

BANK INDONESIA

**REPORT
FOR THE YEAR
1959 - 1960**



REPORT

**OF THE GOVERNOR OF BANK INDONESIA
FOR THE FINANCIAL YEAR 1959 - 1960**

BANK INDONESIA

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MEDAN, MENADO, PADANG,
PALEMBANG, PONTIANAK,
SEMARANG, SOLO,
SURABAJA, TJIREBON.

GENERAL REVIEW

After H.E. the President decreed the re-institution of the Constitution of 1945 on July 5, 1959, the Republic of Indonesia in fact, reverted to the philosophy of the “Pantjasila” (Five Principles), born amidst the Revolution, but deviated from during these last few years.

The main principles revolved around the ideas of “gotong rojong” (mutual co-operation) and “kekeluargaan” (family principle), inherently national traits, which continued to live even during the colonization period of more than three centuries.

These core philosophies of “gotong rojong” and “kekeluargaan” ultimately crystallized in the present concept of “Guided Democracy”. Subsequently these changes in philosophic outlook and political concept called also for modifications in the economic field. Our economy, being an inheritance of the 19th century freefight liberalism — instead of being anchored in definite concepts logically arising from the national traits— so far remained exposed to cyclical forces and now had necessarily to be aligned to the philosophic and political concepts given form and substance already by the 1945 Constitution, i.e. in its general form in article 33.

The words “guided economy”— Guided Economy being our present foundation—vary in meaning and content in capitalist and communist countries. The meaning and content we attach to these words are something different again and are contained in article 33 of the 1945 Constitution. As stated above, the supporting basis for said article are our private concepts of “gotong rojong” and “kekeluargaan” as they have now crystallized also in our political concept of Guided Democracy. True to the Indonesian nature and identity, our economy is now based on efforts to maintain the family idea through mutual cooperation.

Therefore in article 33 of the 1945 Constitution is stipulated that the State should lead and give guidance to economic activities. Broadly this implies :

- a. Economic activities covering the general and vital interests affecting the whole of the population should be in the hands of the State itself. The State constitutes the Indo-

nesian family at large and is the “gotong-rojong” entity. Hence it is only natural to surrender vital economic projects to the State.

- b.* Other economic activities, different from *a*, may be carried out by non Government entrepreneurs. In like spirit, article 33 recommended entrepreneurs to join forces, say, in the shape of cooperatives that essentially represent the aspects of “gotong rojong” and “kekeluargaan”.
- c.* Where cooperatives are either unfeasible or unwarranted, this cooperation may be sought along other lines. But here also, entrepreneurs will have to adhere to Government rulings and regulations. For instance, the Government might decide to break down the importing field— still open to private enterprises—into separate and well-defined divisions to prevent 1001 importers from working in the same line of importing activity.

The concepts inherent in article 33—given new life by the Indonesian nature and identity—also appear to have become a matter of necessity because of the economic situation in Indonesia. Finally both spiritual and material factors in Indonesia point the way towards an economic concept founded on the “gotong rojong” and “kekeluargaan” principles.

For launching large-scale and accelerated economic activities— to raise the living standard of the Indonesian people — we are confronted with lack of capital and skills as a result of the colonization period. Capital and skills can be easily provided by the State as the Indonesian family at large and a “gotong rojong” entity. It is a matter of economic necessity to have the State pioneer and engage in large and vital projects. Afterwards, it will also be the State’s duty to recommend and make possible the creation of private enterprises as described under *b* and *c*.

In this manner, the Indonesian guided economy concept—also referred to as “Indonesian socialism”—represents the sum-total of the spiritual force and material conditions prevailing in Indonesia.

As was the case in the field of politics where experiments in liberal democracy appeared to have failed, in the economic field also experiments in liberal economy have

led only to a dead-end, because the spiritual nature and material identity of Indonesia were ignored.

In the economic field, the financial assistance extended by the Government to private entrepreneurs in various fields of endeavour was excessive during the period from 1950 to 1960. Yet, this extensive support was largely in vain. It failed to bring about prosperity for the people, but for some individuals only. This was unfair, because the State's funds come from the people, and it would not be proper to use the people's money for promoting the interests of some individuals only. The national economy—replacing the colonial economic policy—in reality resulted in practice in the exercising of pressures on the Government for financial aid to some groups of private entrepreneurs. This national economy has clearly missed its aim, since it resulted only in an economy for individuals with Government support.

An Indonesian economy can only be truly called “national” if based on the Indonesian spiritual and material identity. The motive power of the State comes from the people, and the utilization of this force and power for the general and vital interests can only result in a just prosperity if enjoyed by the people at large. In other fields, it is expected that private entrepreneurs will become active, even though they have to adjust themselves to “gotongrojong” and “kekeluargaan”, so that maximum prosperity can be attained and justly enjoyed by all.

These principles were found in great outlines in the address of the President on August 17, 1959, known as “Manipol” (Political Manifesto) and its essential points in “Usdek”. Usdek is a word made up of the initial letters of “Undang2 Dasar 1945” (The 1945 Constitution), “Sosialisme Indonesia” (Indonesian Socialism), “Demokrasi terpimpin” (Guided Democracy), “Ekonomi terpimpin” (Guided Economy), and “Kepribadian Indonesia” (The Indonesian Identity). Subsequently certain institutional modifications were necessary such as the management by the Government of certain enterprises in the fields of production, trade, transport, distribution, banking etc. To attain these modifications, the stability based on institutional traditions—no longer in line with the State principles—had to be sacrificed for the time being.

These institutional changes necessarily had a strong bearing on developments in the year under report. All the difficulties in the economic sectors of production, trade, distribution, banking, as well as in the administration, such as departments, Govern-

ment agencies, State enterprises, and in the activities of private interests, etc. had some connection with these adjustments resulting from the re-institution of the 1945 Constitution as a living support for the State.

I feel it necessary to emphasize the foregoing since the past year's events and developments in the economic, financial and monetary fields will be hard to understand and harder still to evaluate, should the principles and aims behind the changes not be properly understood.

Aside from the Revolution—in the sense of removing the old structure and implanting a new one—now deciding our philosophy of life in all the consequences in the political, social and economic fields — the economic development in Indonesia automatically reflects the impact of external influences, i.e. from the part of the international trade cycle.

As mentioned in Chapter IT of this Report, it is clear that in 1959, almost all countries enjoyed a rising economy, even though improvements in the living standard of countries with advanced industries appeared to be moving faster than those in countries still in the process of development. Geographically speaking, the advancements achieved by countries on the American Continent—chiefly in the Northern part—as well as on the European Continent, were greater than those on the Asian Continent—Japan excepted—and the African Continent.

Since the end of the recession in the fourth quarter of 1958 — this recession principally affected the United States economy—industrial production in the United States and Europe maintained its high level. International trade also showed a rising trend. While the trade increase among developed countries received its initial impulse from the increasing industrial activity, the subsequent process in turn became a driving force. Trade among West European countries and the United States increased in volume, while trade among the West European countries themselves showed greater activity, all in all as a result of the trade liberalization measures, among others, made possible by the convertibility per the end of 1958. In the meanwhile, it might be useful for me to revert here in brief to what was set forth at length elsewhere in this report. In the increase in the trade of West European countries, are found symptoms indicating that the international trade of the Common Market and other produce-yielding West European countries did not increase.

Aside from the phenomenon that European agricultural countries in their trade among the European countries themselves failed to show an increase proportionate to the advancement among industrial nations, the trade between West European countries and agricultural nations outside their sphere did not show an appreciable increase. Where an increase was evident, it was not equal among all countries; neither was it spread over all kinds of commodities.

On the one hand, on comparison, a setback in the produce business was evident, this comparative decline being caused by the progress in industrial production—particularly in Western Europe, which is more and more assuming a changed consumption pattern. Meant here is that consumers durables are increasingly playing a bigger role with agricultural produce being relegated to a relatively minor role. Indonesia, being a raw material producer, should bear this trend in mind.

On the other hand, with the setting up of the Common Market, it may not altogether be impossible that trade between West European countries and agricultural nations outside their sphere of influence might decline further or fail to increase proportionately in the forthcoming years.

We might conclude in brief that for the majority of countries, 1959 elapsed in advancing circumstances even though the rate was not equalized between still-developing countries and developed countries, both socialist and non-socialist.

In analyzing the domestic economic development, we might forward 3 factors to influence 1959 most vitally.

- 1) Measures for the implementation of an Indonesian socialist economy, which were already apparent throughout 1959, especially like changes made in the distribution system.
- 2) The monetary structure still developing towards further inflation.
- 3) The upsurge in economic activities abroad—reflected in the price increases of the most important export items on foreign markets—stimulated exports.

The three factors mentioned above influenced the Indonesian economy interde-

pendently with cumulative intensity, and the three combined regrettably had the impact of a general increase in domestic prices.

In measuring the 1959 monetary position by the increase of the money in circulation, it may be stated that the inflation in 1959 developed with less acceleration than in 1958. Throughout 1959, the total amount of money in circulation increased by Rp 5,519 million as against the increase of Rp 10,453 million in 1958. The increase of the money in circulation was, indeed, slower when compared with 1958. However, as has been explained in the Chapter on Monetary Analysis and the Chapter on Public Finance, the smaller money increase compared with 1958 was actually only made possible through the monetary measures taken in August 1959.

It will be apparent on further investigation that the inflationary factors of 1958 were still felt with undiminishing intensity in 1959. The money creating sources in 1959 were again the public sector and the surplus in the Balance of Payments, while the private sector ultimately produced deflationary effects.

As set forth in the Chapter on Monetary Analysis, the greatest creation of money occurred for the public sector. Purchases of the Central Government for the first two quarters resulted in a money increase of Rp 4,460 million. That in the third quarter the Central Government managed to bring down the volume of money in circulation was solely due to the August 1959 monetary measures devaluating bank-notes to the amount of Rp 8,576 million. It should be mentioned that the freezing of the balances of account with banks did not yield any beneficial effect to Public Finance as yet, since such deposits to the Government's credit could not as yet be carried out soon. It may be concluded that the results of the Central Government's budget for the third quarter actually showed a deficit, which continued in the fourth quarter.

The monetary measures, which up to the end of the third quarter had a deflationary effect on the public sector, gave rise to liquidity problems to both State enterprises and other private undertakings, so that banking institutions had to assist. In the fourth quarter alone, credit grants by banks to State enterprises and foundations — including ex-Dutch enterprises — increased by Rp 6,245 million. These credit grants constituted a must if stagnations in import, export, production, distribution and other breakdowns were to be warded off.

As explained in Chapter VI, the surplus in the 1959 balance of payments reached Rp 5,372 million (US \$ 1 = Rp 45), which had an inflationary effect, while the private sector showed a contraction in the money circulation by Rp 1,194 million. This increase in the money circulation by Rp 5,519 million further enlarged the effective demand, while the supply of goods both from domestic production and from imports did not increase proportionately.

This resulted in 1959, in another increase in the prices of commodities and in the cost of living in general.

The weighted index figures for the free market retail prices (Djakarta 1953 = 100) of 19 kinds of foodstuffs in some of the most important cities, showed the following developments :

	Djakarta	Surabaya	Makassar	Medan	Pontianak
1958	258	199	232	259	304
1958 December	287	231	262	253	382
1959 March	312	248	281	310	388
June	300	261	265	345	421
September	314	273	268	344	438
December	325	294	284	357	488
1959	311	265	272	338	425

Source : Central Bureau of Statistics.

For Djakarta, the index indicated that prices in December 1959 were about 13% higher than those in December 1958. The cities with the lowest and the highest index figures for December 1959 were Jogjakarta (= 280) and Pontianak (= 488). Should we use these index figures as a cost-of-living index, it would transpire that compared with the most important Asian countries, it was Indonesia that had most severely to bear the consequences of inflation.

As is clear from table 5, the cost-of-living index figures (1953 = 100) in the most important Asian countries revolved around 104 (Ceylon) and 118 (India) during the fourth quarter of 1959. With the exception of one or two cities, the rising prices in Indonesia continued to occur from month to month up to September, in which month the money contraction resulting from the monetary measures of the end of August,

became apparent. However, this rising trend continued afterwards.

The inflationary effect on the rural districts of Djawa and Madura may be seen broadly from a comparison of the weighted index of the market prices (1938 = 100) on 12 foodstuffs and the index figure of the market prices (1938 = 100) of important clothing articles in the rural districts of Djawa and Madura.

The index figure for 12 foodstuffs in December 1959, showed an increase of + 17% as against December 1958, and as against + 148% in the case of clothing articles.

	12 foodstuffs	3 clothing articles
	1938 = 100	
	(average)	(average)
1958 December	8,324	13,152
1959 March	8,182	17,760
June	8,097	28,108
September	8,402	27,212
December	9,716	32,592

Source : Central Bureau of Statistics

As the foodstuffs were generally produced by the rural districts and clothing articles had to be brought in it may be said that the 1959 developments Rp 29 billion as against a revenue of Rp 21 billion, hence entailing a deficit of Rp 8 billion. After some changes and additions, the new assessment showed: expenditures Rp 44.8 billion, income Rp 24 billion, and a deficit of Rp 20.6 billion.

