.N. Bonds 1969, 1970 and 1971 were still in great demand, their circulation, however, declined very much. This was among other things due to the large decrease in supply, which for the most part came from the repatriation of the B.I.N. Bonds from foreign countries. The figures below show clearly that repatriation entry in 1958 was far below that of 1957. The decrease can also be seen from the decline in the receipts of Import Levy on Securities (T.P.I. Efek).

	Repatriation in	
	1957	1958
3% B.I.N. Bonds 1969	Rp 3,563,500.—	Rp 1,198,000.—
3% B.I.N. Bonds 1970	Rp 10,881,500.—	Rp 4,601,500.—
3% B.I.N. Bonds 1971	Rp 13,855,500.—	Rp 1,725,000.—

TABLE 30 — SALES AND QUOTATIONS ON THE DJAKARTA STOCK EXCHANGE
OF THE MOST IMPORTANT SECURITIES

	Sales (nominal value)		Highest price		Lowest price	
	1957	1958	1957	1958	1957	1958
	(Rp. '0 00)					
3% R.I. bonds 1950	113,884	83,548	66	94½	55½	55½
5% bonds Grand Hotel Preanger	4	8	100	90	85	85
3% B.I.N. bonds 1969	10,734	4,223	83½	97½	75	83
3% B.I.N. bonds 1970	15,363	7,825	83½	97½	73½	82½
3% B.I.N. bonds 1971	37,988	4,897	83½	97½	74	83
5½% B.I.N. bonds 1972	386	10	100	100	100	100
3½% Ned. Indië bonds 1935	18	5	240	190	65	55
3% Ned. Indië bonds 1937	96	23	240	115	60	100
3% Ned. Indië bonds 1937 A	376	385	250	190	50	60
Escomptobank	1,218	1,087	530	550	300	290
Strooioedenveem	344	130	310	195	150	110
Verenigde Prauwenveren	870	450	365	146	80	60
Semarangsch Stoomboot en Prauwenveer	765	335	265	210	170	210
Tegalsch Prauwenveer	69	51	375	320	235	175
G.E.B.E.O.	312	199	525	350	300	295
Pandjite & Tandjoongsari	325	93	220	145	80	85
Bodjong Datar	291	36	450	300	230	170
Gedeh A.T.O.	723	156	215	170	155	125
Malabar A.T.O.	1,210	53	170	135	100	90
Taloen A.T.O.	519	143	130	120	85	100
(Neth. Gld'000)						
H.V.A.	16	7	850	1,150	850	465
Nationale Handelsbank	91	84	800	950	490	400
Verenigde Vorstenlandsche Cultuur Mij.	50	28	300	120	65	45
Koninklijke Olie	47	31	Rp 1,550.—	Rp 2,400.—	Rp 750.—	Rp 875.—
Alg. Kunstzijde Unie	28	15	2,290	3,250	1,025	1,000
Philips' Gloeil., Gem. Bez.	82	49	2,000	4,850	1,300	1,510
Unilever	70	90	4,300	5,550	2,075	1,980
(per cert. of 10 shares)						
General Motors	46	57	\$ 105.—	\$ 250.—	\$ 61.—	\$ 85.—
Shell Oil	180	64	\$ 207.—	\$ 465.—	\$ 120.—	\$ 155.—
United States Steel	31	65	\$ 155.—	\$ 490.—	\$ 94.—	\$ 105.—
(original U.S. securities)						
2¼% Am. Tel. & Tel. Co. bonds p/1980	7,000.—	12,000.—	205	264	195	225
2½% Am. Tel. & Tel. Co. bonds p/1986	12,000.—	8,000.—	185	252	145	225
4% Can. Pac. Railw. Co. bonds	30,900.—	28,000.—	240	350	195	217
3% Commonw. Edison Co. bonds p/1977	7,000.—	12,000.—	215	315	165	240
2¼% III. Be.I Tel. Co. bonds p/1981	6,000.—	10,000.—	205	264	160	225
3% Pac. Gas & El. Co. bonds p/1974	10,000.—	11,000.—	215	288	165	245

Table 30 illustrates the price development of some of the principle items on the Djakarta Stock Exchange. The table clearly shows that overall dealings in securities in the year under review declined to an average of 50% compared with the previous year.

The lack in objects of investment as mentioned above, resulted in the placing of the balance (of the 3rd and 4th line) of the 5 1/2% Bank Industri Negara Bonds 1972, worth Rp 50,000,000.— on the Djakarta Stock Exchange so that the entire Rp 100,000,000 loan was all sold out.

In January 1959 the Bank Industri Negara again floated 3 loan in 5 1/2% B.I.N. Bonds 1974, worth Rp 250,000,000.— but until now only a part, to the value of Rp 106,000,000.— has been placed. The special features of this loan are that the buyers are not obliged to deposit their bonds with any of the banks authorized to keep securities (Foreign Exchange Institute announcement A No. 81, dated December 16, 1958) and that the Tax Department will not investigate into the origin of the money used in the first participation of the loan. It has been found, however, that the special features attached to the loan were not attractive enough for the holders of money, and until now the majority of those who participated in the loan were investment bodies accustomed to investing their money in bonds.

In order to give a picture of the return of Indonesian securities from foreign countries, the following table gives the total amount of “T.P.I. Efek” which since February 1955 has been paid up by banks authorized to keep securities to the Foreign Exchange Fund:

March/December	1955	Rp	8,822,528.27
	1956	Rp	27,538,211.65
	1957	Rp	13,631,577.11
	1958	Rp	3,548,994.85
January/March	1959	Rp	1,839,202.01

	Grand Total	Rp	55,380,513.89

Regarding the B.E. Exchange, it can be said that the decline in exports in the first half of 1958 caused a big decrease in the supply of Export Certificates (B.E.s). Since demand for Export Certificates was all the time much higher than supply, the B.E. price continued to increase, which prompted the Government to fix a “stop rate” of 332% on April 18, 1958. The increase in exports and the imposition of B.E. regulations on oil companies increased the supply.

To effect a deconcentration in the field of trade in general, and to promote exports in particular, the Monetary Board on September 3, 1958, authorized Bank Indonesia to issue administrative B.E.s at the time when they are needed in relation with the issuance of foreign exchange permits by the branches of the Trade Foreign Exchange Bureau in various regions. This measure made it unnecessary for the regions to buy Export Certificates in Djakarta. The amount of foreign exchange permits which can be issued by the regional branches of the Trade Foreign Exchange Bureau is fixed by the Foreign Exchange Institute, in conformity with the import plan decided by the Ministers of Trade and of Industry and on the provision that the amount fixed by the Foreign Exchange Institute will not exceed 15% of the total export proceeds of the region under the jurisdiction of the branch of the Trade Foreign Exchange Bureau concerned. This amount excludes oil exports, and as far as possible will not be less than the amount of imports of the region concerned in relation to the total imports.

VI. FOREIGN TRANSACTIONS AND AGREEMENTS

Introduction

In the field of payments transactions with foreign countries, the gloomy development in the economic and monetary situation in Indonesia throughout 1958, manifested itself in the form of a frightening decline in the volume trade with foreign countries.

As a result especially of the practice of illegal barter trade by several regions in 1957 and in the beginning of 1958, also because of large-scale military operations launched in those regions in the middle of the year and, partly also due to difficulties experienced in several branches of production and transportation—which luckily did not continue too long—because of the taking over of Dutch enterprises, exports (excluding petroleum), which constitute the source of nearly the whole of the State foreign exchange earnings, showed a decline never experienced before since the end of World War II.

Export proceeds declined by about 34% compared with 1957, during which year export proceeds were already below normal; when compared with a “more normal” export level—for example the average figures from 1954 up to and including 1956—the decline in 1958 was nearly 40% *).

As the State foreign exchange reserves had become very thin at the end of 1957 as a result of deficits in the balance of payments occurring almost intermittently in the past several years, it is obvious that, in order to maintain the State

*) Exports (excluding petroleum):

1954	Rp 7,248 million
1955	Rp 7,841 million
1956	Rp 7,381 million
1957	Rp 6,816 million
1958	Rp 4,555 million

liquidity in relation to foreign countries, the use of foreign exchange reserves had to be avoided as far as possible, in other words, the decline in foreign exchange earnings made it necessary to cut down expenditures.

Economizing in the use of foreign exchange also means that especially expenditures in the import sector had to be curtailed, because expenditures in other sectors—i.e. services and capital—in which for instance were included payments of interest on and instalments of foreign loans, fulfilment of other obligations and expenditures for our foreign missions etc., could hardly or not at all be reduced.

(In instances where restrictions could be imposed, economizing covered only small amounts, certainly insufficient to compensate the considerable drop in earnings from the export trade. Restrictions with favourable results were imposed in the field of services, effective as from 1958. These restrictions were feasible only because of the exit of Dutch employees and the abandonment of Dutch enterprises, and may, therefore, not be considered as a normal measure to economize in the sector of services).

Meanwhile, as the necessary stocks of import commodities had become very thin last year owing to retrenchments in the import sector in 1957—a number of essential commodities was even entirely out of stock in the beginning of 1958—it is obvious that the imposition of drastic restrictions on the import trade in 1958 to compensate the setback in the foreign exchange earnings, would be an unjustifiable measure as chances were too great that part of the means of production in operation would be paralyzed. Further—unlike in the past—the need for various kinds of military effects which must be made available to facilitate the campaign to restore law and order in the turbulent regions, made itself felt deeply in 1958 in addition to the urgent need of import commodities, such as essential consumer goods and raw materials, semifinished goods and capital goods in the framework of maintaining domestic economic stability.

Therefore, the usual balance of payments policy of offsetting a structural deficit on the balance of services by a surplus on the balance of goods, could not be

maintained; instead, deficits occurring on the balance of services as well as on the balance of trade (excl. petroleum) had to be accepted.

As the position of the Government foreign exchange holdings did no longer—as has been set forth—allow the use of them in large amounts, the only way to cover the deficits in both sections of the balance of payments, was to conclude foreign loan agreements.

In the previous year obligations of the Government to other countries showed a considerable increase as a result of loans received. The extra burden in consequence of loans redeemable between 5 and 10 years which was only partially reflected (see item “Long-term debts”, debit side) in the balance of payments owing to the use of the “cash basis” principle in the composition, would be charged to future balances of payments in the form of expenditures on interest and redemptions of the new loans. This matter calls for due attention.

The loans acquired and the fact that a number of expenditures could be defrayed thanks to the Japanese war reparations since 1958, made it possible that imports could be maintained—although to a limited extent and restricted to the most essential commodities—at the expense of a limited amount of foreign exchange (Rp 39 million).

Table 31 shows the increase in foreign exchange holdings by Rp 1,294 million. This increase resulted from the drop in foreign exchange liabilities of the Foreign Exchange Fund by Rp 1,333 million, being the balance on the clearing-account with Japan, which was eliminated following the conclusion of the war indemnification agreement with that country. It is obvious that, to arrive at the actual result of the payments transactions with other countries the trade debt abolished must be excluded from the computation. Therefore, the use of foreign exchange in 1958 was actually to the amount of Rp 1,333 million—Rp 1,294 million = Rp 39 million.

Further, it can be said with certainty that the total imports realized last year (excluding imports by oil companies: Rp 5,418 million, i.e. about 75710 of the

TABLE 31 — GOLD AND FOREIGN EXCHANGE HOLDINGS¹⁾
(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					
1952 ²⁾	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
1958	452	1,646	— 328	1,770	742	12	2,524	+ 1,294
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	—	1,202	— 336
1958 March	465	1,382	— 1,869	— 22	768	26	772	— 458
June	458	1,251	— 578 ³⁾	1,131	706	6	1,843	+ 1,071 ³⁾
Sept.	457	1,259	— 434	1,282	652	11	1,945	+ 102
Dec.	452	1,646	— 328	1,770	742	12	2,524	+ 579

1) Figures appearing in the above table slightly differ from those mentioned in Chapter III as the terms covered by the latter are not fully equivalent with those here.
2) Valued at the post-devaluation rate after February 4, 1952.
3) Payments of war reparations by Japan caused Foreign Exchange Fund liabilities to decrease by Rp 1,336 million representing an overall improvement of its foreign exchange position.

Source: Bank Indonesia.

1957 imports) was far from being sufficient to meet the demand for import goods. Neither the demand for less essential goods, nor the necessary stockpiling of essential goods—either in the form of consumer goods, capital goods or substitutes—could, in an effort to save the means of production, be met satisfactorily by imports in 1958. If further is taken into consideration the fact that the demand for import commodities was strongly stimulated by an increase in the volume of money in circulation, it is obvious that—worsened by the drop in domestic production—the internal inflationary pressures, which have made themselves strongly felt since 1957, are now more alarming than ever.

These strong inflationary pressures were reflected in the rise of the B.E. rate in a most conspicuous manner. If at the beginning, upon the effectuation of the B.E. system in June 1957, the rate was still 220, at the end of the same year it was already 250, to finally reach a height of 268 in January, 298 in February and 322 in March 1958.

It is self-evident that the gap between demand for and supply of foreign exchange on the B.E. exchange—because of the decline in the export proceeds on the one hand and the increase in the volume of money in circulation on the other—had become so wide and chronic that the flexibility principle of the Rupiah rate with respect to foreign currencies could no longer be maintained. Therefore, since April 18, 1958, the B.E. rate was artificially kept at 332. In consequence of this measure it was felt necessary also to minimize the issuance of foreign exchange permits, irrespective whether for import or otherwise, in order to break the overgrowing demand for foreign exchange emanating from foreign exchange permit holders, and to check its further accumulation.

In other words, we have returned to the foreign exchange allocation system which, according to plan, should have been superseded by the B.E. system, that is to say, through sound screening of demand and supply on the B.E. exchange.

It may be added that the formal inclusion in the B.E. system since July 1, 1958 of foreign exchange transactions made by the oil companies did not bring any improvement in the unbalanced situation between demand and supply on the B.E. exchange, as, long before that date, foreign exchange deposits of the oil companies had already been used to compensate part of the shortage on the B.E. exchange.

The inflationary pressures in Indonesia have shown symptoms known as exponents of an overt inflation. As a result of the situation, i.e. in which “too much money chases too less goods”, an inclination to hoarding goods and speculation could be seen clearly. The belief in a flexible development of prices—i.e. that prices never stop rising once they have started—was one of the main reasons why hoarders and speculators were not afraid of possible price drops of the goods they hoarded. Durable goods, like capital goods, raw materials and even consumer goods, were the main object of hoarding.

Under these circumstances, commodities of which the supply was insufficient to meet the demand, “disappeared”, and besides that the distribution of com-

modities badly needed by the public and enterprises, was also disturbed though reasonable quantities were still in stock.

Based on the above, it may safely be assumed, that the economic deterioration and panic began in 1958. Meanwhile, favourable developments in the foreign exchange transactions during 1958 gave some hope in the critical situation. It has been discussed earlier that thanks to the reduction of expenditures and acquisition of foreign loans, the national foreign exchange holdings could be successfully maintained at a level as high as at the end of 1957. This success has helped considerably to restore the international confidence in Indonesia's liquidity. If formerly—late in 1957 and early in 1958—there were many among foreign exporters requesting for a confirmation each time an Indonesian bank opened a letter of credit, now such a precautionary measure was felt no longer necessary. The growing international confidence in the Government's capability of settling things in an orderly manner was also clearly noticeable in the achievements of the Government to acquire foreign loans and credits.

Further, it turned out that a great deal of the difficulties, as a result of the taking over of Dutch enterprises by the Government in 1958, could be overcome in due time. Accordingly, there were reasons enough to hope for a speedy return to normal of the output of these enterprises.

Finally, although the aggregate export volume and value (excl. petroleum) have never been, since 1950, so low as they were in 1958, the export proceeds in the second half of the year—indicating a significant improvement compared with the proceeds in the first half year (first half year: Rp 1,760 million; second half year: Rp 2,795 million)—were nevertheless, gratifying and gave some hope for a better future, mainly, thanks to the liberation in the middle of the year of the greater part of the regions under rebel control. Anyhow, the lowest critical point in the economic setback, which began to take shape in 1956, has apparently been passed.

The effort to restore law and order in the turbulent regions has made rapid progress in 1958. Accordingly; an overall settlement of the regional problems—

which, of course, constitutes a *conditio sine quo non* for a way out of the present economic and monetary difficulties—may be expected at last. The future of Indonesia largely depends on the materialization of this hope in the shortest possible time.

Balance of payments

Indonesia's balances of payments for 1957—as revised—and 1958 are pictured in table 32. These balances give a complete picture of the receipts and expenditures in foreign exchange occurring in the two years between Indonesia and other countries.

To compare the development in the balances of payments for 1958 and 1957, first of all it is necessary to note that the 1958 balance of payments shows extraordinary items resulting from the war reparations agreement concluded with Japan. The inclusion of Indonesia's trade debt (to the amount of Rp 2,017 million) to Japan in the war reparations in April 1958, in first instance has brought about a considerable large amount under the item "Official donations" (item 10). Further, as part of the amount (Rp 684 million) was withdrawn from the liability items of the Foreign Exchange Fund in 1952—at that time this amount was already considered as a "consolidated" debt—the entry now of this amount as "Donation" made it necessary to have it entered administratively under the item "Long-term debts" (item 15 debet), which accordingly, showed figures on the expenditure side lacking actuality. Finally, as Rp 1,333 million of the debts remitted, originally represented one of the liability items of the Foreign Exchange Fund, the exclusion of this amount from the Foreign Exchange Fund administration resulted in an "increase" in the State foreign exchange holdings by that amount. It stands to reason that the "increase" may not be considered as an actual result of normal payments transactions between Indonesia and other countries.

In summary: the annulment of Indonesia's trade debt to Japan in the frame of the war reparations paid by that country, were entered in the 1958 balance of payments in the following manner :

TABLE 32—INDONESIA'S BALANCE OF PAYMENTS FOR 1957 AND 1958
(Rp million)

CURRENT TRANSACTIONS										
	Yearly totals						Halfyearly totals			
	1957			1958			1st halfyear 1957	2nd halfyear 1957	1st halfyear 1958	2nd halfyear 1958
	Credit (receipts)	Debit (payments)	Net credit or debit	Credit (receipts)	Debit (payments)	Net credit or debit	Net credit or debit	Net credit or debit	Net credit or debit	Net credit or debit
<i>A. Goods and Services</i>										
1. Exports and imports (exp. : fob; imp : cif)	9,662	8,258	+ 1,404	7,379	6,167	+ 1,212	+ 103	+ 1,301	+ 133	+ 1,079
2. Non monetary gold movement (net)	1	—	+ 1	—	—	—	—	+ 1	—	—
3. Foreign travel	9	128	— 119	7	83	— 76	— 96	— 23	— 56	— 20
4. Transportation	240	347	— 107	181	336	— 155	— 58	— 49	— 86	— 69
5. Insurance	19	123	— 104	12	57	— 45	— 76	— 28	— 32	— 13
6. Investment income	99	1,067	— 968	99	882	— 783	— 471	— 497	— 465	— 318
7. Government, not included elsewhere	47	248	— 201	22	348	— 326	— 94	— 107	— 223	— 103
8. Miscellaneous :										
8.1. Foreign workers	—	477	— 477	—	268	— 268	— 223	— 254	— 122	— 146
8.2. Other	302	700	— 398	224	527	— 303	— 239	— 159	— 142	— 161
Total goods and services	10,379	11,348	— 969	7,924	8,668	— 744	— 1,154	+ 185	— 993	+ 249
<i>B. Donations</i>										
9. Private	4	1	+ 3	2	—	+ 2	+ 1	+ 2	—	+ 2
10. Official	132	—	+ 132	2,150	—	+ 2,150	+ 66	+ 68	+ 2,035	+ 115
Total current transactions	10,515	11,349	— 834	10,076	8,668	+ 1,408	— 1,087	+ 253	+ 1,042	+ 366
MOVEMENT OF CAPITAL AND FOREIGN EXCHANGE AND GOLD HOLDINGS										
<i>C. Private, exclusive Banks</i>										
11. Long term loans										
11.1. Oil companies invest- ment	434	400	+ 34	380	320	+ 60	+ 102	— 68	+ 24	+ 36
11.2. Other long term loan movements	4	20	— 16	—	16	— 16	— 10	— 6	— 10	— 6
12. Short term loans	—	—	—	—	—	—	—	—	—	—
13. Long term improvements	3	—	+ 3	1	—	+ 1	—	+ 3	+ 1	—
14. Short term improvements	32	17	+ 15	29	20	+ 9	+ 12	+ 3	+ 3	+ 6
<i>D. Government and Banks</i>										
15. Long term loans	244	302	— 58	939	965	— 26	+ 47	— 105	— 395	+ 369
16. Short term loans										
16.1. Liabilities to I.M.F. and I.B.R.D.	—	—	—	—	—	—	—	—	—	—
16.2. Other short term loan movements	520	—	+ 520	86	—	+ 86	+ 394	+ 126	+ 16	+ 70
17. Long term improvements	—	38	— 38	—	138	— 138	— 38	—	— 90	— 48
18. Foreign exchange and mone- tary gold holdings										
18.1. Foreign exchange holdings			+ 273			— 1,312	+ 552	— 279	— 623	— 689
18.2. Monetary gold holdings			+ 63			+ 17	+ 47	+ 16	+ 10	+ 7
Movements of capital, foreign exchange and monetary gold Items not included elsewhere			+ 796 + 38			— 1,319 — 89	+ 1,106 — 19	— 310 + 57	— 1,064 + 22	— 255 — 111

Source : Bank Indonesia.

	<i>Credit</i>	<i>Debit</i>
Donations	Rp 2,017 million	
Long-term debts		Rp 684 million
Foreign exchange holdings		„ 1,333 „

A comparison in outlines—according to the component balance sheets between the 1958 balance of payments, from which the Indonesian trade debt to Japan has been withdrawn—as stated above—and that for 1957 is given below:

	1957	(In millions of Rp)	1958
			(not included the liquidation of the trade debt to Japan)
Balance of goods	+ 1,404		+ 1,212
Balance of services	— 2,373		— 1,956
Balance of donations	+ 135		+ 135
Balance of capital (incl. transitory items)	+ 498		+ 571
	-----		-----
Total balance of payments	— 336		— 38

The figures indicating the net results in the sub balance are components of the aggregate balance of payments. It is necessary to add that the components do not portray the development in the payment transactions between Indonesia and other countries.

For illustration, the net result to the amount of Rp 1,212 on the 1958 balance of goods, which was just slightly lower than that for 1957, disguised the fact that the proceeds from exports in 1958 were Rp 2,283 million lower than in 1957 (exclusive of petroleum: Rp 2,261 million). On closer investigation it turned out that the drop—of which the causes were discussed earlier—especially affected the following export products: estate rubber (— Rp 687 million), smallholders' rubber (—Rp 531 million), copra (—Rp 173 million), tobacco (— Rp 172 million),

coffee (— Rp 173 million), tin (— Rp 126 million), sugar (— Rp 111 million), palm oil (— Rp 96 million) and tea (—Rp 64 million).

In the case of the drop in exports of rubber, copra, tobacco, coffee, palm oil and tea the main causes were the illegal barter trade conducted by the regions concerned and the difficulties arising from the taking over of Dutch enterprises, the decline in the exports of sugar was caused by the continuous increase in the domestic consumption, whereas the production of sugar declined. The decline in the export value of tin was mainly caused by the drop of tin prices on the international market and the reduction of Indonesia's quota to lower than the minimum made by the International Tin Council.

The considerable drop in exports resulted in foreign exchange earnings that was lowest since 1950. In this connection it may be added that, though the ground for an optimistic expectation was not yet strong enough, developments in the export trade during the second half of the year gave, nevertheless, hope for further improvements. During the second half of the year export proceeds (excluding petroleum) rose by almost 60% compared with the proceeds in the first half of the year (Rp 1,760 and Rp 2,795 million respectively). On closer investigation the conclusion may be drawn that the improvements took place in the exports of agricultural products, exported during the first half of the year through "illegal barter" by the regions concerned. The illegal barter trade, thanks to the restoration of law and order in these regions, has diminished considerably since the middle of the year. The following improvements in the export trade may be noted :

	Export value (in million of Rp)		Improvements during the second half of the year.
	<i>First half</i>	<i>Second half</i>	
	<i>year</i>	<i>year</i>	
Smallholders' rubber	419	1,020	601
Coffee	41	116	75
Copra	18	36	18
			<hr/>
	Total of improvements :		694

Beside improvements in the export trade, thanks to the successful campaign against illegal barter, the return to normal of the production of Dutch enterprises taken over, also added up to the earnings during the second half year: the earnings from tobacco rose from Rp 59 million in the first half year to Rp 137 million in the second half year palm oil rose from Rp 88 million to Rp 126 million.

As has been discussed earlier, the drop in export earnings especially made it necessary to cut down import expenditures. The import restrictions, fortunately, did not need to be carried out to an extent equal to the drop in export earnings, thanks to the acquisition of foreign loans and the availability of a portion of the Japanese war reparations, although for 1958—in consequence of the arrangement of certain matters in the framework of the implementation of the war reparations agreement the indemnification quota could not be realized.

The reduction in the import sector to the amount of Rp 2,091 million (excluding oil companies: Rp 1,877 million) affected almost all kinds of import commodities, whether consumer goods, capital goods or semifinished products, except rice, which in 1958 showed an amount larger than the import in 1957.

The following is a comparison between the import values of the most important commodities for 1958 and 1957:

	<i>(In millions of Rp)</i>		
	Import value (excl. oil companies)		Changes in 1958 as against 1957
	1957	1958	
Rice	782	1,146	+ 364
Other foodstuffs	558	277	— 281
Textiles	1,790	1,026	— 764
Paper	289	184	— 105
Chemicals	628	384	— 244
Plain metal	1,167	434	— 733
Machines and appli- ances	775	741	— 34
		Total reduction	— 1,797

It has been discussed that a reasonable portion of the import could be financed with foreign loans. The foreign loans were mainly used for the import of machines and appliances, so that it may be said that the import value of these commodities could be maintained at the 1957 level.

With the implementation of the war reparations by Japan, beginning in 1958, the expenditures for the purchase of several vessels to the amount of Rp 90 million could be defrayed.

A reasonable retrenchment in the balance of services (the deficit in this component balance for 1955 was: Rp 1,956 million as against Rp 2,373 million in 1957) was possible especially thanks to the exit of the greater part of Dutch employees—their exodus started in 1957 and went on till about the middle of 1958—and because of the taking over of the enterprises abandoned by them. Accordingly, social transfer for employees and profit transfer for Dutch enterprises were automatically terminated, so that particularly items “Capital income” and “Foreign workers” could be reduced significantly.

Item “Capital income” decreased by Rp 185 million, in which was included a sum to the amount of Rp 92 million resulting from the decrease in the profit transfers of oil companies. The balance, i.e. Rp .93 million, may be said to be entirely a result of the decrease in profit transfers following the cessation of transfers of Dutch enterprises. It may be unnecessary to add that the decrease in the 1958 profit transfers by the amount stated above compared with 1957, does not give a picture of the actual amount of profit transfers “normally” made by Dutch enterprises, as in this item significant retrenchments were carried out in the years 1956 and 1957 (see report for 1957/1958, page 119).

The decrease in expenditure for the item “Foreign workers” by Rp 209 million, consisted on the one hand of an increase in expenditure made by oil companies to the amount of Rp 45 million and, on the other, of a decrease in the expenditure for other companies to the amount of Rp 254 million.

The big change in the situation— as has been said — was especially caused by the repatriation of Dutch employees, following which “foreign exchange packet”, “pension”, “compensatory remittance” and other social transfers included in the item “Foreign workers”, were suspended.

Also in the event of the item “Insurance”, which showed a decrease in net expenditure to the amount of Rp 59 million, curtailments could be carried out, partly thanks to the repatriation of Dutch employees (included in this item formerly were among other things, life assurance premiums and pensions). For another part the decrease in expenditure for insurance was possible because of the suspension of re- insurance premium transfer following the effectuation of a new transfer regulation, on accident insurance premiums announced in the middle of 1958.

The expenditure for item “Foreign travels” could be pressed from Rp 119 million in 1957 as far down as Rp 76 million in 1958 as a result of a drastic retrenchment in the field of “business travels” and a decrease in item “leave travels” because of the repatriation of Dutch employees. Accordingly, it can be said that the expenditures for 1958 exclusively consisted of expenditures for oil companies (Rp 40 million) and Moslem pilgrims (Rp 34 million).

While in the expenditures for above-stated items reasonable retrenchments could be carried out, the expenditure for the item “Government” (item 7), on the contrary, increased considerably (1957: Rp 248 million; 1958: Rp 348 million), as a result of the increase in special expenditures, falling outside the routine budget of Government Representations abroad.

It has been discussed above that the considerable changes in the item “Donations” resulted from the remittance of the Indonesia’s trade debt to Japan under the war reparations to be paid by that country. Beside that, a sum under this item to the amount of Rp 90 million represented the price of several vessels, the purchase of which was financed by the Japanese war reparations. Finally, the donation received from I.C.A. in 1958 totalled Rp 13 million.

TABLE 33 -- BALANCES OF PAYMENTS (EXCLUSIVE OIL COMPANIES) DIVIDED ACCORDING TO MONETARY REGIONS
(Rp million)

	U.S.A. + Canada						E.P.U. -- area						£ -- area						Other						Total					
	1957			1958			1957			1958			1957			1958			1957			1958			1957			1958		
	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance	C (+)	D (-)	Balance			
<i>Current Transactions</i>																														
A. Goods	1,407	1,191	+ 216	1,019	682	+ 337	2,319	2,651	-- 332	923	1,382	-- 459	2,156	1,883	+ 273	1,862	1,227	+ 635	934	1,570	-- 636	751	2,127	-- 1,376	6,816	7,295	-- 479	4,555	5,418	-- 863
B. Services (incl. donations)	204	222	-- 18	96	122	-- 26	128	712	-- 584	103	202	-- 99	47	321	-- 274	50	488	-- 438	30	109	-- 79	105	94	+ 11	409	1,364	-- 955	354	906	-- 552
Total A + B	1,611	1,413	+ 198	1,115	804	+ 311	2,447	3,363	-- 916	1,026	1,584	-- 558	2,203	2,204	-- 1	1,912	1,715	+ 197	964	1,679	-- 715	2,873	2,221	-- 1,365	7,225	8,659	-- 1,434	4,909	6,324	-- 1,415
<i>Capital Movement</i>																														
C. Private	2		+ 2	1	12	-- 11	8	18	-- 10		2	-- 2					2	-- 2	3	1	+ 2				13	19	-- 6	1	16	-- 15
D. Government and banks	562	89	+ 473	282	112	+ 170	202	180	+ 22	180	215	-- 35		33	-- 33		32	-- 32				563	60	+ 503	764	302	+ 462	1,025	419	+ 606
Total C + D	564	89	+ 475	283	124	+ 159	210	198	+ 12	180	217	-- 37		33	-- 33		34	-- 34	3	1	+ 2	563	60	+ 503	777	321	+ 456	1,026	435	+ 591
Total Transitory items			+ 673			+ 470			-- 904			-- 595			-- 34			+ 163			-- 713			-- 862			-- 978	6	-- 824	
						+ 5			+ 22			-- 52			+ 6			+ 107						-- 2			+ 28		+ 58	

Source : Bank Indonesia

Loans obtained from abroad in 1958, resulted in a considerable increase in item “Long-term loans” (item 15 credit side) of the balance of capital. Apart from loans from Eximbank (Rp 176 million), I.C.A.. (Rp 20 million), the Chinese People’s Republic (Rp 114 million) and the Soviet Union (Rp 163 million), a total of Rp 300 million has been entered under this item resulting from loans received from various countries for financing the purchase of specific commodities, arrived here in 1958. Included also in this item were C credits to the amount of Rp 166 million.

In line with the method of entry applied in 1957 (see report for 1957/1958, page 119), receipts on the basis of the S.A.C. (Surplus Agricultural Commodities) agreement concluded with the Government of U.S.A., totalling Rp 86 million in 1958 (1957: Rp 520 million), were entered under item 16 “Short-term loans”.

Other capital entries especially occurred in 1958 in the form of investments by oil companies (Rp 380 million), which compared with 1957, showed a decrease.

The outflow of capital mainly consisted of depreciations by oil companies (Rp 320 million, item 11.1 debit) and instalments paid on several foreign loans: Australia Settlement (Rp 29 million), American Surplus Credit (Rp 24 million), Eximbank (Rp 68 million), I.C.A. (Rp 10 million) and redemptions on credit B (Rp 13 million) and credit C (Rp 134 million), and finally redemption on Bank Industri Negara loan bonds to the amount of Rp 3 million, all of which reflected under item 15, debit side. Included in this item—as has been said —was also a sum to the amount of Rp 684 million, being an administrative entry as a result of the liquidation of the trade debt to Japan, which was considered as being “consolidated”, since 1952.

Besides the expenditure resulting from Indonesia’s membership of the International Tin Council, to the amount of Rp 42 million, item 17 debit side, also shows expenditures for the first instalment of imports based on credit C (Rp 96 million), usually made prior to shipment of goods from abroad.

Table 33 shows payment transactions between Indonesia and certain monetary areas, as specified into traffic of goods, services and capital, from which transactions by oil companies and the liquidation of Indonesia's trade debt to Japan were excluded.

Payments transactions in 1958 between Indonesia and the monetary areas above, compared with 1957, shows the following net results:

	<i>(in million Rp)</i>	
	<i>1957</i>	<i>1958</i>
United States of America and Canada	+ 673	+ 470
U.P.E. area (excluding the United Kingdom)	— 904	— 595
Sterling area	— 34	+ 163
Other areas	— 713	— 862
	-----	-----
	— 978	— 824

As in the years 1956 and 1957, the 1958 balance of trade between Indonesia and the United States and Canada, shows a narrow positive balance. The extent of trade in 1958 also showed a significant decline compared with 1957, which was already smaller than the 1956 (see report for 1957/1958, page 122). In 1958 Indonesia's exports to the United States and Canada decreased by 28% and imports by 39% compared with the volumes in 1957. The decline in imports from the United States and Canada was as a result of the decrease in credit receipts by Indonesia from these countries—which as shown in the balance of capital—decreased from Rp 562 million in 1957 to Rp 282 million in 1958.

The deficit with the E.P.U. area in 1958 decreased again as it did in 1957. Indonesia's deficit in 1958 with respect to these countries was mainly in consequence of a limitation in expenditure for services by Indonesia, which was much larger than the disparity between exports and imports.

It is obvious that the suspension of services' transfers for Dutch employees—which has been discussed above—played an important role in this case.

With respect to the Sterling area Indonesia's payment transactions showed a positive balance in 1958: (Rp 163 million), mainly caused by the greater decrease in imports rather than the setback in exports.

Transactions with other areas resulted in a deficit to the amount of Rp 862 million in 1958 as against Rp 713 million in 1957.

Indonesia's relations with these areas, which had become more intensive than before, were reflected by the increase of both, imports and transactions in the sector of capital. Imports rose from Rp 157 million in 1957 to Rp 2,127 million in 1958. Further, credits to the amount of Rp 563 million were received from these areas in 1958, whereas in 1957 almost no loans had been received from them.

Balance of Trade

The balance of trade showed an unfavourable picture during the year under review. It has to be noted that the data of the balance of payments are calculated on a cash basis, while the figures from the Central Bureau of Statistics as stated in table 34 were computed on transaction basis, whereas import figures for 1958 were still provisional. Although exports showed a greater surplus than during the preceding year, exports as well as imports, however, experienced substantial deteriorations in 1958. Exports fell from Rp 11,052 million (17,944,000 tons) in 1958 to Rp 8,612 million (15,392,000 tons) in the year under review, while imports decreased from Rp 9,160 million (6,477,000 tons) to Rp 5,900 million (3,506,000 tons). If the oil companies are excluded, exports still showed a surplus of Rp 783 million, namely, the balance from exports and imports amounting to Rp 5,393 million and Rp 4 610 million respectively.

Expressed in per cent of the value of imports, export proceeds rose from 121% in 1957 to 146% in the year under report (+ 25%).

A further review on the development and composition of exports and imports is given below.

	T o t a l			Oil companies not included		
	Exports ¹⁾	Imports ²⁾	Balance	Exports ¹⁾	Imports ²⁾	Balance
1938	687	478	+ 209	524	470	+ 54
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⁾	+ 3,584	8,319	6,144 ³⁾	+ 2,175 ³⁾
1956	10,055	9,807 ³⁾	+ 248 ³⁾	7,495	8,700 ³⁾	- 1,205 ³⁾
1957	11,052	9,160 ³⁾	+ 1,892 ³⁾	7,375	7,295 ³⁾	+ 80 ³⁾
1958	8,612	5,900 ⁴⁾	+ 2,712 ⁴⁾	5,393	4,610 ⁴⁾	+ 783 ⁴⁾

¹⁾ F.o.b.; excluding postal parcels, passengers' goods, ship's chandlery, gold and silver
²⁾ C.i.f.; excluding postal parcels, passengers' goods, gold and silver
³⁾ Revised figures
⁴⁾ Provisional figures

Source : C.B.S.

Exports

Compared to the previous year, exports fell both in volume and in proceeds. The volume of exports decreased from 17,994,000 tons to 15,392,000 tons or by 14%, while proceeds dropped from Rp 11,052 million to Rp 8,612 million or by 22%.

A survey of the figures for each export product shows drops all along the line. A striking decrease occurred in the exports of copra and copra cakes by nearly 50%, i.e. from 423,000 tons (with a value of Rp 486 million) in 1957 to 233,000 tons (with a value of Rp 239 million) of the year under report.

Exports of sugar fell by 47% (from Rp 193 million to Rp 102 million) and coffee exports by 38 % (from Rp 334 million to Rp 206 million) . The export volume of rubber decreased by 11% (from 646,000 tons to 576,000 tons) and proceeds by 25% (from Rp 3,983 million to Rp 5,435 million).

During the year under review a shift occurred in the positions of rubber and oil (including oil products) in the overall value of export products if compared

TABLE 35 — VALUE OF EXPORTS (Rp million, including revenue from export duties)						
	1938	1955	1956	1957	1958 ¹⁾	1958 ¹⁾ as % of 1957
Rubber.....	158	4,888	4,028	3,983	2,978	74.8
<i>of which: estate rubber.....</i>	87	1,931	1,712	1,663	1,234	74.2
<i>smallholders rubber.....</i>	71	2,957	2,316	2,320	1,744	75.2
Petroleum and petroleum products...	163	2,460	2,560	3,677	3,219	87.5
Tin and tin ore.....	34	683	726	619	431	69.6
Copra and copra cakes.....	43	483	513	486	239	49.2
Coffee.....	14	182	343	334	206	61.7
Tea.....	57	355	337	340	283	83.2
Tobacco.....	39	316	332	383	345	90.1
Palm oil and palm kernels.....	19	305	347	347	314	90.5
Sugar.....	45	210	191	193	102	52.8
Pepper and other spices.....	18	158	151	177	112	63.3
Tapioca and tapioca products.....	9	68	7	14	9	64.3
Forest products (timber, gums, resins)	7	84	60	56	47	83.9
Hard rope fibres.....	18	71	73	49	44	89.8
Ground nuts and groundnut oil.....	4	12	5	14	6	42.9
Rattan.....	3	41	36	38	30	78.9
Pinang nuts.....	6	22	39	44	22	50.0
Hides and skins.....	4	17	17	18	15	83.3
Shells.....	1	14	10	7	3	42.9
Sago and sago products.....	1	9	8	6	4	66.7
Cattle.....	2	11	6	12	9	75.0
Coal.....	2	4	1	5	2	40.0
Soya beans.....	1	—	—	—	2	—
Total.....	648	10,393	9,790	10,802	8,422	78.0
Other export products.....	39	386	265	250	190	76.0
Total exports ²⁾.....	687	10,779	10,055	11,052	8,612	77.9
Total exports, excl. of petroleum and petroleum products ²⁾	524	8,319	7,495	7,375	5,393	73.1

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

Source : C.B.S.

with the foregoing year. While in 1957 rubber occupied the first place with a value of Rp 3,983 million or 36% of overall export proceeds, in 1958 its position was occupied by oil (including oil products) with proceeds of Rp 3,219 million or 37% of the overall value of exports. The positions of the United States and Singapore as importing countries of Indonesian rubber were of the same importance. However, eventually the large;- part of Indonesian rubber exports went to the United States as the rubber imported by Singapore —for the main part consisting of smallholders' product — was after some refining re-exported to the United States.

TABLE 36 — VOLUME OF EXPORTS (‘000 tons gross, unless otherwise stated)						
	1938	1955	1956	1957 ¹⁾	1958 ²⁾	1958 as % of 1957
Rubber (net)	304	702	647	646	576	89.2
<i>of which: estate rubber</i>	157	237	234	239	207	86.6
<i>smallholders rubber</i>	147	465	413	407	369	90.7
Petroleum and petroleum products . .	6,067	9,691	10,526	15,613	13,367	85.6
Tin and tin ore	27	46	45	39	18	46.2
Copra and copra cakes (net)	659	389	394	423	233	55.1
Coffee (net)	68	23	57	51	27	52.9
Tea (net)	72	29	34	36	35	97.2
Tobacco (net)	49	13	11	14	21	150.0
Palm oil and palm kernels (net)	268	155	165	169	167	98.8
Sugar (net)	1,175	174	167	144	87	60.4
Pepper and other spices	131	26	30	27	20	74.1
Tapioca and tapioca products	250	184	17	43	22	51.2
Forest products (timber, gums, resins) .	429	183	58	30	14	46.7
Hard rope fibres (net)	90	34	34	27	27	100.0
Ground nuts and groundnut oil	33	5	2	5	3	60.0
Rattan	36	30	30	33	27	81.8
Pinang nuts	64	22	27	24	17	70.8
Hides and skins	6	1	1	1	1	100.0
Shells	1	2	2	1	1	100.0
Sago and sago products	28	24	23	18	17	94.4
Cattle	12	5	2	5	4	80.0
Coal	368	48	12	41	19	46.3
Soya beans	9	—	—	—	1	—
Total	10,146	11,786	12,284	17,390	14,704	84.6
Other exports products	848	690	750	604	688	113.9
Total exports ³⁾	10,994	12,476	13,034	17,994	15,392	85.5
Total exports, excl. of petroleum and petroleum products ³⁾	4,927	2,785	2,508	2,381	2,025	85.0
¹⁾ Revised figures ²⁾ Provisional figures ³⁾ Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver						

Source : C.B.S.