The high prices and the scarcity of some commodities including vital goods, became traits in the daily life in 1959.

As was referred to above, the greatest source of inflation in 1959 was the State budget.

In the 1959 budget, the initial estimate was set at an expenditure of increasingly depreciated the "terms of exchange" for the rural districts.

However, with the monetary measures of August 1959, the 1959 budget to receive final sanction turned out at :

expenditures	Rp 46.3 billion
receipts	„ 24.5 billion
deficit	Rp 21.8 billion

As is evident from table 11, the 1959 budget deficit finally totalled Rp 13.8 billion, because expenditures appeared to be lower and revenues higher than budgeted for.

The security sector remained the biggest expenditure item with about 35 % of the over-all gross expenditure amounting to Rp 44.4 billion. The next largest expenditure item was for the finance sector (Rp 12 billion), a result of the increase in the basic salaries of public servants as from the outset of 1959.

The greatest increase in the Government receipts for 1959 reflected the upsurge in the foreign trade volume. The total on revenues having foreign trade as source amounted to about 50% of the over-all receipts.

Aside from the Central Government's budget, credit grants by banks to enterprises assumed a very important role in 1959.

The controls on the granting of credits by banks—started in 1957— were further adjusted in 1959 to the prevalent conditions. As further analyzed in Chapter V, the regulations controlling the utilization of excess cash underwent some changes. The obligatory percentage for deposit into a “special account” with Bank Indonesia was further increased from 50% to 75%, as from April 8, 1959. Another even more severe ruling on the granting of credits by banks was introduced as from the above-mentioned date, namely by setting up individual credit ceilings for every individual bank. The first ceiling was fixed at the same level of the credit grants of the various banks as per the end of August 1958. As may be surmised from the explanations in Chapter V, such credit ceilings intended as a preventive for limiting credit grants later on appeared to be unwieldy in effect. In adjusting the existing credit levels to the fixed ceiling—which adjustments were to be implemented within 3 months — banks were confronted with many difficulties, among others, with the problem of how to liquidate the various kinds of credits already granted. On August 3, 1959, new credit ceilings were set.

Right from the start, the credit ceiling system failed to operate consistently. All

sorts of exemptional credit facilities had to be granted to State enterprises assigned to import the 9 essential goods. These facilities were not provided for in the general fixed ceiling system. The credits for the purchase of paddy and rice had also to be released from the ceiling scheme. Finally, credits against treasury notes guarantees also had to be exempted from the fixed ceiling system. Because liquidity problems kept occurring at many enterprises as a result of the Government monetary measures, and banks were caught short to meet the situation, Bank Indonesia had to stop in with liquidity credits.

Ultimately, the credit ceiling system had to be postponed. Such was also the case with the obligation of banks to buy treasury notes and the compulsory deposits into a special account which was temporarily frozen to existing assets. Another new credit ceiling system—based on the credit level of the end of February 1960—was devised. Its implementation was to be completed within 3 months after April 1, 1960. In this new credit ceiling system the credits for importing the 9 essential goods and the purchase of paddy and rice were included, with the exception of credits by the *Jajasan Lembaga Djaminan Kredit* (Credit Guarantee Foundation) the granting of which was channelled through banks.

As is apparent from table 7, loans by banking institutions to State enterprises and foundations in 1959 increased by Rp 5,257 million, while loans to other enterprises and to private persons increased by Rp 1,361 million.

The experience gained in the control of credits showed some important and principal facets. Inherently, a monetary policy (and in essence also a fiscal policy) affects the economic activities in the entrepreneurial and business sectors to adjust themselves to the Government financial policy aims. At present, there are more opportunities for Government activities. If the monetary policy were to have the private sector as sole target, then a large field is left uncovered, namely the domain activated by Government bodies. If the over-all economic activities were to be made the object, then many Government projects will also have to bear the consequences. As was experienced in the previous year the need for making exemptions grows. The changes in economic structure should always be taken into account in evaluating the implementation of a monetary policy (and fiscal policy).

In future, every policy for credit control should cover all fields of economic endeavour both State and Private, because only in this manner the credit development can

be put in line with the aims for a monetary equilibrium.

The improvement in the economic activity of industrial countries, which continued in 1959, had a favorable influence on the exports of such raw-material-producing countries as Indonesia.

The foreign quotations of some agricultural products constituting the most important exporting items of Indonesia increased when compared with 1958. The average New York RSS I rubber price was 36.55 dollar cents per lb. in 1959 as compared with 28.07 dollar cents per lb. for 1958.

The increase in the foreign prices also contributed to stimulating the production as well as the exports of certain Indonesian products.

The high level of the foreign quotations and the inflation at home were also an impetus to the increase in the domestic prices of export products.

The weighted index figures on the Djakarta wholesale trade prices of 18 kinds of export products showed a general increase of 16% as compared with 1958 (1938 = 100), even though forest products, copra and tea decreased by respectively 5 %, 3 % and 5%. For estate products the average increase throughout the year was 12% and for smallholder products 20%. Rubber showed an increase of 25 % if compared with 1958. This tended to create this report, in the case of rubber, the disparity which in January reached 9% stated in terms of domestic prices) increased in December 1959 even to 24%.

The impact of foreign prices on the development of the export volume and its production is better reflected in smallholder export products than in estate products. The smallholder rubber export volume, for instance, increased by 29% as against 1958, while the increase for estate rubber was only 4%. Naturally, not all this increase was due to the increase in prices only. Exports may increase at moments when prices are favorably, but may, among others, also be caused by the improving safety factor as well as by improvements in the transport system of certain productive regions. Aside from these factors, the last increase in the export of smallholder rubber might also be due to harmful working method. The increase in the export volume of smallholder rubber was for the major part due to the increase in production. That production did increase so fast,

might have to be ascribed to the results of certain possibly harmful tapping methods. At a given moment, these practices are sure to make themselves felt on the production capacity of the rubber trees.

Because both export volume and price increased, rubber export revenues rose from 35% in 1958 to 48% of the over-all export revenues for 1959. Two agricultural product items (rubber and copra as well as copra cakes) and two most important mining products (crude oil and oil products and tin) dominated since 1957 about 80% of the over-all export revenues (table 35). To show how large the impact of rubber on the 1959 export improvement was, I may cite here that the rubber export revenues for 1959 increased by Rp 1,780 million, while the over-all revenues of the total exports increased by only Rp 1,330 million.

Viewed as a whole, the 1959 Indonesian exports depict an optimistic trend. Aside from the favorable effect of foreign prices, this trend also reflects the favorable influence of the "re-opening" of the unsafe regions—formerly ordered chaotic by rebellion—and of the growing improvement in the sea transport system even though it has not yet been completely rehabilitated.

The Indonesian balance of trade for 1959 and for some years previously gives the following picture :

	Export			Import		
	Average 1954/56	1958	1959	Average 1954/56	1958	1959
Volume (+ oil)	12,775	15,392	12,802	4,808	3,506	3,507
Volume (— oil)	2,728	2,025	2,235	2,121	1,792	2,086
Value (+ oil)	10,234	8,612	9,944	8,048	5,859	5,227
Value (— oil)	8,334	5,393	7,307	7,415	5,377	4,871

Source : Central Bureau of Statistics. Value : million Rp (US \$ 1 = Rp 11.40)
Volume : '000 tons

The 1959 export figures, excluding crude oil and oil products, both in terms of volume and proceeds, show a very satisfying rise as compared with 1958, even though the average figure for 1954/56 has not yet been matched.

Although its volume almost equals the 1954/56 average the value of imports, excluding crude oil and oil products, only reached about 66%.

While in 1958 (see tables 35 and 36) both volume and proceeds of each export item declined compared with 1957, the reverse occurred in 1959. With the exception of crude oil, tin, tea, tobacco, palm oil and palm kernels, hard fibres and sugar, the exports of other important export commodities increased if compared with 1958. Such was also the case with proceeds of said products.

A comparison between the export volumes of 1958 and 1959 does not entitle us yet to draw the conclusion that an advancement has been attained in particular, with regard to the exports of estate products.

The letter is closely tied with estate production (rubber, palm oil and palm kernels, hard fibres' tea) that has not yet increased or recovered. Setting the average figure for 1954/56 at 100, the following trend in export proceeds and volume will be apparent : :

	1954/1956 Average *)	1957	1958	1959
Estate product	100 (100)	97 (95)	72 (80)	80 (78)
Farm product	100 (100)	97 (90)	70 (67)	115 (91)
Forest product	100 (100)	65 (73)	65 (72)	92 (102)
Wood	100 (100)	80 (15)	60 (9)	74 (46)
Petroleum and -products	100 (100)	145 (15)	127 (133)	104 (105)
Mining product	100 (100)	92 (92)	63 (103)	59 (73)

*) in brackets (...) are the index weight

Source : Central Bureau of Statistics.

The above-mentioned figures show that compared with 1957 and 1958, the export volume of all mining products and agricultural products continued to decline. The rise in the export proceeds of estate products in 1959 was solely caused by favorable world market prices especially for rubber. The downward trend of the exports of estate products should give us concern, realizing that proceeds from agricultural products constitute an important part of total export earnings.

	Parts of the Export proceeds *)			
	Average 1954/1956	1957	1958	1959
Estate products	30%	27%	26%	25%
Farm products	35%	32%	30%	42%
Petroleum and -products	25%	33%	37%	27%

*) Including Petroleum and -products

Source : Central Bureau of Statistics

It is clear from the figures that the role of agricultural products has continued to decline from year to year.

With respect to exports, it should be noted that the Government's objective, wherever possible, is to sell Indonesian products direct to consumer countries. Even though the transfer of foreign trade channels from transit traders in Holland will take rather time-consuming adjustments, such changes should continue to be carried out. The same applies to the necessity of actually always being on the alert that the new channels do not actually constitute extensions of Dutch traders in order that the foreign trade in Indonesia's produce, particularly in Western Europe, becomes really free from Dutch traders. We should thoroughly realize that to achieve success in this matter, everything does not depend only on the traders in the countries where our products are dealt with, but also and mainly on our own exporters. The Dutch traders who formerly "distributed" Indonesia's produce in Europe held an economic function that cannot be disregarded but should be compensated for. Consumers of Indonesian products looked to said Dutch traders as mainstays of quality, prompt delivery, continuity in supply, to whom, in first instance, they put their claims in case of deviations. The problem of tallying the quality to what has been ordered, delivery time, continuity in consignments, often still constitutes a weak point in the control and education of our exporters. As long as the above-mentioned factors have not yet been fully covered by our exporters, there will remain loopholes for Dutch traders into which they can place their organizations and/or figureheads with a chance of success, since consumers still insist on the continuation of the various guarantees formerly enjoyed from such Dutch traders. The other danger is that because of the lack of experience in direct trade between said new importers and Indonesian exporters, one or two disappointments would conduct importers to discounting no small part of risks in the purchase price, which will depreciate the foreign price structure of our products. Another possibility is that said consumers

of Indonesian products might completely switch to products brought forth by our competitors. It is very dangerous to adhere to the opinion that there is a scramble for Indonesian products in foreign markets. Considering the increasing emergency of competitors, be it in the shape of new producing countries or replacement products, it would be best to adjust to actual conditions particularly if the West European markets are viewed in relation with the Common Market. Other countries do not remain idle nor unproductive in their experiments and research, which may render the agricultural production level of Indonesia trail behind if we do not come up to modern requirements. So far many experiments have already been conducted by experienced experts in the cultivation of estate products similar to those in Indonesia in countries in Africa and South America.

Should the political climate in the two continents mentioned not change, we will have to take the competition from those countries into account in the distant future.

That the trade in our export products in Western Europe can be done direct with consumer-countries in particular, and without the intermediary of Dutch traders in general—without our suffering any appreciable losses—has been proved by the good results obtained in transferring the auctions of tobacco to Bremen and of tea to Antwerp.

So long as the preparatory arrangements are done efficiently, the two instances cited above prove that a switch in the marketing scene need not necessarily entail losses.

The creation of a large surplus (Rp 5,372 million; US \$ 1 = Rp 47) in the 1959 balance of payments, was not solely due to the increase in exports. The part of the import schedule which was not realized was of no less influence.

Based on available figures, the realization of imports in 1959 amounted to about Rp 3,000 million (US \$ 1 = Rp 45) below the allocation fixed for 1959. It is clear that these very small imports for 1959 did not constitute planned or deliberated import restrictions.

In principle there were 3 causes for the stagnation of imports in 1959. Cause number one can be ascribed to the foreign exchange allocation system. The system of every time allocating foreign exchange to cover the needs of three months caused that alloca-

tions could often only be made public by the time the relative quarter almost had expired with the result that the allotment for the final quarter could not be realized within the same year. Needless to say, such delay in determining and announcing allocations should be prevented since every planning for the use of imported materials would go unrealized. Because of this, as from 1960, allocations will be determined for the entire year. Cause number two, as far as imports executed by industrial groups are concerned, the delay in imports was among others due to the change in Government and to the splitting up of the Ministry of Industry into two separate Departments. Of some industries could forthwith not be determined to what Department they should belong.