According to destinations, almost 50% of exports found its way to Asian countries, Singapore occupying the first place with Rp 2,120 million or 25% of overall export value, while exports to the United States and the United Kingdom (including Ireland) amounted to Rp 1,481 million (17%) and Rp 1,094 million (13%) respectively. Exports to the Netherlands showed a significant drop, decreasing from Rp 1,854 million in 1957 to Rp 355 million (—80%) in the year under report. The above decline was a result of the West Irian campaign launched at the end of 1957. Exports to the countries associated in the European Common

TABLE 37 — EXPORTS BY DESTINATION
(Rp million)

	1938	1955	1956	1957	1958 ¹⁾
<i>EUROPE</i>					
Netherlands	157.49	1,674.78	1,955.59	1,854.16	355.39
United Kingdom and Irish Republic...	37.32	1,062.49	896.12	807.28	1,094.28
Germany	25.46	463.13	404.55	461.78	303.51
France	12.00	100.79	47.51	62.08	23.57
Belgium and Luxemburg	5.69	49.12	75.50	89.36	253.98
Italy	9.73	88.67	133.94	170.23	96.96
Denmark	10.09	28.88	22.44	28.41	6.74
Norway	5.38	25.29	22.87	24.63	7.27
Sweden.....	2.12	33.79	18.91	37.59	9.97
Other countries	10.15	396.77	243.29	122.78	135.83
Total exports to Europe.....	255.43	3,923.71	3,820.72	3,658.30	2,287.50
Percentage of total exports value....	37.2	36.4	38.0	33.1	26.6
<i>AMERICA</i>					
Canada	1.25	8.90	7.93	5.58	0.99
United States	97.88	1,865.36	1,611.22	1,683.61	1,480.59
Other countries	8.85	669.69	39.85	53.89	32.78
Total exports to America	107.98	2,543.95	1,659.00	1,743.08	1,514.36
Percentage of total exports value ...	15.7	23.6	16.5	15.8	17.6
<i>AFRICA</i>					
Egypt	26.66	10.80	14.76	34.25	3.00
Portugese East Africa	0.59	19.74	14.68	8.54	5.66
Union of South Africa	5.28	30.07	21.82	18.06	9.74
Other countries	5.33	14.85	9.07	8.63	1.96
Total exports to Africa	37.86	75.46	60.33	69.48	20.36
Percentage of total exports value ..	5.6	0.7	0.6	0.6	0.2
<i>ASIA</i>					
Iraq	2.53	2.33	0.84	1.30	0.13
India	} 5.15	32.06	29.55	62.67	102.55
Pakistan		5.78	7.65	16.59	6.36
Burma	0.11	27.87	19.22	4.16	—
Thailand	2.76	87.21	107.60	120.83	103.52
Malayan Union	3.51	135.76	89.82	104.82	60.83
Penang	7.72	173.08	168.51	197.96	324.87
Singapore	116.65	2,081.03	2,159.45	2,939.97	2,119.75
Indo-China	1.95	58.70	70.93	65.88	65.46
Hongkong	13.49	29.07	37.57	194.56	75.56
China	9.88	71.08	133.51	287.51	494.92
Japan	21.43	788.25	840.20	457.17	312.14
Philippines	6.02	145.31	193.72	305.82	331.23
Other countries	9.90	70.60	32.53	102.67	229.00
Total exports to Asia	201.10	3,708.13	3,891.10	4,861.91	4,226.32
Percentage of total exports value ...	29.1	34.4	38.7	44.0	49.1
<i>AUSTRALASIA</i>					
Australia	28.89	223.94	358.80	480.15	504.40
New Zealand	7.64	43.68	52.70	51.66	38.99
Oceania	0.26	23.43	20.84	20.88	15.37
Total exports to Australasia	36.79	291.05	432.34	552.69	558.76
Percentage of total exports value ...	5.4	2.7	4.3	5.0	6.5
<i>Via free ports :</i>					
Sabang, Tandjung Uban and unknown.	47.89	237.15	191.04	166.39	4.21
Percentage of total exports value....	7.0	2.2	1.9	1.5	—
Grand Total	687.05	10,779.45	10,054.53	11,051.85	8,611.51

¹⁾ Provisional figures

Source : C.B.S.

TABLE 38 — IMPORTS BY ORIGIN
(Rp million)

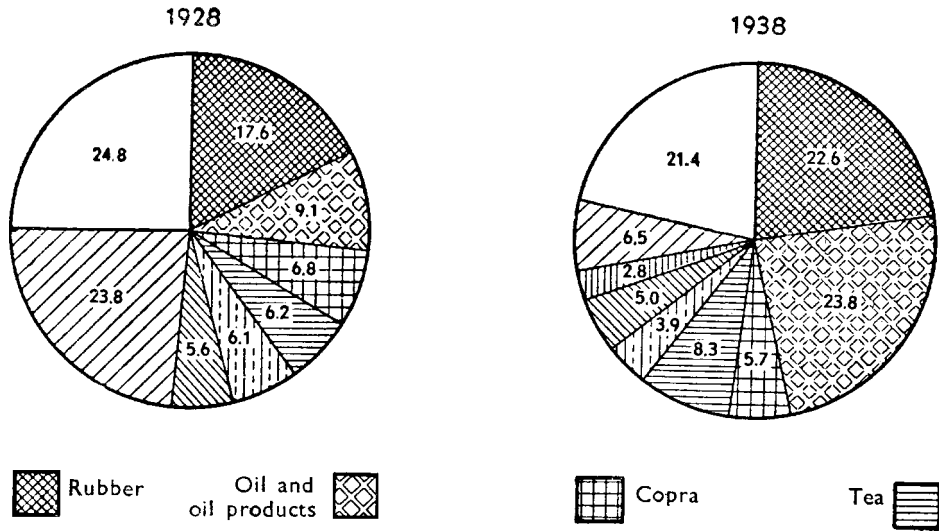
	1938	1955	1956	1957	Jan./Nov. 1958 ¹⁾
<i>EUROPE</i>					
Netherlands.....	106.17	807.60	1,038.11	892.29	358.04
United Kingdom and Irish Republic...	38.16	396.96	589.92	518.41	274.24
Germany.....	49.05	702.32	913.02	957.30	500.83
France.....	9.41	141.25	94.58	144.93	146.20
Belgium and Luxemburg.....	13.19	216.39	271.44	334.08	102.18
Italy.....	5.05	106.54	244.00	197.89	105.90
Czechoslovakia.....	4.75	197.93	69.56	37.49	21.99
Switzerland.....	4.42	63.05	78.08	49.33	27.48
Sweden.....	3.54	76.22	95.10	80.20	49.97
Spain.....	0.28	0.93	0.92	24.22	74.23
Other countries.....	5.77	351.78	190.83	188.92	124.84
Total imports from Europe.....	239.79	3,060.97	3,585.56	3,425.06	1,785.90
Percentage of total imports value....	50.1	44.4	36.9	37.7	33.9
<i>AMERICA</i>					
Canada.....	3.67	8.91	8.21	13.85	5.74
United States.....	60.21	1,088.79	1,609.07	1,520.06	824.83
Other countries.....	0.54	5.01	96.85	4.66	0.15
Total imports from America.....	64.42	1,102.71	1,714.13	1,538.57	830.72
Percentage of total imports value....	13.4	16.0	17.6	16.9	15.8
<i>AFRICA</i>					
Egypt.....	0.43	19.44	9.38	1.11	147.88
British East Africa.....	3.21	68.42	104.77	74.00	59.17
Union of South Africa.....	0.17	13.61	7.20	15.49	5.73
Other countries.....	0.59	9.53	36.67	9.90	28.07
Total imports from Africa.....	4.40	111.00	158.02	100.50	240.85
Percentage of total imports value....	0.9	1.6	1.7	1.1	4.6
<i>ASIA</i>					
Serawak, Brunai, Br. North Borneo...	1.68	36.22	43.39	123.12	58.03
India.....	11.17	325.70	184.62	190.18	77.83
Pakistan.....		0.40	8.67	1.98	0.92
Burma.....	7.20	172.40	512.05	322.41	213.86
Thailand.....	2.58	103.35	309.70	302.15	221.25
Malayan Union.....	0.30	6.76	13.33	14.67	10.77
Penang.....	4.28	2.61	0.97	0.57	0.46
Singapore.....	36.18	105.96	76.09	155.66	78.52
Indo-China.....	2.11	1.00	1.73	33.02	62.06 ²⁾
Hong Kong.....	6.47	363.24	536.43	398.55	252.98
China.....	8.25	113.19	344.04	308.13	408.21
Japan.....	71.83	985.98	1,521.17	1,370.73	718.15
Philippines.....	0.89	1.36	1.05	1.59	1.31
Other countries.....	1.40	240.44	492.14	588.23	230.21
Total imports from Asia.....	154.34	2,458.61	4,045.38	3,810.99	2,334.47
Percentage of total imports value....	32.3	35.7	41.6	41.9	44.3
<i>AUSTRALASIA</i>					
Australia.....	13.24	142.68	211.58	207.83	74.21
New Zealand and Oceania.....	0.05	0.10	0.08	0.23	0.25
Total imports from Australasia....	13.29	142.78	211.66	208.06	74.46
Percentage of total imports value....	2.8	2.1	2.2	2.3	1.4
<i>Via free ports:</i>					
Sabang, Tandjung Uban and unknown	2.22	11.60	10.68	3.04	0.01
Percentage of total imports value....	0.5	0.2	0.1	0.1	0.0
Grand total.....	478.46	6,887.67	9,725.43	9,086.22	5,266.41

¹⁾ Provisional figures

²⁾ South Viet-Nam

Source : C.B.S.

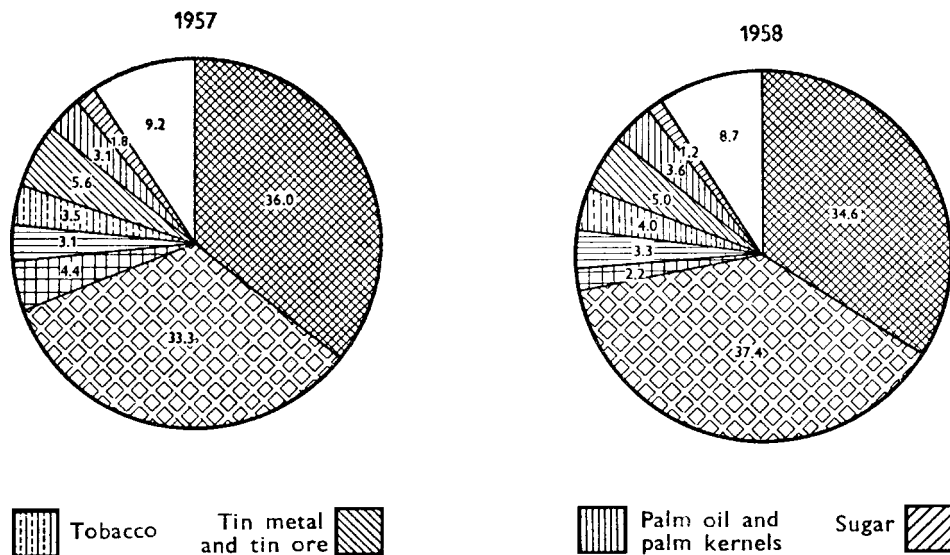
CHART IIa — PROPORTIONAL SHARES OF THE PRINCIPAL PRODUCTS IN THE VALUE OF EXPORTS



Market (the Netherlands, Belgium/Luxemburg, West Germany, France and Italy) amounted to Rp 1,033 million in 1958, representing 45% of exports to Europe or 12% of the overall export value. As was the case with exports to the Netherlands, exports to Egypt' also declined, i.e. by 91% (from Rp 34 million to Rp 3 million), while exports to Hongkong dropped by 61% (from Rp 195 million to Rp 76 million). On the other hand, exports to Belgium/Luxemburg rose by 185% (from Rp 89 million to Rp 495 million).

As regards Government measures in the export field, the following may be observed: the Export Certificate system initiated on June 20, 1957, did not undergo any changes. By Decree of the Prime Minister/Minister of Defence barter trade was prohibited as from January 8, 1958. This measure was taken with a view of improving the monetary and economic conditions of the State for which the restoration of the normal channels of trade was deemed necessary. For certain areas in Sumatra consignment exports were permitted on a 70: 30 basis, i.e. 70 % of the export proceeds was to be transferred to one of the foreign exchange banks in Indonesia, while the remaining 30% could be utilized for counter-imports of essential goods.

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



Furthermore, the Government permitted Autonomous Regions of the first rank (former Provinces) to retain 10% of P.B.E. proceeds in their regions as from July 1, 1958, in order to stimulate exports and to provide for the financing of reconstruction activities in those regions.

Imports

In the year under review, imports suffered a great setback as compared to the foregoing year. The total volume in imports decreased from 6,477 thousand tons to 3,506 thousand tons (—46%) and their value decreased from Rp 9,160 million to Rp 5,900 million (—36%). With the exception of some commodities, the imports of which increased—such as: rice, cloves and cotton—the imports of the three economic groups on the average declined by one-third of the 1957 value: consumer goods decreased by 32%, raw materials and auxiliary goods by 39%, and capital goods by 34%. Considering the proportion of import values; raw materials and auxiliary goods still accounted for the biggest portion, i.e. around 45%

of the total value of imports, while consumer goods and capital goods took care of respectively about 34% and 21%.

The imports of consumer goods which greatly declined covered among others: milk and milk preparations (— 34%), sewing yarn (— 39%), wheat flour (— 46%), salted fish (— 54%), and cycles (—71%). Conversely, imports of rice increased by 9%, i.e., from Rp 956 million in 1957 to Rp 1,040 million in the year under review. Cotton yarn also increased, from Rp 160 million to Rp 207 million; just the same, this final sumtotal was still below the 1956 import figure (Rp 297

	Value (Rp. million)					Per cent share in total value of imports				
	1938	1955 ¹⁾	1956 ¹⁾	1957 ¹⁾	1958 ²⁾	1938	1955 ¹⁾	1956 ¹⁾	1957 ¹⁾	1958 ²⁾
<i>Total imports:</i>										
Consumer goods	207	2,137	4,070	2,917	1,993	43.3	29.8	41.5	31.8	33.8
Raw materials and auxiliary goods	154	3,760	3,822	4,347	2,648	32.2	52.4	39.0	47.5	44.9
Capital goods	117	1,284	1,908	1,895	1,258	24.5	17.8	19.5	20.7	21.3
<i>Imports excluding oil companies :</i>										
Consumer goods	205	2,080	4,012	2,566	1,929	43.7	33.9	46.2	35.2	39.3
Raw materials and auxiliary goods	148	2,949	2,998	3,267	2,024	31.4	48.1	34.5	44.8	41.2
Capital goods	117	1,100	1,683	1,461	954	24.9	17.9	19.3	20.0	19.4
¹⁾ Revised figures ²⁾ Provisional figures										

Source : C.B.S.

million). The same applies to the imports of cloves with an improvement but which still remained below the 1956 import level. Imports of cloves for the years 1956, 1957, and 1958 were consecutively Rp 131 million, Rp 77 million and Rp 81 million. From 1953 onwards, imports of cement were always on the upgrade but after the close of 1956 up to the year under review, the tendency to decrease became manifest: from Rp 129 million in the year 1956 to Rp 109 million and Rp 39 million respectively for the years 1957 and 1958.

As regards the countries of origin, with the exception of Egypt, the Chinese People's Republic and France, imports from other countries underwent no negligible decreases. Imports from the Netherlands for the first 11 months of 1958 (figures for the month of December were not yet received) totalled Rp 358 million as against Rp 821 million covering the same period of the preceding year, a decline by 56%, whereas imports from Hongkong, the United States of America, Australia and Belgium/Luxemburg decreased respectively by 32%, 41%, 61% and 69%. The increase in imports from Egypt was mainly attributable to the great quantities of rice imported from that country, while imports from the Chinese People's Republic increased not only because of rice, but also because much more textiles (dyed cloths, cambrics and shirtings) were imported from that country.

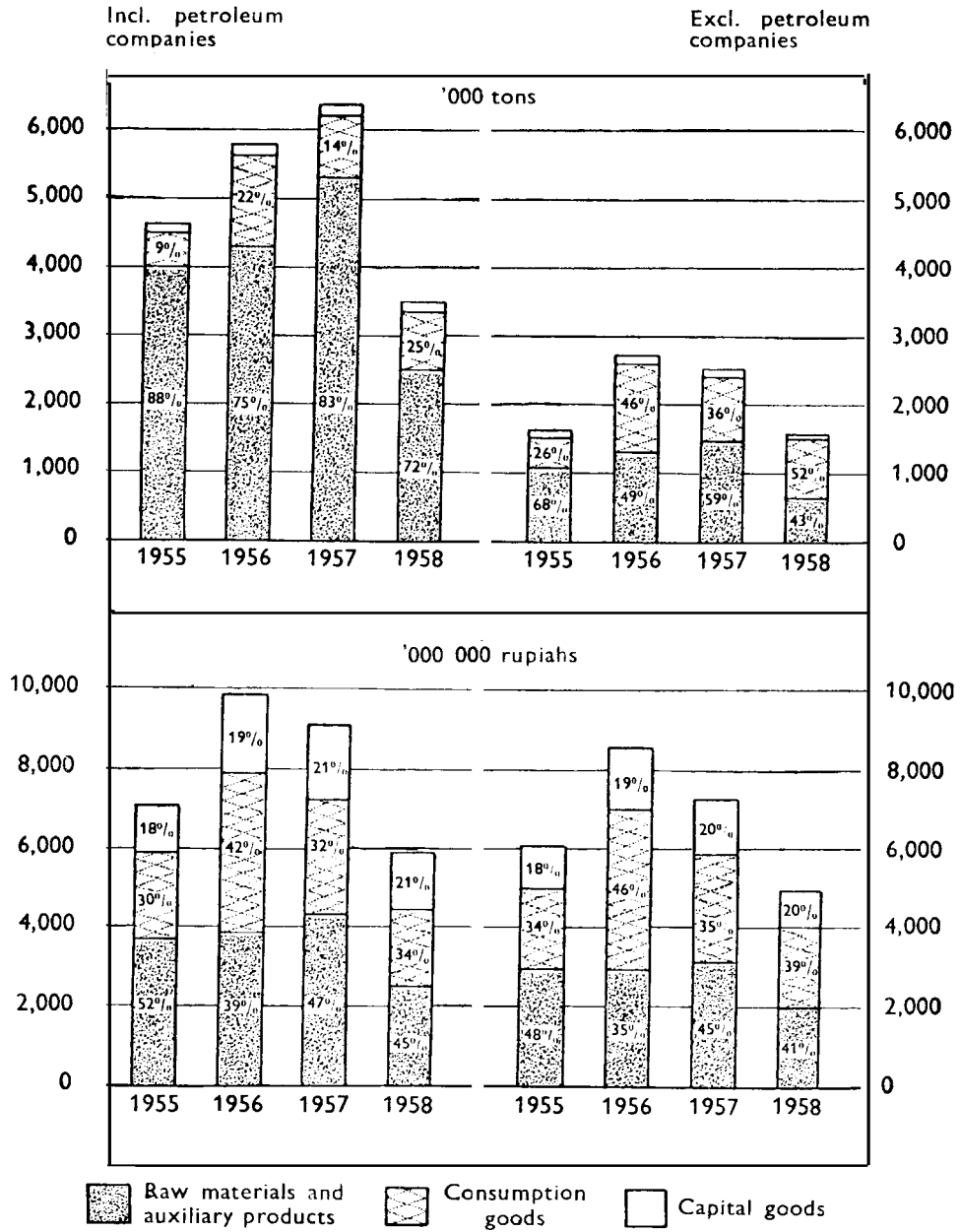
As regards Government regulations in the import field, the following items of interest may be mentioned. To overcome difficulties suffered by weaving mills in obtaining weaving yarns, from 19th August 1958 onwards about 40% of the imported yarn as well as its distribution was effected by the Industrial Materials Stockpiling Institution (J.B.P.)

By decree of the Monetary Board, from 3rd February 1958 onwards, the guarantee payments required for submitting import applications was stepped up from 20% to 100% of the total C & F value at par rates. Later on, at the beginning of 1959, this percentage was again raised to 1331/3%, while in the L.A.A.P.L.N. (Foreign Exchange Institute) 24th July 1958 circular on imports based on medium/long-term credits, it was announced that what was meant was the importation of capital goods, the partial or full price of which could be paid in instalments running over a period of some years. Fundamentally, this kind of imports could be divided into two groups:

- a) imports for Government projects;
- b) imports for private enterprises.

The execution of imports connected with Government projects was channelled through Bank Indonesia, Djakarta, whereas the execution of imports for

CHART III — IMPORTS



private enterprises could be led through other foreign exchange banks. The purchase of B.E. (Export Certificates) —according to the day's rate—should be made conform to the time deposits and foreign exchange amounts payable to the party abroad. This meant that the purchase of the total amount on B.E. needed for the whole project or for the total I./C amount, was not allowed. T.P.I. (Import Surcharges) up to 20% of the ad valorem value should be paid every time a payment is to be effected to the party abroad. At that moment, the bank will also collect the interest as well as the bank charges accruing to the party abroad.

Terms of trade

The terms of trade as listed in table 40 are computed according to the Paasche'' method (see 1957/58 Annual Report, page 134).

Compared with 1957, the terms of trade for the year under report showed a considerable decline, viz. from 85 in 1957 to 71 in 1958. This setback was caused by the drop in the price index number for exports and by the rise of the price index number for imports. Although compared with the end of 1957, the price index number for exports showed a fluctuating picture during the year under report the index for the end of 1957 could only slightly be exceeded in February. The price index number for imports dropped considerably at the end of 1958 reaching a level lower than at the end of 1957, but the fluctuating development which was also found during 1958 with the highest peak in September 1958 —far exceeding the highest peak in July 1957— has turned out to result in a higher figure for the price index number for imports in the year under report if compared with 1957.

Looking at the monthly averages, the terms of trade revealed a fluctuating development throughout the year under report with improvements occurring in February, May, July, October and December, as the result of the rise of the index number for export prices and the decline of the index number of import prices in those months. Declines occurring in other months proved to have resulted in a downward trend of the terms of trade, which was reflected by the decline of the five months' moving average as well as the annual average.

TABLE 40 — TERMS OF TRADE FOR INDONESIA (1950 = 100)				
	Price index numbers		Terms of trade	
	Exports (f.o.b.)	Imports (c.i.f.)		
1953	269	356	76	
1954	258	323	80	
1955	295	323	91	
1956	277	316	87	
1957	265	312	85	
1958 *)	239	343	70	
			monthly average	5 months' moving average
1958 January	272	343	79	84
February	277	292	95	81
March	218	355	61	80
April	223	277	81	77
May	239	277	86	73
June	224	351	64	74
July	246	330	75	70
August	230	350	66	68
September	239	391	61	69
October	235	319	74	73
November	260	369	70	..
December *)	247	266	95	..

*) provisional figures

TABLE 41 — PRICE INDEX NUMBERS OF IMPORT - AND SOME MAIN EXPORT COMMODITIES (1950 = 100)							
Exports (f.o.b.)	1956	1957	1958 *)	Imports (c.i.f.)	1956	1957	1958 *)
Rubber	311	303	259	Consumer goods	278	303	300
Copra	172	154	133	<i>of which :</i>			
Petroleum products	264	256	236	Rice	336	332	299
Tin ore	385	383	374	Wheat flour	275	290	254
				Cotton piece goods	239	233	262
				Raw and auxiliary materials	324	337	381
				Capital goods	379	368	385

*) provisional figures

Table 41 lists the price index number of several main import and export commodities. In 1958 the price index number of the main export commodities such as rubber, copra, petroleum products and tin ore was lower than in the preceding year. The price index number of consumption goods imported, dropped slightly in 1958; on the other hand there was a large increase in the price index number of textiles, raw materials, auxiliary goods and capital goods. As these goods constitute the greater part of the total amount of imports, this increase resulted in a higher price index number for imports in 1958 if compared with the foregoing year.

Foreign exchange system and measures

As mentioned in the report for the previous year, the B.E. (Export Certificate) foreign exchange system was effectuated on the strength of Monetary Board Decree No. 30/June 18, 1957, effective as from June 20, 1957. In broad outlines the B.E. system functions as follows:

Upon delivery of foreign currency to the bank concerned, a B.E. certificate is extended, having a nominal value equal to the amount of the foreign currency valued at the rate effective on June 19, 1957 (US\$ 1 = Rp 11.40). A B.E. certificate is valid for a period of two months during which the certificate must be sold through the intermediary of banks on the B.E. exchange in Djakarta, held every working day. Those allowed to buy B.E. certificates are exclusively importers, holders of import permits and/or those, holders of transfer permits. A 20% levy of the effective value, called P.B.E. (Export Certificate Charges), is made on all receipts resulting from exports or services.

Import commodities are classified in six groups, each with its percentage of Import Surcharge (Tambahan Pembayaran Impor = T.P.I.) in the following manner:

Group I	: most 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%

Charges on services are arranged by general and special regulations of L.A.A.P.L.N. (Foreign Exchange Institute).

In some cases changes have taken place as follows.

The 20% guarantee payment which importers had to make since February 3, 1958, on the strength of an announcement of L.A.A.P.L.N; A No. 80, has been raised to 100% of the c.i.f. value, while the payment must be made at the time the importer concerned submits his P.I.I. (Application for Import Permit) to the bank. According to a circular of L.A.A.P.I.N. dated December 31, 1958, the guarantee payment was again raised to 133 1/3% of the c.i.f. value on the basis of the parity rate value. (On April 15, 1959, the guarantee payment was raised further to 230%).

To facilitate the implementation of the deconcentration plan in the commercial field, branches of Biro Devisen Perdagangan (Bureau Commercial Foreign Exchange) were established at Kutaradja, Medan, Sibolga, Padang, Palembang, Semarang, Surabaya, Bandjarmasin, Pontianak, Makasar and Ambon. These branch offices of Biro Devisen Perdagangan are authorized to issue foreign exchange permits (S.I.D.) on the basis of applications for import permits (P.I.I.) submitted in their respective resorts. In this connection, on September 3, 1958, the Monetary Board authorized Bank Indonesia to issue administrative export certificates at the moment they are needed following the issuance of foreign exchange permits by the branch offices of Biro Devisen Perdagangan. They may be issued up to an amount to be fixed each time by L.A.A.P.L.N. in line with the import schedule stipulated by the Minister of Trade and the Minister of Industry, on the understanding that the amount:

- a) does not exceed 15% of the export earnings of the resort falling under the sphere of competence of a branch office of Biro Devisen Perdagangan (exclusive of the exports of petroleum);
- b) should be, if possible, not less than the import percentage of the region concerned in comparison with the aggregate import volume.

Implementation of the guiding principle stated under a), however, may not reduce the necessity of an integrated foreign trade policy and the smooth exchange of goods especially between the islands in the archipelago. Further, the branches of Bank Indonesia concerned are authorized to issue Regional Administrative Export Certificates (B.E.A.D.) on the application for import permits approved by the branch offices of Biro Devisen Perdagangan in their respective resorts. To meet the need for regional administrative export certificates issued by local branches of Bank Indonesia, Bank Indonesia Djakarta purchases export certificates on the Djakarta Export Certificate Exchange.

As to the B.E. rate, it can be reported that the Monetary Board in its session of April 18, 1958, decided to, temporarily, fix the maximum B.E. rate at 332% effective as from April 19, 1958.

Trade and payments agreements with foreign countries

As mentioned in the annual report for 1957/1958 of the bilateral payments agreements two were still in force during 1958, namely the clearing agreements with the Chinese People's Republic and Egypt.

Though it was realized that, in line with developments in the international payments traffic, Indonesia should work towards a multilateral payments system, some difficulties occurred in the year under report, by which not all clearing agreements could be terminated.

It was even necessary (in May 1958) to restore the clearing agreement with Czechoslovakia in order to improve trade relations with that country, which were confronted with insurmountable difficulties after the termination of that agreement.

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

As to the relationship of Indonesia with IMF. and I.B.R.D. It should be mentioned that endeavours were made to raise I.M.F. quotas in general and to increase I.B.R.D. capital. These matters were discussed in the meetings of the Executive Directors of the I.M.F. and the I.B.R.D. at New Delhi in December 1958.

As regards the I.M.F., conclusion was in short that financial resources of the I.M.F. were deemed to have become insufficient to discharge its task as an international finance institution. The main factor generating the above situation is the fact that in the last 10 years the volume of world trade has increased by about 100%, while I.M.F. quotas have remained practically the same as when they were fixed in 1944. Besides, prices (dollar) have increased by about 50%, which means that the actual value of financial resources of the I.M.F. has decreased.

The following was recommended:

1. to raise the quota of I.M.F. member countries by 50% generally ;
2. to make provisions as to enable some member countries as Canada, West Germany and Japan to raise their quotas by more than 50% in consideration of their present level of economic development;
3. for the group "countries with small quotas" a special formulation should apply as their quotas are generally deemed too insignificant.

Indonesia has agreed to the rise of the quotas by 50% generally.

If the above recommendations should be effected, Indonesia's position would be as follows:

Indonesian quota with I.M.F.
(in million U.S.\$)

	Quota	Gold portion (25%)	Own currency (75%)
Present quota	110	27.50	82.50
Quota rise (50%)	55	13.75	41.25
	-----	-----	-----
New quota	165	41.25	123.75

As regards I.B.R.D., endeavours to bring the Bank's capital into accordance with the present circumstances may be summarized as follows:

1. The Bank's capital will be raised by \$ 10,000,000,000.— thus the increase of I.B.R.D. capital will amount to 100% of its present capital.
2. The 2% and 18% portion of the increase in participation will for the time being be left uncalled, because the principal aim of the rise in capital is only to strengthen the guarantee resources of I.B.R.D. in order to increase borrowing capacity.
3. Canada, West Germany and Japan, having requested an extra raise of their I.M.F. quotas are expected to increase their participations in I.B.R.D. capital accordingly. In the same manner the "countries with small quotas" as explained above, will have to observe special regulations as to the increase in their participations in I.B.R.D. capital.
4. In consideration of the articles of agreement on the minimum number of shares" that should be in possession of "original members" and in relation with the extra increase in the participations of such countries as Canada, West Germany and Japan in I.B.R.D. capital, there is still a possibility of the capital being insufficient to accommodate participations of new members. Therefore

it was suggested to further raise the I.B.R.D. capital by \$ 1,000,000,000.— with a view to accommodate new members.

If the above recommendations, which were all agreed to by Indonesia, should be effected, Indonesia's position would be as follows :

Indonesia's subscription with I.B.R.D. (in million US \$)			
	Subscription	Gold portion (2%)	Own currency (18%)
Present subscription	110	2.2	19.8*)
Subscription increase	110	2.2**)	19.8**)
	-----	-----	-----
New subscription	220	4.4	39.6

Note : *) for the greater part consisting of rupiah demand-notes.
**) for the time being left uncalled.

VII. PRODUCTION, PRICES AND SOCIAL DEVELOPMENT

Food producing agriculture

Production and food situation

The rice production in 1958 was estimated at about 7,553,000 tons dry, which means a progress of approximately 129,000 tons dry or 1.5 % as compared with 1957. The increase means that only about 1/3 of the estimated rice production in the scope of the short-term plan was achieved. The rise in the rice production was due to the increase in the harvested area of rice throughout Indonesia from about 6,800,000 ha to about 7,000,000 ha.

As experienced in the foregoing years, difficulties faced by food producing agriculture during 1958 were natural disasters (rains, floods, landslides), animal plagues (rats, caterpillars, boars, monkeys, locusts), and the still insufficient fertilizer- stock for the farmers. Based on the reports of the Central Bureau of Statistics and the Service for Indigenous Agriculture the conclusion can be drawn that the natural disasters—as floods and droughts—somewhat decreased in 1958 as compared with the previous year. On the other hand, plagues of rats and locusts were rampant during April through September, and occurred predominantly in West Djawa, which among other things destroyed irrigated rice plantings up to an acreage of about 90,000 ha. In spite of this the acreage of food plantings in Djawa and Madura which was unsuccessful owing to natural and animal plagues diminished from about 314,000 ha to 282,000 ha.

To overcome flood dangers every year arising in the Tulungagung area and surroundings, the Government is now busily engaged in the construction of a giant canalization project (the "Neyama"-project). This mammoth canalization will be used to absorb the current of the flooding Brantas river which amounts to about 1.4 million m³ per hour in the rainy season. The mountain to be dug has a length of 850 m, a height of 100 m and a width of 80 m. The operations, commenced in

September last year, have so far been completed for 10%. Hitherto about 190,000 m³ of stones were dug, whereas the total amount of stones to be dug is 2.4 million m³. The expenses incurred amounted to Rp 5 million, whereas the overall operations are to swallow about Rp 75 million. Apart from a regulator for the diminishing of flood danger, the project, if completed, can be used as a water regulator for the irrigated ricefields in the surroundings, and it can be used as an object for tourism. In the frame of the improvement of canals and irrigation works in the Central Djawa Province, in 1958 the Government spent an amount of about Rp 6.3 million. This expense was distributed over Semarang residency—amounting to Rp 1.1 million for 3 objects, Pati residency Rp 0.6 million for 6 objects, Pekalongan residency Rp 0.6 million for 8 objects, Banjumas residency Rp 1.1 million for 8 objects, Kedu residency Rp 1.9 million for 7 objects and Surakarta - residency amounting to Rp 0.8 million for 5 objects. Next to the expense for the improvement of canals and irrigation works, during 1958 an amount of Rp 2.7 million was spent for the prevention of landslides covering an area of 45,000 ha against Rp 3.5 million for an area of 60,000 ha in the preceding year.

	1937	1956	1957	1958	1958 as % of	
					1937	1957
Rice { irrigated	3,682	4,451	4,419	4,633	105	108
{ non-irrigated	223	122	138	155	70	112
Maize (kernels)	2,037	1,431	1,309	1,985	97	152
Cassava (roots)	7,637	6,420	7,168	8,039	84	121
Batatas (roots)	1,182	1,502	1,595	1,746	148	109
Ground nuts(peeled)	181	178	192	194	107	101
Soya beans (peeled)	269	311	299	372	138	124

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

As to the efforts to fight paddy diseases, difficulties have been met in obtaining the required chemicals as well as in the financial field. These difficulties were chiefly found in West Djawa which area suffered most from rats and locust plagues. During 1958 the Government imported some 10.000 litres of insecticides at about Rp 0.8 million. In the efforts to combat rats, boars and monkeys, the farmers adopted various courses poisoning, beatin, and hunting parties.

Concerning the efforts to surmount the difficulties in the domain of fertilizers the following can be said. In the foregoing years fertilizers were freely imported. Afterwards experience showed that a free import of fertilizers entailed various difficulties for the farmers. The difficulties were among other things caused by the following facts :

1. Fertilizer importers do not pay sufficient attention to the interests of farmers, because they often use the fertilizers as a commodity for speculations.
2. Importers do not pay sufficient attention to the monsoons or places where farmers are requiring fertilizers.
3. Fertilizer dealers are not well informed on the areas requiring fertilizers.

Based on these less favourable experiences, the Government is making attempts to find the following way-out. Fertilizer imports are to be carried out by importers who have satisfied the requirements for bona fides, have shown good services, and kept to low prices. In principle, the importers are not rice free to decide the amount of the quality to be imported, the time price of or place of arrival of the fertilizers. National importers are granted a 50% credit-aid of the import price to ensure the speedy execution of the fertilizer imports. The screening of fertilizer importers was performed by an agency of the Ministry of Agriculture: The Agricultural Commodities Foundation (Jabatani) —the duties of which are inter alia arranging imports and stabilizing prices for fertilizers. Jabatani further transferred its system of distribution to the autonomous regions. Jabatani's activities for 1958 in making available various qualities of fertilizers to be sold to farmers, can be seen from the following list :

As far as the efforts are concerned to set up a urea fertilizer plant at Palembang the following can be said. For the construction of the urea fertilizer plant technical and economic researches were made. In this context it is worth mentioning that the raw material to be used for the manufacture of the urea as well as the fuel is

<i>Jabatani's Fertilizer Stock</i>				
<i>Quality of fertilizer</i>	1957		1958	
	Weight (tons)	Price (millions of Rp)	Weight (tons)	Price (millions of Rp)
Z.A.	30,000	65.0	61,000	154.0
D.S.	30,000	75.0	27,000	94.5
S.S.	3,000	10.5	3,000	10.5
Z.K.	—	—	7,000	24.5
Total	63,000	150.5	98,000	283.5

(Source : Ministry of Agriculture)

natural gas. Owing to the presence of natural gas as raw material, the plant will not be dependent on foreign raw materials. Investigations have proved that the most favourable place to establish the plant is on the bank of the Musi river opposite Pladju. As already known the implementation of the plant's construction will be financed by the Eximbank, and said plant will have an annual capacity of 100,000 tons of urea fertilizer. It is expected that the fertilizer plant will be completed and start operating early 1962.

As can be seen from table 42 and 43 the maize production throughout Indonesia during 1958 experienced a most satisfactory progress (+ 55%) to wit from about 1,800,000 tons to about 2,800,000 tons. This progress was found in Djawa (+ 52%) as well as outside Djawa (+ 60%) The harvested area of maize in Djawa as well as outside Djawa also increased. from about 1,500,000 ha to about 2,100,000 ha, and from about 500,000 ha to about 700,000 ha respectively (see Appendix "O").

The area of maize which was unsuccessful in Djawa and Madura increased from 114,000 ha to 125,000 ha. While in the preceding year the failure of maize growing was mainly due to floods, during 1958 this was especially due to plagues.

The production of cassava, batatas and soya beans, showed a satisfactory progress of 13%, 9% and 29% respectively. The increase in production of food producing agriculture was due respectively to the increase of the harvested area:

	1956	1957	1958	1958 as % of 1957
Rice { irrigated	2,203	2,280	2,184	96
non-irrigated	533	587	581	99
Maize (kernels)	533	510	814	160
Cassava (roots)	2,711	2,699	3,121	116
Batatas (roots)	1,043	1,043	1,117	107
Ground nuts (peeled)	40	37	37	100
Soya beans (peeled)	46	38	50	178

Source : Service for Indigenous Agriculture

for cassava from about 2,500,000 ha to 2,800,000 ha, for batatas from about 390,000 ha to 440,000 ha, and for soya beans from about 500,000 ha to 600,000 ha (see Appendix "O").

The production of groundnuts showed an insignificant rise from about 220,000 tons to about 230,000 tons.

	Djawa and Madura		Other islands		Indonesia	
	1957	1958	1957	1958	1957	1958
('000 ha)						
Harvested area						
Irrigated rice	4,069	4,123	1,709	1,751	5,778	5,874
Non-irrigated rice	242	265	810	865	1,052	1,130
('000 tons of rice)						
Production of irrigated rice	4,419	4,633	2,280	2,184	6,699	6,817
Production of non-irrigated rice	138	155	587	581	725	736
Imports from abroad					554	921
Mutation of J.U.B.M. stocks					-61	+ 32
Available for domestic consumption					7,917	8,506

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

In table 44 a summary is given of the rice situation in Indonesia. It should be noted that the 1957-figures are the revised ones, whereas the 1958-figures are the provisional ones. From the figures mentioned it can be said that the volume of rice

set aside for domestic consumption during 1958 increased by 8%, that is to say, from about 7,900,000 tons to about 8,500,000 tons.

Figures concerning the production, export and consumption of the other food-stuffs can be seen from Appendix "O". From the Appendix the conclusion can be drawn that the production and volume available for consumption of maize, cassava, batatas and soya beans in 1958 showed an upward trend.

Government measures for promoting food production

As mentioned in the previous annual report, the Government in the frame of promoting food production, has drawn plans comprising two parts :

- (1) A short-term plan.
- (2) A long-term plan implying:
 - a. Intensification of agriculture in Djawa.
 - b. Extension of rice fields in the tidal swamp Kalimantan and Sumatera.
 - c. Development of arid lands and the establishment mechanized agricultural enterprises outside Djawa.

For the execution of the short-term plan mainly in connection with intensification the Government on the 7th of January 1958 decided to provide Rp 76 million. This additional expenditure was applied to :

1. the use of high quality seed;
2. the extension of the application of fertilizers;
3. the eradication of pests;
4. the improvement of irrigations;
5. the laying out of new rice fields;
6. the simultaneous cultivation of food in the regions.

These efforts of the Government were heartily welcomed by the farmers and turned out to yield a considerable increase of food production in 1958 compared with the preceding year.

Although the project is still in a preparatory stage, it is worth mentioning, that in the plan of the extension of rice fields in the tidal swamp areas in Kalimantan and Sumatera is included the digging of a main and secondary canals with a length of 1,600 and 3,200 kilometres respectively. By digging one kilometre of the main canal and the secondary canals, a new area of rice fields of 1,000 hectares will become accessible while the digging of 1,600 kilometres of the main canal will result in an area of 1,600,000 hectares.

Development of arid lands which constitutes the third section of the long-term plan includes the following: As mentioned in the previous annual report, the Government in the frame of the 5 - year Plan is to establish 20 mechanized paddy cultivation centres, each covering an area of 10,000 hectares. In the surroundings of each centre 100,000 hectares of arid lands will be developed for the farmers. In accordance with the plan, in the first year 3 paddy cultivation centres will be set up, namely in North Sumatera, South Sumatera and South Kalimantan. Within the four following years two, four, five and six paddy centres will successively be built, so that after the fifth year 20 paddy centres could be put in operation. For each paddy centre and development of the surrounding land, 1 unit of machinery and 600 tractors will be required. The Government has signed a loan agreement with Czechoslovakia to the amount of £ 3.2 million for the purchase of 3 units of machinery to equip the first 3 paddy centres. With the Soviet Union discussions were held to procure 2 units of machinery within the frame of a \$ 100 million loan. Besides, the Council for Economy and Development agreed to the purchase of 1 unit of machinery out of the Japanese war reparations. Outlays on each paddy centre including equipment will amount to about Rp 483.5 million, while output is expected to be about Rp 570 million. Rice output of these paddy centres after five and ten years is expected to be 20,000 tons and 200,000 tons respectively, while the extension of land for the farmers at those paddy centres is hoped to yield 65,000 tons and 780,000 tons respectively.

With a view to increase the production of foodstuffs in 1959 the Government has drawn a plan for an additional budget of about Rp 122 million. An amount of Rp 119.0 million is earmarked for the purchase of fertilizers. The above additional expenditures are expected to increase food production in 1956, i.e. rice by 543,000 tons, maize by 147,000 tons, cassava and batatas by 1 19,000 tons.

In order to make up for expenditures and with a view of controlling a part of the paddy production the Government plans to establish paddy centres in Djawa. These paddy centres will be applied as a means of controlling the greater part of the additional paddy output, as a repayment of the loans given by the Government to the farmers in the form of seed, fertilizers and money for more intensive farming. Thus the purpose of these paddy centres is to increase paddy production by fertilization as best as possible, the use of high quality seed, eradication of pests and the fight against the "idjon" system way of granting credits on easy terms to the farmers. The plan for the paddy centres covers a period of five years. In the harvest year 1958/1959 experiments will be made with 10 paddy centres of 10,000 ha each, 5 of which will be set up in East Djawa and 5 in Central Djawa. Capital outlays and operation costs will amount to Rp 23.9 million of which Rp 10.7 million was spent during the year under report.

The plan for the harvest year 1959/1960 is as follows :

1. extension of the 10 paddy centres already existing to 2000 ha each;
2. establishment of 20 paddy centres, each of 2000 ha.

In this way there will be 30 paddy centres in the harvest year 1959/1960 with a total of 60,000 ha. It should be noted that from experience with the 10 paddy centres already existing it turned out that the most attractive loans to farmers were in the form of fertilizers. Research work in the agricultural field by the Government was also evident this year in the efforts of promoting food production. In the year under report the Paddy Research Institution at Bogor embarked upon a project of seed farming. The new seed farms are not only an extension of the old system

but include efforts in obtaining new paddy seeds of higher quality. Special attention was given to seeds of the “Bengawan” and „Si Gadis” varieties. Seed of the “Si Gadis” variety was sown in an area of 300 ha in the districts of Tjiandjur, Purwakarta and Bandung, and resulted in 250 tons of new seed, which was again used as sowing-seed in an area of 10,000 ha. In the harvest year 1958/1959 it is hoped to have seed available for 400,000 ha of ricefields. In the year under report seeds of the “Si Gadis” and “Bengawan” varieties were also cultivated in Surakarta and Banjuwangi.

Besides research on paddy seeds, the Agricultural Research Institution at Bogor in co-operation with the Service for Indigenous Agriculture engaged in research on maize seed of the “Perta” variety. This variety, generally reaches a height of more than two and a half metres, is able to endure shortage of water, produces large ears which can yield an average output of 23 quintals of dried maize grains per hectare. The local maize can produce an average of only 14 quintals of dried maize grains per hectare.

The cultivation of “Perta” maize, which till the end of 1957 covered 6,400 ha, was extended to about 10,000 ha by the Service for Indigenous Agriculture in 1958.

Besides research and technical experiments on paddy the Paddy Research Institution is also active in the fields of credit granting, technical cultivation, etc. As regards the extension of credits, it must be observed that loans are given in three or four instalments in accordance with the need of the farmers at the initial stage of the work, at the time of fertilizing and weeding of the rice fields. Repayments are effected in paddy at the time of harvesting. As an experiment, credits were extended to an amount of Rp 200,000. Besides the above granting of credits the Paddy Research Institution is also active in the field of mechanized cultivation. In this sphere its activities are combined with those of the Service for Indigenous Agriculture and the Rice Research Institution of Krawang, with the purpose of obtaining the largest possible output per ha of rice field by employing all available knowledge, manpower and mechanical means. This joint project will be car-

ried out during three years, and the results of the research will be used as a basis for further developing mechanized cultivation.

The following can be reported on the progress made in the important projects for irrigation. The construction of the Tjatjaban water reservoir at Tegal, has been completed in 6 years. Up to the present expenditures have been estimated at Rp 60 million. According to the original plan the construction would take cars while outlays were estimated at Rp 3 5 million. The construction of the reservoir took another year on account of heavy rainfall, delay in the transportation of building materials and other technical difficulties, while total expenditure is estimated to amount to Rp 70 million. The Tjatjaban reservoir will be capable of storing 90 million m³ of water to irrigate 44,000 ha of rice fields thereby increasing paddy production by 127,000 quintals and second crop output by 45,000 quintals, at the total value of Rp 16 million annually. On May 19, 1959, the Tjatjaban reservoir was officially put into operation by the Acting President Dr. Sartono.

The construction of the Sempor water reservoir in the Gombong region —as mentioned in the annual report for 1957—will start soon. Rp 7 million has already been spent in the first stage. According to plan the Sempor reservoir will be capable to irrigate about 21,000 ha of rice fields. The construction of this reservoir is included in the Five-Year Development Plan, with outlays estimated at Rp 60 million.

In the year under report a start was made with the construction of the Pantjaruman dam, Tjiamis district (West Djawa). Outlays were estimated at Rp 20 million of which Rp 10 million was appropriated in 1958. The dam is expected to be completed in two years.

Outlays on the digging of the Kalibawang canal amounted to Rp 10 million up till the end of the year under report. Total outlays on the digging of this canal with a length of about 60 km is estimated at Rp 20 million, while it will be capable of irrigating about 10,000 ha of arid land. Up to now 20 km of the canal has been completed, irrigating 1000 ha of land and yielding an average output of 30 quintals of paddy per ha.

Rice

Since March 1, 1958 the purchase of paddy in the regions has not been effected by the J.U.B.M. (Food Foundation) but by the Badan Pembelian Padi (Paddy Buying Board). Of the target for paddy purchases in Djawa for 1958 amounting to 900,000 tons, only about 330,000 tons (35%) was realized up to the end of December 1958, against 639,000 tons (80%) during 1957. As in foregoing years, it was East Djawa again which purchased most of its quota (46 %) of rice purchases in 1958, while Central and West Djawa only succeeded in purchasing 30% and

	Planning (tons)	Results as at the end of December 1958	
		tons	as % of planning
West Djawa	300,000	86,953	28.9
Central Djawa	200,000	60,891	30.4
East Djawa	400,000	182,118	45.5
Djawa/Madura	900,000	329,962	35.5
Sulawesi	—	—	—
Total :	900,000	329,962	35.5

Source : J.U.B.M.

29% respectively. Factors hampering the smooth running of paddy purchasing in the regions were: the rice prices fixed by the Government not coming up to the free-market prices and inadequate preparations and timing in the regions where the paddy was to be purchased.

According to reports from B.R.I. (Bank Rakjat Indonesia) the Government extended the following credits to the B.P.P. for purchasing paddy in the period March—December 1958: East Djawa about Rp 470 million, Central Djawa about Rp 180 million and West Djawa about Rp 320 million. For paddy purchases in 1959 the Government has earmarked an amount of Rp 1.5 billion for advances to farmers.

TABLE 46 — RICE POSITION OF J.U.B.M. & B.P.P. *) (tons of rice)			
	1956	1957	1958
Initial stocks	139,000	180,000	119,000
Internally procured	257,000	319,000	159,000
Imports	825,000	554,000	921,000 ¹⁾
Sales ²⁾	1,221,000 1,041,000	1,053,000 934,000	1,199,000 858,000
Final stocks	180,000	119,000	341,000
*) as from 1958 1) incl. imports for the armed forces and estates 2) incl. reduction through storage			

Source: J.U.B.M.

In connection with the unsatisfactory results of paddy purchasing in 1958, the Dewan Bahan Makanan (Food Board) decided to issue new regulations for the extension of advances for paddy purchase in 1959 :

1. advances will be made on voluntary application, on condition that repayment to the Government shall be effected in paddy;
2. the sales of paddy to the Government shall be voluntary.

If paddy purchases on the above conditions should not proceed in the desired way the Government may decide :

1. to put into force “Rijstordonnantie 1948” and Decree of the Minister of Economic Affairs No 665 dated May 19, 1952, stipulating that paddy sales to the Government must be given priority to all other sales;
2. to consider to take other measures in order to guarantee paddy purchases of the Government.

The opportunity for advances is given only in Djawa, except in the district of the “Lembaga Penyelidikan Beras” (Rice Research Foundation) at Krawang and

at the “Paddy Centres” established in ten kabupatens (districts) by the Ministry of Agriculture.

In order to further promote paddy collecting by this system of advances, the Government will endeavour to include all owners of rice-fields in Djawa and Madura. As an illustration of the efforts necessary in the execution of the plan to make advances to about 5 million rice-field owners the following tabulation is given :

<i>Number of villages and rice-field owners in Djawa and Madura</i>			
	Number of villages	Number of rice-field owners	Average number in each village
West Djawa	2,580	1,227,143	476
Central Djawa	8,255	1,934,356	234
East Djawa	8,126	1,778,534	219
Djawa and Madura	18,961	4,940,033	261

As the average number of rice-field owners in one village is about 260, there is every possibility that the system of advances can be effected by the villages or village institutions. Among those village institutions or institutions which include villages within the scope of their activities, and which may be engaged in the extension of credits are, inter alia :

1. village co-operative societies;
2. village banks (village credit institutions);
3. Bank Rakjat Indonesia with its branch offices throughout Djawa and Madura;
4. Local administration in villages and towns.

The above village institutions are charged with payment of the advances to the farmers and represent the final link (secondary money channel), while supervision is exercised by Bank Rakjat Indonesia (primary money channel), and local authorities (Tjamat or Head of a district).

The following tabulation gives the execution of this credit system in the respective areas :

E f f e c t e d t h r o u g h :			
Province	Village co-operative societies	Village banks or other village credit institutions	Local town/village administration
West Djawa	the whole area	—	—
Central Djawa	—	5 districts	the other districts
East Djawa	—	10 districts	the other districts

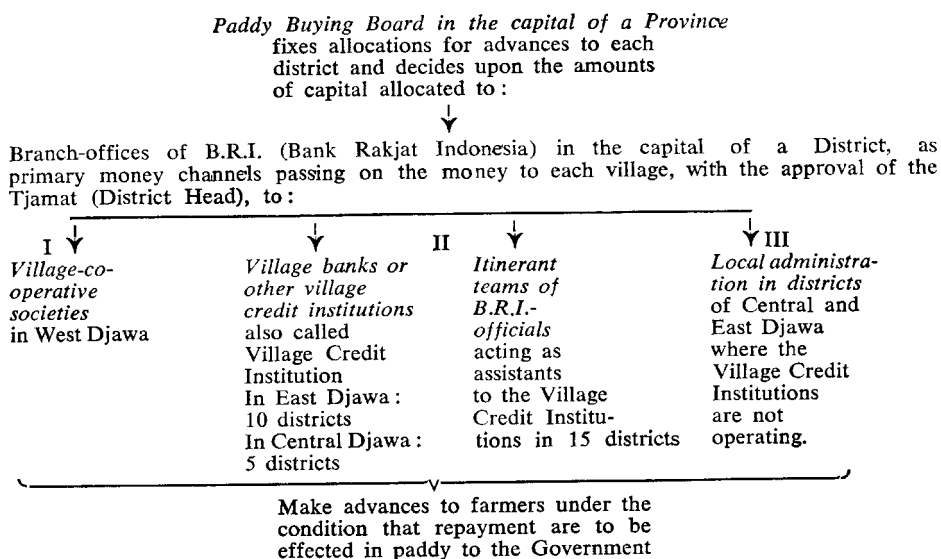
Repayment of the above advances is not effected in cash. When farmers sell their paddy to the Government the amount advanced is deducted from the proceeds, according to the registers kept by the credit institutions concerned. The following stipulations are attached to this credit system. Advances are given on

End of	Djawa country side	Djakarta	Surabaja	Palem- bang	Medan	Pontia- nak	Makasar
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	3.83	2.80	3.—	3.50	4.75	3.70
1957 December	5.90	7.71	5.—	6.25	3.75	—	5.80
1958 March	6.70	5.—	5.—	7.—	4.25	6.40	7.—
June	4.06	4.—	4.—	7.75	5.50	7.75	4.76
September	5.56	5.25	5.25	10.95	8.87	9.—	5.70
December	5.87	5.75	5.75	9.24	10.15	10.10	6.65

Source : C.B.S.

the proceeds of paddy sales and must be repaid with paddy. If the advance is not yet or not wholly repaid at the end of the harvest time, extension of payment is allowed till the next harvest. Advances are mostly discharged in two instalments, the first in December/January and the second in February/ March. Advances may not exceed 15 % of the estimated output of each hectare of rice-field and has to be made to the rice-field owner. In areas where cooperative credit societies are in operation advances may be made to the man who works the rice-field without being its owner, if only the advances are collectively guaranteed by the members of the co- operative society. Advances in excess of the above 15%, may be made after proof that the farmer concerned is not much indebted to other credit institutions so that he may be expected to be able to meet his engagements. In the above case advances may be equal to the total value of the paddy, or for instance 80% of the estimated sales proceeds.

The following is a short outline of the advance system.



The Government credit policy regarding the farmers as explained above aims at :

1. preventing the accumulation of indebtedness of the farmers;
2. guaranteeing the smooth running of Government rice purchases.

According to the original plan for providing in the shortage of rice in 1958, the Government would import 700,000 tons rice. As rice purchasing in 1958 turned out unsatisfactory, the Government in the third quarter of 1958 imported another 200,000 tons rice from the Soviet Union. For 1959 the Government plans to import 729,000 tons rice on the basis of "Government to Government". The above quantity will be imported from :

Brazil	60, 000 tons
Chinese People's Republic	75,000 tons
Soviet Union	168,000 tons
Burma	250,000 tons
Burma (additional)	50,000 tons
Chinese People's Republic	100,000 tons
Carry-over from 1958-imports	26,000 tons

The Government allocated 1,250,000 tons rice in 1959 for distribution to the army, police, workers and Government servants. As the rice to be imported in 1959 and the carry-over from 1958 purchases amount to 809,000 tons, supply of rice would still show a deficiency of 441,000 tons. To provide for the shortage the Government plans to purchase 980,000 tons rice in 1959, allocated to:

Djawa and Madura	900,000 tons
Nusa Tenggara	30,000 tons
South Sumatera	50,000 tons

As regards import of surplus-rice from the United States—in the frame of the S.A.C. agreements on rice—the Government endeavours to acquire 150,000 tons worth U.S \$ 65 million. In order to reach Indonesia in the shortest time possible

negotiations were held for the purpose of separating the transportation of the rice from that of other S.A.C. goods.

As for the rice prices on the domestic market, the following may be observed: Rice prices in the large cities of Djawa showing an upward trend during the second quarter of 1957 continued to rise through the first quarter of 1958. The highest level of rice prices in the large cities of Djawa in 1958 was reached in March. The highest price in that month was reached in Djakarta, i.e. Rp 9.24 per kg against Rp 7.71 per kg as the highest price in December 1957. At Bandung a high of Rp 8.10 per kg was reported at that time. The rise in rice prices in March was an aftermath of the period of scarcity in the preceding year. With the beginning of the harvest season in the second quarter of 1958 and the import of rice from Egypt a reaction set in and rice prices in the larger cities of Djawa fell. The lowest prices in 1958 were registered in May and April next, but in June prices began to rise again in several large cities—e.g. Bandung, Jogjakarta and Malang—up to October 1958. Afterwards, in several large cities as Djakarta and Bandung, prices edged down till the end of the year. In some other cities as Jogjakarta, Surabaya and Malang prices were continuously rising till the end of 1958. As for the regions outside Djawa prices moved along parallel lines as in the larger cities of Djawa (except for Pangkalpinang and Pontianak). Rice prices in the latter cities rose continuously till the last quarter of 1958. The highest level of rice prices in Pangkalpinang was reached in October, i.e. Rp 10.99 per kg, while in Pontianak it was reached in December 1958, namely Rp 10.10 per kg. The Government endeavoured to prevent price increases by taking various measures, inter alia restoring communications by land and by sea, abolishing regulations and obstacles hampering distribution, improvements in the distribution system for the army, police, workers and Government servants, improved allocations to minus areas, rice injections in the towns and rigorous measures against speculations in rice.

International rice situation

According to preliminary data published in the F.A.O. bulletin of Agricultural Economics and Statistics concerning world rice production of crop year 1958/

1959, it can be inferred that in spite of heavy rains damaging the crop, paddy output in Burma—the chief rice exporter—increased from 5,524,000 metric tons in 1957/1958 to 6,350,000 metric tons in 1958/1959 as a result of the successful extension of paddy acreage from 3,900,000 ha to 4,400,000 ha. In Thailand—second largest rice exporting country—paddy output also rose, from 5,580,000 metric tons to 7,000,000 metric tons while the acreage has been enlarged from 5,100,000 ha to 5,200,000 ha. All rice importing countries in Asia, with the exception of Pakistan, had favourable crop results in 1958 if compared with the foregoing year. Paddy production in India, a principal rice importing country, also rose from 37,800,000 metric tons to 45,000,000 metric tons (+ 19%), on the other hand Pakistan suffered a drop in its output from 12,900,000 metric tons to 11,400,000 metric tons. Paddy under cultivation in Pakistan also decreased, from 9,300,000 ha to 8,700,000 ha. Japan—the third rice importer in Asia—showed again a rise in its paddy output from 14,300,000 metric tons to about 15,000,000 metric tons. Paddy cultivation in Japan has been affected to a large extent by a delay in rains and typhoons. An increase of paddy production has been achieved also by the Philippines, viz. from 3,200,000 metric tons to 3,500,000 metric tons.

The export volume of the principal rice exporting countries in 1958 was considerably lower than in 1957. Rice exports of Burma declined from 1,877,000 metric tons to 1,405,000 metric tons. Thailand's rice exports also fell, from 1,567,000 metric tons to 1,128,000 metric tons, followed by the United States of America with a drop from 773,000 metric tons to 675,000 metric tons. Exports of rice from the Chinese People's Republic showed a substantial increase from 253,000 metric tons to 420,000 metric tons. During 1958 the Chinese People's Republic concluded rice export agreements with several countries on a "Government to Government" basis, inter alia with :

1. Ceylon
 - a. 200,000 tons—long grain rice, 35% broken,
£ 30.14.6 per ton f.o.b.
 - b. 100,000 tons—long grain rice, 35% broken
£ 33.14.6 per ton f.o.b.

2. Japan —a. 83,000 tons—round grain rice, 5% broken,
 £ 53.0.0. per ton f.o.b.
 —b. 30,000 tons.

3. Indonesia —a. 170,000 tons—long grain rice, 15% broken,
 £ 43.0.0. f.o.b.
 —b. 200,000 tons—long grain rice, 1 s % broken,
 £ 43.9.6. f.o.b.

4. Pakistan —a. 100,000 tons.

The F.A.O. report put forward that in 1959 the Chinese People's Republic would succeed in promoting its rice production. As a consequence, in 1959 the Chinese People's Republic will become a rice exporting country playing an important role in the world rice market. Egypt has been able to increase its rice exports with 29% from 296,000 metric tons to 383,000 metric tons in 1958, while Cambodia achieved an increase of 1 %, from 194,000 metric tons to 195,000 metric tons. Italian rice exports during 1958 showed a significant increase (+ 24%), from 143,000 metric tons to 177,000 metric tons. In spite of the fact that Burmese, Thai and American exports during 1958 decreased in comparison with 1957, the volume of world rice exports in 1958 more or less equalized the prewar record of rice exports, viz. 5.5 million tons. This was chiefly caused by the substantial export increase from the Chinese People's Republic. From the 14 rice importing countries, Indonesia emerged as the foremost rice importer in 1958. Ceylon and Japan also bought more rice if compared with the year before. The increase of Indonesian rice imports was caused inter alia by the rather disappointing result of domestic paddy purchases during 1958. Imports of rice into Ceylon rose with 3% namely from about 523,000 metric tons to 540,000 metric tons, while rice imports into Japan in 1958 revealed a substantial increase (+ 46%), from 347,000 metric tons to 505,000 metric tons. A reversed situation during 1958 could be seen in India—the largest rice importing country in 1957—the amount of its imports proved to have materially decreased (- 47%), from 748,000 metric tons to 397,000 metric tons. This setback in imports was caused mainly by the increase (19%) of

India's rice production. Pakistan rice imports, which in the previous year had declined from 620,000 metric tons to 406,000 metric tons, was reduced again to 329,000 metric tons in 1958. Hongkong imported less rice in 1958 than in the year before (299,000 metric tons against 312,000 metric tons), while Cuban imports of rice were still on the same level, viz. 191,000 metric ton;.

The price of 100% white rice 1st quality in Bangkok, which decreased continuously since September 1957, showed an upward tendency in the period January — October 1958. The quotation which in January 1958 stood at £ 50.5 per long ton, reached its highest peak in October last, viz. £ 56.5 per long ton. Afterwards the price slipped again, standing at £ 48.1 per long ton at the end of 1955.

Forestry

The 1958 activities of the Forestry Service covered the following :

1. cultivation of protective forests :
 - a) the afforestation of bare plots on hill and mountain slopes warding off erosion,
 - b) the management and distribution of water for reducing/preventing inundations as well as the proper maintenance of such water sources vital to agriculture.

2. cultivation of industrial forests:
 - a) the provision of raw materials for industrial purposes, such as for the paper industry, the safety match industry, the leather industry (tanning material), raw material for the rayon cloth industry, the triplex and wooden boxes industry, the household appliances industry, the medicinal industry (such as cayuput oil) and other raw materials (such as serpentine).
 - b) the provision of wood as raw material needed by construction and contractors' industries, shipping, house- building, tools, railway sleepers, tel-

telephone poles and firewood for various enterprises or barracks (Army, Police) etc.

The afforestation activities mentioned above fall within the scope of the 1958-1960 programme of the Forestry Service, in line with which is planned every year to cover:

	<i>area</i>
Djawa-Madura	51,500 ha
Outside Djawa-Madura	8,500 ha

Total	60,000 ha

At the same time, forest wrecking, unauthorized timber cutting, pilferage of wood and other transgressions are intensively guarded against.

For the sake of these various development activities, it is strongly urged by the Forestry Service that the Forestry Act be formulated with the least possible delay.

Live-stock

The overall number of large live-stock decreased in 1957, that is from 19,550,000 in 1956 to 18,894,000 in 1957 or a decline by 3.3%.

Based on the figures received, it appeared that only the number of horses increased (5.8%). The other kinds of live-stock, such as cows, goats/sheep and pigs decreased by 2.3%, 5% and 6.3% respectively, whereas the number of buffaloes likewise dropped, although only slightly.

In 1958 the number of live-stock slaughtered amounted to 2,375,320 against 2,582,047 in 1957 or a decrease By 8.2%. Generally speaking, this decrease oc-

TABLE 48 --- LIVESTOCK (^{'000} head)					
	Cows	Buffaloes	Horses	Goats and sheep	Pigs
1940	4,141	3,003	693	6,948	1,253
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	1,469
1956 *)	5,158	2,856	618	9,267	1,651
1957 **)	5,037	2,845	654	8,811	1,547
*) Revised figures **) Provisional figures					

Source : Veterinary Service

curred with all kinds of live-stock, except the slaughter of sheep, which increased somewhat (2%) . The fall in trade slaughter was due to the stagnation of inter-insular live-stock trade. As is known Madura and Nusa Tenggara (Bali,Lombok and Sumbawa) are the main cattle producing centres in Indonesia. From these islands, domestic animals as well as cattle for slaughter are shipped to the various areas in Djawa, Sumatera and Kalimantan, or exported. Due to the withdrawal of K.P.M. from Indonesia, shortage of tonnage was highly felt, especially with regard to the transport of live-stock, as the ships at our disposal do not possess special cattle accommodation as the K.P.M.-liners did. In areas as Central and South Sumatera, where the requirements of live-stock largely depend on the consignments from the above producing islands, the stagnation in sea-transport became one of the reasons for the increase in meat-prices up to Rp 60.— per kilo, while at the end of 1958 in Bangka, meat-prices revolved at around Rp 80.— to Rp 100.— per kilo. However, a gratifying thing is the boost in milk- production from year to year :

1955	—	15,380,640 litres
1956	—	19,940,400 litres
1957	—	20,516,548 litres
1958	—	21,727,947 litres

This progress is attributed to the information and guidance given especially in dairy-farming, information on the advantages of milk as a daily food, the up-grading of dairy cows by way of insemination by imported cows. At the moment at the parent dairyfarm at Bojolali there are 100 imported cows. Other efforts comprise the setting up of a State dairy at Lahat (South Sumatera) for Rp 25 million. At Kebajoran (Djakarta) the establishment of a milk centre has been contemplated at the estimated cost of Rp 30 million.

Efforts to promote stock of cattle are made by augmenting cattle breeding stations; at Kopeng (Central Djawa), for instance, a parent stock farm was set up. By this augmentation Central Djawa is now in possession of 2 cattle breeding stations: one of the cattle breeding stations situated at Baturaden is the biggest throughout Indonesia. The other cattle breeding stations are found at Rembangan (East Djawa), Padang Mangatas (Central Sumatera) and Matawai in Sumba. At Tebing Pandjang (South Sumatera) a mixed cattle/ agricultural industry was established at the cost of Rp 12 million. In the scope of the 5-year plan the Kalimantan Veterinary Service also set up a centre for cattle breeding upstream on the Mahakam river, and a centre for breeding ducks at Samarinda.

The cattle export in 1958 fell off again as compared with 1957, among other things owing to the diminishing of the export of pigs by 26%, buffaloes by 23 % and cows by 4%. A further decline in the exports did not occur because goats, which were not exported in the preceding years, were exported to Penang in this year amounting to 5,171 head.

Cattle-diseases such as foot and mouth disease among cows, malleus disease among horses, and fowl pest among chickens have destroyed 19,286 head in 1958.

Fisheries

During 1958, production of sea fisheries in Djawa and Madura decreased by 14%. In the areas outside Djawa, the reverse took place, i.e. Sumatera with an

increase by 3%, Kalimantan by 6% and East Indonesia by 8%. On the whole, the total production of sea fisheries for the year 1958 underwent a slight decline when compared to the 1957 yield.

Inland fisheries—yield figures for 1958 have not yet come in—may be considered to have suffered a substantial setback attributable to the fact that for the duration of the fishing season the seas around Kalimantan remained high rendering fish-catching difficult. Fishing in Sumatera (South Sumatera) and on the Tempe Lake (in Sulawesi) could not be carried out in relation to the security problem in these regions. Only in Djawa and Madura, the inland fisheries assumed a cultivation aspect and also did not suffer from disturbances. It is a safe guess to assume that their yield was better than that of the year before. Because of the afore-mentioned conditions, the total inland fisheries yield was estimated at only 300,000 tons.

	Sea fisheries				Inland fisheries			
	1941	1956	¹⁾ 1957	1958	1941	1956	1957	²⁾ 1958
Djawa and Madura	...	102	116	99	37	84	78	
Sumatera	...	128	120	124	24	51	61	
Kalimantan	...	93	85	90	64	131	141	
East Indonesia	...	95	85	92	22	30	32	
Total	315	418	406	405	147	296	321	
¹⁾ Revised figures ²⁾ Figures not yet available								

Sources : Sea Fisheries Service ; Inland Fisheries Service

Bearing in mind the annual fish consumption need of around 20 kg per head, Indonesia would have to supply annually as much as 85 million X 20 kg = 1,700,000 tons of fish. It may be deduced from this how substantial is the protein shortage if we remember that in the year 1958 the fish supply covered only 25,000 tons of imported fish plus 700,000 tons representing the domestic fisheries yield.

Activities to augment the fish yield were intensified, among others by setting up organizations, cooperatives, cadre training centres, the improvement of cultivation and fish-cashing methods. The Inland Fisheries Service opened up marshes for turning into new fish cultivation areas, made experimental ponds and at fixed intervals arranged contests (involving prizes) for the cultivation of fry. To attract trained personnel, for the first time at Bogor, was set up a High School for Inland Fisheries (S.M.P.D.A.). The Sea Fisheries Service introduced new methods of fish-catching (trawl system) in the coastal regions of Central Djawa, Surabaya, North Sumatera and Makassar with satisfactory results. These new methods covered among others: the use of V-shaped “otter trawl” nets to the length of about 35 metres for raking fish at the bottom of the sea, while “mid water trawl” nets were used for other catches.

The Five-Year Plan of the Sea Fisheries Service with an outlay of Rp 80 million covered among others:

	<i>(million Rupiahs)</i>
a) the setting up of fishing communities at Kota Baru (Kalimantan)	22.07
b) the construction of a fishing boatyard and dock on Riau Island	4.0
c) canning works at Ambon	0.78
d) ice factory at Tegal	0.4
e) instituting mechanization in fishing enterprises	25.76
f) the setting up of fishing centres	26.99

On the part of the Government, aid to the amount of Rp 1,030,000.— was provided to a number of sea fishery cooperatives in 1958. It is hoped that the Smallholders & Fishermen Bank, with a capital of Rp 100 million, may be in a position to help smallholders and fishermen in their financial needs by giving out credits, as a means of freeing smallholders and fishermen from foreign merchants

who until now managed to enjoy a grip on them by their infamous “idjon” system (advancing money at exorbitant interest before crops).

In the meantime, fishermen had to cope with complications as a result of the high prices of materials, such as solar oil and lubricants for running their fishing trawlers, with the shortage in fish hooks the price of which was stepped up from 7 cents to 30 cents per piece, “lawe” yarn for netting rose from Rp 9,000.— to Rp 14,000.— per bale, in addition to shortages in rice and other daily necessities of life.

Finally it is remarked here that Indonesia did not participate in the 1958 F.A.O. Conference because the Netherlands joined said Conference professing to represent West Irian.

Agricultural export commodities

Rubber

According to figures published by the International Rubber Study Group, world production of natural and synthetic rubber amounted to 3,066,000 long tons in 1958, a drop of 96,000 long tons or 3% as compared with the foregoing year; whereas consumption increased by 2%, from 3,143,000 long tons to 3,213,000 long tons.

The drop in the world production of rubber occurred with natural as well as synthetic rubber, and while the decrease in the world production of natural rubber was mainly due to the decline in the production in Indonesia, the decline in the world production of synthetic rubber was principally attributed to the decrease in the production in the U.S. as the greatest synthetic rubber producer, from approximately 1,118,000 long tons to 1,053,000 long tons, a decrease by about 6%. On the other hand, an increase could be seen in Canada and West Germany, with the largest increase in production for the last mentioned country.

Production	1956	1957	1958	Consumption	1956	1957	1958
United States	1,080	1,118	1,053	United States	874	926	872
Canada	121	132	135	United Kingdom	40	57	63
West Germany	11	12	23	France	32	50	55
				Canada	48	48	47
				West Germany	36	47	54
				Other countries	103	130	137
World total ¹⁾	1,211	1,262	1,211	World total ¹⁾	1,133	1,258	1,228

¹⁾ Exclusive of Russia

Source : Rubber Statistical Bulletin

If compared with the situation at the end of the previous year, world supply of natural rubber at the end of 1958 decreased from 750,000 long tons to 737,000 long tons, which was in keeping with a surplus in consumption of natural rubber to production, chiefly occurring during the first half year of 1958.

World supply of synthetic rubber at the end of 1958 also went down from 267,500 long tons to 255,000 long tons, as a result of consumption in excess of production, which also mainly occurred during the first half year of 1958.

Production	1956	1957	1958	Consumption	1956	1957	1958
Indonesia	687	685	615	United States	562	539	485
Malaya	626	638	664	United Kingdom	193	182	175
Ceylon	95	98	100	France	135	135	137
Vietnam and Cambodia	101	100	...	Russia ¹⁾	127	78	209
Other countries	379	382	...	Other countries	886	951	979
World total	1,888	1,903	1,855	World total	1,903	1,885	1,985

¹⁾ Net imports directly procured from producing countries

Source : Rubber Statistical Bulletin

The increase in the world consumption of natural rubber in 1958 was mainly due to the rise in the purchase of natural rubber by the Soviet Union and the Chinese People's Republic from; 193,000 long tons in 1957 to 356,000 long tons in 1958.

As far as natural rubber is concerned it may be observed that its role in production as well as in consumption, with respect to world production and consumption, underwent some changes in 1958 if compared with 1957. Its proportional share in world production of rubber went up somewhat from 60% to 61% while its proportional share in world consumption also increased slightly from 60% to 62%.

This should be seen as a temporary shift in the position of natural rubber with respect to synthetic rubber. The retrogression in the production and consumption of synthetic rubber in 1958 was for the greater part due to the decline of the production and consumption in the United States in consequence of the recession there, while the rise in the consumption of natural rubber was caused by the increase of purchases by the Soviet Union and the Chinese People's Republic as stated above, which facts show a temporary development. In analysing the position of natural rubber as compared with synthetic rubber, future "world technology" which has already shown great progress at the present time, is to become a factor of paramount importance.

In the foregoing annual report (1957/1958) we touched upon the activities in the field of new investigations and experiments to perfect the production of synthetic rubber in the United States.

It became evident that the synthetic rubbers: "Ameripol-SN" and "Coral Rubber" in their usage for heavy duty tyres, and with regard to cracking and wearing, have the same qualities as natural rubber. Besides, 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.

As to this butyl rubber it can be said that tyres made of this kind of rubber have the capacity to give smooth driving, and a greater stamina against skidding.

The biggest tyre factories in the United States, including the “Big Four”, have for a considerable time been manufacturing butyl tyres regularly, though on the relatively small scale of only a few hundreds daily; they have all been made to meet the orders of Esso Standard, one of the biggest tyre sales centres in the United States. Butyl tyres for passenger cars, which for the first time were sold in the markets for more than one year without using any marks indicating the raw materials used, are to be sold to U.S. motorcar owners in the forthcoming spring (1959) provided with marks indicating the raw materials used.

From the ever expanding developments in the use of synthetic rubber in the United States and the ever increasing demand for this material, the increase of its production is to be seen, inter alia from the setting up of new factories in Western Europe, such as in Fawley (England), Mark (Germany), Ravenna (Italy), and Port Jerome (France), as well as in other countries, such as Japan, the Chinese People’s Republic, Brazil and the Soviet Union.

From the above explanation it appears that there is an inclination to raise the production of synthetic rubber in the world, which implies an increasing gloomy future for natural rubber.

In strengthening the position of natural rubber in its competition with synthetic rubber, it is necessary that the natural rubber producing countries pay attention to the following:

- efforts to prevent the increase in prices of natural rubber which could enforce its competitive strength against synthetic rubber;
- efforts to stimulate production of high quality kinds of rubber, which kinds will stand competition of synthetic rubber;

- efforts to discover methods to decrease cost of production which could, for instance, be done by intensive research-work.

In this context it is good to point out that the research and replanting work now energetically performed in Malaya which—besides being directed towards improving the quality of natural rubber—is also directed towards increasing the production by growing new trees, which in the future will be capable of producing latex up to four times the production of the old trees. By so doing it can be anticipated that the cost of production will go down to below the present price level, which can enforce the competitive strength of natural rubber.

TABLE 52 — RUBBER WORLD PRICES (R.S.S.I.)					
	Djakarta 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 $\frac{7}{32}$ ²⁾	14.60	24.06 ²⁾	35.4
1953	6.45	1 7 $\frac{23}{32}$	24.23	67.44	135.2
1954 ³⁾	5.99	1 7 $\frac{13}{16}$	23.64	67.30	110.9
1955 ³⁾	11.31	2 8 $\frac{7}{8}$	39.14	114.16	128.2
1956 ³⁾	9.12	2 4 $\frac{1}{16}$	34.17	96.76	144.7
1957 ³⁾	11.50	2 1 $\frac{29}{32}$	31.15	88.75	115.7
1958 ¹⁾ January	14.25	1 10 $\frac{29}{32}$	27.13	78.06	84.0
February	13.90	1 10 $\frac{13}{16}$	26.28	77.51	86.1
March	16.00	1 10 $\frac{21}{32}$	26.62	77.38	85.0
April	17.75	1 10 $\frac{29}{32}$	26.42	76.64	85.4
May	17.10	1 9 $\frac{19}{32}$	25.52	73.12	80.0
June	18.00	1 10 $\frac{1}{32}$	26.20	74.76	81.0
July	17.80	1 11 $\frac{1}{16}$	27.74	79.75	96.7
August	19.75	1 11 $\frac{19}{32}$	28.68	81.42	98.0
September	21.80	1 11 $\frac{15}{16}$	29.46	82.40	100.0
October	23.60	2 1 $\frac{11}{32}$	31.07	87.92	109.2
November	25.50	2 1 $\frac{29}{32}$	32.01	89.91	112.7
December	21.00	2 0 $\frac{11}{32}$	30.25	83.27	101.9
1959 January	22.50	2 0 $\frac{15}{16}$	30.28	86.10	106.3
February	22.75	2 1 $\frac{3}{32}$	30.26	86.02	105.9
March	22.50	2 2 $\frac{3}{32}$	31.58	89.44	111.8

1) At beginning of period; 2) spot; 3) revised figures

Sources: Rubber Statistical Bulletin; Daily Market Service

The drop in rubber prices in the world market which already occurred during the last quarter of 1957, turned out to have continued during the first months of 1958, mainly caused by the influence of the recession in the United States. Ac-

According to New York market quotations the price of R.S.S. I quality during that period dropped from U.S. \$ cts 29.21 to U.S. \$ cts 25.52 per lb. Afterwards quotations began to show an upward trend in June and continued to rise till the end of 1958. The rise in quotations as from June was chiefly due to the termination of the recession in the United States, which caused an ever recovering business activity in the United States as well as in Western Europe. Further, it can be added, that the large scale purchases of natural rubber (during 1958) by the Soviet Union and the Chinese People's Republic on the London market, proved to have also contributed to the development of world prices. Brisk business activities after the termination of the American recession caused an ever increasing demand for natural rubber, among other things for the expansion of the automobile industry in Western Europe and the United States.

As far as the motorcar manufacturing industry is concerned it may be observed that the phenomenon of a change in taste resulting in a growing preference for small cars throughout the world (including the United States), caused Western Europe to experience a "motorcar boom" during 1958. To give only a few instances, small cars such as the West German Volkswagen, the French Renault, the British Hillman are in favour to such an extent in the world market that the motorcar factories of the "Big Three" (G.M., Ford, Chrysler) in the United States changed their traditional trading policy (i.e. exclusively making big model cars).

It may also be mentioned that at the conference held under the auspices of the International Rubber Study Group at Hamburg in June 1958, which was attended by 22 member-countries, the decision was made to pay heed to suggestions brought forward with respect to the limitation of the fluctuation in the prices of natural rubber. The scheme of a price-fixing was only approved by Indonesia and Ceylon; Malaya voted down the scheme, while France was inclined to eliminate a boom in prices exceeding those after the fixing of the London quotations. As to the development of the R.S.S.I-price in Djakarta, it can be said that during 1958 the quotations were steadily going up and were only broken off in February and December. The price of Rp 14.10 per the end of 1957 edged up to Rp 25.50 in November and dropped again to Rp 21.00 per the end of 1958. The upward trend in prices during

1958 was largely due to the political developments in the Middle East and the purchases on a large scale by the Soviet Union and the Chinese People's Republic in Southeast Asian markets (Malaya, Ceylon and Indonesia).

From table 53 can be seen that, as was also the case in the foregoing year, estate rubber production decreased in 1958 by about 32,600 tons net or + 14%, a still greater fall as compared with the decline of 3% in 1957.

The policy of placing Dutch-owned estates (including rubber estates) under Government control within the scope of the West Irian campaign launched at the end of 1957, affected the overall smooth production of estate rubber.

The adjustments in the field of production at the beginning of the following month in 1958, more or less created problems which were reflected in the overall production which experienced a decline especially during the first half year of 1958. Further the following events: sabotage efforts, lootings by the rebels and large scale thefts which, among other things, happened in the East Sumatera estates, also caused a decline in the production of estate rubber.

TABLE 53 — PRODUCTION AND EXPORTS OF ESTATE RUBBER (net tons)		
	Production	Exports
1938	175,066	156,758
1953	309,098	293,134
1954	288,054	244,280
1955	266,283	237,308
1956	265,994	234,443
1957	258,494	239,115
1958	242,710	206,496

Source : C.B.S.

Gradually an improvement occurred; the control in the hands of the P.P.N.-Baru which is co-operating with the State organs, and the ever growing consciousness of working discipline caused among other things an upward trend of the produc-

tion during the last quarter of 1958, when production little by little achieved the 1957-level.

According to the Central Bureau of Statistics, the volume of rubber exports during 1958 experienced a drop of 15% whereas its income as a result of the less favourable rubber prices abroad (see the constantly declining New York quotations up to the end of the first semester, after which they were going up at the end of 1958 with quotations still below the 1957-level decreased by 26%.

As to the countries of destination of the estate rubber exports, it can be said that in 1958 the United States remained the leading buyer with 67,896 tons net against 79,771 tons net in 1957. Other major buyers were, in descending order: the Chinese People's Republic (34,529 tons net), the United Kingdom (29,288 tons net), West Germany (26,730 tons net) and the Soviet Union (16,561 tons net). Exports of estate rubber to the United States, the United Kingdom, West Germany, Japan and the Netherlands proved to have dropped, while exports to the Chinese People's Republic and the Soviet Union increased. The decrease of estate rubber imports by the western countries cannot be seen detached from the influence of the recession and the expansion of synthetic rubber industries in those countries. Although the Soviet Union and the Chinese People's Republic also pos-

	1938	1955	1956	1957	1958
West Kalimantan	30,354	77,895	74,166	84,853	82,524
South and East Kalimantan	27,390	69,627	52,664	62,696	61,275
Palembang	23,964	84,950	77,645	59,247	51,766
East Sumatera	20,280	58,243	35,019	37,563	38,702
Djambi	22,206	57,244	56,283	43,875	35,271
Tapanuli	4,044	6,077	9,254	8,247	5,823
Lampung	5	15,288	28,883	29,306	22,215
Other areas	18,353	95,552	79,432	81,369	71,415
Total reported exports	146,596	464,876	413,346	407,156	368,991

Source : C.B.S.

ness synthetic rubber factories, yet industrial expansion (among other things, the motorcar manufacturing industry) and stock-piling at home, caused their imports to increase by large quantities during 1958.

Out of the total exports of smallholders' rubber for 1958 a quantity of 147,930 tons went to Singapore (in 1957: 173,300 tons); next came the United States with 74,225 tons, while England and the Chinese People's Republic took the third and fourth place respectively with 71,248 tons and 45,993 tons.

Exports of both smallholders' and estate rubber to Belgium/Luxemburg and to Brazil, which in 1957 amounted to about 9,915 tons, and 3,128 tons (for the greater part consisting of smallholders' rubber dropped in 1958 to 4,412 tons for Belgium/Luxemburg (mostly estate rubber) and 86 tons for Brazil consisting of smallholder's rubber only.