Cause number three concerned in particular the imports of the so-called 9 essential items, and revolved around the problems encountered by their importers, to wit, the State enterprises. The State enterprises which became importers as well as distributors needed time for executing their assignments efficiently. That the tardiness in the execution of imports by the State enterprises very much affected the flow of goods, may be understood if we consider that the goods—the imports of which have been entrusted to said State enterprises—cover about 60% of the over-all import program. If added with the price of monopolist goods, both groups of commodities cover about 80 %.

The difficulties faced by the State enterprises and by the distributors of these goods will be explained in detail elsewhere.

As has been explained above, although it was not intended to reduce the imports for 1959, the delay in the issuance of foreign exchange licences and other factors caused the realization of imports in 1959 to be even less than in 1958. Based on the figures of the Central Bureau of Statistics, the import volume of 1959 including crude oil and derivative products amounting to 3,507,000 tons may be said to equal that of the previous year. The value of imports however declined from Rp 5,859 million for 1958 to Rp 5,227 million (US \$ 1 = Rp 11.40).

Further investigation of the import volume figures, shows that in line with the economic policy a further shift occurred in the imports of 1959. In 1958, imports of consumer goods, raw materials as well as auxiliary goods and capital goods constituted respectively 25%, 72,% and 3% of the over-all import volume, while in 1959 said percentages amounted to 22%, 74% and 4%. Computed on the basis of their prices, the

percentages for 1958 were 33%, 45% and 22% and for 1959: 31%, 47% and 22%.

Imports of raw materials, auxiliary commodities and capital goods play a more and more important role if compared with consumer goods. This may be viewed as an indication that the import policy has been aligned to the general economic policy of the Government, namely, to the effect that consumer goods should be produced domestically as much as possible. Indeed, the trend of this import structure is in accordance with the objective of industrialization.

The absolute aggregate on imports was still far from satisfactory if compared with those of preceding years. To give a clearer picture of the supply of raw and auxiliary materials for industries outside the oil interests, the following comparisons may be considered :

	Import of raw and auxiliary materials *)			
	1954/1956	1957	1958	1959
Volume	100	123	66	98
Value	100	117	74	73

*) Excluding Petroleum and -products

Source : Central Bureau of Statistics.

Compared with 1958, only the imports of fertilizers really showed a significant increase, in line with the Government's policy to step up the output of foodstuffs, among others, by more intensive means

The change in the value of the Rupiah currency gave an added revenue in Rupiah to exporters amounting to about 18%, while the basic price of import commodities increased from 20,% to 30%.

The impact of the change in the value of the currency on exports was clearly an added incentive, not to mention the process of the increase in price in the world market of some export items. For the present, it would be difficult to determine the extent in the change in currency value has had on said export increase. The Same .applies also to the import of goods. The increase in the free market prices for import goods aside from being caused by the rise in the basic price resulting from said revaluation, was for the major part caused by other factors. Whether the revaluation of the currency resulted in

the creation of a much larger profit margin for every export item if compared with the increase in the production cost per unit, is practically impossible to compute with precision in the state of economy as we have now.

To revert to the problem of domestic production, I may put forward that the output of estates, with the exception of sugar and coffee, declined through 1959. Compared with 1958, estate rubber output dropped by 8%, tea by 4 %, cinchona bark by 9%, palm oil by 7%, palm kernels by 6%, and hard fibres by 17%. Coffee and sugar showed an increase in yield by respectively 50 % and 15 % .

If we indicate the average annual production of 1954,/1956 as a basis. the following production trend will become evident :

	Production of estates			
	1954/1956	1957	1958	1959
Rubber	100	94	89	82
Tea	100	107	104	99
Quinine	100	156	183	168
Coffee	100	105	87	130
Palm oil	100	96	89	83
Palm kernels	100	93	83	79
Fibres	100	97	80	66
<u>Sugar</u>	100	105	99	109

Source : Central Bureau of Statistics

The decline in the output of estate rubber, palm oil, palm kernels and hard fibres has really assumed a continuous character.

It seems that the high rubber prices of 1959 also failed to offset this downward trend in production.

There are some contributory factors for this decline in estate output. The transfer of management resulting from the nationalization process had to go through a consolidation stage, consuming in effect, a period of one to two years. In addition, many estates have already exceeded their maturity usefulness of optimum productivity. The two factors mentioned above are commonly known and have often been announced. What is really vital is the relationship between those two factors. As the case is now, seemingly

through the lack of incentives—financial incentives, to be precise, to the key-men in production—it has become a real cause for concern that should this state of affairs continue, all efforts towards improvement, control, and maintenance would become more and more abortive.

Exports being a strategic sector in the development activities and that in relation herewith estates assume a vital position, is widely known.

It is of great importance that in the forthcoming period the admission of the essentiality of such factors should influence the way we manage things. Incentives in whatever shape should be provided for if we want our production efforts to have the attention they deserve.

To facilitate their imports, it would be best if estates were given the same rating as the other vital enterprises.

The output of various kinds of timber in 1959 increased (+3%) if compared with 1958; the same applies to the exports of copal (+ 3%), resins (+ 29%) and rattan (+ 21%).

The aggregate of cows, buffaloes, goats and sheep dropped, while the total of horses and pigs rose.

The yield of inland fisheries increased by 20% while sea fisheries practically did not increase.

Of the output of the most important mining products, production of crude oil increased by 13 % and oil products by 9% coal by 6%, bauxite by 12%, while tin and manganese declined by 7% and 4%.

As was the case with estate rubber, output of tin has been continuously declining for the past few years.

If the average annual production of 1954/1956 is taken as a basis — 100), the index figures for the output of tin for the years 1957, 1958 and 1959 would be respectively 84, 70 and 65.

In the industrial sector, the production of cloth, sarongs and towels by large weaving mills decreased respectively by 28%, 20%, and 14% compared with 1958. The same applies to the entire tricot industry, the production of which decreased by 34%.

This was reflected in the decline of the weaving yarn consumption by 30%. Furthermore, based on provisional figures, the following results were reached: cement :+ 13%, nails— 13%, paints + 24%, bricks and roofing tiles—5%, floor tiles — 2% tires + 1 %, cigarettes + 10%, soap — 28/%, matches + 2%, and paper—6%.

Evidently industrial production could not yet increase in line with the existing potentialities, even though there were favorable factors in 1959. 1959 was relatively a calm year if viewed from the labor point of view. Even though the total labor frictions resulting in strikes and the total of the workers directly involved were somewhat larger than in 1958, the aggregates were yet far smaller if compared with 1957. As usual, the most serious frictions revolved around the matter of wages and working opportunities.

Some branches of enterprises generally classified under industries of clothing and foodstuffs were also given licence for stretching their weekly working hours from 40 to 48.

It is clear that the principal cause for retarding the increase in production, particularly in the industrial sector was connected with the supply of raw materials. Imports of raw materials, auxiliaries and various kinds of spareparts could not be realized in time, while quantities were inadequate to serve existing capacity needs. Even industries processing domestic raw materials had to cope with delays. Inter-insular shipping not yet restored to normal, often confronted industries processing material which have to be shipped from other islands with problems as how to maintain production at already existing capacity levels. Not to mention the effects of speculation in raw materials.

But aside from these external factors, there were also difficulties and shortages within the enterprises themselves, such as lack in experience and managerial skill, even though this will gradually wear off by the improving training facilities and so on. Furthermore, typical for 1959 was the financial side of businesses. Price increases have pushed up costs per unit; these difficulties have been further aggravated as a result of the monetary measures of August 1959, because the financial means of the industries

themselves were cut short, as well as by financial problems of business houses functioning as raw materials suppliers to such industries. The regulations on price fixation (price control) also added to narrowing down their elbow room, so that marketing was rendered difficult.

The conclusion I can draw from the industrial development is in essence already widely known. According to estimates, the major part of industries operate at a production level of 50% below their full capacity. For the major part, this has been caused by the shortage of raw materials and auxiliaries which in turn resulted from factors beyond the control of such undertakings.

By paying attention to all these factors, short-term efforts towards industrialization should, in my opinion, be aimed at improving the conditions of existing industries, in short, to make possible the creation of larger supplies —and much more speedily at that—of raw materials, auxiliaries and spareparts. If only existing industries could operate at full capacity, this would already entail a 100 % increase in output that may be attained by many sectors of industries at present.

This would also automatically indicate that the productivity of the production factors would be enlarged and the opportunity for operation would be expanded. To add to the number of industries without surmounting the existing and known problems, would only give cause to a squandering away of capital resources.

Those new industries would only fall into the same problem traps as were experienced presently by the other industries. Should the number of industries still be increased, a close rating scrutiny should be made in the choice of the kind of industry to be set up.

We should not in the long pull just pile up production capacities without yielding a proportionate amount of goods.

In the food production sector, it may be said that compared with 1958, rose by + 4%, cassava + 6%, ground nuts + 10%, soybeans + 3%, while maize decreased by 20%, and batatas by 12%. The in the maize production was due to a sharp drop in the harvested acreage, which was caused by floods and droughts.

As stated above, the change in the economic structure of Indonesia, constituted the main factor which very much affected the course of the economy.

By determining the course of the economy of Indonesia to be based on socialism, the decision was made to the effect that the Government should much more directly take the course of the economy in hand.

In 1959 this decision clearly affected the distribution of goods, viz. consumer goods, raw materials as well as semi- capital and other capital goods.

Growing Government intervention in the distribution of goods was, besides on considerations of changing the economic structural organization, also founded on incidental practical value. The increase in effective demand, while the supply of goods, both from domestic production and from imports remained depleted, caused the prices of goods to rise. The price of essential consumer goods showed the tendency to rise exceeding justifiable limits which also stimulated the desire for hoarding and speculation.

In such a state of affairs, it is no longer justifiable from a social-economic point of view, to leave the various essential goods to become the object for speculation in the free market. A price control and a distribution system are the only methods left for keeping conditions under control.

As a first step to attain a stabilization in conditions, the Government decided that various goods be imported by the Government or by State enterprises. Aside from the imports of rice, imports of 9 kinds of essential goods, monopoly goods, goods for the Departments of Industry, goods for the Department of Agriculture, for the Department of Health and goods for vital undertakings, were practically all directly effected by the Government. As for the further distribution—as far as goods have to be forwarded to consumers and private users — priority of its realization was given to cooperatives, clothing and food stores, and in last instance, to national private business houses.

To be able to follow clearly what facets of such an arrangement caused the most trouble in the year under report, we should keep in mind that two major links in the flow of goods have been included here: first, imports, and secondly, domestic distribution. As in the two stages mentioned, the role of private enterprises has more and more

dwindled away, it is obvious that the capital on that side becomes more and more idle.

The removal of long-standing wholesalers and retailers from said chain of flow of goods exercised heavy pressures on the execution of imports, in particular by the State enterprises.

To execute imports, banking institutions had to extend credits, even though such credits had a neutral monetary effect since they stood against expenditure of foreign exchange. The problem was what part of such import transactions was financed by own capital, formerly and now. As private entrepreneurs played an increasingly smaller role in imports, it was clear that there was a “net loss” in capital returns as a result of the sale of foreign exchange. For this discrepancy, a “net inflationary effect” was evident as a result of the disappearance of private entrepreneurs from the importing scene. But this effect should not mean much yet.

What had a greater bearing than the disappearance of private importers, was the disappearance of wholesalers and retailers who had been able to finance themselves. The stagnation in the taking of deliveries of goods by retailers impeded the increase in the goods supply and caused a delay in the redemption of credits. All these contributed to delaying imports, which more or less also influenced Government revenues in the shape of PUIM, import duties, etc.

It is clear that the main weak link in the chain of said flow of goods is the absence of wholesalers and retailers with own operative capital. From the policy point of view the above experience might give rise to the following problems.

Restoring the main role to private enterprises would mean that the credit loan of banking institutions would be lessened, but this would also mean foregoing the opportunity of developing cooperatives which have been decided to become the basis of our economy. To enable private enterprises to play a role in the distribution of goods, indeed, does not necessarily imply a return to a free market system. A distribution system can be devised without using business enterprises set up by the Government. The difference lies in the control. In this manner, should the matter be restricted to the necessity of continuing a distribution and price control system only, the choice of which shall be the retailers will become merely a matter of settling who can be controlled more effectively. But considered from the angle of a reorganization of the role players in the

economy, it is clear that there is no other choice left but to continue with the socialization process in our distributive organization.

One thing is apparent. Considering the factors about to emerge and already operative, there is little likelihood that the inflationary pressure of the large effective demand will slack off. The effective demand, as is being felt now, is too large already to be able to press down prices merely by enlarging the supply of goods, which, at the present phase, means the increase of imports.

The foreign exchange position cannot possibly cope with the present "inflationary gap". The way-out left is consciously to aim for a state of affairs normally called "repressed inflation".

To attain this conditions, the distributive system should be maintained and improved. The form of the distribution system might have to be a compromise between an organization of cooperatives and of private retailers.

Should we now shift our gaze from the year past to the forthcoming year, some factors should give us cause for optimism.

First, the gold and foreign exchange holdings which are sufficiently large, secondly, there are indications that the prices of our export commodities on foreign markets may revolve at a high level. Both factors will enable us to increase the necessary supplies of goods. The third factor is that the present Government finances enjoy a wider basis. The tariffs of fourteen kinds of taxes have been raised or new ones have been instituted, which in general will become effective as from the beginning of 1960. It is expected that by these means Government revenues will increase by Rp 8,900 million. Should retrenchments in Government expenditures be carried through, the possibility is great that the State financial deficit will be limited to the proper aggregates.

Before drawing some conclusions, I think it is necessary to raise a note of caution. During the past two years in particular, our country has been receiving and utilizing large amounts of credits from abroad. The amount of -these credits has accumulated in such a manner, that the aggregates on instalment payments and on interest which we have to honor annually, have become a burden of major importance.

So far, the credit rating of the Republic of Indonesia is high. It is the duty of us all to maintain the international solvency of our country as best as possible.

Developments during the financial year of 1959-60 show a less reassuring state of affairs. The value of the Rupiah is still weak, inflation is continuing unabated, domestic prices are still high, consumers still lack goods, and so do production units.

The structural changes in our economy as a result of the modification in our philosophy of life by our reversion to the 1945 Constitution form a major factor in the monetary development (credits to State enterprises as well as the stagnation in distribution of goods by these enterprises). Of these institutional changes it can be said that they have been completed and a consolidation process on the new basis and form has now become possible. On the basis of USDEK and MANIPOL, now more concretely interpreted in our economy, the State can be guided by clear and firm principles. These are significant advantages. All problems are in part problems of the transition period which now can be considered to have ended. I am convinced that in this manner the transitional problems will end too. Actually our inflation has three sources; first, the increase in the volume of money in circulation due to the structural changes detailed earlier, secondly, the budget which still has to bear the pressure of, among others, expenditures for security, and, thirdly, the balance of payments.

The first source may be said to have narrowed down. Security also has improved although its financing is still heavy. In this matter, the Government is adopting strong measures to enlarge State revenues. The balance of payments factor, as a source of inflation, does not give so much cause for worry because the import needs of Indonesia are still so large that the problems of solving a balance of payments surplus is easy. It may further be doubted whether said surplus can still be attained at such a level because, in particular, the cyclical development of the United States is confronted with staginations.

Without underestimating the difficulties still in existence, I am of the opinion that the definite guidance now being given by the State will greatly support our economic drive and if we exert all that is within our power to surmount our organizational problems, to exploit our natural resources, and embark on a development programs according to plan, our future need not be gloomy, as was felt now and then during the preceding year.

The foundations for economic development in line with the desire and aims of the Indonesian people have been laid, and it is our duty—in consolidating the organization—to economize and to work hard.

II. INTERNATIONAL DEVELOPMENTS

Introductory

Developments in the world economy generally showed an improvement during the year under report. The recession—which the United States and Western Europe had to go through from the second half of 1957 to 1958—came to an end and beginning with the final quarter of 1958, the business cycle in the countries mentioned again moved to a higher level. The economy in the socialist countries of Eastern Europe continued to advance after adjustments and modifications were made in 1958/1959. Among the measures adopted was the decentralization of management in economic activities. Further, programs still under way were actually suspended and superseded by other programs running over a period of about 7 years (till 1965). The longterm aim of the Soviet Union is to use this 7-year plan as a basis for achieving a level of economy surpassing that of the United States. Other industrial countries, such as Japan also realized advancements. Conditions in countries in a phase of development—which are still agrarian in nature and which are endeavouring to broaden their economic scope—did not yet show such progress as was hoped for and were still far removed from their aims.

If the economic conditions in several groups of countries were to be studied deeper, the following conclusions could be drawn.

- (1) Countries as the United States, Western Europe—including England—and Japan, in general attained a level of economic development in which production of capital and consumer goods reached equilibrium. Through 1959 up to the end of the bookyear of Bank Indonesia these countries in fact experienced a boom in the business cycle. To maintain such equilibrium between production of capital and consumer goods at a higher level in order to compensate for the increase of population and also to raise the standard of living of this growing population constituted the duties as well as the aims of afore-mentioned countries. Meanwhile, they always have to exert themselves in maintaining such an equilibrium without inflation, while curbing every possibility of deflation.

- (2) Countries as the Soviet Union already attained a level in production of capital goods which is in no way inferior to that of other industrial countries. Their task seems centered on reaching equilibrium between production of consumer and capital goods. On this score, these countries did make progress. This means that their population are already getting more and more consumption goods even though the emphasis is still on production of capital good . To see to it that an increased equilibrium be smoothly attained is the main job of the countries concerned
- (3) Conditions in countries still in a phase of development are such that production of both capital and consumer goods were still inadequate, and there was growing concern because on the whole the annual increase in population was not in balance with the increase in production. Meanwhile, efforts to achieve progress failed to run smoothly, while the lack of stability in political government, as well as in the monetary field— the latter partly as a result of politics—proved to be an impediment to effect economic activity in an atmosphere of internal and external balance.
- (4) All over the world—both in developed capitalist and socialist countries as well as in countries still in a stage of development—the aim was to effect economic development in a sphere of balanced growth. That this aim could not always be attained was demonstrated in the recessions occurring in the United States. Western Europe and Japan. On three occasions, viz, 1947/1948, 1953/1954 and 1957/1958, economic development slowed down; such was also the case with the Soviet Union and other socialist countries which had to cope with “ bottlenecks” in their economic development hence necessitating reorganizations and modifications. Countries still in a stage of development could not at all attain a balanced growth. Seemingly the business cycle—which now in shape and nature appeared to be different from before the World War II — could to a certain extent be controlled as was demonstrated by the recessions, which could be prevented from worsening into a crisis. Socialist countries also appeared to be able to improve on developments which were often in a state of imbalance. The conditions in countries in a state of development were entirely different. While a balance was to be preserved, progress — in connection with the increase of their population and their very low standard of living—also had to be achieved at such a rate of speed that stability was always jeopardized. In this connection, their lack of stability would also affect stability in other parts of the world. This

implies that it is the whole world's duty to aid one another for safeguarding a steady development in a sphere of "balanced growth", i.e. without inflation, without increase of domestic prices, and without deficits in the balance of payments.

- (5) In principle, industrial countries and developed countries—both capitalist and socialist—need achieve a level of prosperity exceeding the needs of their own peoples so that their "savings" and "technical know-how" could also be used by other countries. The world and world economy are one and indivisible and should one link be weak, that weakness would assuredly affect conditions in other parts. To increase the purchasing power in countries in a stage of development by raising their productivity would be in the interest of the industrial countries themselves; also, because over-increasing purchasing power is a *conditio sine qua non* to the prosperity of the world at large.

The United States

For the third time after World War II, the United States went through and succeeded in surmounting a recession, viz. in the years 1948/1949, 1953/ 1954 and 1957/ 1958. The year of 1957 constituted a record year. The G.N.P. (Gross National Product) went up to \$ 442.5 billion *) or—converted into the prices, base of 1959—\$ 458.9 billion, a figure never before attained prior to 1957. In the final quarter of said year' economic activity showed a downward trend which continued up to about the middle of 1958. The G.N.P. of 1958 dropped to \$ 441.7 billion or \$ 448.6 billion if converted into 1959 prices. Based on the 1959 prices, the setback amounted to \$ 10.3 billion, which figure exceeded the 1953/1954 recession setback by \$ 2 billion. So far, the 1957/1958 recession proved to be the heaviest one (in the 1948./1949 recession the G.N.P. was hardly affected). After May 1958, the economic activity began to move upward again and this trend continued until the end of the bookyear under review (31st March 1960).

While the G.N.P. diminished by \$ 10.3 billion, the economic recovery of 1959 yielded an increase of \$ 31.9 billion and the G.N.P. totalled \$ 478.8 billion or almost \$ 20 billion more than the record year 1957. According to the figures of the first quarter of 1960, the G.N.P. will aggregate to \$ 494.3 billion (based on 1959 prices).

*) Source: Economic Report of the President 1959, Federal Reserve Bulletin, Survey of Current Business, Economic Indicators.

The above clearly shows that the 1957/1958 recession was actually surmounted and the United States economy of 1959 was on a high level. This condition could be maintained throughout 1959, even though on 15th July 1959 a number of 500,000 workers instituted a strike in the steel industry, which entailed a setback in production and also caused unemployment in several other sectors. The strike was only terminated on 7th November. At that time, more than 1 million laborers went unemployed and the unemployment figure increased to 6% (May: 4.9%).

The survey as well as the breakdown figures of the economic activity in the United States are as follows.

From the above figures can be seen that the G.N.P. dropped in the 3rd quarter of 1959, after having increased consistently since the 3rd quarter of 1958. This decrease was also recorded in the private investment sector, while in the 3rd quarter of 1959, the supply of non-farm inventories appeared to drop with \$ 1.8 billion after having increased by \$ 9.8 billion in the 2nd quarter. This decrease in production is understandable considering the strike in the steel industry explained above. In this connection, it seems probable that the trade deficit with foreign countries totalling \$ 0.6 billion was also related to the above-mentioned strike, which paralyzed all steel production (and the production of other allied goods as well), forced steel consumers to use up all available steel stocks, and further impelled them to import steel from abroad (Western Europe).

It was fortunate that in that 3rd quarter of 1959 consumers maintained their demand for goods, and even increased their expenditure by \$ 2.1 billion; this increase was far smaller than the increase from the 1st quarter to the 2nd quarter (\$ 7.3 billion). The levelling off in all purchases by consumers in the 3rd. quarter of 1959 was in connection with the unemployment resulting from the strike. Conversely, the level of consumption could be kept up, and even showed a slight increase, indicating that the decrease in the purchasing power of the strikers evidently could be offset by other gains. The figures for workers wages indeed showed a decrease as from July to December 1959 by about more than \$ 2 billion, but conversely various transfer payments increased by about \$ 1.7 billion. Without such a built-in stabilizer, the strike would have caused a much greater decline in the G.N.P.

After the termination of the strike, the G.N.P. resumed its upward trend as initiated from the middle of 1958. Consumption increased from \$ 313.3 billion to \$ 317.0

billion during the 4th quarter and kept rising in the 1st quarter of 1960 (\$ 321.1 billion). Investments also increased from \$ 67.0 billion (3rd quarter) to \$ 69.7 billion (4th quarter) and \$ 79.2 billion during the 1st quarter of 1960. This increase in investments was among others made possible by the inventory factor which always has played an important role in the developments of the business cycle in the United States. In the 4th quarter of 1959 non-farm inventories went through a positive change of \$ 2.3 billion and \$ 10.1 billion in the 1st quarter of 1960 after—as stated before—recording a setback of \$ 1.8 billion in the 2nd quarter of 1959. International trade also showed improvement after recording a deficit in the 4th quarter of 1959, i.e. the balance of trade yielded a surplus of \$ 1.2 billion during the 1st quarter of 1960 (all in seasonally adjusted annual rates).

In the Federal Government sector expenditures showing a decline (\$ 53.3 billion in the 2nd quarter of 1959 as against \$ 52.3 billion in the 1st quarter of 1960). Conversely, local Governments consistently enlarged their expenditure, i.e. from \$ 43.8 billion in the 2nd quarter of 1959 to \$ 46.5 billion in the 1st quarter of 1960. In this manner, Government expenditure in the 1st quarter of 1960 reached the figure of \$ 98.8 billion as against \$ 97.4 billion in the 4th quarter of 1959 (for the whole of 1959: \$ 97.6 billion).

TABLE 1 — AMERICAN GROSS NATIONAL PRODUCT¹⁾
(U.S.\$ billion)

	1958 ²⁾		1959				1960
	3rd Qr	4th Qr	1st Qr	2nd Qr	3rd Qr	4th Qr	1st Qr
Gross Nat. Product	444.0	457.1	470.4	484.8	478.6	483.5	500.2
Consumption	294.4	299.1	303.9	311.2	313.3	317.0	321.1
Private Investment	54.2	61.3	70.0	77.7	67.0	69.7	79.2
Foreign countries	1.6	0.2	0.9	1.8	0.0	0.6	1.2
Central Government	53.1	54.2	53.8	53.9	53.6	52.7	52.3
Local Government	40.8	42.2	43.6	43.8	44.8	44.7	46.5
¹⁾ Seasonally adjusted annual rates ²⁾ Revised figures							

Sources : Survey of Current Business
Federal Reserve Bulletin
Economic Indicator.

As is usual, improvements as depicted by such aggregates do not comprise proportionately all economic sectors of the United States.