Table 54 lists exports of smallholders' rubber from the principal producing areas. The figures in this table show that in 1958 West Kalimantan remained the major smallholders' rubber exporter with a total of about 82,500 tons; this means a decline compared with 1957, when rubber exports amounted to about 84,800 tons dry. With the exception of East Sumatera, from which area the volume of smallholders' rubber exports somewhat increased, namely from 37,500 tons to approximately 38,700 tons dry, the exports from the other principal producing areas experienced setbacks, the largest being for the South Sumatera regions (Djambi: 8,600 tons, Palembang: 7,090 tons).

Based on the overall exports as an indication, the production of smallholders' rubber has experienced setbacks since 1954 (see table 54). This is mainly attributed to the trees which are growing old and resulting in a decline of the output of smallholders' rubber estates, and difficulties in transportation.

In Kalimantan, for instance (the leading rubber producer in Indonesia, with about 30% of the total exports of smallholders' rubber) rubber trees have in general reached the age of 25 to 35 years.

Among the 600—800 trees, out of an approximate total of 78 million trees grown on 84,500 ha of smallholders' rubber estates throughout Kalimantan, the highest output is 2 kg per day per tree; whereas, if these trees were still young (between 7 to 20 years) the output of each tree could reach a total of 3 to 4 kg. It is clear that as a consequence of the old age of the smallholders' rubber trees, their output has experienced a decline in the above areas. In Djambi, for instance, from about 50% of the rubber trees almost no output can be obtained as a consequence of the old age of the trees in that region.

The composition of exports of smallholders' rubber by qualities (see table 55) shows that shifts occurred in the year under report.

	Volume (tons)				Value (Rp '000)			
	1957	%	1958	%	1957	%	1958	%
Sheets	160,389	39.4	166,410	45.1	983,852	42.4	848,358	48.6
Blankets and barkcrepe	178,657	43.9	161,629	43.4	965,014	41.6	724,141	41.5
Scraps	3,854	0.9	4,781	1.3	19,405	0.8	19,595	1.2
Slabs	64,256	15.8	36,172	9.8	351,543	15.2	152,107	8.7
	407,156	100	368,992	100	2,319,814	100	1,744,201	100

Source : C.B.S.

In comparison with 1957, exports of sheets and scraps increased in 1958, mainly as a consequence of the continuous flow of this kind of rubber export to Singapore. The exports of blankets, bark crepes and slabs experienced a fall in 1958 which was, among other things, due to the ban on the exports of these qualities of rubber to Singapore. This was within the scope of political steps regarding the ban on barter trade, the upgrading of export rubber and the promotion of the standard of living of the smallholders. As to the exports of sheets it can be said that in the category of smoked sheets, some shifts have taken place. This is noticeable from the proportions of R.S.S. I, II, III, IV and V in the total exports of sheets

which in 1957 was 0.4%, 0.2%, 9%, 27% and 54% respectively, and which became 0.8%, 0.3%, 7%, 24% and 58% in 1958. The exports of unsmoked sheets in 1958 decreased if compared with 1957.

To prevent a continuous decline of the production of smallholders' rubber, which is of primary importance to Indonesia's foreign exchange resources, new planting (planting of rubber trees on new lands) and replanting (the replacement of destroyed plantings) should be carried out.

Supplies of agricultural implements, financial aid and quality seedlings are urgently needed by smallholders; further, the guidance of the Smallholders' Rubber Service may be an incentive for the speeding up of the production of this export commodity.

Recapitulating the above, we obtain the following facts for 1958 :

Synthetic rubber; in its world production as well as consumption, experienced a setback, especially as a result of the recession in the United States.

Natural rubber; its world consumption increased, especially as a consequence of the large-scale procurements by the Soviet Union and the Chinese People's Republic, while its production decreased. This was especially caused by the decline of the production in Indonesia, the production of estate rubber as well as smallholders' rubber, with the greatest decline among the latter in consequence of the ever decreasing output per tree, while the decrease in output per tree in smallholders' rubber estates was mainly caused by the trees which are getting older and older. To surmount the continuous decline (in view of the position of rubber as a source of foreign exchange earnings, to which may be added the position of Indonesia's position as the largest exporter of natural rubber in the world which should not easily be given up), the rejuvenation scheme should be speeded up in the days to come.

Natural rubber contra synthetic rubber; there is a tendency that the position of natural rubber is deteriorating, in consequence of the progress of world technology.

In order to be able to maintain the competitive strength of natural rubber towards synthetic rubber, producing countries should follow a policy directed to enlarge the production of high-quality natural rubber and the fixation of competitive prices.

Copra

According to data from the “Induk Koperasi Kopra Indonesia” (I.K.K.I. Central Copra Co-operative), copra purchases in 1958 amounted to 102,600 tons net, a decline of 23 % if compared with the year before. As can be seen in table 58, purchases in East Indonesia dropped considerably from 107.3 tons to 3.9 tons while Kalimantan and other regions showed a rise: the volume of purchases increased by 19.4 tons and 7.4 tons in 1957 to respectively 43.7 tons and 55.0 tons in 1958.

As illustrated by the figures from 1953 till 1958 copra purchases in East Indonesia, which up to the moment is the main region and source of copra purchase, turned out to be on the decline year by year, while on the other hand Kalimantan and other regions were growing in importance. The decline experienced by East Indonesia throughout 1958 was caused by difficulties in the region added to difficulties in transportation. With a view to that, I.K.K.I. as the only intermediary body in satisfying domestic need for copra has been forced to encourage the purchase of copra in other regions in Indonesia. This can be seen from I.K.K.I.’s

	East Indonesia	West Kalimantan	Other areas	Total
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
1958	3.9	43.7	55.0	102.6

Source : Jajasan Kopra, since July 1957
Induk Koperasi Kopra Indonesia

development in 1958 if compared with the previous year. I.K.K.I.'s organization in 1957 consisted of 19 central co-operatives with 252 primary co-operatives with about 10,700 members, while in 1958 this number grew to 32 central co-operatives with 472 primary co-operatives with 28,500 members which marked a significant increase. I.K.K.I.'s purchases of copra amounted to an average of 8,500 tons monthly, and this quantity was allocated to oil mills in the following regions: West Djawa 3,100 tons per month, Central Djawa 2,800 tons, East Djawa 400 tons, South Lampung 1.200 tons and West Kalimantan 600 tons. The total amount allocated during the year under report was about 101,200 tons. It can be concluded therefore that total purchases by I.K.K.I. were entirely allocated to home consumption. The export volume of copra in 1958 reached 116,900 tons net, which means a decrease of 61% from the previous year figures. Export proceeds also went down with 57%, from Rp 433.1 million to Rp 187.2 million.

The export of copra cakes also showed a fall of 8% in volume, namely from 125,900 tons in 1957 to 115,600 tons in 1958, while proceeds decreased by 2%, from Rp 52,8 million to Rp 51.5 million. The difference of decline between export volume and proceeds of those two products was caused inter alia by the rising copra price in the world market during 1958. In January 1958 copra price quotation in London was on the level of £ 69.0.0 per long ton for Straits copra c.i.f. Europe. Afterwards this price went up continuously to reach £ 89.0.0. at the end of 1958.

There was no export of coconut-oil during the year under review due to the fact that the domestic need could not yet be fulfilled by the own production.

The main destination of copra exports during 1958 was still Singapore, notwithstanding the reduction of its purchases by 63,700 tons, namely from 147,900 tons in 1957 to 84,200 tons in 1958. Penang occupied a second place — formerly occupied by West Germany — with 20,400 tons. Those two amounts already constituted 89% of total copra exports.

Exports of copra cakes were mainly directed to the United Kingdom. Purchases by this country increased from 14,700 tons in 1957 to 68,100 tons in 1958.

TABLE 57 -- EXPORTS OF COCONUT PRODUCTS (net tons)			
	Copra	Copra cakes	Coconut oil
1938	554,481	91,861	20,020
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
1958	116,925	115,559	---

Source : C.B.S.

West Germany still occupied the second place with 30,800 tons (1957: 31,400 tons). The purchases of those two countries already constituted 86% of total exports of copra cakes. I.K.K.I. did not participate in exporting copra throughout the year under report. It can be mentioned that the Government appointed the C.T.C. as the only copra exporter of entire- North and Central Sulawesi, as from December 1958.

Developments on the copra market at Djakarta were slightly different from those on the world market. Besides the normal increase in prices the Djakarta market had to cope with ill- regulated supply of copra, which could not meet local demand. The copra price which at the end of 1957 noted Rp 320 per quintal, increased continuously in the first semester of 1958 to reach its peak in June, namely Rp 900.— per quintal, but afterwards dropped again to Rp 700. - per quintal at the end of 1958.

In view of the increased prices on the domestic markets I.K.K.I. raised its copra buying-price twice during 1958, viz. in October to Rp 595.— and in December to Rp 650.— per quintal.

Palm Oil

In the year 1958, the production of palm oil and palm kernels suffered a setback, respectively 13,000 tons (8%) and 4,400 tons (115) as compared with the

previous year. The average monthly yield for 1958 was 12,300 tons for palm oil and 2,900 tons for palm kernels as contrasted to respectively 13,300 tons and 3,200 tons for 1957.

The export of palm oil for 1958 increased by 2% while, the export of palm kernels decreased by 12%. The proceeds were respectively Rp 270.7 million and Rp 43.4 million as compared to Rp 296.7 million and Rp 50.4 million for the

	Production		Exports	
	Palm oil	Palm kernels	Palm oil	Palm kernels
1938	226,668	48,036	220,752	47,439
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	160,153 *)	39,503 *)	128,944	40,334
1958	147,332	35,124	131,637	35,531

*) Revised figures

Source : C.B.S.

previous year. This indicates a setback of 9% for palm oil and 14% for palm kernels. Because of price drops in the world market, the export earnings on palm oil decreased much more than its export volume.

The countries which, during 1958, constituted the main destinations for the exports of palm oil were: the Netherlands (69,082 tons), Western Germany (10,133 tons) and Japan (8,581 tons). The export to these countries formed 67% of the total exports, while the balance was exported to other countries which vary from year to year.

On the average, the price of palm oil in the world market for 1958, was lower if compared with the previous year. At the beginning of 1958, B.frs 12,250 per

long ton was quoted. It then kept weakening until a low of B.frs. 10,900 per long ton was reached at the end of the year. Palm kernels presented another picture: at the beginning of the year under review, London quoted £ 53.15.0 per long ton falling later on until a quotation of £ 52.0.0 was reached at the middle of the year. During the second semester, this quotation moved up again to £ 67.0.0 per long ton by the close of the year.

Fibres

The production of hard fibres in 1958 underwent a decline by 5,815 tons (18%) while their exports increased by 84 tons as compared to the foregoing year.

The main destination of fibres exports in the year under report was Japan (7,323 tons), while Australia, which in the previous year did not feature as unimportant buyer, came to the foreground as the second buyer with 5,917 tons. On the other hand, the United States which in the preceding year was the principal buyer, now only bought 4,788 tons, hence showing a decrease by 23%. The total of exports to the countries mentioned above formed 66% of the total of hard fibres exports.

TABLE 59 — PRODUCTION AND EXPORTS OF HARD FIBRES (net tons)		
	Production	Exports
1938	95,000 ¹⁾	90,079
1953	27,809	26,510
1954	31,331	23,971
1955	35,600	33,795
1956	35,175	33,542
1957	32,897 ²⁾	27,338
1958	27,082	27,422

¹⁾ Partly estimated since the majority of the estates did not report
²⁾ Revised figures

Source : C.B.S.

The proceeds of hard fibres exports for 1958 declined by 11% i.e. from Rp 49.4 million to Rp 44.2 million. This setback in earnings, as compared to the increased volume, was amongst others attributable to the less satisfactory world market prices for hard fibres. The price of hard fibres, which was already weakening during 1957, continued to fall off up to the middle of 1958, moving upward again till the close of 1958. From the beginning up to the middle of the year under review, the world market price for B.E.A. Sisal revolved around £72.0.0 per ton and went up afterwards reaching £ 80.0.0. by the end of the year.

The cultivation of rami and rosella, which in 1957 enjoyed very widespread attention, remained unsuccessful in the face of some problems, the most important of which was the question of financing, so that in the year under report no results from these activities could be ascertained as yet.

From table 60 may be deduced that the exported volume of kapok during 1958 increased with around 19% while the proceeds showed the reverse picture, i.e. a decline from Rp 15.0 million for 1957 to Rp 13.6 million in the following year, indicating a setback by 9%. This was mostly due to the unsatisfactory world market kapok price, resulting from the “dumping” price policy launched by Muang Thai.

Just as was the case in the foregoing year, the United States was the principal buyer for Indonesian kapok with 1,070 tons. New Zealand was second with 397 tons, whereas West Germany’s purchase was 325 tons. Exports to the aforementioned countries formed 67% of the total exports of kapok.

1958 showed a decline in the export of kapok seeds by 13% if compared to the preceding year, i.e. from 19,093 tons to 16,650 tons. Proceeds also dropped by 14% from Rp 12.5 million to Rp 10.7 million. The main country of destination for the export of kapok seeds was Japan with 16,385 tons, which almost covered the whole exports of Indonesian kapok seeds.

TABLE 60—EXPORTS OF KAPOK PRODUCTS (net tons)		
	Kapok	Kapok seeds
1938	15,445	7,123
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
1958	2,659	16,655

Source : C.B.S.

In the year under review, many endeavours were made to enlarge the cultivation of kapok trees. These activities were started in the preceding years, by means of the distribution of kapok seeds as well as by Government aid in financing. These activities were principally aimed at those areas where the weather conditions are more in agreement with the plant itself, among others, East Djawa and Nusa Tenggara. Experiments already conducted by the State Council for Industrial & Textile Affairs (Panitya Negara Urusan Industri den Tekstil) were successful in proving that kapok could be turned into a raw material for rough textiles, so that hopes are high that by increasing the kapok yield, the need for coarse textiles might be covered by domestic production in years to come.

Cinchona

Production of cinchona bark rose by 430 tons (13%) in 1958 compared with the foregoing year, while exports increased by 405 tons (11%). The main part of cinchona bark exports was directed to Belgium/Luxemburg (3,773 tons net), which replaced the Netherlands as the largest buyer. Export proceeds of cinchona bark amounted to Rp 11 million in the year under report against Rp 9.5 million in 1957, an increase by 16%.

Exports of quinine amounted to about 10 tons, while there had been no exports of quinine in 1957. The entire quinine exports went to the Chinese People's Republic.

TABLE 61 — PRODUCTION AND EXPORTS OF CINCHONA PRODUCTS (net tons)			
	Production (dry bark)	Exports	
		Cinchona bark	Quinine
1938	10,995	6,957	182
1953	1,204	454	3
1954	1,797	617	1
1955	2,656	1,207	1
1956	2,251	1,508	—
1957	3,488 *)	3,650	—
1958	3,918	4,055	10

*) Revised figures

Source : C.B.S.

Quinine output of the “Bandoengsche Kinine Fabriek” increased in the year under review, resulting, inter alia, in production of sulphate of quinine tablets to an amount of 150 tons, compared to 82 tons in 1957.

Forest products

The production of lumber, firewood and charcoal, computed in the equivalent of rough timber, totalled about 3,753,000 m³ in 1958 as against 4,248,000 m³ in 1957, showing a decrease of about 495,000 m³.

TABLE 62 — TIMBER FELLING IN VARIOUS AREAS (’000 m ³ , rough timber equivalent)					
	Djawa and Madura	Sumatera	Kalimantan	East Indonesia	Total
1939	1,810	1,570	562	92	4,034
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 *)	2,025	1,623	531	69	4,248
1958	1,946	1,257	479	71	3,753

*) Revised figures

Source : Forestry Service

If we examine the total production according to the sortment of wood and its producing areas, it can be said that the production of lumber dropped in all the islands except in the Nusatenggara islands (see tables 62 and 63).

	Lumber	Fire-wood	Charcoal	Total
1939	2,009	1,667	358	4,034
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 *)	2,287	1,484	477	4,248
1958	1,953	1,386	414	3,753

*) Revised figures

Source : Forestry Service

In Djawa, where the need of timber for all building purposes was very great and the market conditions favourable, there was a drop of production of lumber from about 710,000 m³ in 1957 to about 684,000 m³ in 1958. The drop of about 26,000 m³ was due not only to the increasingly longer distance between the logging forests and transportation roads, but was also directly caused by the insufficient budget, being an important factor.

While the estimates for exploitation in 1958 was raised by 1 1/2% for 1958, the real exploitation costs rose by 5% compared with that of 1957.

The decline in timber production outside Djawa and Madura, especially in Sumatera and Kalimantan, was among other things strongly influenced by the lack of shipping space and the high costs of sea transportation to the consuming places, especially Djawa. Security conditions were another factor that should not be overlooked.

It is clear, therefore, that the decline in production, especially in the main production centres, i.e. Djawa, Sumatera and Kalimantan, was influenced by general external factors beyond the sphere of competence of the Forestry Service.

The production of firewood particularly, was to meet the need of the Railway Service and several important industries in Djawa and Madura. The production of firewood in Djawa and Madura dropped from about 1,185,000 m³ in 1957 to 1,145,000 m³ in 1958. The production of firewood in Djawa and Madura, particularly of teak firewood, was adjusted to the need of the Railway Service, being the main consumer.

This drop in production did not necessarily mean that certain needs for firewood could not be met by the Forestry Service, inasmuch as at the end of 1958 there were still unsold reserves estimated at about 54,000 m³ found at various dumping places, while in the forests there were still available supplies of about 78,000 m³. The drop in the production, accordingly, did not interrupt the supply to consumers.

The production of charcoal dropped from about 477,000 m³ in 1957 to 414,000 m³ in 1958.

Besides wood, the following productions were also recorded :

Tanning bark	about	8,863	tons
Cayuput oil	about	46,000	litres
Turpentine oil	about	57,799	litres
“Gondorukem” (pine resin)	about	219	tons
Lacquer, crude	about	308	tons

A review of this production sector, if compared with the production of 1957, clearly shows a declining trend. It can be said nevertheless, that, based on the implementation of the 1958 wood-cutting program, this program W35 not only well carried out, but even exceeded the quota scheduled.

Production of lumber:

Plan		1,612,000	m ³
Production	about	1,845,000	m ³

Production of firewood:

Plan		1,673,000	m3
Production	about	1,848,000	m3

Production of charcoal:

Plan		41,000	tons
Production	about	83.000	ton;

In the export sector was a decline in 1957 compared to 1956 only regarding forest timber. This became worse in 1958, affecting the export of teak, firewood and forest timber as well.

The exports of lumber of all kinds, including barter transactions with Singapore, dropped from 100,315 tons (= about 206,000 m3) in 1957 to 68,196 tons (= about 125,000 m3) in 1958. The exports of teak, being one of the most valuable timber, also dropped, from 10,521 tons in 1957 to 7,688 tons in 1958 (see table 64) .

	I m p o r t s			E x p o r t s		
	Triplex cases	Wood pulp	News print	Teak	Other kinds of timber	Fire wood
1938	23,586	500	6,196	13,281	304,073	84,536
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	28,123 ¹⁾
1958	7,162	539	14,336	7,688	60,508	21,573

¹⁾ Revised

Source : C.B.S.

Barter trade between Central Sumatera and Singapore experienced a decline from about 179,000 m3 in 1957 to about 117,000 m3 in 1958.

Foreign exchange earned by these exports also dropped, from Rp 35.7 million in 1957 to Rp 25.2 million in 1958.

Exports of firewood from Sumatera through barter trade dropped from 28,122 tons in 1957 to 21,573 tons in 1958, worth Rp 3 million and Rp 2.3 million respectively.

Barter exports of charcoal, also from Sumatera to Singapore, totalled about 30,500 tons in 1957 valued at Rp 11 million as against about 27,000 tons in 1958 valued at Rp 9.6 million.

TABLE 65 — EXPORTS OF FOREST BY-PRODUCTS (gross tons)			
	Copal	Damar	Rattan
1938	11,828	8,017	36,068
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
1958	3,525	3,719	27,359

Source : C.B.S.

In 1957 reforestation on a total of 46,457 hectares of land was carried out, divided into 7,602 hectares planted with conifers, 18,437 hectares with teak trees and 20,418 hectares with other trees. Reforestation in 1958 was carried out on a total of 46,566 hectares of land, 6,435 hectares of which were planted with conifers, 17,610 hectares with teak trees and 22,521 hectares with other trees.

For 1959 it has been planned to carry out reforestation on the same scale as 1958.

In the reforestation sector, as was the case in 1957, the Forestry Service laid stress on the planting of trees suitable for industrial purposes, such to comply with the development plan. Until the end of 1958 about 16,000 hectares of land were planted with *Agathis* and *Pinus* in the framework of the implementation of the “Notog” project (paper mill), while for the “Tjirohani” project (paper and triplex), district of Sukabumi, about 4,800 hectares of land were planted with *Agathis* and *Albizzia*.

Outside Djawa about 20,000 hectares of land were planted with *Pinus* until the end of 1958, in the framework of the implementation of the “Aek Na Uli” paper mill project (East Sumatera), while work was also started to prepare a tannine project by taking advantage of the mangrove swamps in North Sumatera.

Sugar

Production of sugar in 1958 amounted to 770,000 tons net or about 101,000 tons less than the original estimates of May 1, 1958. Sugar production in 1958 decreased compared with 1957, from about 828,200 tons to about 770,000 tons net (—7%). Many factors influenced the decline in the production, among other things the shortage of experts, irrigation difficulties, less efficient method of cutting, labour difficulties, insect plagues in several estates, late arrival of fertilizers and sugar-cane thefts, which could not yet be surmounted.

	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
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	735,434	166,945
1957	52,265	128	828,250	144,216
1958	52,627	104	770,213	87,167

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

The number of sugar mills participating in the production for 1958 was the same as in 1957 i.e. 52 mills with a total of about 52,000 hectares of sugarcane. Smallholders' cane at the end of 1958 covered an area of 38,000 hectares as against 40,000 hectares at the end of the previous year. In this connection it may be observed that during the 1958/1959 harvesting year "Jajasan Tebu Rakjat—Jatra" (the Smallholders' Sugar-cane Foundation) —a body of the Ministry of Agriculture— granted credits of Rp 150 million to sugar-cane farmers for the planting of smallholders' sugar-cane on an area of about 40,000 hectares. In the previous harvesting year Jatra extended credits totalling Rp 135 million for the planting of smallholders' sugar-cane over an area of about 41,000 hectares.

Regarding "Kantor Penyelidikan Gula Tebu Rakjat" (Smallholders' Cane-sugar Research Office) in Solo, the following can be stated. In addition to research work to improve the quality of smallholders' cane-sugar and developing smallholders' sugar enterprises, the Research Office also made efforts to construct sugar-cane milling machines which could be used with efficiency by the small cane planters. The construction of the milling machines was made to suit the ability of the small sugar-cane farmers to use them. Milling of smallholders' cane which was formerly done by the use of wooden mills and animals, at present has for the greater part been replaced by machines. Reports from the Research Office mentioned that the increase in requests by smallholders for the machines during the year under review could not be met fully because of the limited number of machines produced (48 machines every year). Orders for the milling machines mostly came from regions producing large amounts of smallholders' sugar-cane, i.e. East Djawa. In this connection it should be mentioned that the lack of interest among the sugar-cane farmers to sell their canes to the mills was due to the greater profit they could make if they processed their own cane into sugar.

According to the B.P.S. figures, the exports of sugar during the year under review showed a decline of 40%, i.e. from about 144,000 tons to about 87,000 tons. The decrease in exports was due not only to the decline in sugar production at home, but also to the unfavourable sugar prices in the world markets during the year under review. For the home consumption in 1958 about 783,000 metric tons

Destination	Volume ('000 tons)		Value (Rp million)	
	1957	1958	1957	1958
Japan	11.0	—	11.9	—
China	8.6	40.6	12.0	37.4
Burma	2.6	—	13.7	—
Thailand	—	2.2	—	2.2
Singapore	17.1	4.5	25.0	5.0
Indo China	13.4	6.0	17.7	5.6
Ceylon	21.0	9.1	33.5	8.4
Hongkong	18.3	20.3	27.6	21.2
Syria and Libanon	11.4	—	12.4	—
Manchuria	10.7	—	11.7	—
Korea	12.3	4.4	13.5	4.1
Other countries	17.8	—	14.4	—
Total	144.2	87.1	193.4	83.9

Source : C.B.S.

were made available, of which about 252,000 tons came from the surplus of the 1957 harvest. The average home consumption could, therefore, be fixed at about 65,250 metric tons gross per month, showing an increase of about 7,400 metric tons per month compared with the average monthly consumption in the preceding year.

Sugar prices at home which were fixed at the end of the preceding year at Rp 370 per quintal for S.H.S. quality and Rp 360 for H.S. quality per quintal, since April 25, 1958 were increased by the Ministry of Trade to Rp 440 for S.H.S. quality and Rp 430 for H.S. quality per quintal. The increase in sugar prices was effected to suit the increase in production costs.

From table 67 can be seen that sugar exports in 1958 decreased compared with the preceding year. the Chinese People's Republic constituted the first purchasing country (40,000 tons against 8,000 tons in 1957). Hongkong remained the second purchasing country with the purchase of about 20,000 tons against about 18,000 tons in 1957. Ceylon, which in the preceding year had been the first purchasing country, now occupied the third place with a total of 9,000 tons against

21,000 tons in 1957. Sugar exports to Singapore, South Vietnam and South Korea showed a decline during the year under review, while Japan, Burma, Syria, Libanon and Manchuria did not import sugar from Indonesia this year.

Regarding the development of sugar prices on the world markets during the year under review, the following can be mentioned.

World market sugar prices which from the middle of October to the end of December 1957 inclined to drop, moving between US\$ cts 3.50 and US\$ cts. 4.03 per lb. f.a.s. Cuba, during the period from January to the middle of March 1958 dropped further from US\$ cts 3.85 to US\$ cts 3.40 per lb. f.a.s. Cuba. Until the beginning of April the price rose again from US\$ cts 3.40 to US\$ 3.55 per lb. f.a.s. Cuba. The increase in price at that time was among other things due to the political crisis in Cuba and the rumours of an additional purchase of about 200,000 tons of sugar from Cuba by the Soviet Union. After the political crisis in Cuba had eased—beginning April 3,—the price of sugar dropped again so that in the middle of April a price of US\$ cts 3.39 per lb.f.a.s. Cuba was recorded. A strike of sugar workers in Hawaii increased the price again reaching US\$ cts 3.52 at the end of May. During the months of June, July, August and September sugar prices fluctuated continuously: US\$ cts 3.40, US\$ cts 3.50, US\$ cts 3.46 and US\$ cts 3.48. Such a price development was attributed to the political crises in the Middle East (Iraq) and South-east Asia (Qemoy). After the price had fluctuated around US\$ cts 3.48, until October 21, 1958, it dropped again continuously to US\$ cts 3.37 per lb. f.a.s. Cuba. Then the price showed a reverse trend, rising continuously and regularly until it recorded US\$ cts 3.72 on December 9, 1958. little by little the prices again dropped and at the end of 1958 reached the level of US\$ cts 3.67 per lb. f.a.s. Cuba

World sugar production developments were as follows :

On February 21, 1958, Indonesia submitted a ratification document of the international sugar agreement, thus becoming an official member of the International Sugar Council. In this connection it may be mentioned that in the amended

TABLE 68 — WORLD PRODUCTION OF SUGAR (‘000 tons tel quel)					
	Pre-war average	1955/1956	1956/1957	1957/1958	1958/1959
Djawa	1,172	851	785	828	770
Philippines	882	1,107	1,050	1,090	1,252
Rest of Asia	2,340	3,613	4,191	4,268	...
Asia	4,394	5,571	6,026	6,186	...
United States	1,630	2,110	2,317	2,575	2,553
Cuba	2,835	4,740	5,672	5,700	5,778
Rest of America	4,978	9,082	9,718	10,111	...
America	9,443	15,932	17,707	18,386	...
Europe	8,970	13,868	14,082	15,154	...
Africa	1,111	2,194	2,221	2,312	...
Australia	881	1,352	1,365	1,421	...
World total	24,799	38,917	41,401	43,459	...

Source : N.I.V.A.S.
International Sugar Council.

Sugar Convention, Indonesia received an export quota of 350,000 metric tons for 1958, while participating in the 1958 special reserves with 50,000 metric roes.

On October 24, 1958, the International Sugar Council held a meeting in Geneva. The meeting among other things decided upon technical changes in sugar trade and the establishment of a new sugar agreement. The formulation of the general aims of the new sugar agreement was more comprehensive than that of the 1953 agreement and it especially guaranteed the stability of sugar prices to importing countries and sales quota for sugar exporting countries. The principles of the 1953 sugar agreement, however, were maintained. Exports for the free market were still regulated on the “quota” system and the price regulation in the “quota” system was based on the 1956 agreement, i.e. US\$ cts 3.15 as the minimum price and US\$ cts 4.00 as the maximum. The meeting also fixed world export quota at 6,490,000 tons; out of this amount Indonesia received an export quota of 350,000 tons. Export quotas were fixed for a period of three years.

TABLE 69 -- WORLD CONSUMPTION OF SUGAR (^{'000 tons tel quel})					
	Pre-war average	1955/1956	1956/1957	1957/1958	1958/1959*)
United States	6,062	7,750	7,962	8,050	
Rest of America	2,603	6,099	6,361	6,560	
America	8,665	13,849	14,323	14,610	
United Kingdom	2,323	2,699	2,712	2,725	
France	3,092	1,233	1,418	1,425	
Germany	1,869	2,010	2,175	2,260	
Rest of Europe	5,975	9,288	11,409	11,710	
Europe	11,259	16,170	17,774	18,180	
India and Pakistan	1,379	2,235	2,400	2,435	
Rest of Asia	2,395	3,875	4,384	4,410	
Asia	3,774	6,110	6,784	6,845	
Africa	874	2,105	2,285	2,360	
Australia	451	680	702	715	
World total	25,023	38,914	41,868	42,710	
*) Figures not yet available					

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

Developments in the world sugar consumption were as follows:

The "free world market" requirements for sugar in 1958 which the Statistical Committee had earlier fixed at 5,515,000 metric tons, were increased to 5,610,000 metric tons on April 22, 1958. Until the end of 1958 the decision remained unchanged. The "free world market" requirements for sugar in 1959 were calculated at 5,580,000 metric tons.

Tea

Tea output in 1958 amounted to 46,236 tons, a constant level if compared with 1957. The amount of purchases from the population experienced a rise by 11% (390 tons) if compared with 1957.

TABLE 70 — PRODUCTION AND EXPORTS OF TEA (net tons)			
	P r o d u c t i o n		Exports
	Total	Of which from bought-up leaf	
1938	80,538	12,206	71,921
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	47,570 ¹⁾	3,545 ¹⁾	35,701
1958	46,236 ²⁾	3,935 ²⁾	34,601
¹⁾ Revised figures. ²⁾ Provisional figures.			

Source: C.B.S.

Table 70 shows that the export volume of tea decreased by 1,100 tons (3%), if compared with 1957. Export proceeds also underwent a decline by Rp 57 million (17%). Causes of the decrease in the volume of tea exports were inter alia: the difficulties experienced at the beginning of 1958 with regard to transportation.

Different from the previous year the United Kingdom in 1958 constituted the chief destination for Indonesian tea exports with its purchase of 16,000 tons, while the Netherlands, Australia and the United States were other important buyers. The shift of the Indonesian tea market from the Netherlands to other European countries was an effort by the Government to move the markets of agricultural produce away from the Netherlands.

As regards the development of world tea prices, it can be mentioned that tea of medium B.O.P. quality—which in the beginning of 1958 quoted Rs 1.95 per lb in Colombo—went up to Rs 2.25 per lb in April. September reflected a drop to Rs 1.80 per lb, while a price of Rs 2.00 per lb was quoted in December.

In Djakarta the tea price of medium B.O.P. quality at the beginning of 1958 was Rp 8.35 per 1/2 Kg. In July and August it was noted Rp 11.— per 1/2 Kg and similarly in November and December.

After World War II the position of Indonesia in the international tea market was taken by India and Ceylon and later on heavy competition was felt from the People's Republic of China. It should be mentioned here that owing to that competition and on account of the shift of the Indonesia teasale centre, Indonesian tea export proceeds for 1958 did not show a satisfactory picture.

Coffee

The 1958 production of estate-grown coffee totalled 12,648 tons or 21% less than in the preceding year. This decline was mostly attributable to the decrease in the production of the Djawa estates. Less favourable weather conditions as well as frequent pilferages were contributory factors to the 1958 coffee production figure. The average monthly yield was 1,054 tons as contrasted to 1,230 tons for 1957.

Smallholders' coffee rose by about 5,000 tons, i.e. from 60,000 tons for 1957 to 65,000 tons for 1958. This increase in the production of smallholders' coffee was also due to the increase of the production of small holdings outside Djawa, principally in the Lampong area.

	P r o d u c t i o n		E x p o r t s
	E s t a t e s	S m a l l h o l d e r s ¹⁾	
1938	45,572	68,690	68,962
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	15,284 ²⁾	60,000	50,957
1958	12,648 ³⁾	65,000	27,223

¹⁾ Partly estimated
²⁾ Revised figures
³⁾ Provisional figures

Sources : C.B.S. ; Gijsselman & Steup.

The total volume of coffee exported in 1958 amounted to 27,223 tons as against 50,957 tons for 1957, so that in the exported volume a setback as much as 23,734 tons (46%) had to be ascertained. Earnings also decreased from Rp 333.5 million to Rp 206.1 million (38%). The volume of smallholders' coffee, constituting the major portion of the total coffee exported (77%), suffered a decline by 18,284 tons (45%). It should be emphasized here that the falling off in the export of coffee was mainly due to the fact that the domestic price was higher than the export price. Transport problems were further contributory factors to this setback.

The main country of destination for the export of coffee in 1958 was the United Kingdom (12,043 tons), whereas Italy, the most important Indonesian coffee buyer for 1957, imported only 5,364 tons, a decrease by 9,497 tons.

The New York coffee price moved downwards during 1958. Whereas January could still quote US \$ cents 54.45 per lb., towards July the price dropped to the level of US\$ cents 48.61 per lb., while towards the end of December only US\$ cents 38.26 per lb. could be fetched. The price drops in the coffee world market could be ascribed to the surplus production in Brazil, which is the biggest coffee producer in the world, as well as to added supplies from Africa and the Latin Americas.

On the other hand, the domestic price structure of coffee showed an upward trend. January quoted Rp 1,820.— per quintal, July Rp 2,075.— per quintal and before the end of the year the price moved up again to Rp 2,130.— per quintal.

C o c o a

Cocoa production in 1958 reached the total of 1,323 tons as against 1,186 tons in 1957, an increase by 137 tons (12%).

The 1958 cocoa exports totalled 486 tons to the value of Rp 4.4 million, indicating improvements in volume as well as in proceeds, namely by 3.4% and

TABLE 72 — PRODUCTION AND EXPORTS OF COCOA (net tons)		
	Production	Exports
1938	1,584	1,572
1953	1,300	226
1954	1,164	597
1955	1,227	390
1956	1,478	542
1957	1,186	470 ¹⁾
1958	1,323	486
¹⁾ Revised figures		

Source : C.B.S.

10% respectively if compared to 1957 exports which totalled 467 tons to the value of Rp 4.0 million.

Differently from the foregoing year, the main importing country for Indonesian cocoa for 1958 was Japan with 189 tons, with on the side Belgium/Luxemburg registering 125 tons. In 1957, the Netherlands was the most important country for the export of Indonesian cocoa (379 tons). In 1958 it imported only 14 tons.

As regards the cocoa world market price, it should be pointed out that as from March 1957 up to May 1958 a steadily upward trend was noticeable, whereas prices for other raw materials demonstrated exactly the reverse. Brisk speculations were the main cause for the increase in the world market cocoa quotations. While the average price for Accra quality cocoa quoted was US\$ cents 30.6 per lb. in 1957, this price rose to US\$ cents 44.3 per lb. in 1958. The highest quotation for 1958 was US\$ cents 48.9 in June .and the lowest price was US\$ cents 38.8 per lb. for October.

Tobacco

Compared to the year before, 1958 showed a decline in the acreage as well as in the yield of tobacco. The harvested acreage for 1958 showed a decrease by

16,100 ha. (10%), i.e. from 166,300 ha. in 1957 to 150,200 ha. in 1958. The acreage under auxiliary planting decreased from 182,500 ha. for 1957 to 154,800 ha. for 1958. Although 1958 showed a decrease in “unproductive acreage” -indicating an improvement—a setback was established because this improvement was far smaller than the decline in the total harvested acreage.

	Estate production		Exports
	Deli	Djawa	
1938	13,786	20,924	49,204
1953	3,630	6,760	14,458
1954	3,268	4,185	19,193
1955	3,457	3,548	12,897
1956	3,042 ¹⁾	3,921 ¹⁾	11,493
1957	2,833	5,782	14,173 ¹⁾
1958	....	....	21,219

¹⁾ Revised figures.

Source : C.B.S.

From incoming reports, the conclusion may be drawn that the cultivation of Virginia tobacco enjoyed more popularity than that of any other kind. In addition, in the Jogjakarta area, the cultivation of the “Vorstenlanden” variety of tobacco will again be intensified considering the fact that this tobacco genus has been wellknown in the world market for a long time.

The exported volume of tobacco during the year 1958 totalled 21,219 tons net. Compared to the foregoing year, the exported total volume showed an Improvement by 7,046 tons (50%). The increase in the tobacco export volume for 1958 was caused by the exportation of the 1957 stock, which could not yet be sold in 1957 for want of shipping space and which situation could only be remedied towards the middle of 1958. Regrettably, not the entire proceeds of the tobacco exports were cashed in by Indonesia, because the earnings on those tobaccos, the export of which was entrusted by the new- style P.P.N. (Central Bureau for Government Estates) to the managers of the Senembah Mij. and the V.D.M. (Verenigde

Deli Maatschappij) Estates for sale abroad, now appeared to have been retained overseas by the latter party up till now. Because of this, the Government has now transferred the Indonesian tobacco market from the Netherlands to West Germany (Bremen).

As regards the countries of destination for the Indonesian tobacco exported in 1958, it should be emphasized that the “Deli” leaf tobacco was mainly exported to the United Kingdom (965 tons) and Singapore (658 tons); the “Vorstenlanden” tobacco was mostly exported to West Germany and Belgium/ Luxemburg respectively 545 tons and 112 tons, and the “Krosok” tobacco to Belgium/Luxemburg (10,905 tons) and to the Netherlands (6,219 tons).

Spices

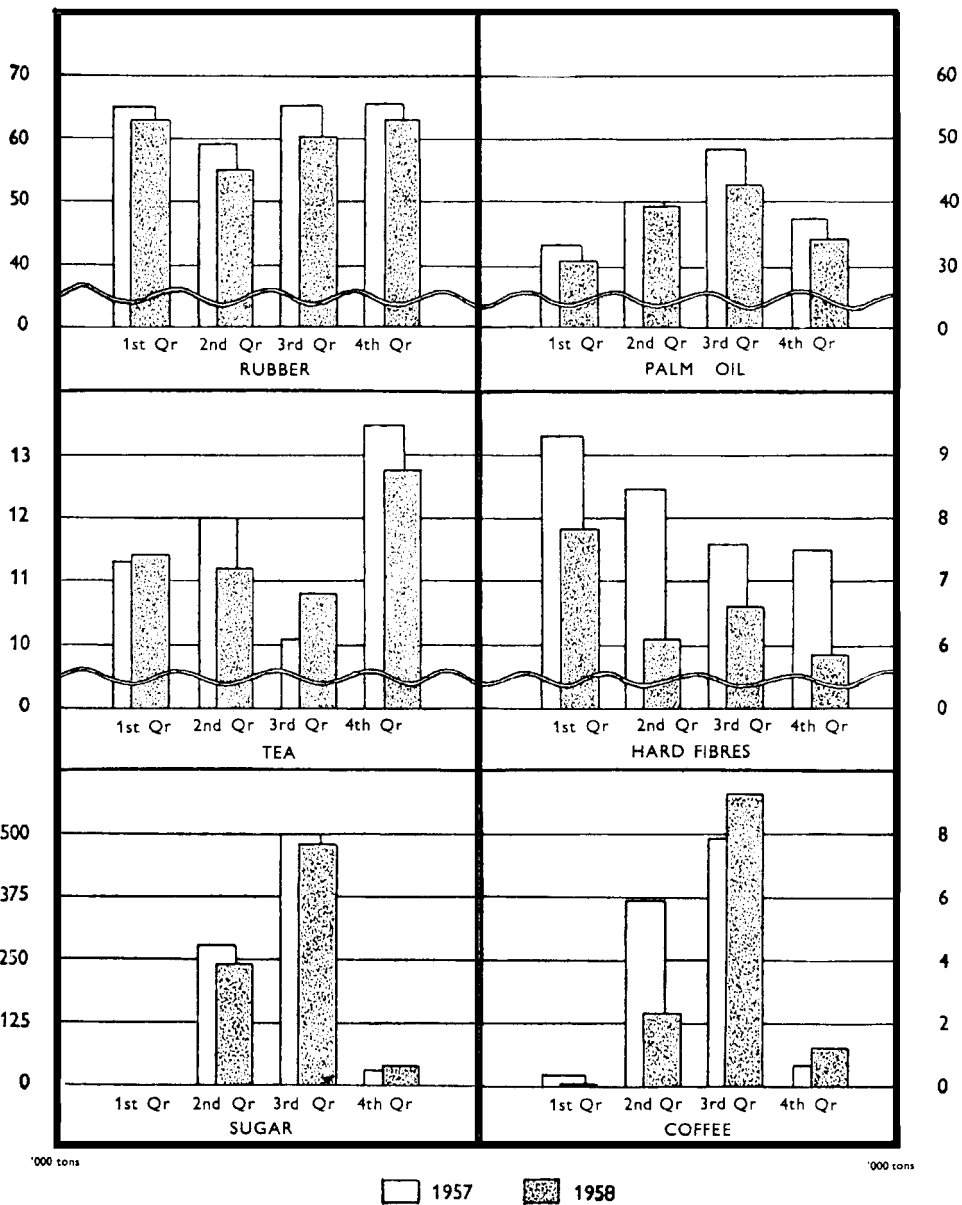
The export volume of pepper in 1958 underwent a decline by 28%.

	P e p p e r			Nutmegs and mace	Cassia
	White	Black	Total		
1938	11,350	44,199	55,549	4,811	2,505
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
1958	2,376	10,179	12,555	1,925	5,247

Source : C.B.S.

Exports of white pepper amounted to 2,376 tons valued at Rp 15 million while black pepper totalled 10,179 tons with a value of Rp 42 million. If compared with 1957 the export volume of white pepper experienced a decline by 7,500 tons, while black pepper on the other hand showed an increase by 1,200 tons.