(1) Farmers did not participate in this general economic improvement since their income per farm decreased from \$ 2,990 in 1958 to \$ 2,547 in 1959 (1st quarter of 1960: \$ 2,380) or, if converted into the 1959 prices, said figures were as follows: 1958: \$ 3,020, 1959: \$ 2,547, 1960 1st quarter: \$ 2,380. This development was the reverse of that period when the United States economy went through a recession in the year 1955/1958. The farmers' income figures for 1958 (recession) showed improvements as against the 1957 figures, i.e. in the prosperity year. (1957: \$ 2,426 or \$ 2,476 in 1959 prices; 1958: \$ 2,990 or \$ 3,020 in 1959 prices). Developments in the agricultural field among others, related to the decline in the prices of farm products. The index figure for farm product (1910 — 1914 = 100) was 250 for 1958 while the 1959 index amounted to 240 as a result of the steadily dropping prices throughout 1959 (15 December: 228). Only in the month of January 1960, the index began to climb, reaching the figure of 231, February 233, March 240, which figures were still lower than the 250 figure for 1958 and part of which were seasonal in character.

The development set forth demonstrates what has often been put forward in these reports. A high level of the business cycle does not always constitute a guarantee to the agrarian sector of the economy or to an agrarian economy in general as the Indonesian economy and that of other under-developed countries. Although the United States economy, as was evident from the general improvement of the business cycle, could surmount the recession of 1957/1958 and enjoy prosperity, its agrarian sector however, did not participate in it. Agricultural production in the United States increased from 1958 to 1959. The 1959 index figure for all agricultural commodities (1947—1949 — 100) was 127 as against 125 for 1958. However, domestic effective demand and export (i.e. effective demand from abroad) could not cope with this increase in productivity. This is what often experienced by Indonesia and other underdeveloped countries during periods when industrial countries as the United States, the Soviet Union and Western Europe are going through a high level of economic activity.

(2) Differently from conditions in Western Europe, prosperity in the United States did not continue in a sphere of external equilibrium because since the beginning of 1958 it was confronted with difficulties in its balance of payments which had not yet terminated.

In 1957, exports of the United States (exclusive of grant/aid shipments) monthly averaged \$ 543 million more than its imports. This excess declined to \$ 293 million in 1958 and only amounted to \$ 94 million in 1959. As stated before, the strike of July to November, among others, caused an increase in imports while exports slowed down. Even then, declining trends were already evident. In the first months of 1960 improvements were showing. The monthly surplus amounted to \$ 347 million for January 1960, \$ 209 million for February, and \$ 259 million for March. Whether this increase in exports (1959: monthly average \$ 1,362 million, January 1960: \$ 1,484 million, February: \$ 1,497 million, March: \$ 1,634 million) could continue, can hardly be predicted, and for the time being the United States still faces difficulties in its balance of payments. These difficulties resulted in a flight of a part of the United States gold reserves to abroad. In 1958, the United States used the value of \$ 2.3 billion of its gold reserves to cover the deficit in its balance of payments with various countries. In 1959, this figure amounted to \$ 1,070 million. At the end of 1959, the gold reserves of the United States amounted to \$ 19,507 million as against \$ 20,552 million in December 1958.

Though this figure of \$ 19 billion may be considered adequate for coping with the United States commitments for the time being, the deficit of the United States balance of payments necessitates a solution since the possibility exists that the United States has to decrease its imports with all attendant effects on other countries, both to developed and under- developed countries. An attitude of liberalization towards United States commodities adopted by West European countries, which here and there still maintain quotas, would contribute one of the way-outs.

(3) Though the United States failed to effectuate external equilibrium during the period while the business cycle moved to higher levels, internal equilibrium could be better maintained. The prices of consumption goods, including services, increased from the index figure of 123.5 for 1958 (1947— 1949 = 100) to 124.6 for 1959, which was an insignificant increase particularly if compared with developments from 1957 to 1958 during which recessionary period the consumption index figure moved from 120.2 to 123.5. As explained before, this insignificant increase was caused partly by the decline in prices of foodstuffs (index 1958: 120.3; 1959: 118.3). Conversely, the development of the index for services showed a significant increase, such as living expenses, including rent (1958: 127.7; 1959: 129.2), transport (1958: 140.5; 1959 : 146.3), health maintenance (1958: 140.6; 1959: 150.8) etc.

At the end of March 1960, the index figure for all consumption goods including services, amounted to 125.7 and the index for services appeared to be rising steadily.

Naturally such a condition attracted the attention of the Government, since there was the possibility that labors might demand wage increases, which in turn would entail inflation and all its consequences. In this connection, responsible quarters, viz. the Government and the Central Bank, closely watched monetary and fiscal developments. As a counter- cyclical measure in a period of high economic activity, the Government aimed at achieving a surplus in her budget, but this target was in conflict with the needs of the armed forces. Within the 10 months of the fiscal year of 1960, the Government suffered a deficit of \$ 3.6 billion (for the same period in 1959: \$ 13.2 billion). The deficit up to the period was also caused by the short receipts in taxes as a result of the recession.

In the monetary field, credits were as much as possible curbed by banks. To aid in surmounting the recession, the Federal Reserve Bank in New York decreased the discount rate to $13/4$ % from April 1958 to August 1959, only later on to increase the interest level to 2% (September 1958). Finally, in September 1959, the Federal Reserve Bank deemed it necessary to raise the discount rate to the level of 4% after it became evident that the recession had really come to a stop, and that the „boom” period had made its comeback. As is known a “boom” might also have to face difficulties if the money flow results in an increase of purchasing power over and above production.

The above represents in brief the economic conditions prevailing in the United States during 1959 and the 1st quarter of 1960.

Conditions are still moving towards improvement but caution is called for as regards the development of prices, the circulation of money, and the balance of payments, which, if allowed to exceed the needs or equilibrium, might again result in another recession. Finally, the United States has also not yet succeeded in solving the problems centered on the agrarian sector.

Western Europe

As was the case with the United States, the business cycle in Western Europe went through a recession during 1957/1958. Said recession appeared to have abated in 1959.

The 1957/1958 recession levelled off as from the third quarter of 1958 and the economic activity steadily increased from quarter to quarter. Until the moment of writing the present report, the improvement was still going on.

The recession, experienced by Western Europe, appeared to be of a moderate nature, since the final G.N.P. of 1958 was higher than that of 1957. According to the O.E.E.C. *) figures, the 1957 G.N.P. totalled US \$ 237.4 billion, while 1958 recorded US \$ 241.5 billion, based on 1954 prices. This was a different situation from what was encountered in the United States, which went through a decline in G.N.P. as set forth in another part of this report. In this manner, the recession in Western Europe caused only a slowdown in progress. Therefore, the change in economic activity towards an improvement of the business cycle was not so difficult as in the United States. The advance temporarily impeded in 1958 could be resumed and the 1959 G.N.P. was estimated to reach US \$ 250.9 billion (in 1954 prices), which total would indicate an improvement by + 4% if compared with the stagnation of 1958 when the G.N.P. could not yet reach an advancement of 2%.

The important figures indicating the scope as well as the level of the G.N.P. were as follows:

In US \$ billion, at 1954 prices	1956	1957	1958	1959
Private Consumption	150.6	156.1	158.7	163.6
Public Consumption	31.5	32.5	33.2	35.1
Gross domestic fixed capital formation	42.9	45.1	45.7	48.0
Exports of goods & services	50.9	55.4	56.9	61.8
Imports of goods & services	50.9	54.9	55.5	59.6
G.N.P. at market prices	227.7	237.4	241.5	250.9

Sources: O.E.E.C. General Statistics
O.E.E.C., Europe and the World Economy

*) Europe and the World Economy.

11th Annual Economic Review.

Other sources: Economic Survey of Europe in 1959.

Economic Bulletin for Europe. World Economic Survey 1959.

From the above-mentioned figures, it may be concluded that the most important factor in the G.N.P. namely demand for consumer commodities (and services) from the private sector increased by \$ 4.9 billion, while in addition other factors also pointed towards improvement, viz. \$ 1.9 billion from the Public Consumption sector, \$ 2.3 billion from the sector Gross domestic fixed capital formation. What furthermore greatly attracted attention was that the exports of O.E.E.C.-countries yielded an increase amounting to \$ 4.9 billion or equal to the increase of private consumption. Imports also increased by \$ 4.1 billion, indicating increased activities in international trade. Said international trade — particularly the export sector which showed such a marked increase— was indeed very helpful in bringing the West European economy back from the recession to the advancement level.

On studying the events and/or measures leading to the recuperation of the West European business cycle, some factors may be put forward.

As proved by the previous figures, consumers purchasing power remained strong during the 1957/1958 recession. Should the demand for goods have dropped off, it would certainly have affected the business cycle since consumers demand constituted the greatest portion of the over-all demand for commodities. This would not necessarily mean that consumers demand developed proportionately for every commodity. The demand for textiles, for instance, was not so keen, but the demand for consumers durable goods rose, which was among others boosted by sales on a credit basis. In England, for instance, consumption credit increased by 50% from the middle of 1958 up to the middle of 1959. It should be noted that in England about half of all sales of consumers durable goods was conducted on a credit basis. Although said increase was not equal in every country, yet an advancement was evident in Western Europe.

Naturally the Government did not remain inactive when the 1957/1958 recession was apparent. As stated in the Report for 1958-1959, said recession could partly be interpreted as a consequence of the Government measures intended to slow down the economic development of before 1957 so as to ward off inflation and a crisis. As soon as said slow-down policy pointed towards a recession, the Government in various countries in Western Europe switched over to reverse policies. The recession resulted in a decrease in investments by the private sector. On the part of the Government, by increasing the construction of houses and buildings, one counter-cyclical weapon was

used to balance out the setback in the private sector. The construction of houses and buildings —generally in the nature of a Government investment—in its entirety turned out to be an important factor in halting the recession. Governments did not limit themselves of making their own investments. They also exerted themselves in bringing about the most conducive atmosphere and climate possible for private initiative so as to enable the economy to advance towards higher levels. In the monetary and fiscal fields, Government eased its regulations in such a way that participants in the economic drive could enjoy some relaxation. In principle, the supervision on the credit system was relaxed, while— in the fiscal field—decreases in taxes were introduced in various forms.

The granting of credits was facilitated by lowering the discount rate and the cash ratio by central banks.

In Western Germany, for instance, the discount rate dropped between January 1958 and January 1959 from 4% to 2.75% (2.8%). Developments in England were as follows: at the beginning of 1958: 7%, March: 6%, May: 5 1/2 % June: 5 %, August: 4 1/2% and November: 4 %, while the discount rate in France revolved around 5 % at the outset of 1958 to 4 1/2 % (October) .

Certain built-in stabilizers in the fiscal field began to take effect, such as the automatic lowering of tax receipts and the increase of transfer expenditures Sweden, among others, demonstrated the effectiveness of its counter-cyclical fiscal policy. When the business cycle went through a boom the Swedish Government imposed a 12% tax on all investments. This investment tax was waived in 1958 to give undertakings—experiencing a period of slackness— an incentive spell. Aside from injecting various projects in the nature of public works, local Governments received greater contributions, while pensions were increased. In England, taxes were lowered, Government expenditure was increased and both figures accounted for 21/2% of the English G.N.P.

When the business cycle was moving again towards higher levels, Governments in West-European countries in general began to change their policies in the monetary and fiscal fields, i.e. the discount rate again began to rise, which was also the case with the cash ratio, while in Sweden, for instance, the investment taxation was reintroduced.

In addition to incentives given by various Governments in Western Europe, economic activity appeared to be greatly backed up by exports which increased by \$ 4.9 billion (based on 1954 prices). This improvement in exports indicated two things: first, this phenomenon indicated the elasticity in the supply of goods, or, to put it differently, West European production could still satisfy demand from abroad. Secondly, the increasing foreign demand constituted a valuable complement to the domestic demand.

Besides exports, imports also showed advancement (+ \$ 4.1 billion based on 1954 prices). By its nature, those imports constituted the exports of other countries. It appeared that the increase in the international trade in Western Europe especially occurred in the inter-West European trade in general and among Common Market countries in particular.

The above increase in international trade was highly influenced by the strong West German economy, which, among others, took care of up to two-fifths of the advancement in the inter-West European trade, while in the improvement of the imports of the Common Market countries of Europe itself. the West German portion totalled more than 50%. Next to Western Germany. France showed an advancement in exports which was made possible because imports into Western Germany was opened up as wide as possible. Thirty per cent of the French exports appeared to be directed to Western Germany (1959) In England exports increased at the beginning of 1959, to decline at the middle of 1959, and to rise again.

The upturn in the inter-European trade—particularly among the Common Market countries—was among others attributable to the liberalization policy adopted in conjunction with the convertibility declared at the end of 1958. In addition, France devaluated its currency—based on a stabilization program—which, among others, restricted the circulation of money and in this manner decreased the demand for goods in France itself, so as to have commodities benefit from the exporting opportunity now made possible by the devaluation of the French franc.

In the development of the international trade of Western Europe two to three items were of interest. First, the countries within the West European and the Common Market sphere yielding products both for consumption as well as in the shape of raw materials, appeared not to show such an increase in their international trade; in point of

fact, many among said countries suffered a setback in their inter-European trade of 1959. Such a situation— and this second fact was worthy of attention—was also found in the relations between West European and some agrarian countries outside their sphere, namely, those countries still going through a stage of development. From the middle of 1957, imports from such countries suffered a decline, and only during the second quarter of 1959 did they show some slight improvement. Finally, in the second and third quarters of 1959, West European imports from agrarian countries outside Europe recorded an increase of about \$ 250 million if compared with the same quarters of 1958. This increase was not proportionate, but limited to some countries in South America and to such “Sterling Area”-countries as Australia (+ \$ 70 million), Rhodesia & Nyasaland (+ \$ 45 million), and Malaya (+ \$ 20 million). India, Pakistan, Ceylon, Indonesia and other countries did not enjoy the results of the conjunctural advancement in Western Europe in any marked manner. As stated in the report of the previous year, as long as economic condition in the developing countries is still weak — in other words, cannot yet step up their exports during such periods—the conjunctural improvement in countries already developed can conversely also not count on the backing of such non-prosperous countries because of their inadequate purchasing power. This was demonstrated in the exports of Western Europe to such countries, which—in the second and third quarters of 1959—totalled \$ 150 million less than in 1958.

The third factor to be noticed was the development in the trade between Western Europe and the United States which showed a great export improvement, while imports from the United States did not increase markedly. The United States balance of payments faced difficulties because in 1958 (the second half) and in 1959 (the first half) the surplus in its “balance of payments was almost completely wiped out. Such countries like Belgium, Italy, France —which usually recorded a deficit in their trade with the United States— began to score a surplus while the deficits of England and Western Germany lessened. Exports from Belgium, Western Germany, England, Italy and France to the United States increased by respectively 83 %, 86%, 32 %, 45 % and 83 % in the third quarter of 1959, if compared with the same quarters of 1958.

As is known, the development of the balance of payments of the United States closed off a period in dollar dearth as was experienced by Western Europe; during this phase the position was reversed, i.e. the United States kept exporting bullion to offset their deficits in its balance of payments.

The improvement in the conjuncture as was enjoyed by Western Europe did not spread out into all productive sectors. Among others, the textiles and coal productions did not develop according to expectations. The recession was initiated in the textiles production sector because the need for textiles dropped off and consumers demand was transferred to durables. Production declined by 10% as from about the end of 1957 up to the beginning of 1959. Another contributive factor to this setback was the competition from other countries (Japan, China, Hongkong domestic production in some importing countries, etc.) In 1959, an improvement took place and in the third quarter of 1959 the production level exceeded by 7%, the lowest recessionary level. Even though the highest point of 1957 was not yet regained. The position of the textiles industry in England and in several other countries still needed Government care and attention.

Besides textiles, coal production went through continuous difficulties. In principle, the demand for coal was lower than the supply. The yield remained unsold and stocks kept piling up. One of the causes of this unsatisfactory state of affairs was the change from the use of coal to oil. In addition, the production equipment had already become obsolete—as was the case with the production equipment of textiles in several countries, such as in England—and hence production costs could not be lowered.

Aside from textiles and coal, the construction of ships also could not yet be considered satisfactory. Orders diminished from 52 million tons to 42 million tons dead-weight in 1959. The availability of ships by the end of the war was large, so that supply now exceeded demand. What should be taken into consideration also was the demand of new nations for owning the ships they need.

With the exception of the sectors mentioned above, the production of other goods showed marked improvements, such as steel, chemical goods, engineering products, motorcars and also the production of foodstuffs.

In this manner, the recession taking place during 1957/ 1958 could be said to have levelled off and economic activities to have advanced into a boom. Up to the end of March 1959, this boom period succeeded in warding off inflation, i.e. to say, in preventing prices from rising. Workers wages also showed stability. Aside from this, the improvement in the conjuncture did not upset the balance of trade; in point of fact, the foreign exchange reserves position of Western Europe even grew stronger. According

to the I.M.F. (International Financial Statistics) the monetary reserves of the O.E.E.C. countries rose from \$ 19.1 billion in 1958 to \$ 20.5 billion in 1959 or an increase of \$ 1.4 billion.

Naturally some caution remained called for in preventing the boom from creating over-employment in one or more productive factors, such as the labor factor. In addition, the circulation of money needed watching since this quarter could very easily produce inflation.

As stated before, some countries already began imposing restrictions in the monetary field (the increase in discount rate) and in the fiscal field (revoking of tax relaxations etc.)

It is expected that 1960 will still continue within the boom phase, although a constant alertness against possibilities of inflation, balance of trade complications, and price and wages developments are still in order. It is to be hoped that developed countries—during periods when their conjuncture is in higher level—demonstrate a greater concern than previously for the economic activities of weak countries. Among others, the latter's export markets still need some guaranteeing, while for the development of their economy they need a great purchasing power in excess of their export proceeds. Hence, already prosperous countries are confronted with 3 problems:

First : to maintain and to increase the prosperity they attained while staving off all kinds of developments that could jeopardize the internal and external equilibrium.

Secondly : to aid countries in process of development so that the latter can enjoy strong and stable export markets, because in this way the former would have built-in stabilizers for their own economics in connection with the purchasing power of under-developed countries whose very great potentials could offset any decline in the former's domestic demand.

Thirdly : collectively to plan and implement the need for purchasing power related to the projects needed in those countries still in a phase of development.

These efforts will pay off in the shape of a guarantee for the demand of goods and services made available by the former.

Aside from the above, it appears that West European nations need to join forces so as to help the United States to overcome their balance of payments difficulties, for instance, by liberalizing imports of said countries to prevent the United States from being compelled to curb its own imports from Western Europe.

Eastern Europe

During 1959, the economic development in the socialist countries of Eastern Europe again showed an improvement as can be corroborated from the following figures:

Percentage increases from previous years of national income	1957	1958	1959
Soviet Union	6	9	8
Albania	14	6	20
Bulgaria	12	7	20
Czechoslovakia	7	8	5
Eastern Germany	7	11	—
Hungary	21	6	8
Poland	9	5	5
Rumania	16	5	13

Sources: Economic Bulletin for Europe;
Economic Survey of Europe in 1959.

In comparing said figures with the additional National Income as planned for in the programs of the respective countries, the de facto advancement could in general be said to have exceeded the planned targets—with the exception of Poland which set an improvement by 6% (de facto 5%), and the Soviet Union which exactly attained its planned figures, namely 8%.

The progress set forth above clearly took effect in the industrial sector.

Gross industrial output (Percentage increases from the previous year)	1957	1958	1959
Soviet Union	10	10	11
Albania	26	20	20
Bulgaria	16	13	
Czechoslovakia	10	11	11
Eastern Germany	8	11	12
Hungary	11	12	12
Poland	10	10	9
Rumania	9	10	11

Source: Publications Economic Commission for Europe.

It was in the agricultural sector that a marked improvement was recorded in wheat for bread grain. Advancements in Albania, Bulgaria, Czechoslovakia, Hungary, Poland and Rumania amounted to respectively 45% , 4%, 14%,26%, 9% and 37% for 1959, if compared with 1958. In the Soviet Union, the over-all "grain" crop reached 125 million tons for 1959 compared with 141.2 million tons for 1958. Although there was a decline, yet the 1959 harvest could be considered sufficiently satisfactory, particularly if we take into consideration that the 1958 crop constituted a record.

Said improvements did not cover the entire agricultural field. The sugar beet production in Czechoslovakia and Poland, for instance, decreased, and totalled only respectively 73% and 71% of the 1958 crop. The grape yield also appeared to have suffered a setback, viz. in Bulgaria (78% of 1958), Hungary (61%, of 1958), and Rumania (83%, of 1958). In the Soviet Union, the sugar-beet yield suffered a setback as was also the case with the production of sunflower seeds (respectively declining by 20% and 23%). On the other hand, the cotton crop in the Soviet Union reached a record figure (i.e. 4.7 million tons).

In delving deeper into the progress in the industrial field, the figures would show a larger portion in the capital goods production sector than in the consumer goods sector.

<i>Percentage changes from previous years</i>	<i>Producers' goods</i>	<i>Consumers' goods</i>
	<i>1959</i>	<i>1959</i>
Soviet Union	12	10.3
Bulgaria	31	20
Czechoslovakia	14	9.4
Eastern Germany	13	8
Hungary	16	7
Poland	11	6
Rumania	14.6	7

Source : E.C.E.

From the above mentioned figures could also be ascertained that advancements in both sectors in the Soviet Union (and in Eastern Germany) were more in equilibrium. The industrial sectors scoring the greatest increases were engineering chemicals and building materials yielding respectively a production of between 12% and 22%.

The advancements attained were the cause that the trade of socialist countries also mounted. Russian imports increased from \$ 4.4 billion (19 5 8) to \$ 5 billion (1959), while its export figures in both afore mentioned years respectively totalled \$ 4.3 billion and \$ 5.4 billion. In general, the increase brought about an improvement in the balance of trade, except in Albania, Hungary and Poland, where a deficit was found because imports increased more than exports. Among the increased imports were found oil and raw materials, which could be understood if we take into account the development in the industrial field. As explained in the Report for the Year 1958-1959, the reconstruction in Eastern Europe met with some bottlenecks in the shape of certain basic commodities shortages. Part of those shortages was surmounted by enlarging production, and the remainder was covered as much as possible by imports. For instance, Bulgaria showed an increase in imports of fuel and raw materials for 1959 of over 30%, Eastern Germany 18%, Czechoslovakia 8.5%, Hungary 5% and Poland 4%. Furthermore, in several countries with shortages in foodstuffs, the imports for these goods were enlarged as was the case with Poland (80% more than for 1958) and Czechoslovakia (21.5%).

Notable was that among the imported goods were also found luxury consumer goods, such as coffee for Czechoslovakia and Eastern Germany (increased by 43%),

Hungary and Poland (40%), while Russia concluded a trade agreement with Brazil for an additional importation of coffee.

Where necessary, the Soviet Union gave out credit aid, for instance, to Bulgaria, Hungary, Eastern Germany, and also to countries outside its own sphere, such as Indonesia, Ethiopia, Finland, India, Iraq and so on.

The economic development in East European countries continued in 1959 after reorganizations were instituted and the cost price factor was more closely watched. These changes were briefly reported in the previous annual report. The aim was to free the economy of the Soviet Union and of other East European countries from the production-impeding centralization and to have it take a faster turn, thereby considerably facilitating the obtaining of needed materials, and which was finally put into effect while bearing efficiency and productivity in mind without losing sight of the production cost. Some of the aims mentioned were beginning to be achieved, as, for instance in the removal of bottlenecks (shortages of fuel and raw materials).

Finally it became clear that in the consumption field advancements and improvements were attained in the Soviet Union and in some other countries, even though the production of capital goods still continued to be expanded.

The 1960 development was also expected to bring improvements. Actually existing programs were superimposed by new plans as from 1958/1959, which plans will cover the period up to 1965. The afore-mentioned plans would, among others, be used by the Soviet Union as a spring board for enlarging production and the national income as well, so that in final instance—that was at least the aim ! the United States production could be surpassed. Whether this could or could not be realized will not in the least deter the expectations and estimates that the Soviet Union economy has already made itself free from the lack of capital and technical know-how, so far impeding the economic development of underdeveloped countries. Russia—as is the case with other countries in Eastern Europe—possesses natural sources and manpower that have not yet been fully utilized. They are already in a position to employ said productive elements for boosting up their economic level without too much depressing their population's consumption. As was explained in the report of the foregoing year, the greater, faster progress scored in East European countries can be understood in the light of their having not yet at-

tained full employment of their over-all productive factor. Their duty is to employ such production factors smoothness and efficiency.

Asia

Without incorporating in this report developments in the Chinese People's Republic, Asian countries generally showed an improvement in the agricultural field as well as in mining and industries in 1959.

Due to favorable weather conditions, the paddy crop increased by 1.7 million tons to 121.0 million tons as compared with 1958 and constituted more than half of the world paddy harvest. The world paddy crop in 1959 suffered a setback of 4.1 million tons to 213.3 million tons as against 217.4 million tons in 1958. Thus the Asian paddy crop in 1959 constituted 55.6% of the world paddy harvest. The development of paddy harvests in the important rice-producing countries in Asia can be seen from the table below:

	1958	1959
	(in million tons)	
Thailand	7.1	7.4
Indonesia	7.7	7.9
Burma	8.1	8.5
Pakistan	12.7	12.7
Japan	14.9	15.4
India	45.3	46.2

Moreover, the paddy crops in the Philippines and Viet Nam also increased by respectively 0.4 million tons and 0.6 million tons to 3.6 million tons and 4.5 million tons as against 1958. The improvement in the Philippines crop, aside from the good weather conditions, was also the result of the Government campaign in its efforts to increase paddy output, among others, by utilizing superior seed and employing fertilizers efficiently.

To preserve a sufficient stock of foodstuffs, many of the reconstruction programs of Asian countries "emphasized the importance of agricultural matters while devoting their attention to such basic items as the setting up of power installations, irrigation and transportation.

The rubber production of the rubber-producing countries in Asia showed an increase in 1959, with the exception of Ceylon and India, where output declined respectively by 10.1% and 3.7% as against 1958. In 1957, Ceylon just completed the first year's program of its 5-Year-Plan within the framework of the rejuvenation of rubber plantings.