CHART IV — PRODUCTION OF ESTATE AGRICULTURE



Chief buyers of Indonesian pepper in 1958 were Singapore (9,721 tons, Rp 43.9 million) and the United States (1,754 tons, Rp 7.9 million).

Quotation of Muntok white pepper in Singapore at the end of January 1958 was Str. \$ 99 per picul, afterwards the price jumped to Str. \$ 150 at the end of March. At the end of June the quotation was Str. \$ 135, while at the end of December there was a drop again to Str. \$ 128 per picul.

In 1958 exports of nutmegs and mace reached 1,925 tons, which was 1,102 tons or 36% less than in 1957. On account of the decreased exports of nutmegs and mace in 1958, while prices abroad also went down, export proceeds experienced a setback, from Rp 69.2 million in 1957 to Rp 35.6 million in the following year. Exports of nutmegs and mace in 1958 were chiefly directed to Singapore (1,443 tons) and the United States (193 tons).

Export weight of cassia in 1958 totalled 5,247 tons valued at Rp 19.4 million against 6,400 tons with a value of Rp 13.6 million in 1957. The average price quotation in 1957 was Rp 132.— against Rp 213.— in 1958. Cassia exports in 1958 were directed mainly to Singapore (1,947 tons worth Rp 6.1 million) and Belgium/Luxemburg (1,380 tons worth Rp 6.3 million).

Clove production throughout 1958 was far from satisfactory. The need for cloves during 1958 amounted to 15,000 tons, of which about 4,000 tons could be supplied from domestic sources. In the course of January up to November 1958, 8,338 tons of cloves and clove-stalks were imported from Madagascar, Zanzibar and Reunion in order to cover the shortage.

Mining

Oil

1958 yielded a total of 16,110,000 tons of crude oil, indicating an increase of 642,000 tons or 4% if compared with 1957. This improvement is still below that

of 1957, which was 2,738,000 tons or 21.5%. The oil companies participating in the 1958 production were the following:

B.P.M.	: 3,665,000 tons	(1957	: 3,637,000 tons)
N.I.A.M.	: 1,406,000 tons	(1957	: 1,530,000 tons)
S.V.P.M.	: 3,720,000 tons	(1957	: 3 096,000 tons)
C.P.P.M.	: 7,318,000 tons	(1957	: 7,206,000 tons)

With the exception of the N.I.A.M. showing a decline by 8%, the present picture depicts the other three oil companies with an increase in their production. Worth noting is the greatest increase in production shown by the S.V.P.M. to an aggregate of 624,000 tons or 20%.

	Crude oil			Oil products	
	Production	Imports	Exports	Imports	Exports
1938	7,398	—	68	158	5,999
1953	10,225	2,279	2,086	103	7,689 *)
1954	10,775	2,131	2,303	92	7,618
1955	11,730	2,678 *)	3,176 *)	192 *)	6,515 *)
1956	12,730	2,564	4,411	230	6,116 *)
1957	15,468	3,277	6,950	467 *)	8,663 *)
1958	16,110	1,257	7,343	457	6,024

*) Revised figures

Sources ; C.B.S. Djawatan Pertambangan

During 1958, Indonesia exported crude oil and its derivative products to an aggregate of 13,367,000 tons and to a total value of Rp 3,191.1 million. The portion represented by crude oil in this total was 7,343,000 tons, to a value of Rp 1,302.7 million, whereas the total of derivative products was 6,024,000 tons to a value of Rp 1,888.4 million. Compared to 1957, the 1958 export of crude oil and its derivatives showed a decline by 2,246,000 tons or 14%. It should be added here that the export value of crude oil and derivatives during the year under re-

view covered as much as 37.4% of the overall total export value from Indonesia. During 1958, the export volume as well as the export proceeds of crude oil increased respectively by 6% and 15% : on the other hand, the export of derivative products showed a decrease of respectively 30% and 26%. Hence the increase in export of crude oil (393,000 tons) was not at all in proportion to the decrease in the export of derivatives (minus 2,639,000 tons) resulting in a decrease both in weight and in export proceeds of oil on the whole.

The main destinations for crude oil in 1958 were the United States of America, Australia and the Philippines which purchased respectively 2,862,000 tons, 1,940,000 tons and 1,148,000 tons. Thus these three countries combined consumed the major portion (81%) of the total Indonesian crude oil exports. The United States of America purchased 39% of the total crude oil exports. Compared to 1957, Australia and the Philippines increased their purchases, while the portion of the United States of America showed a decline by 316,000 tons or 9 %.

Since 1954, the import of crude oil showed a steady downward trend: the total of crude oil imported in 1958 was 2,030,000 tons (62%) below that of 1957. Because of this, the import value also declined from Rp 627 million to Rp 218.2 million.

Imported oil products only covered 457,000 tons to the value of Rp 262.4

TABLE 76 -- DOMESTIC CONSUMPTION OF PETROL, KEROSENE AND CRUDE FUEL (*000 tons)			
	Petrol	Kerosene	Crude Fuel
1938	141	258	—
1953	447	473	556
1954	506	591	615
1955	513	717	677
1956	539	797	1,331
1957	606	911	2,025
1958	653	1,002	1,282

Source : Djawatan Pertambangan

million which means that both the weight and the value decreased respectively by 2% and 9%.

Kerosene produced in 1958 totalled 1,501,000 tons, 1,002,000 tons of which were used for domestic consumption. Compared to 1957, the kerosene production showed a decrease by 167,000 tons (—10%) whereas its consumption, on the other hand, increased by 91,000 tons (+ 10%).

The production of petrol also decreased, i.e. from 2,143,000 tons for 1957 to 2,116,000 tons for 1958. On the other hand, the home consumption of petrol increased from 606,000 tons to 653,000 tons, indicating an increase by 8%. As for the overall developments in mining for the year 1958, the following points of interest are worthy of note:

So as to ensure operation of the Dutch companies taken over according to written order No. SP/PM/077/1957 dated December 10, 1957, of the Army Chief of Staff in his capacity as highest Military Authority and based on Government Ordinance No. 10/1958 (enforced by Government Ordinance No. 23/1958), an organization, known as the Central Organization for the Management of Industrial and Mining Enterprises (B.A.P.P.I.T.), was set up. In line with article 4 of Government Ordinance no. 10 dated March 4, 1958, the duties of the B.A.P.P.I.T. have, among others, been defined as follows:

1. To head and provide for the proper management of companies that have been taken over so that such companies may continue their function in the industrial, mining or other fields in line with the Government aims.
2. To arrange for the financing of the production and other exigencies of such companies.

15th July 1958 saw the official opening of the Dumai harbour, which began its construction in 1957 and consumed a total outlay of US\$ 50 million. The main points of this Caltex expansion programme cover: the intensification of the Duri

and Bekasap mining fields, the construction of a road to a total length of 57 km from Dumai to the Rupa Straits, followed up by the laying down of oil-conducting pipes to the entire length of the aforementioned road, and the construction of the Dumai ocean harbour. These oil pipes, with a diameter of 30 inches, form the biggest oil pipes in use in the whole of South East Asia. The ocean harbour counts 2 piers; one for big tankers (up to 84,000 tons capacity), while the other is to serve ocean-going cargo-ships. The mine drilling area of Duri counts about 150 wells yielding 27,000 to 40,000 barrels of crude oil a day. With the addition of new wells the yield of this area is expected to reach an output of 70,000 barrels a day (1 barrel = 1.432 HL).

It is worthwhile noting that as has been set forth in the Decree of the Central Military Authority (Army Chief of Staff) of March 10, 1958, the oil companies STANVAC, BPM, CALTEX and NIAM, complete with all their branches, have been declared vital enterprises.

Tin

From the development of the production figures as shown in table 77, it can be seen that tin ore produced by important producing countries showed a continuous decline during the last four years. The unfavourable world market situation,

	Production of tin in concentrates	Exports	
		Tin in concentrates	Tin metal
1938	29,728	13,699	7,207
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	27,375 *)	84
1958	23,244	18,346	...

*) Revised

Source : International Tin Council Statistical Bulletin ;
Djawatan Pertambangan.

especially in 1958, was caused by the recession in various important consuming countries notably the United States. The sales of 18,000 long tons of tin by the Soviet Union on the world market (1957: about 8,500 long tons, 1956: about 450 long tons) produced unfavourable results both in the export revenues and the production of producing countries.

Tin ore produced by Indonesia in 1958 compared with the amount produced in 1957 showed a decline from 27,723 long tons to 23,201 long tons, a decrease of 16%. The output came from the following places :

Bangka	:	16,221 long tons	(1957	:	17,292 long tons).
Belitung	:	5,870 long tons	(1957	:	8,999 long tons).
Singkep	:	1.110 long tons	(1957	:	1,432 long tons).

It may be noted that the decline in production experienced by other important tin producing countries was as follows: Belgium Congo by 22% Bolivia by 36% the Federation of Malaya by 35%, Nigeria by 35% and Thailand by 43 %.

In conformity with Government Regulation No. 13/1958 the mining of tin conducted by the joint enterprise "N.V. Gemeenschappelijke Mijnbouw Maatschappij Billiton" was continued by the Government after the expiration of the company's permit on 28th March, 1958. In this connection it was decided by the Minister of Industry that, effective as from March 1, 1958, the enterprise for the time being would be operated in the name of the Government by "Biro Urusan Perusahaan Tambang Negara—B.U.P.T.A.N." (State Mining enterprises Bureau). It may be added that in 1958 in the world production of tin ore, Indonesia occupied the second place.

Tin ore exports in 1958 showed great fluctuations which in general inclined to decrease. The lowest figure was 387 long tons which occurred in September. According to temporary figures for 1958 obtained from the Service of Mining, a total of 18,401 long tons of tin ore valued at Rp 430.6 million was exported com-

pared with 27,375 long tons valued at Rp 616.9 million in 1957, showing a decrease both in volume and value respectively by 32.8% and 30%. In contrast to the condition in 1957—in connection with the campaign for the liberation of West Irian—the destination of exports in 1958 shifted from the Netherlands to the United Kingdom, while since April 1958 nearly the entire exports were directed to the United Kingdom. Fluctuations and the decline in the exports of tin ore in 1958 were caused by the drop in the world tin prices and the restrictions on tin exports as fixed by the International Tin Council for the six tin producing member countries—including Indonesia—as a measure to face the flood of Russian tin supply on the world market.

The quota of tin exports for 1958 divided into four controlled periods were as follows :

15 December 1957 to 31 March 1958	:	27,000 long tons.
Second quarter 1958	:	23,000 long tons.
Third quarter 1958	:	23,000 long tons.
Fourth quarter 1958	:	20,000 long tons.

Comparing the exports of the six member countries totalling 150,000 tons in 1957 or an average of 37,500 long tons for each quarter, the export restriction as stated above meant a reduction of respectively 28%, 40%, and 47% compared with the 1957 exports. The tin export quota for Indonesia based on the agreement with ITC for 1958 was fixed at a total of 18,561.3 long tons, whereas for the six countries included in the International Tin Agreement total of 93,000 long tons was fixed.

The total weight of tin produced by the world tin-producing countries was 134,000 long tons in 1958 compared with 180,000 long tons in 1957, a decrease of 25.6%.

As shown in table 78 the world tin consumption in 1958 compared with that of the previous year dropped by 3%, from 155,000 long tons to 150,000 long tons.

Production of tin in concentrates					Commercial consumption				
	1955	1956	1957	1958		1955	1956	1957	1958
Malaya	61.2	62.3	59.3	38.5	United States	59.8	60.5	54.4*)	48.2
Indonesia	33.4	30.1*)	27.7	23.2	United Kingdom	22.9	22.2	21.8	20.4
Bolivia	27.9	26.8	27.8	17.7	Other countries	71.3*)	77.3	78.8*)	81.4
Belgian Congo	15.0	14.8	14.3	11.2					
Other countries	43.5*)	47.0*)	50.9*)	43.4					
Total *)	181.0*)	181.0*)	180.0*)	134.0	Total	154.0*)	160.0	155.0*)	150.0

*) Revised figures

Source : International Tin Council, Statistical Bulletin.

World tin prices from January 1958 to and including September 1958 showed a decline. After the drops in the average tin prices for London Cash, New York prompt and Singapore ex-works in September 1958, prices on the three markets rose again in the following month.

	London - cash	New York-prompt	Singapore ex-works
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
1958	734.9	760.7	723.9
1958 January	730.7	742.0	704.5
December	756.4	791.7	755.8

Source : International Tin Council, Statistical Bulletin

Continuous supply of tin from Russia to Western Europe since the end of 1957 was one of the main reasons for the decline of tin prices in the world market. Measures taken by the International Tin Council in fixing a reduction of tin export quota by about 40% for the six world leading tin producers, for the controlled period from May to September 1958 inclusive turned out to be unsuccessful in facing the continued Russian supply. On the other hand, member countries could

not supply adequate funds to purchase tin for the bufferstock with the result that the International Tin Council was compelled to give up the floor price for tin, formerly fixed at £ 730 per long ton, so that the free market price dropped to £ 718 per long ton.

Other mining products

Coal produced in 1958 totalled 606,000 tons or 111,000 tons (15%) less compared with the amount produced in the preceding year. The decrease in production in general could be seen in all mining enterprises. The greater part of the output (83%) came from the Government coal mines at Bukit Asam and 10% from the Umbilin Government coal mines, both of which are in Sumatera. The remaining 7% was produced in Kalimantan by the mining enterprise “N.V. Sebuku” (now under control of B.A.P.P.I.T.) at Batu Panggal and Sigihan, by a private enterprise (Loa Bukit) and by the people (Muara Bakah and Batu Piring).

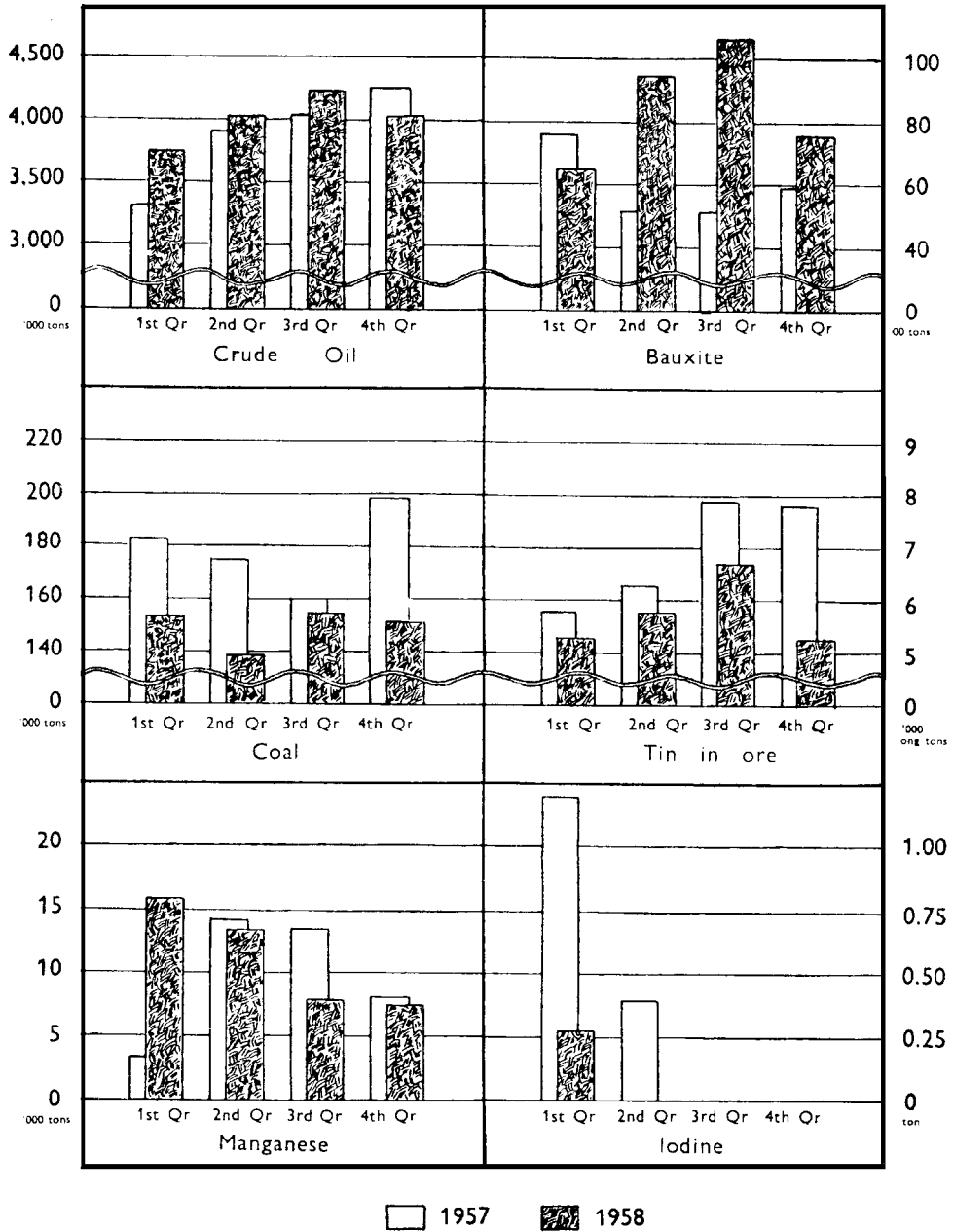
	P r o d u c t i o n		E x p o r t s	
	Bauxite	Coal	Bauxite	Coal
1938	245	1,457	274	368
1953	150	897	162	136
1954	173	900	247	87
1955	264	814 *)	263	47
1956	303	828 *)	313	12
1957	241	717 *)	258	30
1958	344	606	392	19

*) Revised figures

Sources : C.B.S. ; Djawatan Pertambangan.

The Bukit Asam mine was not working at full capacity due to accumulation of coal caused by the lack of transport. It may be mentioned that 50% of the Bukit Asam output is consumed by the Railway Service. According to figures of the Central Bureau of Statistics, coal exported in 1958 totalled 19,411 tons worth Rp

CHART V — MINING PRODUCTION



2 million against 41,067 tons worth Rp 5.5 million in the previous year, showing a decrease both in volume and value by 53% and 64% respectively. Main export destinations in 1958 were Thailand (15,000 tons) and Hongkong (4,000 tons).

In 1958 a total of 344,000 tons of bauxite were produced showing an increase of 104,000 tons (about 43 %) compared with 1957. After experiencing a decline in 1957, exports of bauxite rose by 134,000 tons to 392,000 tons in 1958.

Beside the productions mentioned above, the output of manganese in 1958 totalled only 43,989 tons showing an increase of about 4,000 tons compared with the 1957 output. In 1958 a total of 44,000 tons of manganese was exported worth Rp 11.9 million as against 51,000 tons valued at Rp 14.9 million in 1957. The main export destinations of manganese were Japan and Belgium/Luxemburg which took 75% and 9% respectively of the total exports. In addition, iodine output which in 1957 totalled 1,607 kg came to only 267 kg in 1958.

Industry

1958 was a difficult year for the industrial sector in general and especially small-scale industries showed a gloomy picture. Entrepreneurs who for the continuance of their enterprises for the greater part depended on imports of industrial materials were confronted with almost insurmountable difficulties so that many times a closedown could not be prevented. Besides, industries for the greater part using raw materials of domestic origin also experienced difficulties in obtaining chemical and complementary materials which still had to come from abroad. Furthermore, a growing need for packing paper made itself felt, inter alia in the cigarette and cement factories, which could not be met by domestic production. The difficulties encountered generally concerned :

- a) scarcity of industrial raw materials, especially of those which had to be imported;
- b) speculative activities in raw materials causing prices to rise;

- c) difficulties in the transportation of raw materials from the producing regions to places where they were needed;
- d) lack of consumer buying power on the markets in connection with rising prices.

Slackening activity was evident in a number of weaving mills in West and East Djawa, in the batik producing sector and in many factories of Kretek cigarettes in Central and East Djawa. The difficulties in obtaining cloves consisted not only of rising prices but also of restrictions in its imports. The domestic production of cloves was far from sufficient to fulfil the need of the cigarette factories while its quality was not satisfactory. Cloves producing regions were Ambon, Padang, Purwokerto, Menado and Palembang.

The index numbers in table 81—based on provisional import figures from the Central Bureau of Statistics—show that imports of industrial raw materials generally decreased to a great extent in 1958 if compared with 1957.

In facing these problems the Government has taken several measures which are hoped to improve the situation in the industrial sector in the long run.

As has been mentioned in the short-term urgency program for industrial development from the Ministry of Industry the following steps must be taken by the Government :

- a) maintaining continuity of production by allocating as much as possible the amount of foreign exchange needed for the imports of raw materials;
- b) the establishment of pilot industries based on regional planning.

The above plan has partially been realized by inter alia a new system of cloves distribution which was introduced on April 1, 1958. The aim of the new system

TABLE 81 — INDEX FIGURES OF IMPORTS OF INDUSTRIAL RAW MATERIALS (1950 = 100)				
	1940	1956	1957	1958
Breweries : malt (inclusive of flour and extract)	—	279	319	79
Printing works : paper	67	163	165	114
Paint industry : zinc white	151	103	144	100
red lead	298	117	139	91
Weaving mills : cotton weaving yarns	85	134	69	165
Batik works : grey shirtings, sheetings and supers	61	44	26	26
bleached cambrics and shirtings	261	258	33	215
wax (various kinds)	83	228	593	794
Kretek works : cloves	64	117	65	76
Construction shops : sheet iron	257	349	534	232
bar iron	157	126	262	170
profile iron	212	136	259	113
Building industry : cement	111	275	217	78
Miscellaneous : caustic soda	104	113	174	211

Source : C.B.S.

was to shorten the distribution pipeline so as to ensure adequate supply and proper delivery to the rightful makers. Under the new system, the distribution of cloves was transferred from the Central Organization. Based on a joint decision of the Ministries of Trade and Industry of February 18, 1958, the “Jajasan Persediaan Bahan Perindustrian” (J.B.P.—Institution for the supply of industrial materials) of the Ministry of Industry was entrusted with the imports and distribution of cloves. In order to overcome the difficulties experienced by the textile industry, especially by the small enterprises, the Ministers of Trade and Industry in their joint decision of August 19, 1958, included weaving yarns into the group of materials of which the imports and distribution were charged to J.B.P. Weaving yarns to be imported through J.B.P. amounted to 40% of overall imports of that material. Besides, the Minister of Industry has drawn up a plan for stockpiling of other industrial raw materials.

Other measures taken to stimulate and ensure industrial development were inter alia as follows:

In June 1958 the Ministries of Industry and Trade issued a regulation for the registration of enterprises, with the aim to ensure 2 just distribution of industrial materials and to put an end to speculative activities in this field. The implementation of this regulation was entirely entrusted to the Chamber of Commerce and Industry which was officially established on June 5, 1958. Based on a joint decision of the Ministers of Industry and Trade of June 5, 1958, concerning the regulation of the registration of enterprises, the Chamber of Commerce and Industry issued an announcement which required the registration of industrial and trade enterprises which had been extended a licence on the basis of “Bedrijfs-Reglementerings Ordonnantie 1934” with the Chamber of Commerce and Industry in their region.

The Bureau for Documentation and Statistics of the Ministry of Industry has conducted its first questionnaire among the industries in the Djakarta region. From the results it appeared that out of 2,077 industrial enterprises only 1,789 were in operation. This unsatisfactory state of affairs was mainly caused by shortage of capital, difficulties in obtaining raw materials and rising prices.

Indications of progress were to be noted in the Government’s endeavours to promote small-scale industries (by upgrading quality and multiplying output) through the establishment of parent industries and pilot plants. 42 of the 92 projects to be taken in hand by “Lembaga Penyelidikan Perusahaan² Industri” “Institute to explore the possibilities of establishing industrial enterprises) have been completed and have started operations, 20 projects were in the course of construction, while in the case of 30 projects explorations were made as to the possibilities of establishment. The opening of a weaving centre at Tjepet Klaten) with outlays of Rp 8 million and an iron-founding centre at Batur (Solo) with outlays amounting to Rp 5 million, brought the number of industrial centres in Central Djawa to 5, the other centres being the tanning centre at Mertojudan (Magelang), the saw-mill centre at Wirosari (outlays Rp 7 million) and an umbrella manufacturing centre at Djuwiring, Solo (outlays Rp 4 million). Several other industrial centres were in the course of completion while others were completed and had only to be put in operation officially, inter alia, the tile- production centre at Majong at the cost of

Rp 15 million, the ceramics centre at Kalibagor (Banjumas) and the limekiln centre at Klaten, while in the Jogjakarta region 2 industrial centres will be established, a pilot plant for the manufacturing of coir at Pengasih (Wales) and a pilot plant for the tanning of reptile hides at Jogjakarta. Furthermore, a plan was drawn up for a pilot plant for the upgrading and refining of tobacco at Tandjungtirto. It must be observed that projects established by L.P.3.I. in the regions may be taken over by private entrepreneurs of the regions concerned on a hire-purchase basis. In the implementation of this plan however, co-operative societies will be given priority in the form of more facilities than generally are given to private entrepreneurs. According to information from L.P.3.I. there are three kinds of branches in the regions, according to their functions. They are called Outposts, Agencies or Project Execution branches. Outposts are to be found at Bandung, Jogja, Madiun, Surabaya, Makasar and Ambon; Agencies at Palembang, Padang, Medan and Kutaradja and Project Execution branches at Den Pasar, Lombok (Mataram), Gorontalo, Riau and Ternate. 18 new projects are to be executed in 1959, bringing the number of L.P.3.I. projects to 110.

Besides the above Government enterprises a textile printing factory (Ratatex) was officially opened at Krian (Surabaya) during 1958. Construction of this factory started early in 1956, the cost was Rp 40 million. With a maximum capacity of 1 1/4 million yards per month "Ratatex" is expected to fill 25% of Indonesia's overall needs for the next year. Part of its capital came from Bank Industri Negara, while its equipment and experts originated from West Germany.

A textile factory with a monthly capacity of 54,000 yards cambrics was opened at Pekalongan requiring an outlay of Rp 7 million. To overcome the shortage of batik materials, the construction of two cambric factories is being planned: one at Jogjakarta by the "Gabungan Koperasi Batik Indonesia" (Association of Batik Co-operatives) and the other by the "Batari" Batik Cooperative at Solo.

With the aid of the "Panitia Negara Urusan Industri & Pertanian Tekstil (Panitex—State Committee for the Regulation of Industry and Textile Agriculture) a ramie spinning factory was established at Pematang Siantar. All of its equip-

ment came from Japan. The factory has a capacity of 6,000 spindles and required an overall outlay of Rp 40 million. Its requirements of raw materials are taken care of by the “Pertanian Rakjat” (Indigenous Agriculture) and “N.V. Tani Mulja” (a B.I.N. enterprise). In mentioning the problem of ramie requirements it may be observed that researches instituted in several regions have raised good hopes for ramie and cotton. Researches made by the “Balai Penyelidikan Tekstil” (Textile Research Office) and the “Balai Besar Penyelidikan Pertanian” (Central Office for Agricultural Research) have resulted in the conclusion that the domestic cotton from cultivations in the surroundings of Asembagus (East Djawa) is of such a quality as to enable spinning of No. 30/S yarn which may be used in the production of unbleached sheeting and drill. Up to the present there are 2 gunny-bag factories in Indonesia, namely at Delangu (Solo) and Surabaya.

An event of great importance for the development in the industrial field occurred in 1958 when the first essence factory in Indonesia (Djakarta) was opened. Outlays had amounted to Rp 12 million. The factory was the result of co-operation of the Government, P.T. Intraport and N.V. Polak & Schwarz Indonesia. For the time being 50% of the raw materials for this factory is imported but it is hoped that domestic production will gradually fill the entire requirement. With the opening of a modern equipped cigarette factory by the Indonesian Tobacco Industrial Company (I.T.I.C.) at Malang, this town has a total of four modern cigarette factories.

Developments in the production of cement were as follows: After the Indarung cement factory had come into Indonesian hands this factory succeeded in increasing its production from 1,500 tons (in April/May 1958) to 13,000 tons (in December 1978). The Gresik cement factory produced 240,000 tons.

If the maximum annual capacity of the Indarung factory of 150,000 tons could be added to the production of the Gresik factory of 240,000 tons, this total would still amount to only 67% of Indonesia’s annual consumption of cement, which amounts to 600,000 tons.

	Number of mills		Yarn consumption (tons)	Production			
	Total	In operation		Sundry ('1000 metres)	Slendang	Sarong	Towels
					('000 pieces)		
1953	76	67	8,600*)	42,829	74	3,579*)	2,779
1954	72	65	9,195*)	46,144*)	14	3,925	2,611
1955	72	68	10,318	50,027	10	3,465	2,829
1956	70	64	10,296	52,959*)	1	3,216*)	3,020
1957	65	61*)	10,660	56,336*)	2	2,707	3,020*)
1958							
1958 1st quarter	64	61	2,727	14,075	—	588	858
2nd "	64	63	2,312	12,307	—	482	464
3rd "	64	62	2,868	15,007	—	589	640

*) Revised figures

Source : C.B.S.

Data on the 1958 production of weaving yarns were not yet available. Table 82 illustrates developments regarding the number, consumption and production of the main weaving mills, while table 83 finally shows the licenced capacity of controlled enterprises in 1958 as compared with the preceding year.

Industrial group	Unit	End of 1957	End of 1958		
			Total	Djawa	Other islands
Printing works	'000 m ² printing/hr	3,469	3,308	2,831	477
Rice milling works ¹⁾	h.p.	4,073	4,190	3,544	616
Spinning mills	spindles	120,366	97,518	93,408	4,110
Weaving mills ²⁾	hand looms	115,522	118,897	111,716	7,181
	machine looms	15,301	16,524	16,175	354
Knitting mills	knitting machines	2,784	3,460	3,315	145
Textile printing works	machines	24	29	29	—
Cigarette works	'000 cigarettes/minute	242	263	209	54
Ice works	tons/month	30,958	38,417	22,744	15,673
Frying pan works	tons/month	517	665	593	72
Rubber remilling works	'000 tons/year	177	178	4	174

¹⁾ 1957 : capacity in tons during 7 work hours

²⁾ 1957 : number of machines

Source : Ministry of Industry

Transport

Road transport

The rebellion in Sumatra and in Sulawesi damaged many roads and bridges. For their restoration a supplementary amount of Rp 50 million was earmarked, which amount will be especially devoted to the purchase of asphalt, as a result of which the purchasing allocation for asphalt for the whole year of 1958 totalled Rp 120 million. For Atjeh the amount of Rp 10 million was also expended to the same end. This formed part of the Rp 149 million reserved for Atjeh within the scope of the Five-Year Plan.

New roads to a total length of 100 km were laid out in South Sumatra between Muara Tembesi and Surulangun as well as between Djambi and Kerintji. For defraying the costs, a credit amounting to \$ 15 million was received from the United States of America, \$ 8 million of which will be used for the construction of roads in Sumatra, while the balance of \$ 7 million will be devoted to the expansion/construction of electric power plants using diesel engines in 61 cities in Sumatra, Kalimantan, East Indonesia and in Djawa. Technical Construction Company from the United States of America will assist in the execution of these projects, which Company will further provide for training of Indonesian nationals in main road construction.

In the meantime, from Russia was also received a consignment of heavy equipment in the shape of 28 bulldozers and 19 roadrollers, forming part of the 60 bulldozers and 40 roadrollers obtained on a Russian credit of \$ 6 million which, in its entirety, will be used up by Kalimantan. The construction of new roads to a total length of 662 km connecting Bandjarmasin— Balikpapan— Samarinda will be executed by Russian experts together with Indonesian conferees.

To improve communications in Central Kalimantan, an amount of Rp 1.5 million was also earmarked for the purchase of “water-buses”. In the not too distant future, diesel buses already gaining popularity in Indonesia will be received

from Hungary to a total of 20 units for the DAMRI on the island of Djawa. From Australia an additional 100 units are expected within the framework of the Colombo Plan, which additional units will be mainly used in Djakarta to replace the outdated electric trams now greatly hampering the Djakarta road traffic.

In 1958, petrol problems considerably complicated motorized traffic, while Kalimantan's river traffic suffered stagnation since owners of river boats and powered barges could hardly come by adequate quantities of solar oil.

Railways

For the year 1958, transportation by the State Railways showed improvements. Based on preliminary figures received from the State Railways, the totals on passengers as well as on earnings showed an increase when compared to those of 1957. Although freightage declined somewhat, proceeds still showed an increase. The said increase in transportation was, among others, caused by the lack of sea transports and severe limitation placed on GIA flight transports.

	Passengers carried (^{'000})		Freight carried (^{'000} tons)	
	Djawatan Kereta Api	Deli Spoorweg Maatschappij	Djawatan Kereta Api	Deli Spoorweg Maatschappij
1938	48,083	4,117	6,915	844
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	136,776	...	5,244	...
1958	156,261	...	5,002	...

¹⁾ Exclusive December 1957

Sources : Djawatan Kereta Api ; Deli Spoorweg Maatschappij

Within the framework of the Five-Year Plan running up to the end of 1958. as much as Rp 147 million was put to use out of a total of Rp 648 million earmarked for the State Railways. The equipment ordered that has arrived in Indonesia covered the following items :

- a) South Sumatera : 110 railway coaches from Japan.
23 railway carriages from the Netherlands and Austria.
- b) West Sumatera : 16 railway coaches from Japan.
- c) Djawa : 60 diesel locomotives from the German Krupp Works.

Especially for serving the ferrying link between Merak and Pandjang, 3 ships were ordered from the Netherlands to a value of NF 10 million per unit Each of these ships can ferry 500 passengers. They are to replace the ships run by the Pelni and the Department of Shipping which so far have been entrusted the ferry-service between these two places and which latter ships only average a capacity of 200 to 250 passengers. To this end, the Merak quay was extended from 40 metres to 80 metres.

From October 1958 on, the frequency of the Palembang- Tandjungkarang Express was raised from once daily to twice a day after previously doing repair and reconstruction work on the tracks. The trial run on the Kertopati-Tandjung

Enim trajet was conducted with success. Within the framework of the Japanese War Reparations, a total of \$ 1.35 million was set aside for the construction of railways in the Atjeh region, among which 10 locomotives, 100 passenger coaches and freight wagons and 20 coal carriers were placed on order.

In Djawa, the shortage of wheel and rail linings necessitated a reduction in the maximum running speed. For want of fuel, some trajetcs were even forced to close down.

During the year under report a number of railway accidents occurred. In the months January/February 1959 for s times the train ran out of the tracks resulting in huge material as well as human losses. These accidents were, amongst others, caused by antiquated material, the lack of law and order and land- slides resulting from rains and inundations.

Shipping

To restore sea communications, especially after the K.P.M. left Indonesia, the Ministry of Shipping outlined in its Five- Year Plan that all in all Indonesia is in need of 220 ships ranging from 230 tons to 10,000 tons each. In addition, there are also needed 19 units of industrial enterprises directly engaged in the ship servicing trade such as: ship-building yards and docks with a capacity from 1,000 up to 10,000 D.W.T., the expansion of technical servicing facilities and the purchase of dredgers. The over-all outlay needed amounts to around US \$ 226 million.

In the first stage, the lack of shipping space referred to above will be filled up by means of ships on charter. The second stage will cover the purchase of used ships, and the final stage will center around the purchase of new ships the construction of which should conform to sea conditions peculiar to Indonesia.

Of the shipping-space need totalling 252,000 B.R.T., only 188,401 B.R.T. could be filled up towards the close of 1958 by the Pelni as well as by other national shipping companies. All the ships under exploitation by the Pelni, including the 10 ships bought from Russia, cover around 55,000 tons (excluding ships on charter). In the meantime, ships bought from Japan within the framework of the War Reparations have arrived one by one. The War Reparations cover all in all 10 ships with a total tonnage of 25,000 tons. In line with the activities pertaining to the restoration of law and order, the major part of the Pelni ships were chartered by the Government as a result of which the Pelni could provide only 40% of her total shipping space to the needs of the public at large.

As much as 101 national shipping companies—46 among them having received licences for conducting inter-insular shipping services — own 115 ships with a total tonnage of 73,316 B.R.T. and the major portion consists of ships on charter. In 1958, a total expenditure of £ 2 million was made for the chartering of ships, among which were 22 ships from Hongkong with a total tonnage of 80,000 tons.

The construction and expansion of harbours and ports, such as Tandjung Priok, Belawan, Semarang, Balikpapan and Bandjarmasin by the French “Citra” Company are running smoothly. Harbour III of Tandjung Priok, for instance, will get ready within the time scheduled, i.e. at the beginning of 1960.

Aside from the above, the “Development Loan Fund” issued an authorization for US\$ 6 million for the Government of the Republic of Indonesia, which authorization will be devoted to:

1. the construction and rehabilitation of 7 harbours and ports in Indonesia;
2. the construction of port water-catering facilities to serve ships;
3. the setting up of cargo loading and discharging facilities and equipment in harbours and ports, consisting mainly of cranes.

The Government has also placed orders for ships abroad in such countries as Japan and West Germany to a total of 55 units.

In addition to the purchase of ships abroad, the Government has also on order ships from home ship-yards. The Ministry of Shipping has ordered ships measuring 600 tons downwards against the total cost of Rp 23 million.

Airways

Contrary to the preceding years in which G.I.A. showed an ever increasing air transport, in 1958 a great setback occurred. Table 85 shows that the total mile-

age covered has declined by 47%, whereas freight (including mail) and passenger traffic have also decreased by 47% and 42% respectively as compared with 1957.

The setback was due to the fact that since January 26, 1958, up to the end of February 1958, foreign experts amounting to 296 persons including 65 pilots, have left Indonesia by stages. Besides this, difficulties in fuel supply in various airfields and afterwards the flaring up of insurrections in Sumatera and Sulawesi further handicapped G.I.A. flights. The public need for air transport, the necessity for which is continually increasing, could not be served entirely, because a number of G.I.A. aircraft were used for Government purposes. G.I.A. planes and their crews were also mobilized in the efforts to crush the insurrections.

To serve its air services, G.I.A. is at present using 19 Convairs and 20 Dakotas. In April 1958, 18 pilots graduated from the Aviation Training Academy at Tjurug, so that with this increase in new pilots, G.I.A. flight personnel now totals 88 men consisting of 20 Convair captains, 26 Dakota captains, whereas the remainder is composed of Convair and Dakota co-pilots.

TABLE 85 — AIR TRANSPORT BY GARUDA INDONESIAN AIRWAYS			
	Aircraft kilometres flown (‘000)	Freight and mail (tons)	Passengers carried
1952	9,600	14,700	284,000
1953	10,400	15,400	296,000
1954	12,390	15,800	308,000
1955	13,325	17,677	401,000
1956	13,715	19,518	457,000
1957	14,468	19,453	477,000
1958	7,610	10,301	275,000

Source : G.I.A.

Air routes closed prior to the upheavals in the regions, were re-opened, inter alia the route to Tarakan, the route Makassar- Ambon, and the new air route Surabaya-Denpasar-Rambige (Lombok). Also, as from August 1958, the flight fre-

quency on a number of routes has been increased, such as the service Djakarta-Medan from 8 to 11 times a week, the service Medan- Kutaradja, which beforehand was flown 3 times a week was increased to 4 times a week, the route Djakarta-Bandjarmasin was increased from 4 times a week to 5 times a week, and the route to Ambon was brought up to twice a week. For tourists purposes, G.I.A. changed its air service, so that tourists from Singapore wishing to visit Bali are in a position to fly direct to Bali without a nightstop in Djakarta as was the case before. It is worth noting also that as from August 1958, G.I.A. is making week-end flights Djakarta-Bandung, particularly for week-enders going to Bandung.

In the meantime air service overseas were extended with the opening of the Djakarta-Kuala Lumpur (Malaya) air communication in early August 1958.

Prices and wages

Prices

The increase in weighted index numbers of 12 foodstuffs in the countryside of Djawa and Madura since the last quarter of 1957, continued during the first quarter of 1958.

After reaching a climax in March 1958, the index number dropped in the following quarter but increased again continuously during the second half year. Of the 12 foodstuffs, the index numbers at the end of the year as well as the yearly average increased in 1958 compared with the preceding year, as can be seen in table 86.

Development in the weighted price index numbers for 19 foodstuffs in several cities in Indonesia can also be seen from table 86. For Djakarta and Makasar index numbers showed the same developments. The increase since the last quarter of 1957 was interrupted only in June 1958 to continue again during the second half year of 1958. In the two other cities, i.e. in Medan and Pontianak, index numbers for the 19 foodstuffs increased continuously throughout the year under review.

	1953 = 100	Djakarta 1953 = 100			
	Twelve foodstuffs Country side of Djawa	Nineteen foodstuffs			
		Djakarta	Makasar	Medan	Pontianak
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	...
1958	244	258	232	259	304
1958 March	282	275	238	202	248
June	215	229	212	229	310
September	257	277	232	312	330
December	263	287	262	353	382

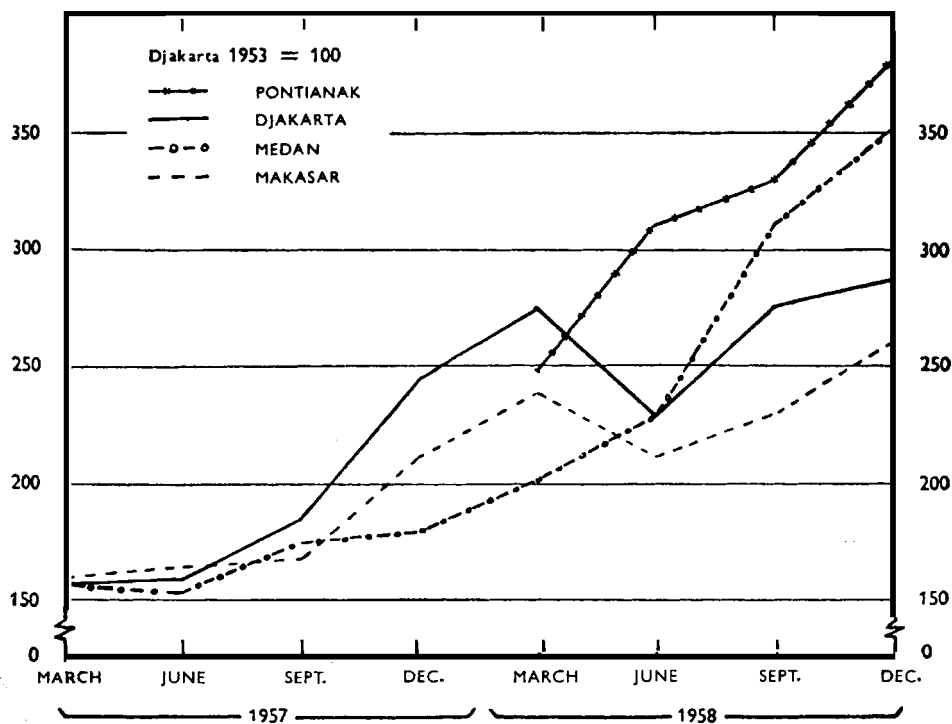
Source : C.B.S.

It may be observed that index numbers regarding prices of foodstuffs as shown in table 86 in general experienced a considerable increase during 1958 compared with 1957, while the development of these index numbers was especially influenced by the developments in prices for rice.

	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 foodstuffs	10 kinds of textiles	13 chemical products
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	160	178	137	141
1958	...	...	...	...	247	244	248	208
1958 March	101	102	101	57	214	239	207	179
June	101	102	101	55	233	228	231	202
September	100	101	100	79	266	248	275	224
December	...	...	...	...	316	301	327	255

Source : C.B.S.

CHART VI — INDEX NUMBERS OF PRICES OF 19 FOODSTUFFS



The prices of rice reached a climax at the end of the first quarter of 1958, then moved downwards in the second quarter, as a result of the arrival of imported rice, and rose again during the second half year of 1958 (see further the report regarding rice in another part of this report). Though it must be admitted that prices of other foodstuffs—especially of those originating from imports—also experienced an increase during 1958, nevertheless, in view of the main role of rice in the composition of index numbers of foodstuffs and the increase in rice prices as mentioned above, it can be said that the development in index numbers of foodstuffs prices during 1958 was mainly influenced by the developments in the prices of rice.

Table 87 shows developments of prices of several export and import goods. It may be seen from this table that the index numbers of the f.o.b. prices of 18 export

products during the first 9 months of 1958 (figures for the last quarter of 1958 are not yet available), as a whole, experienced a decline compared with 1957, with index numbers for the end of each quarter of 1958 being on the same level as for 1953 and 1954.

Regarding import goods it may be said that their prices rose throughout 1958 with the greatest increase recorded during the last quarter, as can be seen from developments of unweighted index numbers of prices of 44 import goods in table

TABLE 88 — MINIMUM WAGES IN ESTATE AGRICULTURE (rupiahs per day)					
	End of				
	1941	1955	1956	1957	1958
DJAWA					
<i>Sugar industry</i>					
Absolute wage in money	0.275	4.50	4.50	4.75	4.75
in kind	—	4.10	4.20	4.20	3.48
Total percentage	0.275 100%	8.60 3,127%	8.70 3,164%	9.55 3,473%	8.23 2,993%
Nominal wage per net working day	0.275	10.47	10.65	—	—
percentage	100%	3,807%	3,873%	—	—
<i>Perennial crops</i>					
Absolute wage in money	0.275	3.50	4.25	4.50	5.30
in kind	—	2.65	2.65	2.65	3.60
Total percentage	0.275 100%	6.15 2,236%	6.90 2,509%	7.15 2,600%	8.90 3,236%
Nominal wage per net working day	0.275	7.48	7.60	—	—
percentage	100%	2,720%	2,764%	—	—
SUMATERA SELATAN					
<i>Perennial crops</i>					
Absolute wage in money	0.35	3.75	4.25	4.25	4.45
in kind	—	7.60	7.60	7.90	10.40
Total percentage	0.35 100%	11.35 3,243%	11.85 3,386%	12.15 3,471%	14.85 4,243%
Nominal wage per net working day	0.35	13.81	13.88	—	—
percentage	100%	3,945%	3,966%	—	—

Source : Labour Control Service

87. These increases were especially caused by increases in the prices of food-stuffs, textiles and chemicals. Index numbers for the average prices of 44 import goods in 1958 rose as compared with those of 1957, i.e. about 50%, whereas compared with the end of 1957, prices at the end of 1958 of these imported goods showed still greater increases, i.e. not less than 70%.

Compared with 1957, prices of textiles such as printed shirting, yeans, and striped twills increased in 1958 respectively by 72 %, 82 % and 71 ,%; the price of salted fish increased by 31%. Although on the other hand prices of several agricultural products as rice and maize increased by 54% and 43% respectively, as a whole it may be concluded that during 1958 the terms of trade was not favourable for the farmers.

Regarding the developement of wholesale prices of several products, it may be observed that the price of sugar which had dropped at the beginning of 1958 remained unchanged until the end of April, but rose again in May to remain stable for the following months with quotations much higher than in 1957. Rubber and tea, experienced a continued increase of prices interrupted only in the last months of the year under review. Prices of rice which after a drop at the beginning of 1958 jumped again in March, afterwards showed fluctuations during the following three quarters of the year under review.

In general it may be said that the level of domestic wholesale prices of several products were higher during the year under review if compared with 1957.

W a g e s

As can be seen from table 88, the minimum wage level in the estate agricultural sector also may generally be said to have risen by the end of 1958, principally in the estate sectors in Djawa as well as in South Sumatra.

As may be assumed, such a steadily advancing wage level, not accompanied by an increase in productivity which should at least be in proportion to the in-

TABLE 89 — MINIMUM DAILY WAGES IN VARIOUS INDUSTRIES IN DJAWA			
	Beginning of		
	1956	1957	1958
Estate agriculture	Rp. 4.25 á 4.80	Rp. 4.25 á 4.80	Rp. 5.30
Food and beverages	„ 4.— „ 4.50	„ 4.— „ 5.—	„ 7.75
Mining	„ 6.70	„ 8.—	„ ...
Tobacco industry	„ 4.50	„ 4.50 „ 5.—	„ 8.60
Sugar and rice factories	„ 4.50 „ 6.25	„ 5.— „ 6.50	„ 8.35 á 12,58
Chemical industry	„ 4.50 „ 6.—	„ 4.50 „ 6.—	„ 6.25 „ 8.—
Leather industry	„ ...	„ ...	„ 9.75
Furniture industry	„ 3.50 „ 4.50	„ 4.— „ 6.—	„ 12.—
Textile industry	„ 4.— „ 5.—	„ 4.— „ 5.75	„ 11.80
Transport companies	„ ...	„ ...	„ 14.16
Metallurgic industry	„ 5.50 „ 6.25	„ 5.75 „ 6.50	„ 12.71
Ship-building	„ ...	„ ...	„ ...
Coconut oil industry	„ 7.—	„ 7.— „ 10.—	„ 8.50
Ice factories	„ 4.50 „ 6.75	„ 6.25 „ 7.75	„ 9.50

Source : Labour Control Service

crease in wage level, will certainly weaken our competitive position in international trade which will encumber the state finances as well as its balance of payments and which will merely accentuate inflationary pressures and in the end will hamper the desired economic recovery.

Minimum daily wages in the various industries in Djawa at the beginning of 1958 also showed an increase when compared to the beginning of the preceding year, which can be observed from the figures in table 89.

This rise in wages can be understood considering the mounting prices for the daily necessities of life as a result of the increased price level occurring during the year under report.

Labour Affairs

Labour Legislation

On January 19, 1958, Law no. 3/1958 concerning the Employment of Foreign Workers became operative. The principal aims of this Law were among oth-

ers: to guarantee Indonesian citizens a proper share in the various fields of employment, which up to then had still been filled by foreigners only, and in order to exclude foreigners from certain positions. The Law forbids employers to employ foreigners without a written permit from the Minister of Labour Affairs. By employer is understood: any person or corporate body who employs other persons, or, if the employer is domiciled outside Indonesia, his legal representative or the person who evidently is acting as his representative and who is domiciled in Indonesia. The permit system of this Law is composed in such a manner that the employment of all foreigners can be controlled by the Government. This Law is therefore closely related with the entry permit system for foreigners. The permit for employment has a fixed period of validity and has to be renewed at every turn. A transition period was decreed: since the coming into force of the Law employers were considered to be in possession of permits for a period of six months—changed afterwards to seven months by the Minister—and after July 19th, 1958, employers were obliged to have finished with their permit applications.

In the execution of the granting of those written permits the Minister of Labour Affairs is assisted by an interdepartmental Advisory Committee for the Employment of Foreign Workers which was set up with Government Regulation no. 30/1958. This Law does not apply to foreigners exercising a free profession such as physicians, accountants etc.

Another important step of the Government was the issue of the Government Regulation no 21/1958 which acknowledges the enforcement of Law no 22/1957 on the settlement of labour disputes since June I, 1958. Contrary to the Emergency Law no 16/1951, by which the composition of the Committee for the Settlement of Labour Disputes (P4) was laid down without employers and workers representatives taking part in it, the Law no 22/1957 comprises among others that the Committee has a tripartite character, i.e. consisting of 5 Government representatives, 5 employers representatives and 5 workers representatives.

Furthermore, the Regional Committees for the Settlement of Disputes (P4D) which could only take recommending decisions in its old structure, is now permitted to make binding decisions and has obtained also the right of forming inquiry committees.

According to Law no 22/1957 however, the Minister of Labour Affairs is entitled to annul or to postpone the enforcing of Central Committee decisions if they are considered as being a risk for the State interests and in order to maintain public security.

In facing its important tasks for the development of the country the Central Committee for the Settlement of Labour Disputes has developed through seeking and creating suitable standards and norms during its existence since 1951. In connection herewith the following can be reported :

In seeking the answer and the definition regarding its own status the Central Committee has formed an ad-hoc committee. One among its remarkable results was the finding that said Committee was a college with an extraordinary judicial status, set up on legal base and responsible only to law and justice, not to the Minister concerned.

In the fulfilment of its tasks the Central Committee is guided by the Law, the prevailing agreements, justice and the interests of the State. These foundations are very broad indeed, but as our regulations concerning labour problems are still far from being complete, it often occurred that in facing labour disputes the Central Committee had to pioneer and determine its own criterions. In such a way rules were created and carried out and accepted by society, for example: discharge of workers without any reasons must be annulled; the obligation of granting bonuses; regulations on medical treatment, on short leaves and the like. Another ad-hoc committee consisting of jurists succeeded in the formulation of many questions needed for determining said standards and norms, among others concerning: Wages during periods of lock out/strikes and when workers are arrested by Government authorities or when they have to fulfil duties for the State; compensation when employments were broken off; the problem of contracting, etc.

Economically the Central Committee have been able to proof its merits in prohibiting strikes during critical periods of production or harvests in enterprises, when strikes would have been very injurious to the economy. On the other hand, the Central Committee for the Settlement of Labour Disputes also often prevented mass discharge of workers. It was in this latter case that the Committee considered it necessary to interfere in the personnel formation of enterprises.

Pursuant to Government Regulation no. 14/1958 and in the line of extending the autonomy of the regions, since August 1958 central (ministerial) authority concerning matters on the welfare of workers, the welfare and procuring of employment for unemployed persons has been delegated to the Primary Autonomous Resorts (formerly Provinces) of West Djawa, Central Djawa, the Special Region of Jogjakarta, East Djawa, South Sumatera and North Sumatera.

On December 31, 1957 Law no. 80/1957 was promulgated; it dealt with the coming into force of Convention no. 100 of the International Labour Organization which guarantees equal wages for men and women with the same occupation. As such guarantee were already provided for by article 28 (3) of the Provisional Constitution of the Republic of Indonesia and as in practice the discrimination of wages between men and women only occurred when based on the diversity of occupation, the adaptation of the International Labour Convention no. 100 therefore was no more than a legal formality.

Labour Disputes and Strikes

According to figures from the Ministry of Labour set out in table 90 the number of disputes in 1958 amounted to 3,350, involving 2,975,922 workers against 4,131 involvings, 5,0577,478 workers in 1957. Thus both disputes and workers involved decreased respectively by 19% and 41%. As was the case in the preceding year, demand for higher wages was the principal cause of disputes, while the problem of employment/recruitment and dismissal ranked second. There were 1,327 disputes on wages in 1958 against 1,846 in 1957 (a decrease by 28%), while the

Economic sector	Number of disputes	Workers involved	Nature of disputes	Number of disputes	Workers involved
Agriculture, forestry, stock-breeding, fishing	1,024	1,768,749	Wages	1,327	1,127,696
Mining	41	124,310	Working hours	29	26,576
Industry	1,482	929,497	Employment	1,286	732,220
Building & contracting	125	19,362	Other working conditions :		
Public utilities	7	1,446	a. Social security	89	72,129
Trade	212	46,257	b. Special Lebaran bonus	184	85,089
Transport, docks and communications	295	79,076	c. Others	225	447,975
Services	164	7,225	Labour Movements/ Labour Agreements	182	463,987
			Miscellaneous	28	20,250
Total	3,350	2,975,922	Total	3,350	2,975,922

Source : Ministry of Labour

	Strikes	Strikers	Man hours lost
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	128 ²⁾	1,079,537	7,921,477
1957 ¹⁾	151	62,024	863,257
1958	55	13,578	98,060

¹⁾ Revised figures, the general strike as part of the West Irian campaign excluded.
²⁾ Provisional figures.

Source : Ministry of Labour

numbers of disputes on employment/recruitment and dismissal were 1,286 in 1958 and 1,370 in 1957 (-6%). The sector that suffered most from disputes was the industrial sector (1,482 disputes, 929,497 workers involved) while the sector agriculture, cattle breeding, forestry and fisheries was second (1,024 disputes involving 1,768,749 workers). Such a sequence and the fact that the industrial sector suffered more disputes but involving a smaller number of workers if compared with the sector of agriculture, cattle breeding etc. was also demonstrated by the developments in 1957.

As regards strikes, 1958 showed much lower figures than the preceding year. The number of strikes, strikers and man- hours lost (see table 91) decreased respectively by 64%, 78% and 89%. Of the 55 strikes 28 were caused by demands for higher wages and 17 by recruitment and dismissal, while the number of man-hours lost were 31,936 and 61,266 respectively. Besides the reactivation of the Committee for Labour Disputes with its new composition and methods, the factors which played a favourable influence on the labour developments in 1958 were among others :

1. Due to the prevailing martial law and its executive rules—mainly as a very broad variety of industrial branches were declared vital—the chance of launching a strike was extremely minimized.
2. The taking-over of Dutch enterprises, followed afterwards by placing representatives of the War Administrator as supervisors formed a direct and important factor in reducing disputes as well as strikes.
3. The efforts of the Government at high level in including the workers as a functional group in various activities (the National Conference on Development, the National Council etc.) and the active participation of workers representatives in the Central and Regional Committees for the Settlement of Labour Disputes, “Badan Kerdja sama Buruh/Militer” (a body charged with organizing co- operation between Labour and the Armed Forces), estate committees etc. have cultivated a sense of responsibility towards the smooth promotion of the country’s economy.

This goodwill and consciousness of the workers group to support the Government formed in fact the principal cause of the large decline in the number of disputes and strikes. This is the more evident if connected with the steepening level of the cost of living index which, as it was very unequally proportioned with the labourers’ income, usually caused unrest and severe tensions in the labour world.

Another development worth mentioning in the sector of labour was the establishment of the Institute for Labour Productivity by the Ministry of Labour. From November 1958 till February 1959 this institute held a Seminary on Productivity involving the following items :

1. improvement of plant layout;
2. improvement of materials handling;
3. improvement of quality control;
4. reduction of waste.

This project was carried out with the aid of experts from the International Labour Organization and executed in 5 sorts of enterprises, to wit in a printing business, a radio and transformer assembling plant, an enamel-pan works, a knitting mill and an import firm of electrical spare parts. The demonstration of boosting productivity appeared to have satisfactory results and could inter alia raise production by 33% up to 90% and reduced waste of materials from 22% to 5 %.

Unemployment

In order to obtain a concrete view concerning unemployment, since September 1958, the Ministry of Labour has made a research on the number of unemployed persons throughout Djawa, the implementation of which was assigned to the Regional Employment Services. Pending the result of the research the Directorate of Employment Service has been able to give an estimation of 1,736,000 unemployed persons during 1958 for the whole of Indonesia. In this relation the main factors could be put forward: the taking-over of the K.P.M. and the Dutch wharfage and transport companies, and also the narrowing of industrial production for which essential materials were wholly dependent on imports.

Co-operatives.

An encouraging progress was seen in the development of co- opera movements in 1958. This was due among other things to the expansion of various kinds

	1956		1957		1958	
	Total	Registered	Total	Registered	Total	Registered
Central co-operative associations	145	13	144	18	189	7
Desa co-operatives	4,085	180	4,017	51	4,736	139
Credit co-operatives	4,824	855	4,269	152	4,725	208
Lumbung co-operatives	358	—	491	—	457	—
Production co-operatives	1,349	121	1,213	61	1,897	45
Consumer co-operatives	840	39	625	10	839	7
Other co-operatives	300	7	196	2	328	—
	11,901	1,215	10,955	294	13,171	406

¹⁾ Revised figures

Source : Service for Co-operatives

of co-operatives among government servants, the police and Armed Forces. With the exception of “lumbung desa” (village co-operatives), all other sorts of co-operatives increased in number as well as in members.

The number of co-operatives in 1957 and 1958 as shown in table 92 is different than those shown in table 93 because the latter includes 902 co-operatives in

	End of	
	1957 ¹⁾	1958
Djakarta Raya	307	356
West Djawa	2,937	3,750
Central Djawa	2,387	2,494
East Djawa	2,835	2,914
Djawa	8,466	9,514
South Sumatera	322	379
Central Sumatera	978	1,176
North Sumatera	732	780
Sumatera	2,032	2,335
Kalimantan	665	809
Sulawesi	379	1,026
Rest of Indonesia	321	396
Total	11,863	14,080

¹⁾ Revised

Source : Service for Co-operatives

Central Sumatra the classification of which is not available yet. Also table 92 did not include federations of central co-operatives numbering 6 in 1957 and 7 in 1958.

Until the end of December 1958 there were altogether 14,080 co-operatives throughout Indonesia with a total of 2,224,531 members. Compared with those of 1957, both the number and members increased respectively by 2,217 (19%) and 292,119 (15%). The amount of savings made up of capital savings, compulsory, voluntary and other savings increased from Rp 583 million in 1957 to Rp 918 million in 1958. The turnover which in 1957 amounted to Rp 3,048 million increased to Rp 5,110 million (67%) in 1958. The amount of reserves increased to Rp 184 million in 1958 as against Rp 101 million in 1957 (82%).

Efforts to improve co-operatives in Indonesia were realized with the introduction of the Co-operative Act on October 27, 1958 (Act No. 79/1958 State Gazette No. 139/1958). In addition to stipulating the principles of co-operative organizations, the Act also provides for the status, Government guidance and control and matters connected with capital, accounts and membership. The Act also provides for the revocation of :

- a) 1949 Regulation on Co-operative organizations under Ordinance of March 11, 1933 (State Gazette No. 108),
- b) General Regulation on Cooperative associations under Ordinance of March 11, 1933 (State Gazette No. 108).

The revocation was made on the consideration that the two regulations did no longer fit in with the spirit of gotong royong (mutual assistance) which should be the core of the co-operative movements. Co-operatives which had been established according to those regulations were given six months to adjust themselves to Act No. 79/1958. Otherwise they were to be dissolved.

Activities to train co-operative cadres were conducted in various fields. At Bangau (Pontianak) 30 persons attended a Rubber Co-operative Cadre Course.

For the first time in West Java (Madjalaja) a Co-operative Cadre Course for veterans was opened. The East Djawa Co-operative Training Institute conducted a course for the staffs of the district central co- operatives at Malang.

In the framework of co-operative activities mention may be made that the Indonesian Co-operative Council also took part in the Co-operative Conference of Asian countries in Kuala Lumpur from January 20 to January 23. The conference was held by the International Co-operative Alliance with headquarters in London. Indonesia joined the Alliance only in May 1958 as the 77th member.

In May 1958 co-operative leaders throughout Indonesia held a conference at Lembang. Decisions taken by the conference were later taken over by the Indonesian Co-operative Council which among others, was successful in obtaining their recognition in the form of Act No. 79/1958 as mentioned above.

Induk Koperasi Kopra Indonesia — I.K.K.I. (Indonesian Central Copra Co-operative) also held its conference in 1958. In accordance with the results of the conference, the status of I.K.K.I. as the sole buyer and seller of copra received confirmation and support from the Administration, both civil and military.

Gabungan Koperasi Batik Indonesia—G.K.B.I. (Federation of Indonesian Batik Co-operatives) is establishing a “mori” (cambric) factory at Medari (Jogja) at the cost of Rp 37.5 million which according to plan should be completed in 30 months.

In Malang The Pusat Koperasi Rakjat (People’s Central Co- operative) was established in July 1958 which was a federation of 31 co-operatives of various kinds such as production -, joint sales - and credit - co-operative. Thus there are three central co- operatives in Malang, namely The People’s Central Cooperative, The Central Cooperative “Tumapel” and The Pensioners’ Bank Cooperative, whose branches are scattered all over Indonesia. Establishment of a Pusat Koperasi Tebu Rakjat (People’s Sugar-cane Central Co-operative) for the Residency of Malang was still in the preparatory stage.

In the Lampong area efforts were made—among which the holding of a co-operative meeting in August—to establish a regional central co-operative. As in other regions, where the development of co-operatives cannot be said to be satisfactory, efforts to hold such meetings receive the support and assistance of the local war administrator.

VIII. ACTIVITIES OF BANK INDONESIA

As to the position and operations of Bank Indonesia, I would primarily refer to :

- a) the balance sheet as per March 31, 1959, annex to this Report as Appendix A,
- b) the Profit/Loss account of the sixth financial year, covering the period between April 1, 1958 and March 31, 1959, contained in Appendix B,
- c) a summary, stated in appendix E, outlining the most important items of the weekly abridged balance sheets.

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 ON GOLD DEPOSITED ON ITS BEHALF WITH I.M.F. AND I.B.R.D.

..... Rp 443,792,747.32

The “claims on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.” is based on article 6, Bank Indonesia Act, stipulating that, besides 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 by law to the Bank, are included as reserves against demand liabilities of the Bank.

The balances of the accounts stated above, totalled as per March 31, 1959:

Gold coin:

15,092.608,316 Kg fine at Rp 12,796.05 Rp 193,125,770.64

Gold bullion:

17,629.422,844 Kg fine at Rp 12,796.05 Rp 225,586,976.68

Convertible foreign exchange balances “ -,-

Claims on the Government on account of gold deposited on its behalf with:

International Monetary Fund “ -,-

International Bank for Reconstruction and Development Rp 25,080,000.00

Total Rp 443,792,747.32

compared with the status as per March 31, 1958 Rp 464,720,627.10

Thus the Bank’s monetary reserves decreased by Rp 20,927,879.78, owing to:

1. sales of gold coins of Bank Indonesia, Amsterdam Branch -/-Rp 12,816,099.18
2. procurement of gold coins and bullion from the Foreign Exchange Fund, available as a result of confiscations and public mining activities + Rp 893,812.25
3. writing-off of the balance of gold coins at the Padang Branch as the self-styled P.R.R.I. (“Revolutionary Government of Indonesia”) had looted the gold coins -/-Rp 408,780
4. payment of the quarterly charges (on February 1, May 1, August 1, and November 1) to the Interna-

tional Monetary Fund, in compliance with Fund Agreement — Article V, section 8 c through d, supplemented by Rules and Regulations section 1—4, such as a result of the surplus value occurring between the Fund’s holdings in the amount of US\$ 137,496,270.39 and the quota allotted to Indonesia in the amount of US\$ 110,000,000 = United States \$ 27,496,270.39 a US\$ 35 per troy oz. fine gold = 785,607.5 troy oz. fine gold. Computation of the charges has been based on an Interest rate that increases every six months by 1/2% (to a maximum of 4%). The latest computation was at an interest rate of 3%. The gold bullion paid to I.M.F. this year was 21,599.927 troy oz. fine gold at balance sheet value

-/- Rp 8,596,812.85

Depreciation

Rp 20,927,879.78

In the year under review items affecting “Claims on the Government on account of gold deposited on its behalf with the International Monetary Fund and the International Bank for Reconstruction and Development” did not undergo changes and have been sufficiently elucidated in the reports on the fourth and fifth financial years.

FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT

..... Rp 2,031,060,973.86

FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES

Rp 221,196,183.55

The items included under the heading “Foreign Exchange Fund, foreign exchange account”, represented the cash foreign exchange holdings of the Foreign Exchange Fund, evaluated at the official parity rate per March 31, 1959.

This heading comprised the following components:

Gold and convertible foreign exchange holdings	Rp 1,912,800,681.17
Other foreign exchange holdings	Rp 118,260,292.69

	Rp 2,031,060,973.86
	=====

The Foreign Exchange Fund gold holdings were nil on March 31, 1959 since all gold received by the Foreign Exchange Fund was immediately transferred to Bank Indonesia.

With the consent of the Monetary Board, the generally convertible foreign exchange holdings of the Foreign Exchange Fund, totalling Rp 1,912,800,681.17 on March 31, 1959, were included in the monetary reserves of the Bank as referred to in article 16, Bank Indonesia Act, as amended by Act No. 84/1958.

The items under the heading “Foreign Exchange Fund, foreign liabilities” constituted the counter-value in Rupiahs — calculated on the basis of the official parity rate on March 31, 1959—of the debts of the Foreign Exchange Fund on account of credits received under payment agreements concluded with other countries. These items consisted practically for the full 100% of the Fund’s debts on the so-called “Major A-account” with the Nederlandsche Bank and £ Sterling account with the State Bank of the Soviet Union.

Movements in the Foreign Exchange Fund assets and liabilities during calendar year of 1958, were discussed earlier in this report.

Obligatory cover for demand liabilities of the Bank on the basis of are 16, Bank Indonesia Act 1953, as amended by Act No. 84/1958.

The idea that the State should be in the possession of adequate foreign purchasing power in the form of gold and reserves consisting of generally convertible

foreign exchange, has been manifested in article 16, paragraph 1, Bank Indonesia Act 1953 (as amended), stating that :

“The Bank shall undertake that the total amount of bank notes, balances on current account and other demand liabilities of the Bank shall be covered for twenty per cent by gold, coin or bullion, and by reserves consisting of foreign currency which is generally convertible, or by the right to draw on the International Monetary Fund and the World Bank, which has been or shall be endorsed to the Bank by virtue of law”.

	Bank notes	Deposits	Drafts and transfers payable	Total of liabilities	Monetary Reserve	
					Amount	As %
1958 March 31	14,492,585	4,375,668	21,787	18,890,040	1,743,073	9.23
April 30	14,712,392	4,602,435	27,589	19,342,416	1,665,714	8.61
May 28	15,178,566	4,975,330	42,326	20,196,222	1,743,793	8.63
June 25	15,553,808	4,918,792	22,056	20,494,656	1,647,642	8.04
July 30	15,848,688	4,765,696	16,710	20,631,094	1,562,769	7.57
August 27	16,074,943	5,100,956	29,746	21,205,645	1,585,709	7.48
September 24	16,481,039	5,272,506	29,487	21,783,032	1,590,214	7.30
October 29	16,966,165	5,219,745	30,962	22,216,872	1,856,103	8.35
November 26	17,802,903	5,869,709	33,385	23,705,997	1,859,441	7.84
December 31	19,469,928	7,508,424	46,940	27,025,292	1,989,027	7.36
1959 January 28	19,836,296	6,888,688	80,642	26,805,626	2,035,721	7.59
February 25	19,972,344	7,057,676	132,539	27,162,559	2,278,680	8.39
March 31	20,712,236	7,035,073	43,257	27,790,566	2,356,593	8.48

In this paragraph the amount of the reserves is connected with the total of currency and deposits in Indonesia.

Demand liabilities of Bank Indonesia during the period of March 31, 1958 through March 31, 1959 is itemized in table 94, which shows an increase of the liabilities by about Rp 8,900.5 million.

If the cover were computed in the old manner (as it was before the amendment of article 16, Bank Indonesia Act), the total cover on March 31, 1959 would have consisted of the following components:

Gold coin and bullion	Rp	418,712,747.32
Claims in gold on the Government (deposits with I.B.R.D.)	Rp	25,080,000. –
Foreign Exchange Fund, gold and convertible foreign exchange accounts	Rp	1,912,800.681.17

Accordingly, the cover on March 31, 1959 would have been	Rp	2,356,593,428.49
		=====

The percentage of the above cover would have been 8,48% against demand liabilities in the amount of Rp 27,790,565,508.67.

If paragraph 1, article 16 (as amended), as far as it concerns: “generally convertible foreign exchange” could be interpreted as: “the total of assets of the Foreign Exchange Fund in terms of foreign exchange”, the composition of the cover would be as follows:

Gold coin and bullion	Rp	418,712,747.32
Claims in gold on the Government	Rp	25,080,000.—
Foreign Exchange Fund, currency account :		
Gold and convertible currency.....	Rp	1,912,800,681.17
Other currencies (minus the total of ticals = Rp 4,409.45).....	Rp	118,255,387.24

The total cover would be	Rp	2,474,848,815.73
		=====

and accordingly, the cover percentage would be 8.91%.

It may be added that since the conclusion of the European Monetary Agreement effective as from December 29, 1958, in essence meaning that West European currencies are since then generally convertible, practically all the foreign exchange assets of the Foreign Exchange Fund may be considered convertible.

In paragraph 2, article 16 (as amended) it is stipulated that the Bank shall endeavour to maintain the cover, as referred to paragraph 1, article 16, on at least the level of the total value of imports in 3 months, based on the average total of imports during the three preceding calendar years.

The import totals in the years 1956, 1957 and 1958 were respectively: Rp 8,700 million, Rp 7,295 million, Rp 4,610 million.

On the basis of these figures the total imports in the 3 months, referred to in paragraph 2, article 16, Bank Indonesia Act, would be:

$3/36 \times \text{Rp } 20,605 \text{ million (Rp } 8,700 \text{ million} + \text{Rp } 7,295 \text{ million} + \text{Rp } 4,610 \text{ million)} = \text{Rp } 1,717 \text{ million.}$

To cover this import value there was a sum available in the amount of Rp 2,475 million.

On the basis of paragraph 3, article 16, Bank Indonesia Act, at least 20% of the cover, as referred to in paragraph 1, must be available in Indonesia.

In other words, the cover available in Indonesia, should be: $20\% \times 20\%$ of Rp 27,790,565,508.67 = Rp 1,111,622, 620.35.

The amount available in Indonesia, computed on the basis as prescribed in a letter of the Monetary Board No. Sekr./D.M./204 Confidential, dated May 11, 1955, was as follows:

Bank Indonesia gold reserves available in Indonesia	Rp	345,932,127.94
Claims on the Government on account of gold deposited on its behalf with I.B.R.D.....	Rp	25,080,000.—
Foreign Exchange Fund, generally convertible foreign exchange	Rp	1,912,800,681.17

Total	Rp	2,283,812,809.11
		=====

CONSOLIDATED ADVANCES TO THE GOVERNMENT

..... Rp 3,461,396,250,—

This account was opened on July 1, 1953, on the strength of article 42, paragraph 1, Bank Indonesia Act; the balance at the outset was Rp 3,838 million.

As regards the rate of interest and redemption the Decree of the Minister of Finance No. 198989/U.M. I dated September 17, 1954 made the following provisions:

- a. the rate of interest is 3% per annum;
- b. redemption within 40 years, effective as from 1957;
- c. accelerated redemption is possible from, for instance, public loans issued for that purpose; such extra redemption to be settled pro rata parse with subsequent redemption instalments.
- d. payments of interest and redemption are made annually, at the latest on March 31.

The 3% interest was further split up on the strength of Monetary Board decree No. Sekr./D.M./257 Confidential, dated June 29, 1955, in the following manner:

- 1/2% to be entered into the Profit/Loss account of Bank Indonesia;
- 2 1/2% to be used to redeem consolidated advances, and accordingly not entered on the Profit/Loss account of Bank Indonesia.

In compliance with the above Monetary Board decree the first redemption of consolidated advances was made on March 31, 1956; employing the 2 1/2% interest due on that date.

The balance of consolidated advances after the third redemption instalment on March 31, 1958 totalled Rp 3,554,947,500.—

Deducted on account of redemption by 1/38th of the above sum	Rp	93,551,250

Balance on March 31, 1958.....	Rp	3,461,396,250.
		=====

ADVANCES TO THE GOVERNMENT Rp 27,354,968,130.85

The above total was the March 31, 1959 balance of advances on current account extended to the Government since July 1, 1953 by virtue of article 19, Bank Indonesia Act, as amended by Act No. 84/1958.

In the course of the year under report about Rp 3,120,000,000.— was entered on the Government's account by the Foreign Exchange Fund as proceeds from T.P.I. (Import Surcharges), which (on the strength of the latest Announcement of the Foreign Exchange Institute A No. 79, dated June 27, 1957) must be paid by importers through the intermediary of foreign exchange banks to obtain import permits.

Furthermore, an amount of about Rp 1,900,000 was entered to the Government being the proceeds from the levy on bounds and stocks imported (T.P.I.— Tambahan Pembayaran Impor Efek) at the rate of 33 1/3% of the stock exchange price, on the strength of an Announcement of the Foreign Exchange Institute A. No. 62, dated February 19, 1955. In the above balance was also included an amount of about Rp 14,400,000 resulting from the levy on transfers (T.P.T. — Tambahan Pembayaran Transfer) deposited in the year under review on the strength of Emergency Law No. 5/1954 dated March 2, 1954 and settled through the intermediary of foreign exchange banks.

Since the effectuation of the B.E. (Export Certificate) system (as from June 20, 1957), the proceeds of the sales of each Export Certificate was charged with a 20% duty (P.B.E.—Pembayaran Bukti Ekspor) entered on the credit account of the

Government. The total of P.B.E. received by the Government in the year under review, was Rp 3,902,000,000. - .

By Prime Minister's Decree No. 359/P.M./1958 dated August 6, 1958 part of the P.B.E. proceeds must be returned to the producing regions.

The amount returned to the regions in the year under review (as from July 1, 1958) totalled Rp 257,000,000. - .

Accordingly, the net P.B.E. proceeds totalled Rp 3,645,000,000. - .

When totalling the Government debit account, the total debit balance on Government accounts must be deducted against advance/guarantee payments made by importers, i.e. :

- a. advance payments on the strength of an announcement of L.A.A.P.L.N. (Foreign Exchange Institute) B No. 680, dated March 8, 1956, which totalled about Rp 53,700,000. - on March 31, 1959; these deposits were refunded upon receipt by the importers of the foreign exchange allotted;
- b. guarantee payments made by importers up to February 13, 1958 (on the strength of an announcement of L.A.A.P.L.N. A No. 79, dated June 2, 1957) totalled about Rp 5,500,000 on March 31, 1959; these guarantee payments were repaid to the importers concerned, following purchase of the B.E. of the corresponding import and settlement of the T.P.I. due by those importers.

Note: Security payments which importers were obliged to make after February 13, 1958 (see sub b) (on the strength of announcements of L.A.A.P.L.N. A No. 80, dated February 3, 1958, A No. 82, dated December 31, 1958 and A No. 83, dated April 15, 1959), may not be balanced — by virtue of a Monetary Board decision, dated March 29, 1958 — in favour of the Government's debit account; instead they must be taken up under the balance heading "Various Credit Accounts."

For a fuller discussion of this subject Chapter III of this report is referred to.

CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT DEPOSITS
MADE ON ITS OF BEHALF TO I.M.F. Rp 313,500,000.—.

This item did not undergo any changes in the year under review and has been sufficiently elucidated in the reports of the 4th and 5th financial years under the heading “Gold Coin and Bullion, balance 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 20,712,236,116.

Movements in Cash Position

Table 95 presents information on the outflow from and inflow to the Bank’s offices (including Government notes) in the period as from April 1, 1958 up to and including March 31, 1959.

Bank notes flowing out of the Bank’s offices totalled about Rp 6,265.5 million. This amount is in excess of the total in the previous financial year (during 1957/1958 the total was Rp 5,127.5 million). The rise of the outflow was among other things caused by the substitution of bank notes withdrawn from circulation for reasons of damage or otherwise for which additional orders had been placed (83 million notes at a value of Rp 2,497 million, against 84 million notes at a value of Rp 719 million during 1957/1958).

The monthly outflow of bank notes from the Bank’s offices in the year under review showed peaks of outflow in November/December 1958 and March 1959. This matter has been discussed earlier in Chapter III under the heading “Money Supply.”

TABLE 95 — OUTFLOW FROM AND INFLOW INTO THE BANK'S OFFICES (bank notes and Government notes ; Rp '000)			
	1956/1957	1957/1958	1958/1959
Djakarta	+ 205,181	— 813,582	— 2,026,219
Bandung	— 495,524	— 605,719	— 1,075,491
Jogjakarta	— 269,463	— 362,592	— 506,734
Kediri	— 163,428	— 205,697	— 187,555
Malang	— 252,586	— 290,469	— 403,210
Semarang	+ 316,002	+ 374,238	+ 943,437
Solo	— 83,486	— 70,510	+ 1,325
Surabaya	+ 59,675	— 106,212	— 16,735
Tjirebon	+ 86,788	+ 49,418	+ 64,058
Djember	—	— 24,789	— 489,702
Total Djawa offices	— 596,841	— 2,055,914	— 3,696,826
Medan	— 165,316	— 812,644	— 557,040
Padang	+ 30,750	— 334,936	+ 180,950
Palembang	— 419,317	— 866,463	— 1,083,661
<i>Total Sumatera offices</i>	— 553,883	— 2,014,043	— 1,459,751
Bandjarmasin	— 158,373	— 273,014	— 363,550
Pontianak	— 47,616	— 184,876	— 375,971
<i>Total Kalimantan offices</i>	— 205,989	— 457,890	— 739,521
Makassar	— 204,715	— 271,605	— 277,679
Menado	— 8,634	— 311,126*)	+ 57,658
<i>Total Sulawesi offices</i>	— 213,349	— 582,731	— 220,021
Ambon, Maluku	— 80,186	— 146,985	— 113,796
Ampenan, Lombok	—	+ 4,698	— 28,655
Total offices outside Djawa	— 1,053,407	— 3,196,951	— 2,561,744
Grand total	— 1,650,248	— 5,252,865	— 6,258,570
— = outflow + = inflow			
*) Menado, revised figure			

Information on the total of Bank and Government Notes in circulation specified in denominations, is given in table 96.

The shift in the composition of notes in circulation continued in the year under report as it did in foregoing years. The number of denominations of Rp 0.50 up to and including Rp 10.— in percentage of the total number of notes in circulation on March 31 in the years 1951 through 1958, was respectively: 46.7%, 37.3%, 30.5%, 28.2%, 24%, 22.3%, 18.2% and 14.8%.

TABLE 96 — BREAK DOWN OF THE CIRCULATION OF BANK NOTES AND GOVERNMENT NOTES						
Denomination	March 31, 1940		March 31, 1958		March 31, 1959	
	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	2,635,287	17.2	4,440,600	20.5
„ 500.—	7,181	3.4	1,715,833	11.2	3,546,973	16.3
„ 100.—	42,352	20.1	4,794,824	31.2	6,241,268	28.7
„ 50.—	13,693	6.5	2,255,585	14.7	2,786,206	12.8
„ 25.—	30,167	14.3	1,678,162	10.9	2,014,802	9.3
„ 10.—	52,698	25.0	957,717	6.2	1,139,891	5.3
„ 5.—	43,795	20.8	519,853	3.4	616,292	2.8
„ 2.50	—	—	363,838	2.4	448,327	2.1
„ 1.—	—	—	406,010	2.6	454,433	2.1
„ 0.50	—	—	24,980	0.2	23,269	0.1
Total	210,806	100.0	15,352,089¹⁾	100.0	21,712,061²⁾	100.0

1) Rp 14,493 million in bank notes and Rp 859 million in Government notes
2) Rp 20,712 million in bank notes and Rp 1,000 million in Government notes

The percentage continued to decline and on March 31, 1959 it stood at 12.4%. On the corresponding dates the numbers of denominations of Rp 25.— up to and including Rp 1,000.— in percentage of the total number of notes in circulation, were respectively : 53.3%, 62.7%, 69.5%, 71.8%, 76%, 77.7%, 81.8%, 85.2% and 87.6% .

Government Notes

Government notes had been put into circulation exclusively by Bank Indonesia for account of the Government till May 29, 1954 only.

Since that date, by virtue of Government Ordinance No. 38, dated May 19, 1954 (Government Gazette 1954 No.63), Government notes were put into circulation by the Government itself and, at the request of the Government, also by the Bank for account of the Government. The administration (among other things the printing accounts administration) was carried out by the Bank. The total of Government notes in circulation, i.e. the outflow from Bank Indonesia offices constitutes a minus item when totalling the Government debt.

The supplies of Government notes to circulation were again reported in the official Gazette as from May 29, 1954 as had been the prewar custom, and no longer in footnotes in the abridged weekly balance sheets of the Bank.

Government notes in circulation on March 31, 1959 consisted of the following amounts and denominations:

Rp 131,000,000.— in denominations of Rp 5.— and Rp 10.—, issued under Act No. 17 dated October 12, 1951 (Government Gazette No. 100/1951;

Rp 310,000,000.— in denominations of Rp 1.— and Rp 2.50, issued under:

- a. Government Ordinance No. 20 dated May 11, 1953 (Government Gazette No. 34/1953), and Decree of the Minister of Finance No. 103141/U.U., May 12/ 1953 based on the above Government Ordinance No. 20,
- b. Government Ordinance No. 38, dated May 19, 1954 (Government Gazette No. 63/1954) and Decree of the Minister of Finance No. 82490/ U.M.I., dated May 27, 1954 based on Government Ordinance No. 38;

Rp 441,000,000.— (Carry forward)

Rp 441,000,000.— (Brought forward)

Rp 559,000,000.— in denominations of Rp 1.— and Rp 2.50, issued under :

- a. Government Ordinance No. 22 dated July 23, 1955 (Government Gazette No. 46/1955), and Decree of the Minister of Finance No. 155033/U.M.I., dated

July 28, 1955 based on Government Ordinance No. 22,

- b. Government Ordinance No. 56, dated November 18, 1957 (Government Gazette No. 154/1957) and Decree of the Minister of Finance No. 236670/ U.M.I., dated November 21, 1957, based on Government Ordinance No. 56,
- c. Decree of the Minister of Finance No. 177869/ U.M.I., dated October 22, 1958, based on Law No. 71/1958.