	1958	1959
	(Production in thousand long tons)	
North Borneo	1.8	2.08
India	24.3	23.4
Cambodia	33.1	33.9
Serawak	38.9	43.4
Viet-Nam	70.5	74.5
Thailand	137.4	170.3
Ceylon	100.2	91.7
Indonesia	603.4 *)	686.4 *)
Malaya	662.8	698.2

Compared with other rubber-producing countries, the largest replanting and planting of new rubber trees were launched by Malaya covering an area of about 1/3 Of the total rubber plantings. Besides, Thailand is drawing up program for the re-planting of rubber trees which will be effected in 1960. Among the other agricultural products such as wheat and cotton, increases were recorded in India respectively by 11.3% and 2% and in Japan by 3.4% and 8.5% as against 1958.

TABLE 2 — OFFICIAL GOLD AND FOREIGN EXCHANGE HOLDINGS OF SOME ASIAN COUNTRIES (U.S. \$ million)							
	1956	1957	1958	1959			
				1st quarter	2nd quarter	3rd quarter	4th quarter
Indonesia	255*)	224	217	240	195	268	301
Burma	121	93	119	122	142	147	141
Ceylon	221	183	172	172	161	149	133
India	1,360	872	644	695	652	627	695
Japan	941*)	524*)	861	974	1,105	1,209	1,322
Pakistan	373	291	258	259	274	291	296
Philippines	161	71	92	79	69	90	90
Thailand	305*)	316*)	316*)	319	324	318	316*)
*) Revised figures							

Source : International Financial Statistics

(U.S. \$ million)

Exports: f.o.b.; imports: c.i.f.
 *) Revised figures
 **) Provisional figures

In addition, tea production in Asia rose with 8,400 tons to 659,800 tons in 1959 as against 651,400 tons in 1958.

Mining production also showed an increase during 1959. The index number for the first semester of 1959 rose with 4%. as against the corresponding period in 1958. During the first semester of 1959 coal production remained constant. During 1959, coal production in India increased by 3.7% to 3.98 % million tons, while coal production in Japan declined by 14.9% to 3.9 million tons. This decline in coal production resulted from the competition in the use of natural gas and kerosene, aside from the discovery of new raw materials for power sources. The production of natural gas increased by 37.3%, to 42.0 million m3 as compared with 1958.

The increase in the iron ore production resulted in expansion of the steel industries in the Chinese People's Republic, India and Japan. The production of iron ore in India and Japan, which formed two of the four major iron-ore producing countries in Asia—aside from Malaya and the Philippines—rose respectively with 27.2% and 19%. to 650,000 tons and 207,000 tons as against 1958.

Because the International Tin Council imposed export limits on the six tin-producing member-countries, the Asian tin yield in 1959 declined by 500 long tons to 89,500 long tons as against 90,000 long tons in 1958. A rather large decline was evident in Malaya and Indonesia, respectively 932 long tons and 1,585 long tons to 37,525 long tons and 21,616 long tons as against 38,457 long tons and 23,201 long tons in 1958. Compared with the world production, the Asian tin yield in 1959 constituted 64.9 % of the world production as against 66.7% in 1958.

TABLE 4 — EXPORTS OF ASIAN COUNTRIES (U.S. \$ billion)						
	1954	1955	1956	1957	1958	1959
a. Total world exports ¹⁾	78.0	84.8	94.1	101.1 ³⁾	96.2 ³⁾	102.0
b. Asian countries ²⁾	5.9	6.7	6.7	6.9	6.2	7.0
c. b in % of a	7.6	7.9	7.1	6.8	6.5	6.9
¹⁾ Exclusive of the People's Republic of China, USSR and some East European countries. ²⁾ Burma, Cambodia, Laos, Vietnam, Ceylon, Hongkong, India, Indonesia, Malaya, Singapore, North Borneo, Philippines, Pakistan, Serawak, Taiwan and Thailand. ³⁾ Revised figures						

Source : International Financial Statistics.

Industrial development in Asian countries also showed an improvement during 1959. In the first 9 months of 1959, its index number rose with 17% as against the corresponding period in 1958. This increase was the result of favorable developments both in domestic and foreign demand. After Japan had suffered a decline in its industrial index number during the second quarter of 1958—as a result of the economic recession in the United States—in the final quarter of 1958 its industrial production again increased and was followed by a continuous rise during 1959. The industrial index number of Japan during 1959 rose with 45 to 226 as against 181 in 1958. This increase was made possible by the steady domestic and foreign demand as well as by substantial capital investments in equipments and new inventions. Compared with 1958, the production in machineries increased by 42%, steel and iron by 32%, and non-ferrous metals by 31 %, which all formed the backbone of the Japanese industrial development. Industrial production in India suffered a decline in 1958; in 1959 its industrial index number rose with 12 to 143. The development of the industrial production in India is closely related to the agrarian sector. Domestic demand for textiles in India is determined by the fluctuations in income in the agricultural sector which, turn in, is reflected in the purchasing power of the rural population. This textiles industry forms 35 to 40% of the whole industrial output. In improving its industrial sector, India set up 2 steel industries in Bilai and Rourkela with a capacity of 1 million tons each, besides erecting a third steel industry at Durgapur.

TABLE 5 — COST OF LIVING INDEX OF SOME ASIAN COUNTRIES*)
(1953 = 100)

	Burma	Ceylon	India	Japan	Pakistan	Philippines	Thailand
1955	97	99	90	104	94	98	105
1956	112	99	99	105	97**)	100	111
1957	121	101	105	108	106	102	118**)
1958	118	103	109	109	110	105	125
1959 1st quarter	95	103	110	110	101	104	120
2nd quarter	97	104	112	110	104	102	123
3rd quarter	99	103	117	110	108	105	118
4th quarter	105	104	118	112	111	106	114
*) Average figures **) Revised figures							

Source : International Financial Statistics

Asian countries, whose industries are in the initial stage of development, such as Taiwan, Pakistan, the Philippines and South Korea, also showed an advancement in the industrial field in 1959, which was mostly caused by successful crops and by the development in exports followed by an increase in demand. Industrial production of Taiwan rose with 16% as against 1958, showing the biggest increase in the development of its chemical industries. In Pakistan, where programs were just launched, industrial production rose with 11% in the first semester of 1959 as against the corresponding period in 1958. Because of the textiles industry, industrial production in South Korea rose by 3% during the first 9 months of 1959 as against the corresponding period in 1958.

From the figures of table 2, it will be evident that gold and foreign exchange holdings of some Asian countries - with the exception of Ceylon and the Philippines, which respectively declined by US \$ 39 million and US \$ 2 million - showed an improvement in 1959 as compared with 1958. This increase found its reason inter alia in the aid granted by organizations and other countries, in the shape of aid for realizing reconstructional projects or in the form of foodstuffs and other agricultural surplus goods.

Gold and foreign exchange holdings of Japan, Indonesia, Burma, Pakistan and India rose with respectively 53.5%, 38.7%, 18.4%, 14.7% and 7.9% as against 1958.

Although gold and foreign exchange holdings of India increased by 7.9% to US \$ 695 million in 1959, yet these holdings were still below the level as decreed by law i.e. US \$ 868 million.

From the figures of table 3, it will be apparent that with the exception of Indonesia and Malaya, during 1959, the balance of trade of various Asian countries - as was the case in the foregoing years - showed deficits, although on the whole these deficits were on the decrease if compared with 1958. That these deficits on the balance of trade for 1959 could be diminished was due to import restrictions aside from stimulation of exports.

The countries mentioned in table 3 succeeded in increasing their exports, while Indonesia, India, Pakistan and the Philippines also decreased their imports respectively by 10.7%, 2.6%, 18.7% and 19.5% as against 1958.

On the average, exports of Asian countries in 1959 - as enumerated in table 4 - increased by US \$ 0.8 billion to US \$ 7.0 billion as against 1958. The exports of these Asian countries constituted 6.9% of the world export volume as against 6.5% in 1958. The volume of world exports in 1959 amounted to US \$ 102.0 billion as against US \$ 96.2 billion in 1958, indicating an increase of US \$ 5.8 billion (6%) as a result of the economic recovery in industrial countries which affected the major part of the Asian raw materials - exporting countries. Compared with 1958, this caused an improvement in the terms of trade for the greater part of Asian countries. The terms of trade for ceylon, Malaya, Indonesia, Japan and the Philippines increased by respectively 6%, 34.4%, 31.0%, 7.8% and 5.9%. The export volumes of rubber from Thailand, Indonesia, Malaya and Ceylon rose with respectively 23.9%, 19.7%, 11.4% and 1.8% as against 1958. The export volume as copra from Indonesia, North Borneo and Ceylon, which in 1958 suffered setbacks, increased again by respectively 13.7%, 8.7% and 53.8% in 1959. Sugar exports of the Philippines, which in 1958 rose with 36%, in 1959 declined by 3%.

Although on the whole an improvement was in evidence in the production field inflationary pressures made themselves more and more felt in several Asian countries. Although up to certain limits these inflationary pressures could be coped with by utilizing foreign exchange holdings, it should be noted that relatively the increase in demand exceeded the increase in production, so that prices rose. This increase in prices activated a rise in the cost of living in many countries in Asia as can be seen in table 5. The cost of living index in India, showed a continuous increase during the first quarter of 1959 while in Japan the index remained stable in the first 9 months and increased at the end of the fourth quarter. Striking was the drop in the cost of living index in Burma, i.e. from 118 in 1958 to 99 in 1959, as a result of the drop in prices of the daily necessities of life. This decline in prices resulted from such government measures as price check and price control, prohibition against hoarding, aside from releasing and distributing available stocks.

The reduction in the volume of money which occurred in 1957, was followed by an unabated increase both in 1958 and in 1959. The greatest increase occurred in Indonesia, Japan and Burma respectively by 18.8%, 16.5% and 15.3% as against 1958.

Although a high percentage increase in the volume of money was in evidence, due to foreign aid the increase in the cost of living index in several countries in Asia was not

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
1954 December	11.12	0.84	0.95*)	18.32	2,013.—	3.80*)	1 23	6.06
1955 December	12.23	1.12	1.06*)	20.47	2,331.—	4.37*)	1.34	6.92
1956 December	13.39	1.34	1.12*)	21.79	2,714.—	4.92*)	1.50	7.31
1957 December	18.91	1.11	1.03	22.75	2,824.—	5.23	1.60	8.19
1958 March	19.62	1.28	1.01	23.89	2,547.—	5.30	1.61	8.44
June	21.65	1.28	1.01	23.80	2,555.—	5.36	1.64	8.04
September	23.93	1.30	1.06	23.14	2,658.—	5.27	1.66	8.39
December	29.37	1.31	1.07	23.50	3,185.—	5.50	1.74	8.65
1959 March	30.02	1.58	1.08	24.99	2,960.—	5.45	1.83	...
June	32.38	1.60	1.09	25.31	3,023.—	5.56	1.80	...
September	24.76	1.57	1.12	24.31	3,117.—	5.50	1.81	...
December	34.88	1.51	1.17	25.20	3,711.—	5.76	1.84	...
Per cent increase 1959	18.8	15.3	9.3	7.2	16.5	4.7	5.7	...
*) Revised figures								

Source : International Financial Statistics

continuous. Aid received by many Asian countries were from organizations as the Colombo Plan, the World Bank, Eximbank, International Co-operation Administration, Development Loan Fund and countries as the Soviet Union, the Chinese People's Republic and the United States.

Loans granted by the World Bank to Asian countries from 30th June 1958 to 30th June 1959 comprised the total of US \$ 354 million. Ceylon received US \$ 7.4 million, India US \$ 135.0 million, Japan US \$ 104.0 million, Malaya US \$ 3 5.6 million and Iran US \$ 72.0 million. These loans were utilized for defraying the costs on such projects as electrification, railways and highways.

III. MONETARY DEVELOPMENT

Introductory

As in the report for the previous year, the monetary analysis in this report for the financial year 1959-1960, 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, Bank Umum Negara (the former N.H.B.), and 10 other large banks, 9 of which are foreign exchange banks and one a former foreign exchange bank. Since November 19, 1959 the Badan Pengawas Bank2 Belanda Pusat (Central Body for the Supervision of Dutch Banks) prohibited the Great Eastern Banking Corporation from activities in the international payment Sector, while since December 1959, this bank was closed down. (See further Chapter V on Supervision of banks, page 77).

So far, other commercial non foreign exchange banks which, in point of fact, also create money, are not yet included in the monetary analysis for reasons as have been mentioned in the report of the foregoing year, i.e.

- technical accounting difficulties as the bank concerned have not yet been able to send in their reports regularly, and
- the fact that the aggregate money-creating capacity of those banks has no great influence on the monetary statistical report.

Table 7 sets out the sectors and items causing movements in money supply. In substance, the movements in the volume of money throughout 1959 were primarily caused by movements in the following 4 sectors.