Rp 1,000,000,000.—
=====

CURRENT ACCOUNT BALANCES (OF THE GOVERNMENT)

..... Rp 324,005,274.33

This heading includes "Special Account No. 1 pertaining to E.C.A. aid" to the amount of Rp 454,142.60

This amount was the unspent part of the Rupiah equivalent of E.C.A. aid received by Indonesia through the Netherlands during the U.S. fiscal year 1948/1949.

On March 31, 1958 the balance of this account was Rp 106,663,522.60

From this balance the following was spent in the year under review:

Stock-raising and forestry projects	Rp 29,500,000.—
I.C.A. Mission	Rp 4,000,000.—

National Police projects	Rp 32,709,380.—		
Malaria Eradication	Rp 40,000,000.—	Rp	106,209,380. - -
	-----		-----
Balance on March 31, 1959		Rp	454,142.60

This heading also includes “Special Account No. 2 pertaining to I.C.A. aid” to the amount of Rp 323,551,131.73

Included in this amount were counterpart funds— notified but not yet spent—of I.C.A., T.C.A. and F.O.A. aid granted directly to Indonesia in the years 195I /1958. The balance at the beginning of the year under review was Rp 191,225,410.15

In the year under review- the counterpart funds increased by notification to an amount of Rp 153,625,721.58

Rp 344,851,131.73

Part of this amount was spent in the year under review for projects which had been approved by the authorities concerned, i.e.:

The Public Administration Institute	Rp 15,000,000.—		
National Police projects	Rp 1,100,000.—		
Interior Ministry projects	Rp 5,200,000.—	Rp	21,300,00.—
	-----		-----
On March 31, 1959, making the balance		Rp	323,551,131.73
			=====

Counterpart funds pertaining to I.C.A. aid, received by Indonesia, for which on March 31, 1959 no notification had as yet been received, are found under “Sundry Accounts” on the credit side of the balance sheet.

CURRENT ACCOUNT BALANCES (I.M.F. AND I.B.R.D.)

..... Rp 641,764,360.76

The specification is as follows:

International Monetary Fund (I.M.F.), Account No. 1 Rp 639,557,482.48

This amount consisted of:

Rupiah deposits to the amount of Rp 940,500,000.—

(representing 75% of the quota of the Republic of Indonesia), from which demand notes issued by the Government were deducted to the

amount of Rp 927,900,000.— Rp 12,600,000.—

increased by:

the countervalue of Government drawings to the amount of US\$ 55,000,000.— at Rp 11.40

Rp 627,000,000.—

Rp 639,600,000.—

decreased by:

the countervalue of sundry US\$ payments

to I.M.F. Rp 6,117.52

and transfers to I.M.F., Account No. 2. Rp 36,400.— Rp 42,517.52

Balance on March 31, 1959 (carry forward) Rp 639,557,482.48

(Brought forward) Rp 639,557,482.48

International Monetary Fund (I.M.F.), Account No. 2. Rp 52,747.48

Items not directly connected with monetary transactions were entered on this account

International Bank for Reconstruction and Development,

Account "A" Rp 2,154,130.80

At first the Government deposited a sum to the amount of Rp 2,257,200.—, constituting part of the I.B.R.D. stock quota allotted to the Republic of Indonesia following acceptance of the I.B.R.D. membership effective April 1954.

Out of this amount payments were made on behalf of I.B.R.D., leaving a balance of Rp 2,154,130.80 on March 31, 1959.

Total on March 31, 1959 Rp 641,764,360.76

Banking Department

FOREIGN BILLS AND BALANCES Rp 288,251,783.86

This heading covers, inter alia, cash balances with correspondents abroad in connection with import credits opened (mainly for account of ministries, public services and other such Government agencies) and foreign bills en route.

These claims were valued at the official parity rate effective on March 31, 1959.

As to these items it may be noted that Bank Indonesia does not maintain an independent foreign exchange position since the Bank's cash foreign exchange holdings are tied to forward contracts concluded with clients.

This heading also includes the working capital supplied to the Amsterdam Branch of the Bank, valued at the official rate.

CASH (SUBSIDIARY COINS)..... Rp 648,340.60

The nominal value of Government and Bank Notes held at the Bank's offices is not taken up under this heading, nor under "Bank Note, in circulation", for the reason that the notes are not actually in circulation.

BILLS DISCOUNTED AND ADVANCES ON
COLLATERAL, PAYABLE IN RUPIAH..... Rp 1,954,701,566.14

A considerable increase of credits granted by the Bank occurred in the sector of "semi-Government agencies". These credit grants, compared with the position on March 31, 1958, have risen approximately by Rp 416.8 million.

The rise was, inter alia, a result of the increase of credits extended to:

- a. "Jajasan Urusan Bahan Makanan" (Food Foundation); the balance on March 31, 1959 was Rp 691 million (on March 31, 1958 it was Rp 398 million); an increase by Rp 293 million.
- b. "Jajasan Pembangunan Djawa Barat" (Foundation for the Development of West Java); the balance on March 31, 1959 was Rp 54 million (on March 31, 1958 it was Rp 29 million); an increase by Rp 25 million.
- c. Central Trading Company; the balance on March 31, 1959 was Rp 170 million (on March 31, 1958 it was Rp 24 million); an increase by Rp 146 million).
- d. "Jajasan Bahan2 Pertanian" (Government Agency for Agricultural products); the balance on March 31, 1959 was nil (on March 31, 1958 it was Rp 65 million); a drop by Rp 65 million.

Credits granted to foreign exchange banks in the year under review also rose, largely as a result of credits extended to a number of state banks, among them,

“Bank Rakjat Indonesia” (People’s Bank), for the purchase of rice; the balance on March 31, 1959 was Rp 25 million (in the previous year it was nil) and “Bank Tani dan Nelajan” (Bank for Smallholders and Fishermen) for the purchase of fertilizers; the debit balance on March 31, 1959 was Rp 170 million (in the previous year it was nil).

At March 31st	Advances to the Government	Consolidated advances to the Government	Semi-Government institutions	Banks	Private sector	Total
	1	2	3	4	5	3 + 4 + 5
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	182,759	276,589	1,004,449
1958	17,286,379	3,554,948	896,672	167,395	289,641	1,353,708
1959	27,354,968	3,461,396	1,313,408	395,446	245,847	1,954,701

Credit grants to private enterprises show a decline in the import sector and an increase in agricultural estates.

INVESTED CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND Rp 371,958,620.72

The bank is entitled, under Article 17, paragraph 1, Bank Indonesia, to invest its Capital, Reserve Fund and its Special Reserve.

Securities making up the invested Capital and Reserve funds will be discussed at greater length later in this report. These securities have been valued at list prices per March 31, 1959 or lower insofar as they are officially quoted on the Djakarta or foreign stock exchanges. Securities not officially quoted on the stock exchange, were valued at rates estimated by careful approximation. Securities quoted in foreign currencies were valued at: Nf 1.— against Rp 3.— and US\$ 1.— against Rp 11.40.

On March 31, 1958 the <i>Capital</i> invested in securities totalled.....	Rp	24,999,141.35
increased by:		
purchase of securities to the amount of	Rp	8,554,841.20
and the advanced value of the securities on March 31, 1959, entered to the credit of the Profit/Loss Account of the 6th financial year.....	Rp	666,219.85

	Rp	34,220,202.40
decreased by:		
redemptions	Rp	8,750,960.-
transfer to "Special Reserve Investment"	Rp	469,260.-

Balance on March 31, 1959	Rp	24,999,982.40
		=====

On March 31, 1958 the <i>Reserve Fund Investment</i> in securities aggregated	Rp	24,999,963.20
increased by:		
purchases of securities to the amount of	Rp	160,267.25
and the advanced value of the securities per March 31, 1959, entered to the credit of the Profit/Loss Account of the 6th financial year, to the amount of	Rp	1,335,847.85

	Rp	26,496,078.30
decreased by:		
redemptions and transfers to "Special Reserve investment" to the amount of	Rp	1,496,084.-

Balance on March 31, 1959	Rp	24,999,994.30
		=====

Advances in value of the securities in which the 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/Loss Account of the 6th financial year.

On March 31, 1958 the Investment of the Special Reserve in securities aggregated	Rp	207,891,677.60
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increased by:		
purchases and transfers from other investment deposits of the bank to the amount of	Rp	158,970,612.15
and the advanced value of securities per March 31, 1959, entered to the credit of the Special Reserve Fund	Rp	3,536,346.85

	Rp	370,398,636.60

decreased by:		
redemption of securities to the amount of	Rp	115,503,776.30

Balance on March 31, 1959	Rp	254,894,860.30
		=====

The *Pension Fund Investment* on March 31, 1959

was in:

Securities	Rp	51,515,058.70
Mortgages	Rp	12,753.24

	Rp	51,527,811.94

increased by:		
purchases of securities and transfers from “Penanaman Jajasan Dana Tabungan Pegawai Bank Indonesia” (Bank Indonesia Personnel Savings Fund Foundation Investment), totalling		
	Rp	33,543,948.63
and the advanced value of securities on March 31, 1959 totalling		
	Rp	1,392,595.41

	Rp	86,464,355.98

decreased by:		
sales and redemptions of securities	Rp	19,397,788.34
mortgage redemptions	Rp	2,783.92

	Rp	19,400,572.26

Balance on March 31, 1959	Rp	67,063,783.72
		=====

consisting of: securities	Rp	67,053,814.40
mortgages	Rp	9,969.32

Total	Rp	67,063,783.72

PREMISES AND INVENTORY..... Rp 58,945,140.26

The value of office-buildings and houses was written down to site value, with the exception of buildings purchased after the so-called “moment of adjustment”, as, after this period, depreciations must be entered in instalments according to fiscal regulations. The value of office inventory and household effects has been written down to Rp 1.—, except in the case of a number of buildings purchased after the “moment of adjustment.” The office-building and inventory of the Amsterdam Branch were entered at their fiscal residual value in compliance with fiscal regulations, and converted at the official rate.

The above amount of Rp 58,945,140.26 includes:

1. a total of Rp 36,822,420.42 spent on the new office-building (including building-ground) under construction;
2. a balance to the amount of Rp 1,797,938.13, of the multiplication difference resulting from the revaluation of premises and inventories per April 1, 1949, the so-called “moment of adjustment” under the 1953 Revalorisation Decree, after making maximum fiscal depreciations over the year under report and the 6 preceding financial years.

SUNDRY ACCOUNT (debit)	Rp	482,760,394.46
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This heading is specified in:

<i>Sundry debtor accounts</i>	Rp	276,379,949.92
<i>Government payment orders and bills, and stamp duties.</i>	Rp	5,447,529.98
<i>Miscellaneous</i>	Rp	11,242,713.59
<i>Assets of the Amsterdam Branch</i>	Rp	189,690,200.97

Total on March 31, 1959	Rp	482,760,394.46

Item “Assets of the Amsterdam Branch” refers to the countervalue at the official rate of the assets of the Amsterdam Branch on March 31, 1959, insofar as they have not been entered in the balance sheet under other items.

CAPITAL	Rp	25,000,000,—
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Article 4, Bank Indonesia Act, prescribes the Capital of Bank Indonesia the amount of Rp 25,000,000.—

During the debates on the draft bill, which among various other points provided for an increase of the Capital to Rp 50,000,000.—Parliament generally appeared to recognize the necessity of the expansion of capital.

As the Capital of Bank Indonesia was no longer consistent with its activities, Bank Indonesia filed a request to the Minister of Finance in November 1958 for expansion of the Capital to Rp 100,000,000.— in its letter No. Sekr./ D.M./40/59 Confidential, dated February 19, 1959, the Monetary Board gave its approval to the request. The implementation and further instructions are still being awaited for.

RESERVE FUND Rp 25,000,000.—

Under Article 34, paragraph 5, Bank Indonesia Act, 20% of the approved net profits—after allocation to the Special Reserve—must be paid annually to the Reserve Fund until this fund equals the Bank’s Capital. In the year under review no such payments occurred since the Reserve Fund was already equal to the Capital of the Bank. According to Article 5, paragraph 2, Bank Indonesia Act, the Reserve Fund is meant to cover possible losses on the Bank’s Capital.

SPECIAL RESERVE Rp 347,990,388.54

The Special Reserve referred to in article 6,
Bank Indonesia Act, totalled on March 31, 1958 Rp 251,454,041.69

increased by:
advanced value of securities per March 31, 1959,
from Special Reserve Fund investments under
Article 17, paragraph 2, Bank Indonesia Act,
to the amount ofRp 3,536,346.85
(The interest of the investments to the amount of
Rp 9,534,758.42 was entered to the credit of the
Profit/Loss Account under Article 17, paragraph 2,

Bank Indonesia Act);		
and a transfer to the debit of the Profit/Loss		
Account according to Article 34, paragraph 5,		
Bank Indonesia Act, to the amount of	Rp	93,000,000,—

Balance on March 31, 1959	Rp	347,990,388.54
		=====

It has been repeatedly stressed in foregoing reports that strengthening the Special Reserve is a matter of outstanding importance. The gains in the year under review allowed an addition to the Special Reserve to the amount of Rp 93,000,000.— against Rp 33,100,000.— in the 5th financial year (1957/1958). As soon as the Draft Bill on the expansion of the Capital of Bank Indonesia to Rp 100,000,000.— has been enacted, it will be necessary to transfer Rp 75,000,000.— from the Special Reserve to the Capital Account. After the transfer of Rp 93,000,000.— and another Rp 75,000,000.— from the Profit/ Loss Account of the year under review to the Capital Account, the Special Reserve would show a total of Rp 272,990,388.54.

PENSION FUND	Rp	105,898,000,—
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The balance of this account aggregated on March 31, 1958	Rp	65,583,000,—
--	----	--------------

increased by:

contributions received, less refunds	Rp	1,032,482.25
interest on capital invested	Rp	2,676,870.09
advanced value of securities per March 31, 1959	Rp	1,392,595.41
entry of interest and remuneration paid by “Nillmy” arising from insurance agreements	Rp	4,043,035.68
entry of indemnification paid by the Dutch Government in compensation of contributions advanced by the bank		

(Pension Fund) for participants who were in arrears
 during the occupation period Rp 34,455.15

Grants:

chargeable to the Profit/Loss Account Rp 37,247,147.55
 chargeable to the Amsterdam Branch Rp 527,886.39 Rp 37,775,033.94

 Rp 112,537,472.52

decreased by:

pensions and subsistence allowance
 paid Rp 2,562,395.56
 additional allowance paid in addition
 to pensions and subsistence allowance
 on the strength of Article 56, Pension
 Fund Regulation, effective as from
 August 1, 1955 Rp 540,151.94
 payment of purchase prices of and
 premiums for pension assurances mi-
 nus refunds Rp3,536,781.02
 miscellaneous Rp 144.— Rp 6,639,472.52

 Balance on March 31, 1959 Rp 105,898,000.—
 =====

This balance, in accordance with Article 35, paragraph 2, Bank Indonesia Act, is equal to the total cash value of current and possible future obligations to the personnel, with the exception of that part of the pension obligations insured with insurance companies. Falling under the category of uninsured obligations was the one to pay additional allowances.

CURRENT ACCOUNTS BALANCES (NON GOVERNMENT)

..... Rp 7,035,072,609.18

DRAFT ON OWN OFFICES Rp 43,256,783.24

The total of current accounts balances (non-Government) increased by about Rp 2,659 million as compared with March 31, 1958. The balances of clearing banks accounted for about Rp 3,636 million of the total against Rp 2,208 million per March 31, 1958.

Transfer System (Giro)

Table 98 shows developments in the transfer system from April 1, 1958 up to and including March 31, 1959.

TABLE 98 — 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
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 *)	93,668	22,317,261	99,117	21,525,356	1,279,633	82,510,055
1958/1959	75,935	25,828,541	97,338	27,887,162	1,293,042	133,767,786

*) Including figures from the branch offices at Padang and Menado and from Ambon concerning March 1958.

It is necessary to note that these figures do not reflect the whole transfer business in Indonesia as the columns "Local transfer (non clearing)" and "Transfers (mail and telegraphic)" reflect exclusively the figures of the offices of the Bank, in other words they do not cover figures of other banks in Indonesia.

It is obvious from the development of these figures that the average amount of money per transaction has risen in comparison with the figures in the 1957/1958 financial year.

The number of banks participating in the “clearing business” and “central settlement” system has grown larger in the year under review.

Bank Negara Indonesia, Tjirebon branch, established on March 15, 1958, became a member of the local clearinghouse on August 4, 1958, whereas a number of 7 branch offices of Bank Rakjat Indonesia became full members of the clearinghouse after having been subclearants.

The number of subclearants increased with the participation of P.T. Bank Persatuan Dagang Indonesia with its two branch offices, and South East Asia Bank Ltd. , P.T. Bank Tani Nasional and N. V. Bank Pembangunan Sulawesi , with one office each. Following the closing of the Surabaya branch office of the Hongkong and Shanghai Banking Corporation Ltd. on July 1, 1958, the bank has been withdrawn from the local subclearants list.

In summary, the number of banks in 9 places in Indonesia participating in the clearing system was 92 at the end of the year under review, 62 of which participated in the direct clearing business, while the remaining 30 participated indirectly.

There were no changes in the number of banks participating in the “central settlement” system, in other words the system has remained effective in 6 places operated by a number of 24 banks.

RESERVE FOR COMPANY TAX Rp 42,384,597050

This reserve, on March 31, 1958 totalling Rp 192,194,502.50

increased by:
 transfer from the Profit/Loss Account for company
 tax payment over the 6th (1958/1959) financial year,
 to the amount of Rp 37,358,347.50

Rp 229,552,850.-

and decreased by:
 payments of the company tax of Bank Indonesia over
 the 5th (1957/1958) financial year, to the amount of

Rp 187,168,252.50

making the balance total on March 31, 1959

Rp 42,384,597.50

=====

SUNDRY ACCOUNTS (Credit)

Rp 7,176,563,658.09

This heading includes the *counterpart funds*
 arising from I.C.A. aids, authorized and released to
 Indonesia, however not yet notified.

At the outset of the year under review these accounts
 totalled

Rp 35,023,398.98

During the year under review this amount was
 added with the countervalue of US\$ grants extended to
 Indonesia under the I.C.A. aid program, to the amount
 of

Rp 268,924,238.33

Rp 303,947,637.31

whereas by notification was transferred to "Special
 Account No. 2 pertaining to I.C.A. aid" under the
 heading "Current Account Balances (Government) ",
 discussed elsewhere in this report, a sum to the amount
 of

Rp 153,625,721.58

making the balance on this interim account on
 March 31, 1959 Rp 150,321,915.73

Also taken up under this heading:

U.S. Surplus Commodities Sales Account

The countervalue of surplus agricultural commodities (S.A.C.), delivered by the United States to Indonesia under an agreement concluded on March 2, 1956 on the basis of U.S. Public Law 480, was entered on this account to the amount of Rp 1,272,581,584.77

Treasurer of the United States (I.M.G. funds)

The countervalue of informational media (mainly books and magazines) delivered to Indonesia under an agreement concluded on September 15, 1955 under the United States I.M.G. program, was entered on this account to the amount of Rp 18,739,354.42

Sundry accounts of the Foreign Exchange Fund in Rupiah Rp 963,498,185.--

Foreign Exchange Fund, receipts of guarantee payments

Import :	100%	Rp 50,307,912.21	
	1331/3 %	Rp 3,832,794,407.50	Rp 3,883,102,319.71

Liabilities, Bank Indonesia Amsterdam Branch Rp 191,815,572.06

The item "Liabilities, Bank Indonesia Amsterdam Branch" represents the countervalue based on the

official rate on March 31, 1959, insofar as not entered under other balance sheet headings.

<i>Miscellaneous accounts</i>	Rp 696,504,726.40

Total on March 31, 1959	Rp 7,176,563,658.09
	=====

Profit/Loss account

The gross income of Bank Indonesia dropped by about Rp 23 million over the 6th financial year, 1958/1959 when compared with the income over the 5th financial year, 1957/1958.

	Financial year	
	1957/1958	1958/1959
Interest on bills discounted and on foreign balances, profit on exchange, on coin and bullion and on sundries	45,355	19,595
Interest on advances : <i>to the Government</i>	381,296	317,775
<i>to others</i>	36,645	66,498
Commission	54,283	88,347
Interest on securities	10,172	12,130
Dividends of De Javasche Bank concerning the previous bookyear, being lost through superannuation	3	4
Disparity in value of Securities of Capital investment and Reserve Fund	1,562	2,002
Profit of the Branch Office in Amsterdam	585	422
Total	529,901	506,773

The item Interest of discounts and balances of foreign currencies, rate differences, profit on gold coins and bullion and sundries” decreased by about Rp 25.8 million, mainly caused by:

- a. a drop in the interest of balances of foreign currencies to the amount of approximately Rp 3.7 million. The drop was caused by: a drop by Rp 3.1 million of the interest of the Small A- Account occurring in the administration of Bank Indonesia Amsterdam Branch paid to the Head Office (the interest decreased due to a drop of the interest rate by about 1%), and an income drop of Rp 0.4 million from the interest of United States Exchequer issues;
- b. a fall of the rate differences of foreign currencies by about Rp 20.7 million, caused by the absence of rate differences in foreign exchange contracts since the introduction of the B.E. (Export Certificate) system, effective as from June 20, 1957 (under this system Bank Indonesia receives a commission on the sales/purchase of each Export Certificate, whereafter referred to under paragraph "Commission").

Out of the sum under item "Interest on advances to the Government" in the amount of approximately Rp 317.8 million (in the previous financial year about Rp 381.3 million), about Rp 17.8 million (in the previous financial year about Rp 18.2 million) consisted of interest on consolidated advances to the Government on the strength of article 42, Bank Indonesia Act (the drop of about Rp 0.6 million was a result of the regulation, referred to on page 243).

The actual interest received in the year under review, on advances to the Government (article 19, Bank Indonesia Act), amounted to Rp 622.8 million (in the previous year it was Rp 363.1 million), however under an agreement concluded between the Minister of Finance and Bank Indonesia (according to a letter of the Minister of Finance No. 58117/U.M.I. dated May 5, 1959) the interest was fixed at Rp 300 million. The remaining Rp 322.8 million was re-entered to the credit of the Government.

The actual interest pictures the Government debit position with respect to Bank Indonesia, which was on the average far higher than in previous years.

Item “Interest on advances to third parties” to the amount of Rp 66.5 million (against about Rp 36.6 million in the previous financial year) was the interest on advances on the current accounts of semi-official bodies, banks and private enterprises. An increase by about Rp 29.9 million was as a result of a number of major credit grants extended to a number of semi-official agencies (J.U.B.M. Jajasan Pembangunan Djawa Barat; Central Trading Coy; Dewan Veem Indonesia; Tambang Timah Belitung; P.E.L.N.I.; Jajasan Bahan² Pertanian and several banks (Bank Rakjat Indonesia for the purchase of rice; Bank Tani dan Nelajan for the purchase of fertilizers).

Item “Commission” rose by about Rp 34.1 million, mainly as a result of commissions received on B.E. sales/purchase transactions and for services rendered in the opening of import credits abroad.

Item “Interest on securities”, in compliance with article 17, paragraph 2, Bank Indonesia Act, covers the interest on the securities in which Capital, Reserve Fund and Special Reserve are invested.

“Dividends of De Javasche Bank over the 125th and 126th financial years, unclaimed and lost by superannuation totalled” Rp 4,680.—. As a rule such an item is entered to the credit of the Reserve Fund, however as the Reserve Fund has reached its maximum, equal to the Capital, this sum, as in the previous year, was entered to the credit of the Profit/Loss account.

The entry of “Differences arising from the revaluation of securities in which the Bank’s Capital and Reserve Fund have been invested” to the credit of the Profit/Loss Account has been discussed under heading “Capital and Reserve Fund Investments”.

The routine business returns of Bank Indonesia Amsterdam Branch in this financial year—although there were practically no transactions from Indonesia via the Netherlands, which of course, exerted influence on the activities of the Amsterdam Branch—if compared with last year’s, show a rise of Nf 59,700.— (in

the year under review the profit was Nf 55,400.—, against a loss of Nf 4,300.— last year). This profit was possible because of a cut in the interest paid on the Small “A” account and some of special payments.

The Nf 55,400 profit, after having been deducted with last year’s loss, was transferred to Indonesia and the B.E.

returns totalled Rp 409,100.—

added with:

last year’s loss of the Branch Office on account of

annulment by the Amsterdam Branch Rp 12,900.—

Profit made by Bank Indonesia Amsterdam Branch Rp 422,000.—

TABLE 100 — RECAPITULATION OF THE DEBIT ITEMS OF THE PROFIT AND LOSS ACCOUNT (Rp '000)		
	Financial year	
	1957/1958	1958/1959
General expenses	68,629	88,318
Ground tax, upkeep and insurance of buildings	4,565	8,033
Depreciation of buildings	9,121	4,851
Depreciation of furniture	11,590	7,277
Printing cost of bank notes	91,130	164,696
Transfer to Reserve as compensation for extra-ordinary losses sustained by the agencies at Padang and Menado	108,000	4,377
Transfer to Pension Fund	16,379	37,247
Transfer to Reserve for Company Tax	187,168	37,358
Net profits (including transfer to Reserve Fund and Special Reserve)	33,319	154,616
Total	529,901	506,773

On the Profit/Loss Account, debit side, the item “General expenditures” in the year under review shows a rise of Rp 19.7 million. This rise was mainly due to the increase of personnel expenses to the amount of about Rp 13.4 million, office supply expenses to the amount of Rp 2.6 million and expenses on the opening of a new agency in London to the amount of Rp 1.4 million.

Item “Maintenance, ground-rent and insurance of office- buildings and houses” rose by Rp 3.5 million, mainly as a result of more maintenance work and higher prices of materials.

Item “Depreciation of office-buildings and houses” represents the maximum fiscal depreciation permitted under article 3 paragraph 3 of the “Company Tax Exemption Decree 1953” to the amount of Rp 1.6 million, based on the market value per April 1, 1949 (the so-called “moment of adjustment”), and depreciation to site value (to the amount of Rp 3.2 million, the maximum permitted under article 9 paragraph 2 of the “Company Tax Exemption Decree 1953 “) of extensions and reconstructions carried out as well as a partial depreciation of buildings purchased since 1956.

Item “Depreciations of inventories” dropped by Rp 4.3 million. This fiscal depreciation was the maximum permissible of amounts spent in the year under review on necessary renewal and extensions of the means of transport, office requirements and household effects.

Item “Expenses on printing of bank notes” to the amount of Rp 164.7 million was for defraying the printing costs of bank notes ordered in the year under review.

The Bank Indonesia branch offices at Padang and Manado suffered from losses in consequence of the uprisings in Central Sumatra and North Sulawesi which broke out last year. The Minister of Finance endorsed a plan of the Bank’s management to reserve a given amount of money, chargeable to last year’s Profit/Loss Account, for compensating the extraordinary losses as estimated. Accordingly, an amount of Rp 108 million was made available for this purpose last year, chargeable to the Profit/Loss Account. As it turned out latter that the losses amounted to exactly Rp 112,376,879.17, an additional Rp 4 million has been made available, chargeable, also, to the Profit/Loss Account of the year under review.

Other expenditure, depreciations and reserves have, insofar as necessary, been reviewed earlier under this chapter.

The net profits totalling	Rp	154,615,976.63
may be divided—in compliance with article 3, paragraph 5, Bank Indonesia Act—into:		
an allotment to the Special Reserve to the amount of ..	Rp	93,000,000.—

Thus leaving for the Treasury a share of the net profit to the amount of	Rp	61,615,976.63
		=====

IX. MANAGEMENT OF THE BANK

During the year under review, the formation of the Bank's Managing Board as well as its representatives abroad has undergone some changes.

In its meeting of 5th April 1959, the Council of Ministers of the Republic of Indonesia resolved not to extend the terms of office of Dr. Darmawan Mangoenkoesoemo, Managing Director and Second Deputy Governor of Bank Indonesia, and T.R.B. Sabarudin, Managing Director of Bank Indonesia, both terminating on 1st March 1959.

In its meeting of 9th June 1959, the Council of Ministers of the Republic of Indonesia resolved to appoint Dr. R.B. Gandasoebrata, Deputy Managing Director of Bank Indonesia, to the post of Managing Director of Bank Indonesia.

On 25th August 1959, Dr. R. Kartadjoemena was appointed Representative of Bank Indonesia to the United States with New York as his domicile.

The actual formation of the Managing Board of Bank Indonesia as well as of its Staff per 31st July 1959 has been taken up in full in Appendix C of the present report.

DJAKARTA, July 31, 1959
The Governor of Bank Indonesia

Dr. LOEKMAN HAKIM

Appendices

BALANCE SHEET AS AT MARCH 31 1959

<i>Assets</i>		Issue	Department		<i>Liabilities</i>
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. :					
Gold coin and bullion	Rp 418,712,747.32				Rp 221,196,183.55
Convertible foreign exchange	" —,—				" 20,712,236,116.25
Claim in gold on the Government	" 25,080,000.—	Rp 443,792,747.32			
FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT :					
Gold coin and convertible foreign exchange balances	Rp 1,912,800,681.17				
Other foreign exchange	" 118,260,292.69	" 2,031,060,973.86			
CONSOLIDATED ADVANCES TO THE GOVERNMENT (ARTICLE 42)					
ADVANCES TO THE GOVERNMENT		" 3,461,396,250.—			
CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENTS MADE ON ITS BEHALF TO I.M.F.		" 27,354,968,130.85			
		" 313,500,000.—			
		Rp 33,604,718,102.03			Rp 33,604,718,102.03
		Banking	Department		
FOREIGN BILLS AND BALANCES WITH CORRESPONDENTS ABROAD		Rp 288,251,783.86			Rp 25,000,000.—
CASH: Subsidiary coins		" 648,340.60			" 25,000,000.—
DISCOUNTS AND ADVANCES ON COLLATERAL PAYABLE IN RUPIAHS					" 347,990,388.54
Discounts	Rp 13,201.04				" 105,898,000.—
Advances on collateral	" 1,954,688,365.10	" 1,954,701,566.14			" 7,035,072,609.18
INVESTMENT OF CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND :					" 43,256,783.24
Invested Capital	Rp 24,999,982.40				" 42,384,597.50
Invested Reserve Fund	" 24,999,994.30				" 7,176,563,658.09
Invested Special Reserve	" 254,894,860.30	" 371,958,620.72			" 61,615,976.63
Invested Pension Fund	" 67,063,783.72				
PREMISES AND INVENTORY :					
Premises	Rp 57,433,533.64				
Inventory	" 1,511,606.62	" 58,945,140.26			
SUNDRY ACCOUNTS		" 482,760,394.46			
		Rp 3,157,265,846.04			
		" 11,705,516,167.14			
		Rp 14,862,782,013.18			Rp 14,862,782,013.18
	Sub total				
	Issue Department				

Provisionally approved by the Monetary Board at its meeting of August 3, 1959 and sanctioned by the Government of the Republic of Indonesia in Cabinet on August 7, 1959

Djakarta, July 15, 1959
Governor and Managing Directors of Bank Indonesia :

LOEKMAN HAKIM
INDRA KASOEMA
BOERHANOEDIN

APPENDIX B

PROFIT AND LOSS ACCOUNT

FOR THE 6TH FINANCIAL YEAR 1958-1959
AS AT MARCH 31, 1959

Liabilities
Assets

GENERAL EXPENSE ACCOUNT GROUND TAX, UPKEEP AND INSURANCE OF BUILDINGS DEPRECIATION OF BUILDINGS DEPRECIATION OF FURNITURE PRINTING COSTS OF BANK NOTES TO PENSION FUND TO RESERVE AS COMPENSATION FOR EXTRAORDINARY LOSSES SUSTAINED BY THE AGENCIES AT PADANG AND MENADO TO RESERVE FOR COMPANY TAX NET PROFITS : To Special Reserve Share of the Treasury	Rp 88,317,741.02 „ 8,033,208.10 „ 4,850,612.84 „ 7,277,439.19 „ 164,695,631.99 „ 37,247,147.55 „ 4,376,879.17 „ 37,358,347.50 Rp 93,000,000.— „ 61,615,976.63	Rp 88,317,741.02 „ 8,033,208.10 „ 4,850,612.84 „ 7,277,439.19 „ 164,695,631.99 „ 37,247,147.55 „ 4,376,879.17 „ 37,358,347.50 Rp 506,772,983.99	INTEREST ON BILLS DISCOUNTED AND ON FOREIGN BALANCES, PROFIT ON EXCHANGE, ON COIN AND BULLION AND ON SUNDRIES INTEREST ON ADVANCES : TO THE GOVERNMENT <div style="padding-left: 40px;">TO OTHERS</div> COMMISSION INTEREST ON SECURITIES UNCLAIMED DIVIDENDS OF DE JAVASCHE BANK CONCERNING THE 125/126TH BOOKYEAR, BEING LOST THROUGH SUPERANNUA- TION DIFFERENCES BY REVALUATION OF CAPITAL-AND RESERVE FUND-INVESTMENTS ON SECURITIES PROFITS OF OUR BRANCH OFFICE IN AMSTERDAM	Rp 19,595,141.39 Rp 317,774,737.50*) „ 66,497,779.94 „ 88,346,826.77 „ 12,129,729.46 „ 4,680.— „ 2,002,067.70 „ 422,021.23	Rp 506,772,983.99
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Note : In this Profit and Loss account for the 6th financial year is included the profit and loss account at March 31, 1958 (5th financial year) of our branches at Padang and Menado, which, due to political complications in those regions could not be included in the figures of last year.

Provisionally approved by the Monetary Board
at its meeting of August 3, 1959 and sanctioned
by the Government of the Republic of Indonesia
in Cabinet on August 7, 1959

*) The interest actually received from the Government in the year under report amounted to Rp 623 million (excl. interest on consolidated advances), but by agreement between the Government and Bank Indonesia Rp 323 million has been retransferred to the Government as subsidy.

Djakarta, July 15, 1959

Governor and Managing Directors of Bank Indonesia :

LOEKMAN HAKIM
INDRA KASOEMA
BOERHANOEDIN

APPENDIX C

BANK INDONESIA

Management as per July 31st, 1959

Monetary Board

Minister of Finance	Dr. H. DJUANDA -	: Chairman
Governor of Bank Indonesia	Dr. LOEKMAN HAKIM	: Member and Chairman by absence of the Minister of Finance
Minister of Distribution	Dr. J. LEIMENA	: Member
Minister of Production	Col. SUPRAJOGI	: Member
Minister for Development and Construction	CHAERUL SALEH	: Member
Vice Minister of Finance	R. M. NOTOHAMIPRODJO	: Alternate Member

Managing Directors

Dr. LOEKMAN HAKIM	: Governor
Dr. INDRA KASOEMA	: Managing Director and Ist Deputy Governor
Dr. BOERHANOEDIN	: Managing Director
Dr. R. B. GANDASOEBRATA	: Managing Director

Delegate in Europe

KHOUW BIAN TIE, drs. ec.

HEAD OFFICE DJAKARTA

Foreign Dept.

R. H. DJAJAKOESOEMA : Deputy Head
R. SUJANTO : Assistant Head
TJOA SIEN KIEN : Assistant Head

General Dept.

Mr. R. HERTATIJANTO : Officiating Head

Supervision Dept.

ANDI FAISAL : Officiating Head
M. HOLTZ : Assistant Head

Economic-Statistical Dept.

R. SOERJADI, drs. ec. : Head
E. A. SIE DHIAN Ho, drs : Officiating Assistant Head

General Credit Dept.

TAN TIONG DJIN : Officiating Head
TJIOE TIANG HAM : Assistant Head

Credit Supervision Dept.

Mr. M. DJOEANA KOESOEMAHARDJA : Head
SOEGANDA : Assistant Head

Djakarta Credit Dept.

SOEJAKTO SOEPARDAN : Officiating Head
J. TH. LEMAIRE : Assistant Head

Bills Dept.

N. KERKHOVEN : Head
J. A. FRANSZ : Deputy Head
ROCHANI DJAJASASMITA : Assistant Head

D. D. RANTY : Assistant Head
KOEN SURYATMODJO : Assistant Head
J. HARAHAHAP : Officiating Assistant Head

Foreign Exchange Fund

Mr. R. MARKOEM DJOHADISOEPARTO : Officiating Head
TJOA TIANG TJOEN : Assistant Head

Securities Dept.

P. DE QUACK : Officiating Head
MOELJONO : Officiating Assistant Head

Secretarial Dept.

R. KARDANA HARDJAKUS : Officiating Head
ACHMAD MARTINOES : Assistant Head

Personnel Dept.

F. O. TUMBEL : Head
KHOE SOE LIEM : Assistant Head

General Accounting Dept.

E. E. P. POUBLON : Officiating Head
PADMI WIRAATMADJA : Assistant Head

Building Maintenance Dept.

Ir. J. A. H. ONDANG : Head
R. ABDULSALAM
WIDJOJOATMODJO : Assistant Head

Cash Dept.

AMHAR gelar SOETAN PALEMBANG : Head
LAY SIONG KWAN : Deputy Head
SOENINDIJO : Officiating Assistant Head

Bank Note Dept.

ABDUL HAMID

gelar M. PARLINDUNGAN : Head

Accounting Dept.

H. B. VORTMAN : Head

A. U. LAOH : Assistant Head

H. THYSSEN : Assistant Head

A. R. D. RICHIR : Assistant Head

BRANCH OFFICES

Ambon

R. DHOEMADI SINGOWIGOENO : Manager

R. M. W. T. LUNGGONO : Accountant

Ampenan

R. SOETANDIJO : Manager

I GUSTI PUTU WISESA : Accountant

Bandjarmasin

R. SOEMARTONO Ms : Manager

ACHMAD SIROD : Cashier

ASKANDAR bin ANANG ARIP : Acting Accountant

Bandung

J. A. SEREH : Manager

WIJARDI : Deputy Manager

MAHFUD JAKILE : Cashier

IRLAN SOEHENDRA : Cashier

R. ABAS : Accountant

Djember

JO TEK SOEI : Manager
R. MASHERMAN : Accountant
ERMAN : Accountant

Jogjakarta

I NJOMAN MOENA : Manager
DJOKO SOETARGO : Cashier
LIE HWAY KIONG : Accountant

Kediri

SOEKARNO : Manager
SUPARTO WIGNJASUBRATA : Cashier
TAN PING HWIE : Accountant

Makasar

M. RIFAI : Manager
R. ARIANTO WIRIOSAPUTRO : Cashier
B. R. BOHANG : Accountant

Malang

SULWAN S. ASTRADININGRAT : Manager
R. R. WENAS : Cashier
OEI SIOK TIEN : Accountant
R. SOENDORO POERBOADIWINOTO : Assistant Accountant

Medan

R. W. L. ECHTER : Manager
R. P. SOEMA DI PRADJA : 1st Deputy Manager
K. L. RANTY : 2nd Deputy Manager
Mr. R. MARTOJO KOENTO : Cashier
N. HARTONO HARDJOPRANOTO : Officiating Cashier
LOH THIM LOOK : Accountant

Menado

E. A. KOETIN : Officiating Manager
A. NELWAN : Accountant

Padang

NANDANG KOMAR : Officiating Manager
SOEWARNO POESPOWIDJOJO : Cashier
MAHJ OEDIN : Accountant
CHAIDIR MARTAMIN : Assistant Accountant

Palembang

R. M. SOEMIRAT
SOERJODARMODJO : Manager
R. S. NATALEGAWA : Deputy Manager
SJ AMSUDDIN SUDJAJA : Cashier
WHIE PEK SOEI : Assistant Accountant

Pontianak

TRASNO KALIPROGO : Manager
Mr. R. SULAKSANA SUPARTO : Deputy Manager
OH SOEI BIE : Cashier
EI BIE : Cashier
R. SOEROTO DONO : Accountant

Semarang

E. SOEKASAH SOMAWIDJAJA : Manager
ONG SIAN TJONG : Deputy Manager
G. W. NAJOAN : Cashier
R. KOESMADI SASTRODIPOERO : Cashier
SUNJOTO KUSUMODIDJOJO : Cashier
KHOE SOE KHOAN : Accountant

Solo

Mr. ARKO BAKSONO : Manager
Mr. R. SOEWIGNJO SOERJOKOESOEMO: Cashier
R. SOENARTO : Accountant

Surabaya

TAN LIANG OEN : Manager
GUSTI ABDUL AZIS : 1st Deputy Manager
R. SOEJATNO SOEMARDJO : 2nd Deputy Manager
R. SOEJOTO : Cashier
BAMBANG SUSILO : Cashier
R. SUNARSO MURDOATMODJO : Cashier
HAMDANI : Cashier
R. OEMAR SAID : Accountant
J. ENAS : Assistant Accountant

Tjirebon

R. H. KAMARGA : Manager
F. H. RARUNG : Cashier
PHOA HONG GIN : Accountant

BRANCH OFFICE, AMSTERDAM

KHOUW BIAN TIE, drs. ec. : Managing Director
L. SWAAN : Managing Director
H. R. VAN DE LEUV : Assistant Managing Director
JHR. Mr. E. R D. ELIAS : Secretary
RACHMAT SALEH, drs. ec. : Assistant Secretary

Proxies

J. M. PALM
H. J. VERBEEK WOLTHUYS
P. WATERDRINKER
J. F. WIJSMULLER

Representative's Office in U.S.A. (New York)

Mr. R. A. KARTADJOEMENA, Representative

Representative's Office in Great Britain (London)

KHOUW BIAN TIE, drs. ec., Representative

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. <i>Bills of Exchange, Promissory Notes, etc.</i> , 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 %

Ditto, if payable elsewhere outside Djawa or Madura (ten days additional interest with a minimum of Rp 1.50)..... 3 %

Bills of Exchange in local currency payable abroad (minimum interest ten days) 3 %

LOANS AND ADVANCES IN CURRENT ACCOUNT AGAINST :

Bills of Exchange 5 %

Promissory Notes 6 1/2 %

Government Auction Promissory Notes 3 %

Securities : Bonds of the Government of Indonesia as well as of autonomous provinces and municipalities in Indonesia 3 %

Bonds issued by mortgage banks established and operating in Indonesia 3 %

All other bonds 3 1/2 %

Shares..... 4 %

Gold and silver 4 %

Sugar, rice, oils and fats 4 1/2 %

Other export produce 5 %

Import commodities 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 rupi-ahs 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, pay- able in rupi-ahs	Invested capital, reserve fund, special reserve and pension fund	Deposits, drafts and transfers payable	Government notes in circulation
1958													
1 April	464,721	1,379,151	3,554,947	17,098,877	313,500	1,857,613	14,055,184	939,649	328,399	1,369,727	301,640	4,604,432	854,554
16 "	464,751	1,363,719	3,554,947	17,816,578	313,500	1,890,907	14,226,796	939,649	385,122	1,139,169	301,691	4,628,277	873,224
23 "	463,977	1,368,428	3,554,947	16,774,300	313,500	549,800	14,525,464	939,649	334,387	1,225,340	301,773	4,535,752	866,192
16 "	461,209	1,364,349	3,554,947	16,937,369	313,500	550,440	14,577,981	939,649	352,489	1,272,087	301,934	4,574,342	864,950
30 "	460,968	1,303,931	3,554,947	16,941,663	313,500	559,183	14,712,392	939,649	390,762	1,444,208	301,928	4,630,024	868,395
7 May	460,985	1,311,633	3,554,947	17,169,270	313,500	578,737	14,901,380	910,149	376,955	1,559,653	301,895	4,658,369	875,361
14 "	460,745	1,304,472	3,554,947	18,073,246	313,500	584,899	15,077,882	910,149	311,419	1,382,281	302,006	4,976,752	877,856
21 "	458,650	1,433,771	3,554,947	18,207,827	313,500	559,907	15,177,170	910,149	300,077	1,439,623	301,097	5,007,500	875,504
28 "	458,685	1,399,852	3,554,947	18,308,601	313,500	577,978	15,178,566	910,149	324,268	1,468,291	301,109	5,017,656	875,395
4 June	458,503	1,379,142	3,554,947	18,646,709	313,500	568,968	15,248,233	910,149	325,117	1,519,590	301,102	5,040,886	876,318
11 "	458,512	1,310,389	3,554,947	18,847,214	313,500	569,669	15,405,281	910,149	268,553	1,640,665	301,256	5,081,888	876,554
18 "	458,512	1,309,432	3,554,947	18,699,677	313,500	595,430	15,539,299	910,149	295,709	1,580,088	301,291	4,947,940	884,127
25 "	458,512	1,293,356	3,554,947	18,941,763	313,500	581,317	15,553,809	910,149	284,476	1,447,375	301,351	4,940,848	888,739
2 July	458,570	1,236,763	3,554,947	19,075,100	313,500	579,883	15,492,193	910,149	254,159	1,470,489	301,342	5,015,255	891,388
9 "	458,570	1,196,532	3,554,947	19,244,734	313,500	526,777	15,634,351	906,149	248,603	1,562,087	301,353	5,024,172	888,309
16 "	458,570	1,196,644	3,554,947	19,206,884	313,500	533,996	15,762,100	906,149	203,781	1,595,535	301,362	4,590,215	890,964
23 "	458,645	1,210,321	3,554,947	19,494,719	313,500	523,246	15,795,572	906,149	196,326	1,797,114	301,359	4,807,568	897,088
30 "	458,645	1,209,032	3,554,947	19,700,961	313,500	499,252	15,848,688	906,149	245,021	1,670,114	301,379	4,782,407	899,906
6 August	458,685	1,206,123	3,554,947	19,710,206	313,500	582,763	15,808,313	873,439	292,407	1,761,439	301,395	5,071,397	900,282
13 "	458,685	1,194,780	3,554,947	19,863,580	313,500	564,668	15,969,608	873,439	272,001	1,770,175	270,993	5,015,779	906,623
20 "	458,774	1,186,983	3,554,947	19,941,481	313,500	557,950	16,050,125	873,439	302,921	1,797,632	271,723	5,065,353	911,653
27 "	456,803	1,234,698	3,554,947	20,110,958	313,500	550,539	16,074,943	833,439	200,209	1,879,211	271,701	5,130,702	909,150
3 September	456,818	1,187,642	3,554,947	20,187,457	313,500	533,837	16,258,277	833,439	258,533	1,851,974	271,831	5,099,974	908,020
10 "	456,818	1,237,680	3,554,947	20,221,918	313,500	542,749	16,367,327	833,439	200,309	2,002,655	366,857	5,492,068	909,792
17 "	456,888	1,286,776	3,554,947	20,064,005	313,500	515,331	16,478,215	833,439	244,195	1,906,774	366,980	5,116,116	914,335
24 "	456,888	1,236,407	3,554,947	20,057,266	313,500	436,805	16,481,039	833,439	264,362	2,019,614	366,978	5,301,993	915,886
1 October	456,888	1,277,231	3,554,947	20,664,488	313,500	434,261	16,554,687	833,439	279,006	2,203,778	366,978	5,243,382	917,560
8 "	456,888	1,359,952	3,554,947	20,924,211	313,500	416,325	16,765,107	817,339	294,894	2,194,522	366,958	5,339,247	920,391
15 "	456,888	1,401,529	3,554,947	21,089,771	313,500	417,337	16,862,376	817,339	221,632	2,217,332	366,958	5,013,406	925,216
22 "	456,888	1,468,283	3,554,947	21,322,827	313,500	435,726	16,937,549	817,339	211,569	1,968,266	366,951	4,950,367	923,894
29 "	456,980	1,510,478	3,554,947	21,537,949	313,500	406,666	16,966,165	856,657	175,879	1,924,025	366,980	5,205,707	939,613
5 November	456,884	1,543,738	3,554,947	21,636,742	313,500	389,979	17,090,518	856,657	230,485	1,971,054	366,980	5,439,540	944,922
12 "	456,884	1,516,994	3,554,947	21,842,768	313,500	336,838	17,313,187	856,657	237,536	2,017,338	366,980	5,504,138	950,015
19 "	456,884	1,507,373	3,554,947	22,211,315	313,500	341,163	17,611,359	856,657	269,545	2,051,601	366,980	5,726,626	949,725
26 "	454,223	1,506,523	3,554,947	22,506,684	313,500	324,190	17,802,903	856,657	241,585	2,086,509	366,770	5,903,094	954,268
3 December	451,999	1,519,851	3,554,947	22,857,140	313,500	346,863	18,026,087	856,657	305,427	1,982,474	367,013	6,129,793	955,479
10 "	451,807	1,528,712	3,554,947	23,207,716	313,500	344,555	18,311,050	856,657	377,544	1,946,512	367,135	6,200,301	958,635
17 "	451,614	1,659,424	3,554,947	23,445,369	313,500	351,444	18,822,800	856,657	331,048	1,906,103	367,380	6,602,755	960,116
23 "	451,794	1,661,935	3,554,947	24,320,473	313,500	335,559	19,280,223	856,657	288,828	1,847,480	367,389	6,214,613	962,105
31 "	451,817	1,645,752	3,554,947	24,815,211	313,500	327,517	19,469,928	856,657	401,556	1,809,182	367,391	7,555,364	960,027
1959													
7 January	451,817	1,628,647	3,554,947	24,992,797	313,500	285,005	19,833,585	856,657	338,487	1,806,987	367,403	7,226,556	959,577
14 "	451,817	1,673,540	3,554,947	25,318,873	313,500	258,902	19,884,780	856,657	327,412	2,071,669	367,392	7,077,689	962,577
21 "	450,566	1,709,140	3,554,947	25,467,588	313,500	259,885	19,890,185	856,657	325,946	2,012,696	367,453	6,841,478	964,270
28 "	450,566	1,711,165	3,554,947	25,402,752	313,500	238,787	19,836,296	856,657	304,270	1,927,531	367,451	6,669,369	969,633
4 February	449,604	1,750,112	3,554,947	25,417,763	313,500	211,999	19,788,788	856,662	281,313	1,846,382	367,341	7,032,831	972,296
11 "	449,609	1,824,738	3,554,947	25,676,465	313,500	208,232	19,796,884	856,662	278,983	1,745,569	367,341	7,015,876	974,350
18 "	449,752	1,931,925	3,554,947	26,298,440	313,500	199,971	19,920,472	856,662	190,406	1,727,543	367,341	7,049,852	978,484
25 "	447,387	1,964,926	3,554,947	26,340,314	313,500	193,591	19,972,344	970,970	191,452	1,829,075	367,614	7,190,215	982,234
4 March	447,387	1,953,153	3,554,947	26,592,256	313,500	188,715	19,905,734	970,970	314,324	1,859,236	367,645	7,319,356	995,929
11 "	447,404	1,931,233	3,554,947	26,987,350	313,500	174,080	20,027,230	970,970	197,171	1,890,375	365,186	7,390,875	994,469
18 "	447,404	1,974,142	3,554,947	27,038,071	313,500	173,053	20,209,508	970,970	282,141	1,886,567	365,149	7,001,344	997,038
25 "	443,793	2,012,237	3,554,947	27,271,626	313,500	174,324	20,336,992	970,970	273,667	1,924,153	365,149	7,225,322	996,707

APPENDIX F

IMPORTS OF CONSUMER GOODS INTO INDONESIA								
	Gross weight (^{'000 tons})				Value (Rp million)			
	1938	1956	1957 ¹⁾	1958 ¹⁾	1938	1956	1957 ¹⁾	1958 ¹⁾
Meat and canned meat products	1.8	0.5	0.4	0.3	0.8	5.8	3.5	3.6
Milk and related products	19.9	39.6	24.4	14.9	5.3	157.0	116.7	76.8
Butter and margarine	6.1	0.1	0.2	0.1	4.2	0.6	1.7	0.5
Cheese	1.2	0.7	0.5	0.1	0.7	5.4	4.3	0.6
Fish, dried or salted, Asiatic varieties	61.6	28.2	26.4	16.3	11.0	64.6	61.2	28.2
Rice	334.2	763.2	563.4	681.5	22.1	1,280.7	956.4	1,003.5
Wheat flour	85.3	196.9	156.0	96.8	7.7	223.1	186.6	101.2
Fruits (incl. marmalades, jams, etc).	7.2	11.3	7.9	7.4	1.8	19.8	13.5	8.9
Vegetables	13.9	4.9	5.0	1.0	2.5	9.6	9.5	3.5
Spirits, distilled and undistilled	11.5	3.0	2.0	0.9	4.5	14.9	10.8	4.4
Tobacco and tobacco products	1.6	0.2	—	0.1	1.9	2.6	0.6	1.4
Sugar and related products	2.7	1.0	0.5	1.9	0.6	4.0	1.8	4.4
Coffee, tea, cocoa and chocolate	2.6	0.1	0.1	—	1.8	1.2	0.8	0.6
Kerosene	27.5	5.0	0.3	0.9	1.1	1.7	0.2	0.3
Sewing cottons	1.1	1.5	1.0	1.0	2.7	35.9	27.6	16.9
Cotton piece goods :								
dyed	11.1	18.5	15.9	6.3	12.7	331.8	275.8	103.1
printed	5.6	13.9	9.8	5.6	8.0	285.8	192.1	103.2
coloured woven	7.9	2.9	2.9	1.3	8.9	41.1	44.2	18.9
Cotton singlets and mesh shirts	2.7	4.4	0.1	—	3.2	81.4	2.5	0.9
Other clothing	3.8	1.1	0.3	0.2	6.9	24.5	6.2	5.2
Table and kitchen ware of earthenware and china	14.5	45.4	19.8	1.5	1.9	83.2	35.6	3.0
Sundry household articles of glass	5.4	14.9	5.1	1.6	1.0	28.0	10.8	2.9
Sundry household articles of metal	3.3	3.0	3.3	0.6	1.8	14.4	12.4	3.1
Matches	2.3	5.1	—	0.4	1.0	27.2	0.2	1.1
Wireless sets and sewing machines	1.7	9.9	6.6	4.3	2.8	76.3	46.1	26.8
Bicycles	0.8	0.9	9.3	2.8	0.8	12.3	69.6	19.9
Bicycle tyres	0.7	5.9	1.9	0.3	0.6	53.0	18.8	2.8
Other consumer goods	141.2	110.1	64.2	26.5	88.4	1,173.8	807.0	411.2
Total	779.2	1,292.2	927.3	874.6	206.7	4,069.7	2,916.5	1,956.9
Of which oil companies	27.5	13.9	9.1	11.6	1.1	57.8	351.4	63.5
Total excl. oil companies	751.7	1,278.3	918.2	863.0	205.6	4,011.9	2,565.1	1,893.4

¹⁾ Provisional figures

Source : C.B.S.

APPENDIX G

IMPORTS OF RAW MATERIALS AND AUXILIARY GOODS INTO INDONESIA								
	Gross weight ('000 tons)				Value (Rp million)			
	1938	1956	1957 ²⁾	1958 ²⁾	1938	1956	1957 ²⁾	1958 ²⁾
Dyestuff, prepared from coal tar	2.2	4.3	3.1	1.7	4.3	94.8	72.3	36.1
Fertilizers	122.4	183.8	207.9	157.0	7.5	142.7	185.2	115.9
Cloves and clove stems	5.7	12.8	7.2	8.3	3.7	130.6	77.2	81.2
Cases	23.9	3.1	3.7	7.0	3.8	10.5	12.0	19.2
Gunny bags	55.8	19.3	15.9	10.8	10.2	57.6	48.3	30.9
Cotton yarns	9.1	20.5	10.6	16.1	10.1	297.4	160.1	206.9
Cotton piece goods:								
unbleached	7.3	6.1	3.6	3.6	6.7	81.1	44.8	44.1
bleached	19.8	15.7	20.1	13.0	25.9	317.4	415.0	241.2
Paper and manufactures thereof	54.1	102.6	89.2	68.8	6.9	239.5	266.0	204.2
Building cement	121.0	396.1	312.7	112.4	1.6	129.3	109.1	37.4
Iron and steel rolled products	114.3	112.1	174.2	84.8	14.8	262.6	459.4	176.9
Iron roofing material and accessories	20.2	7.8	7.8	2.9	4.0	29.7	32.7	13.8
Tin plates and sheets	27.5	20.3	23.7	19.0	7.2	47.4	55.1	38.3
Nails, tacks and spikes	14.7	20.5	22.9	5.7	2.1	39.8	48.3	12.7
Mineral fuels (other than petroleum products)	84.2	43.9	41.7	21.3	1.5	20.4	18.7	7.1
Kerosene, gasoline and lubricating oils	93.3	143.6	338.0	329.2	3.5	52.0	128.7	126.1
Oil and other oil products ¹⁾	37.5	2,650.7	3,403.8	1,387.3	1.5	606.1	788.0	351.1
Other raw and auxiliary materials	243.9	623.2	684.7	265.9	39.1	1,262.7	1,426.1	900.0
Total ¹⁾	1,056.9	4,386.4	5,370.8	2,514.8	154.4	3,821.6	4,347.0	2,643.1
Of which oil companies ¹⁾	142.3	3,035.9	3,845.7	1,787.6	6.7	823.9	1,080.0	623.9
Total excl. oil companies	914.6	1,350.5	1,525.1	727.2	147.7	2,997.7	3,267.0	2,019.4
¹⁾ Of which oil for re-export	—	2,564.5	3,277.2	1,257.3	—	483.9	626.9	214.1
²⁾ Provisional figures								

Source : C.B.S.

APPENDIX H

IMPORTS OF CAPITAL GOODS INTO INDONESIA								
	Gross weight ('000 tons)				Value (Rp million)			
	1938	1956	1957 ¹⁾	1958 ²⁾	1938	1956	1957 ¹⁾	1958 ²⁾
Iron and steel structures	2.4	3.3	6.9	5.2	0.6	14.4	26.4	19.5
Electric cables	2.8	5.2	6.0	5.6	1.1	43.2	50.0	40.7
Office machines	0.3	0.7	0.7	0.3	1.1	43.2	45.2	19.8
Motor vehicles	13.6	22.4	14.8	10.8	12.1	279.0	219.1	153.7
Motor vehicle tyres and tubes	0.9	6.2	3.3	1.2	1.1	101.9	54.7	18.2
Stationary internal combustion engines	2.2	5.6	2.8	1.6	2.5	108.8	68.0	31.9
Textile machinery	3.4	6.0	3.7	1.3	1.4	69.9	41.8	15.4
Mining machinery	14.7	4.1	7.1	1.6	10.5	40.4	38.2	31.9
Other industrial machinery	4.5	22.9	19.5	5.6	2.8	236.1	267.9	97.7
Other capital goods	121.9	95.2	114.4	83.5	84.2	970.9	1,083.6	830.4
Total	166.7	171.6	179.2	116.7	117.4	1,907.8	1,894.9	1,259.2
Of which oil companies	—	29.9	50.0	37.3	—	224.9	433.7	303.6
Total excl. oil companies	166.7	141.7	129.2	79.4	117.4	1,682.9	1,461.2	955.6
¹⁾ Revised figures ²⁾ Provisional figures								

Source : C.B.S.

APPENDIX I

PRODUCTION, EXPORTS AND CONSUMPTION OF INDONESIA'S FOODCROPS

Maize	1956	1957	1958*)
Area harvested : (<i>ha</i>) Djawa and Madura Other islands	1,702,000 530,000	1,556,000 541,000	2,106,000 688,000
Indonesia	2,232,000	2,097,000	2,794,000
Production : (<i>tons of kernels</i>) Djawa and Madura Other islands	1,431,000 533,000	1,290,000 510,000	1,985,000 814,000
Indonesia	1,964,000	1,800,000	2,799,000
Exports	1	—	—
Available for consumption	1,963,999	1,800,000	2,799,000

Cassava and cassava products	1956	1957	1958*)
Area harvested : (<i>ha</i>) Djawa and Madura Other islands	899,000 226,000	987,000 205,000	1,075,000 258,000
Indonesia	1,125,000	1,192,000	1,333,000
Production : (<i>tons, dry</i>) Djawa and Madura Other islands	1,604,000 677,000	1,792,000 675,000	2,010,000 780,000
Indonesia	2,281,000	2,467,000	2,790,000
Exports	15,785	42,600	53,700
Available for consumption	2,265,215	2,424,400	2,736,300

Batatas	1956	1957	1958*)
Area harvested : (<i>ha</i>) Djawa and Madura Other islands	260,000 124,000	277,000 118,000	302,000 138,000
Indonesia	384,000	395,000	440,000
Production : (<i>tons, dry</i>) Djawa and Madura Other islands	376,000 284,000	399,000 261,000	438,000 279,000
Indonesia	660,000	660,000	717,000
Exports	—	—	—
Available for consumption	660,000	660,000	717,000

*) Provisional figures.

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

Ground nuts	1956	1957	1958*)
Area harvested : <i>(ha)</i> Djawa and Madura Other islands	264,000 53,000	289,000 48,000	283,000 51,000
Indonesia	317,000	337,000	334,000
Production : <i>(tons, peeled nuts)</i> Djawa and Madura Other islands	178,000 40,000	192,000 37,000	194,000 37,000
Indonesia	218,000	229,000	231,000
Exports	2,016	3,401	3,725
Available for consumption	215,984	225,599	227,275

Soya beans	1956	1957	1958*)
Area harvested : <i>(ha)</i> Djawa and Madura Other islands	447,000 56,000	462,000 41,000	534,000 74,000
Indonesia	503,000	503,000	608,000
Production : <i>(tons, dry)</i> Djawa and Madura Other islands	311,000 46,000	299,000 28,000	372,000 50,000
Indonesia	357,000	327,000	422,000
Exports	—	—	—
Available for consumption	357,000	327,000	422,000

*) Provisional figures.

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

APPENDIX J

FOREIGN CAPITAL INVESTMENT ACT

(Law No 78/1958; Government Gazette No 138/1958)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering:

- a. that capital is urgently needed to accelerate the economic development of Indonesia and increase national production so as to raise the living standard of the people;
- b. that the volume of capital available in Indonesia at present does not suffice so that it is deemed necessary to attract foreign capital for investment in Indonesia;
- c. that explicit provisions are required in view of the need of capital national construction, and the need of removing any doubt on the part of foreign capital.

With due regard to:

Articles 89 and 38 paragraphs (2) and (3) of the Provisional Constitution of the Republic of Indonesia;

With the agreement of Parliament,

H a s r e s o l v e d :

To enact:

LAW ON THE INVESTMENT OF FOREIGN CAPITAL IN INDONESIA

Chapter I

GENERAL

Article I

For the purpose of the present Act:

(1) “Production” shall be understood to mean every undertaking causing the creation of goods and/or services;

(2) “Enterprise” shall be understood to mean a combination of undertaking and equipment for the creation of goods and/or services;

(3) “Entrepreneur” shall be understood to mean the individual or body corporate in complete or partial ownership of an enterprise;

(4) “Foreign entrepreneur” shall be understood to mean an entrepreneur of non-Indonesian citizenship or a corporate body deemed foreign by the Council, that is in complete or partial ownership of the enterprise;

(5) “Council” shall be understood to mean the Council for Foreign Capital Investment referred to in article 18 of the present Act;

(6) “Foreign capital” shall be understood to mean the capital referred to in article 14.

Chapter II

FIELD OF OPERATION FOR FOREIGN CAPITAL

Article 2

Foreign capital shall be permitted to operate in the field of production. subject to the restrictions with respect to the categories of enterprises referred to in article 3, and with due observance of the provisions referred to in article 4 of the present Act.

Article 3

(1) The following enterprises shall be closed to foreign capital:

- a. Railways,
- b. Telecommunications,
- c. Internal shipping and aviation,
- d. Electric power generation,
- e. Irrigation and drinking-water supply,
- f. Munitions and arms works,
- g. Atomic power generation,
- h. Mining of vital materials.

(2) The provision of the foregoing paragraph shall not prejudice the right of the State to employ foreign capital in the form of loans or under any special contract.

Article 4

(1) Enterprises which are commonly run by Indonesian citizens, shall be closed to foreign capital.

(2) The Council shall determine the categories of enterprises referred to in paragraph (1).

(3) For each enterprise, the Council shall specifically determine the area or field of operation of foreign capital.

(4) The provision of paragraph (1) shall not diminish the right of the Council to determine such manner of co-operation with foreign capital as aims at raising the quality and increasing the volume of production in the field of enterprise referred to above.

(5) Priority shall be given to applications for the joint operation of foreign capital and entrepreneurs on the one hand, and national capital and entrepreneurs (Government as well as private) on the other.

Chapter III

S E A T

Article 5

(1) Enterprises which are completely or for the greater part run in Indonesia as separate units of enterprise, shall be incorporated under Indonesian law and established in Indonesia.

(2) The Council shall determine whether an enterprise shall be deemed to be run completely or for the greater part as a separate unit in Indonesia.

Chapter IV

USE OF LAND

Article 6

Title to land for industrial purposes.

(1) For the establishment of such industrial enterprises as are deemed important for the State, a title to land can be given for a period of 20 years under the name of “hak bangunan” (right to erect structures).

(2) The afore-mentioned 20-year period can be extended, subject to the condition of the enterprise.

Article 7

Title to land for estate agriculture.

(1) For purposes of estate agriculture, a title to land can be granted for at most 30 years under the name of “hak usaha” (right of enterprise). In special cases, due to the kinds of plants cultivated, the agricultural estate concerned may be granted “hak usaha” for a period of at most 40 years.

(2) The afore-mentioned period can be extended, subject to the condition of the agricultural estate.

Article 8

Lease/use

For the purpose of such enterprises as are not referred to in articles 6 and 7 of the present Act, other methods of lease/use can be employed for a period of at most 10 years.

Article 9

“Hak bangunan”, “hak usaha” and “hak sewa-menjewa/hak pakai” (right to lease/use) shall be regulated by a special Act.

Chapter V

EMPLOYMENT OF WORKERS

Article 10

(1) The Council shall decide the number of foreigners to be employed in each foreign enterprise.

(2) The decision referred to in paragraph (1) shall include a provision with regard to the training and engagement of workers of Indonesian nationality, as well as the target date when such training and engagement shall have to be completed.

(3) The Council shall supervise the implementation of the provision referred to in paragraph (2).

Chapter VI

FACILITIES AND GUARANTEES

Article 11

Multiple taxation

Endeavours shall be made to avoid multiple tax collection by means international agreements.

Article 12

Company tax

The laws and/or regulations promulgated with a view to alleviating company tax, special depreciations on capital goods, alleviation or compensation of extraordinary losses, exemption from inland revenue duty, and alleviation of import duties on equipment and materials needed for enterprises, may also apply to foreign enterprises, subject to previous approval of the Council on behalf of the Government.

Article 13

(1) Foreign industrial enterprises may be given a guarantee, for a period not exceeding 20 years, that they shall not be expropriated by the State or converted into national enterprises.

(2) The period referred to in the foregoing paragraph shall be 30 years for foreign agricultural estates.

(3) Upon expiry of the guaranteed period, transfers of property into the hand of national entrepreneurs shall be arranged by the Council.

Chapter VII

MONEY TRANSFERS

Article 14

Definition foreign capital

The foreign capital referred to in chapter VII and article 4 paragraph (4) shall be understood to mean :

- a. Foreign currency not forming part of Indonesia's foreign exchange holdings, and used, with the approval of the competent authorities in Indonesia, for financing enterprises in Indonesia.

- b. Plant and equipment for enterprises, including new inventions owned by foreigners, and materials imported into Indonesian territory insofar as they are not financed out of Indonesia's foreign exchange holdings.
- c. Part of the proceeds of the enterprise which, under the provisions of this Act, may be transferred but are used for the finance of the enterprise in Indonesia.

Article 15

Determination volume of foreign capital

(1) Foreign enterprises established after the promulgation of the present Act shall be under the obligation to keep special account of their foreign capital.

(2) To determine the volume of foreign capital, the amounts repatriated by way of transfer shall be deducted from the total amount.

(3) The enterprises referred to above shall be obliged to submit a statement concerning their foreign capital to the Council, before the first of August of each year.

Article 16

Transfer for enterprises

(1) Without prejudice to the possibility of transferring money under .Article 17, and to paragraph (3) of this article the following proceeds may be transferred:

- a. profits, under deduction of taxes payable in Indonesia and other obligations;
- b. such expenses incurred in consequence of the employment of foreign workers in the enterprise concerned, as come under the current regulations.

(2) The profits referred to under paragraph (1) sub a shall be understood to mean the proceeds of the enterprise after deduction of the necessary expenses for acquiring and preserving such proceeds, including such depreciations on capital goods as are customary in business.

(3) a. Profits can be entirely transferred in case the capital is entirely made up of foreign capital.

b. In case the capital of the enterprise is partly foreign, the profits transferable shall correspond to the ratio between the foreign and the Indonesian capital of that enterprise.

Article 17

Transfer for repatriating foreign capital

(1) Foreign capital can be given a transfer permit in its original currency when the enterprise concerned has been in operation for a specified period of time, this to be decided by the Council.

(2) Any other transfer not permitted under the provisions of article 16 shall be considered repatriation of foreign capital.

Chapter VIII

COUNCIL FOR FOREIGN CAPITAL INVESTMENT

Article 18

1) For the implementation of the present Act, a Council for Foreign Capital Investment shall be instituted, comprising:

- a. the Minister of Industry as Chairman and member;
- b. the Minister of Finance as Deputy Chairman and member;
- c. the Minister of Foreign Affairs as member ;
- d. the Minister of Trade as member;
- e. the Minister of Labour as member;
- f. the Director-General of the State Planning Bureau as member; and
- g. the Governor of Bank Indonesia as member.

(2) The Council shall receive instructions from, and be responsible the Council of Ministers.

The Council shall be assisted by a Secretariat, to be formed by the Council

Article 19

Without prejudice to the powers of the Council referred to in the foregoing articles, the Council shall be permitted to lay down conditions and exercise supervision as it may deem necessary for the implementation of the present Act, insofar as such powers do not come under the competency of other authorities.

Chapter IX

TRANSITORY PROVISION

Article 20

Pending the promulgation of the Act referred to in article 9 of the present Act, foreign-capital entrepreneurs shall be given the right of “erfpacht” (leasehold), “opstal” (erecting structures), and “grondhuur” (land-rent) under the current regulations, without prejudice to the provisions concerning the time-limits laid down in the present Act.

Chapter X

FINAL PROVISION

Article 21

The present Act shall take effect on the day of promulgation.

APPENDIX K

LAW ON THE NATIONAL PLANNING COUNCIL

(Law No. 80, 1958; Government Gazette No. 144, 1958)

With the consent of Parliament the Government has decided to enact the Law on the National Planning Council, which was promulgated on October 31, 1958; reading as follows:

Article 1

(1) The National Planning Council has been established in order to prepare the issue of a law on a plan of national construction.

(2) The National Planning Council has its seat in Djakarta.

(3) The Government may decide to establish institutions for the research on national construction, which have their seats outside Djakarta.

Article 2

The National Planning Council assists the Council of Ministers of Republic of Indonesia.

Article 3

(1) The National Planning Council is charged with:

- a. the preparation of a law on a planned national construction;
- b. the appraisal of the execution of said construction.

(2) The National Planning Council shall draw up a plan for national construction, taking into account the employment of all natural resources and the mobilization of the people's potencies; including all the facets of the Indonesian society into the laws on development.

Article 4

(1) The pattern is divided into three parts: a plan of development, elucidation of the plan and the scheme of financing the plan.

(2) The pattern for construction, which has to be in harmony with the personality of the Indonesian people, shall be submitted by the Chairman of the National Board to the Council of Ministers, who will decide to put it forward to Parliament.

(3) The execution of overall and planned construction drawn up by the National Planning Council shall be established by law.

Article 5

The Council of Ministers shall advise the National Planning Council of its decision to submit the construction plan as indicated under article 4, to Parliament.

Article 6

(1) The National Planning Council consists of members and the Chairman of the National Planning Council.

(2) The Chairman, Deputy Chairman and Members of the National Planning Council are appointed and discharged by the President on the recommendation of the Council of Ministers.

(3) The Chairman of the National Planning Council has the same rank and position as a Minister according to article 49 of the Provisional Constitution of the Republic of Indonesia.

(4) The Chairman of the National Planning Council attends the meetings of the Council of Ministers on the invitation of the Council of Ministers to discuss problems of construction and matters concerning the National Planning Council.

(5) In absence of the Chairman 1st Deputy Chairman takes his place.

Article 7

(1) The National Planning Council is headed by a Chairman and a number of Deputy Chairmen.

(2) The number of Deputy Chairmen is determined by the Government.

(3) The secretariat of the National Planning Council is headed by a Secretary General.

(4) The secretariat of the National Planning Council also includes the secretariats of all sections.

(5) The Secretary General is appointed and discharged by the Government on the recommendation of the Chairman of the National Planning Council.

(6) Other personnel of the National Planning Council are appointed and discharged by the Chairman, as indicated in paragraph (1) above.

Article 8

(1) The management of the National Planning Council establishes sections for a planned overall construction which prepare plans for construction in the social field, administration, defence, economy and finance.

(2) A section is headed by a Section Chief and a Deputy Section Chief.

(3) A section has a section secretariat headed by a permanent secretary.

Article 9

The National Planning Council consists of members who have the desire and enthusiasm for construction in accordance with the spirit of the considerations for this law, and are divided into the following groups :

- a. persons of learning and experience, experts and specialists in economics, technology, culture, who are versed in problems of construction;
- b. persons who are able to put forward construction exigencies in the Autonomous regions, who are versed in problems of construction;
- c. persons out of the functional groups, who are versed in the problems of construction;
- d. civil and military officers who are versed in problems of construction.

Article 10

(1) The National Planning Council has its Rules of- Procedure established by Government Ordinance.

(2) In the Rules Procedure is stipulated the task of the National Planning Council and the manner in which its meetings have to be conducted.

(3) The Rules of Procedure also provides directions for the settlement of disagreements within the Council and to reach harmony of opinion.

Article 11

The President of the Republic of Indonesia may at any time extend advice to the National Planning Council.

Article 12

(1) The execution of the law is further regulated by Government Ordinance.

(2) Regulations on the financing of the National Planning Council, on the financial status of the Chairman, the Deputy Chairman and members and personnel of the National Planning Council as set forth in this law are established by Government Ordinance.

Article 13

(1) This Act may be called the “National Planning Council Act”

(2) This Act is effective from the day of promulgation.

APPENDIX L

LAW No 84/1958 REGARDING REVISION OF ARTICLES 16 AND 19 OF BANK INDONESIA ACT (LAW No 11/19 53)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Having considered:

- a. that the role of money in a country being in the process of development in the widest sense of the word is of the utmost importance;
- b. that it is necessary to create possibilities as to effect a realistic and effective monetary and credit policy;
- c. that in view of the above it is necessary to lay down fundamental regulations regarding the limits of a policy of controlling the volume of money in circulation, so as not to hamper the development process and monetary equilibrium;

In view of: articles 89, 109 and 111 of the Provisional Constitution of the Republic of Indonesia,

With the approval of the Parliament.

H a s d e c i d e d :

To establish :

LAW ON REVISION OF ARTICLES 16 AND 19
OF BANK INDONESIA ACT
(LAW No 11/1953)

Article 1

Article 16 of Bank Indonesia Act, Law No 11, 1953 (Government Gazette of 1953 NO 40), is revised so as to read as follows:

“(1) The Bank shall undertake that the total amount of banknotes, balances on current account and other demand liabilities of the Bank shall be covered for twenty per cent by gold, gold coin or bullion, and by reserves consisting of foreign currency which are generally convertible, or by the right to draw on the International Monetary Fund and the World Bank, which has been or shall be endorsed to the Bank by virtue of law.

(2) The Bank shall undertake to maintain the cover as referred to in paragraph (1) of this article on at least the level of the total value of imports of 3 months, based on the average total of imports during the three preceding calendar years.

(3) Of the obligatory cover referred to in paragraph (1), at least twenty per cent shall be deposited in Indonesia.

(4) If the requirements in paragraphs (1), (2) and (3) are not complied with, the Government shall report to Parliament within one month after the provisions in paragraphs (1), (2) and (3) have not been complied with.

The Government shall further render an account to Parliament each three months after the first report as mentioned above has been given, as long as the requirements as stated in paragraphs (1), (2) and (3) have not yet been complied with”.

Article 2

Article 19 of Bank Indonesia Act, Law No 11, 1953 (Government Gazette of 1953 No 40) is revised so as to read as follows:

“(1) Without prejudice to the provisions of article 16, and in contravention with the provisions in the first paragraph of article 15, the Bank shall, whenever the Minister of Finance deems it necessary to temporarily strengthen the Treasury Funds, be bound to advance to the Republic of Indonesia money in current account against sufficient pledge of treasury bonds, the issue and pledging of which shall be approved by law.

(2) The advances referred to in paragraph (1) of this article shall not be allowed to exceed thirty per cent in each budgetary year, or fifty per cent under extraordinary circumstances, of the revenues of the Treasury in the preceding budgetary year, which were approved by law.

(3) If the limit to the advances, referred to in paragraph (2) of this article, is exceeded, the Government shall report to Parliament within one month after the limit to the advances has been exceeded.

The Government shall further render an account to Parliament each three months after the first report as mentioned above has been given, as long as the limit to the advances as stated in paragraph (2) is still exceeded.”

Article 3

All regulations or decisions in which are mentioned, or which are based on article 16 and 19 of Bank Indonesia Act in their former meaning and form must be adapted to this law.

Article 4

This law shall become operative as from the date of promulgation.

To ensure common knowledge, this law shall be published in the Government Gazette of the Republic of Indonesia.

APPENDIX M

LAW ON THE REVISION OF THE COINAGE ACT 1953

(Emergency Law No 4/1958; Government Gazette No 46/1958,
and Supplement to Government Gazette No 1572)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. that at present there exists a shortage of metallic currency in the country so that it is necessary to provide for it;
- b. that the “Coinage Act 1953” (Law No 27/1953; Government Gazette No 77/1953) only provides for the issue of aluminium coins in denominations of up to 25 sen and nickel coins in the denomination of 50 sen;
- c. that at present difficulties are experienced in the minting of nickel coins and that therefore another metal has to be used;
- d. that besides the metallic currency in circulation it is necessary to issue metallic currency of a higher denomination so as to replace the Government Currency Notes of Rp 1.—and Rp 2.50 in circulation at present;
- e. that it is therefore necessary to revise “Coinage Act 1953” (Law No 27/1953; Government Gazette No 77/1953);
- f. that in view of urgent circumstances it is necessary to issue the above regulation.

In view of: Articles 96 and 109 of the Provisional Constitution of the Republic of Indonesia;

By and with the advice of the Council of Ministers at its 92nd meeting on March 25, 1958.

H a s d e c i d e d

To enact :

EMERGENCY LAW REGARDING REVISION OF
COINAGE ACT 1 9 5 3
(LAW NO 27/1953; GOVERNMENT GAZETTE NO 77/1953)

Article I

Article 5 of "Coinage Act 1953" (Law No 27/1953; Government Ga; No 77/1953) is revised entirely so as to read as follows:

- (1) The legal metallic currency of Indonesia consists of:
- a. aluminium coins in the denominations of: one sen, five sen, ten sen, twenty-five sen, fifty sent
 - b. aluminium-bronze coins in the denominations of: one rupiah, two and a half rupiah.

The amount to which the above coins shall be legal tender will be decided by Government Ordinance.

(2) Nickel coins in the denomination of fifty sen in circulation under Law No 27/1953 shall remain legal tender.

(3) The Minister of Finance is authorized to continue the issue of Government Currency Notes in the denominations of Rp 1.— and Rp 2.50 as a temporary measure, until sufficient metallic currency is in circulation in accordance with paragraph 1 (b) of this article.

(4) The annual amount in circulation is regulated by Government Ordinance.

Article II

Article 6 of “Coinage Act 1953” (Law No 27/1953; Government Gazette No 77/1953) is revised entirely so as to read as follows:

Article 6

The respective amounts of each kind of coins to be issued annually shall be determined by Government Ordinance.

Article III

This Emergency Law may be referred to as “Law on revision of the Coinage Act 1953” and is effective from the day of promulgation.

APPENDIX N

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;

view of: :

(a) article 9 paragraphs 1, 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 credit banks are required to:

(a) invest part of their cash assets (cash plus balance - Indonesia) in Treasury notes and bills;

(b) observe a minimum ratio between the amount of less the amount referred to under (a), and the amount 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 with the approval of the Monetary 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 O

DECREE OF THE MONETARY BOARD No. 33

dated December 3, 1957.

The Monetary Board

Considering : that in view of the measures taken to check inflationary pressures arising from the present monetary developments, it is necessary to lay down additional regulations governing the restrictions of credits granted by private and Government credit institutions beside the general regulation as defined in the Decree of the Monetary Board No. 28 of May 28, 1957,

With regard to : a) article 9 paragraph 1, 2 sub a, 3 and 4 of Government Ordinance No. I/1955;

b) the decision of the Monetary Board session of December, 1957;

H a s d e c i d e d :

to define additional general regulations governing the restrictions of credits granted by private and Government credit institutions, as follows;

Firstly : all private foreign exchange credit institutions with deposits, demand liabilities and bills payable to an aggregate amount of less than Rp 75,000,000 (seventy- five million rupiahs) and all Government foreign exchange credit institutions are required to observe a minimum ratio between the amount of cash assets

and the amount of deposits, demand liabilities and bills payable;

Secondly : all private non foreign exchange credit institutions with deposits, demand liabilities and bills payable to an aggregate amount of Rp 75,000,000 (seventy-five million rupiahs) and more, all private foreign exchange credit institutions and all Government foreign exchange credit institutions are required to deposit part of their cash assets on a Special Account with Bank Indonesia;

Thirdly : the minimum ratio as referred to under Firstly, and the proportion of the cash assets which is to be deposited on a Special Account with Bank Indonesia as referred to under Secondly, shall be determined by the Bank Indonesia Managing Board with the approval of the Monetary Board in conformity with the exigencies brought about by monetary developments;

Fourthly : if deemed necessary, the Managing Board of Bank Indonesia may:

a) decide upon a minimum ratio, different from the minimum ratio as referred to under Firstly, regarding to private foreign exchange credit institutions with deposits, demand liabilities and bills payable to an aggregate amount of less than Rp 75,000,000.—and Government credit institutions;

b) permit all credit institutions as referred to under Firstly and Secondly to withdraw a proportion of the amount already deposited on a Special Account of banks with Bank Indonesia;

It must be noted that the Monetary Board shall be informed of decisions as referred to under a) and/or under b) above.

Fifthly : The implementation of this regulation is entrusted to the Managing Board of Bank Indonesia.

APPENDIX P

DECREE OF THE MONETARY BOARD No. 38

dated September 20, 1958

The Monetary Board

Considering : that, for the supervision of developments towards sound banking, it is necessary to define additional conditions for the establishment of branches of credit institutions as mentioned in Government Ordinance No. 1/1955.;

In view of:

- a. article 7, paragraph 3, 4 and 5 of Bank Indonesia Act of 1953 and article 2, paragraph 2, in conjunction with article 9, paragraph 1 and 2 of Government Ordinance No. 1/1955:
- b. Decree of the Monetary Board No. 25 of March 11, 1957;
- c. Decision of the Monetary Board meeting on August 28, 1958;

H a s d e c i d e d :

to alter stipulation Three number 5 and 6 in Decree of the Monetary Board No. 25 of March 11, 1957, so as to read as follows:

Firstly : the establishment of branches by a bank may be effected after permission of Bank Indonesia has been obtained and after the following conditions have been fulfilled:

- a. for the establishment of each branch of a general bank, paid up capital or free reserves must be provided for to the amount of at least Rp 500,000.—in excess of the minimum paid-up capital of Rp 2,500,000.—.
- b. for the establishment of each branch of a savings bank, paid-up capital or free reserves must be provided for to the amount of at least Rp 100,000.—in excess of the minimum paid-up capital of Rp 500,000.—.

Secondly : This decree shall be effective from the day on which it is signed.

APPENDIX Q

DECREE OF THE MONETARY BOARD No. 39

dated March 11, 1959

The Monetary Board

- Considering : that in order to supervise developments to a sound banking system, it is necessary to lay down regulations governing the closing down of a branch/branches of credit institutions as referred to in Government Ordinance No. I/1955;
- In view of : a. article 7 paragraphs 3, 4 and 5 of Bank Indonesia Act 1953 and article 5 jo. article 9 paragraph 1 of Government Ordinance No. 1/1955,
- b. Monetary Board decree No. 25 dated March 11, 1957 jo. Monetary Board Decree No. 38 dated September 20, 1958,
- c. the decision of the Monetary Board meeting of January 20 and 24, 1959,

H a s d e c i d e d :

to establish a general regulation governing the closing down of a branch/ branches of credit institutions, as follows:

- Firstly : the closing down of a branch/branches of credit institutions may only be effected with the permission of Bank Indonesia.

- Secondly : a request for the permission to close down a branch/branches of credit institutions as mentioned above should be submitted to Bank Indonesia at least one month in advance of the closing-date planned.
- Thirdly : together with the above request full particulars should be given about the latest state of affairs of the branch/branches which are to be closed down, about the intended procedure of liquidation and other particulars deemed necessary according to the regulations issued by Bank Indonesia.
- Fourthly : this decree shall become operative on the date of issue.