	1958	1959
	(in millions of Rupiah)	
A. Public sector	+ 10,858	+ 8,614
B. Private sector	-- 850	+ 1,075
C. Foreign sector	+ 580	+ 13,988
D. Miscellaneous	-- 135	-- 18,159
	<hr/>	<hr/>
	+ 10,453	+ 5,518

Causes of changes in the money - supply

The above figures show that the supply of money increased by Rp 5,518 million in 1959, against Rp 10,453 million in 1958, the greatest increase occurring in the fourth quarter, i.e. Rp 10,126 million. The average monthly increase was Rp 460 million in 1959, against Rp 871 million in 1958.

In contrast with 1958, the "Foreign sector" was evidently the greatest source of inflation in 1959. Of the total money increase of Rp 13,988 million from this sector, the increase in "Gold and foreign exchange holdings" by far accounted for the greater part, namely by Rp 12,350 million. In this movement was included an increase by Rp 12,159 million in "Gold and foreign exchange holdings" with the Foreign Exchange Fund, Bank Indonesia and other foreign exchange banks occurring in the fourth quarter mainly as a result of the revaluation of gold and foreign exchange (Government Regulation No 43/1959) entered in the fourth quarter (October 1959). The adjustment of the value of gold and foreign exchange to the new rates (after the devaluation in August 1959, to US \$ 1 = Rp 45,—, while 1 Kg. fine gold = Rp 50,510.80) resulted in a net increase of "Gold and foreign exchange holdings" with Bank Indonesia and the Foreign Exchange Fund by about Rp 7,332 million, while for the other foreign exchange banks said revaluation resulted in an increase of "Gold and foreign exchange holdings" by about Rp 1,522 million. Of the above increase of Rp 7,332 million the difference originating from the revaluation of gold with Bank Indonesia to the amount of Rp 1,443 million was to the benefit of the Government and used to partially compensate "Advances to the Government".

The item "Amounts credited to the counter-part account" regarding I.C.A.-aid, grants of surplus commodities and textiles from the Chinese People's Republic decreased by Rp 21 million indicating an increase in the volume of money in circulation by the same amount.

The accounts of I.M.F. and I.B.R.D. decreased, resulting in an increase in the volume of monetary by Rp 32 million, being the net balance from a debt falling by Rp 103 million in the third quarter and a rise in debt by Rp 71 million in the fourth quarter of 1959.

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

	1958	1959	1st Qr 1959	2nd Qr 1959	3rd Qr 1959	4th Qr 1959
<i>A. Money creation for account of the public sector</i>						
I. Government (increase = +)						
a. Net debt with Bank Indonesia	+ 8,780	+ 3,283	+ 2,128	+ 2,617	— 4,154	+ 2,692
b. Credits granted by other banks	+ 406	— 127	— 332	+ 20	+ 744	— 559
c. Government notes and coins	+ 153	+ 298	+ 41	+ 40	+ 86	+ 131
d. Net transfers from the counter part accounts to the Treasury's account	+ 194	— 96	— 14	+ 10	— 140	+ 48
Total	+ 9,533 0	+ 3,358 1	+ 1,823 2	+ 2,687 4	— 3,464 1	+ 2,312 2
II. Autonomous resorts (increase = +)						
III. Government enterprises and foundations (increase = +)	+ 1,325	+ 5,257	+ 241	+ 313	+ 728	+ 3,975
Total A	+ 10,858	+ 8,614	+ 2,062	+ 3,004	— 2,737	+ 6,285
<i>B. Money creation for account of the private sector</i>						
I. Enterprises predominantly financed by the Government (increase = +)	+ 23	— 25	+ 56	+ 139	+ 84	— 304
II. Other private enterprises and individuals (increase = +)	+ 731	+ 1,361	+ 1,020	+ 16	— 270	+ 595
III. Prepayments by importers (increase = —)	— 1,562	— 390	— 1,913	+ 599	+ 1,423	— 499
IV. Guarantee deposits (increase = —)	— 27	+ 23	— 35	+ 22	— 38	+ 74
V. Time deposits (increase = —)	— 15	+ 106	— 27	— 46	+ 172	+ 7
Total B	— 850	+ 1,075	— 899	+ 730	+ 1,371	— 127
<i>C. Money creation originated from changes in regard to relationship with other countries</i>						
I. Gold, claims in gold and foreign exchange holdings with Bank Indonesia and Foreign Exchange Fund (increase = +)	+ 1,568	+ 10,360	+ 369	— 494	+ 181	+ 10,304
II. Foreign exchange holdings with other banks (increase = +)	— 354	+ 1,990	+ 41	+ 328	— 234	+ 1,855
Movements in gold and foreign exchange holdings	+ 1,214	+ 12,350	+ 410	— 166	— 53	+ 12,159
III. Amounts credited to the counter-part accounts (increase = —)	— 573	+ 21	— 360	+ 106	+ 302	+ 27
IV. I.M.F. (increase = —)	0	+ 32	0	0	+ 103	— 71
V. Rurni balances (increase = —)	— 28	+ 49	+ 7	— 7	+ 55	— 6
VI. Unrealized B.E.	— 33	+ 1,536	— 122	— 1,440	+ 1,242	+ 1,856
Total C	+ 580	+ 13,988	— 65	— 1,507	+ 1,649	+ 13,911
<i>D. Miscellaneous causes</i>						
I. Capital, reserves and profit and loss accounts (increase = —)	— 557	— 750	— 254	+ 125	— 193	— 428
II. Inter-bank transitory accounts	— 161	+ 505	— 127	— 207	+ 1,199	— 360
III. Others	+ 583	— 17,914	— 67	+ 219	— 8,911	— 9,155
Total D	— 135	— 18,159	— 448	+ 137	— 7,905	— 9,943
<i>E. Net change in money supply = A + B + C + D (increase = +)</i>	+ 10,453	+ 5,518	+ 650	+ 2,364	— 7,622	+ 10,126
a. currency	+ 5,780	+ 6,511	+ 215	+ 2,748	— 2,625	+ 6,173
b. deposit money	+ 4,673	— 993	+ 435	— 384	— 4,997	+ 3,953

It should be noted that in the above increase of Rp 71 million has been included an increase as a result from the revaluation, i.e. "Claims in Rupiah on the Government in relation with gold deposited with I.M.F." of Rp 924.0 million to the benefit of the Government, and an increase in the balance of "Current account I.M.F. and I.B.R.D." of Rp 1,589 million to the debit of the Government; thus the item "Loans from I.M.F. and I.B.R.D." resulted in a net increase of Rp 655 million (Rp 1,589 million—Rp 924 million) which was directly debited to "Advances to the Government". "Rurni balances" fell by Rp 49 million, while the item "Unrealized B.E." rose by Rp 1,536 million. "Unrealized B.E." are export certificates taken over by banks and not yet sold to importers.

In consequence of the above the "Foreign sector" caused an increase in the money volume by Rp 13,988 million. It should, however, be observed that not all of said increase was a real increase of the money volume, because there were money movements included which only occurred in the bank books.

As explained above, in the increases of items CI and CII were also included those originating from the revaluation of gold and foreign exchange in consequence of the devaluation to an amount of Rp 8,854 million, which had a neutral monetary effect.

In order to obtain the movement of gold and foreign exchange holdings which may be compared with the figures of the balance of payments as shown in table 31, the position and movements in the gold and foreign exchange holdings since the end of 1958 should be valued at the rate of US \$ 1 —Rp 45.—. This movement in gold and foreign exchange holdings of Rp 4,970 million, although still a little different, can be compared with the surplus on the balance of payments as given by the Office for the Balance of Payments Bureau (+ Rp 5,372 million). The difference was mainly caused by a difference in period and manner of calculation.

From the above explanations the conclusion may be drawn that excluding the effect of the revaluation of gold and foreign exchange holdings, the "Public sector" was in fact the largest inflationary source in 1959. This sector caused the volume of money in circulation to rise by Rp 8,614 million. The main part came from increases in credits to "State enterprises and institutions", i.e. by Rp 5,257 million. In this amount of Rp 5,257 million was also included the rise in credits to nationalized foreign enterprises, while the largest increase occurred in the last quarter, i.e. Rp 3,975 million.

“Government net debt with Bank Indonesia” increased by Rp 3,283 million in 1959.

As shown in table 7 Government debt with Bank Indonesia rose continuously, except in the third quarter. In the decrease by Rp 4,154 million occurring in the third quarter was included “profits for the Government” amounting to Rp 8,521 million from the devaluation of banknotes in the denominations of Rp 1000 and Rp 500 in consequence of the monetary measures of August 25, 1959. (Government Regulation in lieu of law No 2/1959). Should this compensation not have been included, Government net debt with Bank Indonesia would have increased again in the third quarter, viz. by Rp 4,422 million.

In the increase of Government net debt with Bank Indonesia during the fourth quarter were also included the results of the revaluation of gold with Bank Indonesia and foreign exchange of the Foreign Exchange Fund amounting to Rp 777 million, which was used to compensate part of Bank Indonesia advances to the Government. Should this compensation not have occurred, Government net debt to Bank Indonesia” in the last quarter of 1959 would have increased by Rp 3,469 million.

Should the above compensations not be taken into account, the conclusion could be drawn that “Government net debt to Bank Indonesia” would have increased continuously in all quarters of 1959. This rise was in consequence of increasing Government expenditures in excess of its revenues, especially in regard of the Armed Forces and the restoration of security.

The item “Credits granted by other foreign exchange banks” to the Government decreased by Rp 127 million which had a deflationary effect. Since this item shows a debit balance, this movement actually means that Government claims on the other foreign exchange banks rose by that same amount.

If the movement in the items “Government notes and coins” rising by Rp 298 million and “Net transfers from the counterpart accounts to the Treasury account” falling by Rp 96 million were included, the Central Government caused, in all, an inflationary effect to the amount of Rp 3,358 million.

This figure of Rp 3,358 million should be compared with the deficit in the Central Government budget of Rp 11,721 million, as shown in table 11. The large difference between those two amounts was mainly caused by the “profits” of the devaluation of the Rp 1000 and Rp 500 banknotes amounting to Rp 8,521 million, which was not included in the Government revenues in the budget, while in this Monetary Analysis Chapter those “profits” were deducted from Bank Indonesia advances to the Government.

If the Bank Indonesia advances to the Government were not compensated by the above “profits” from the devaluation of banknotes, item AI in table 7 would show an increase of + Rp 11,934 million. That this figure is still different from the amount indicating the deficit on the Government budget was caused by the differences in entering several items. It should also be observed that the realization figures of Government revenues and expenditures in table are very provisional.

Credits to “Autonomous resorts” fell by Rp 1 million, while credits granted by Bank Indonesia and other foreign exchange banks to “Government enterprises and foundations” as mentioned above, increased by Rp 5,257 million which was inflationary. Credits granted by Bank Indonesia alone to the above bodies increased by Rp 517 million in 1959. This amount included among others credits to J.U.B.M. (Food Foundation), G.I.A. (Garuda Indonesian Airways) and J.L.D.K. (Foundation Credit Guarantee Institute) decreasing respectively by Rp 323.9 million, Rp 95 million and Rp 39 million and to C.T.C. (Central Trading Company), Timah Bilitung (Bilitung Tin Mining) and other State enterprises and foundations, increasing by Rp 314.8 million, Rp 99.2 million, and Rp 560.5 million respectively. In the above increase of Rp 560.5 million were included credits to several nationalized enterprises. The increase in credits to State enterprises and foundations by other foreign exchange banks—a difference of Rp 5,257 million if compared with the credits granted by Bank Indonesia alone of Rp 560.5 million— was mainly caused by credits granted to nationalized enterprises.

As in 1958 the “Private sector” caused a deflationary effect in 1959, i.e. Rp 1,075 million.

The item “Enterprises predominantly financed by the Government” caused the volume of money in circulation to decrease by Rp 25 million,, while the item “Other private enterprises and individuals” increased the volume of money in circulation by Rp 1,361 million. The item “Prepayments by importers” increased by Rp 390 million which was deflationary with the largest increase in the first quarter. “Guarantee deposits” on the other hand, fell by Rp 23 :million which was inflationary, with the largest decline occurring in the fourth quarter, i.e. Rp 74 million. By including “Time deposits” decreasing by Rp 106 million, the “Private sector” appeared to have caused a deflationary effect of Rp 1,075 million.

The item “Capital, reserves and profits and loss accounts” caused a deflationary effect of Rp 750 million, while the item “Inter-bank transitory accounts” was inflationary to the amount of Rp 505 million. The item “Others” decreased the volume of money in circulation to the amount of Rp 17,914 million during 1959, with the largest decrease occurring in the third and fourth quarters, i.e. by Rp 8,911 million and Rp 9,155 million respectively.

In the above amount of Rp 8,911 million was included the result from the freezing of 90% of deposits with banks according to Government Regulation in lieu of Law No 3/1959 dated August 25, 1959, totalling Rp 9,408 million at the end of September (December 1959: Rp 10,825 million). In the movement of Rp 9,155 million during the fourth quarter was included a “corrective item” to the amount of about Rp 8,854 million of movements in the item “Gold and foreign exchange holdings”.

As may be known, the rise in value of gold and foreign exchange on the debit side of bank balance sheets gave rise to a counterpart item on the credit side amounting to about said Rp 8,854 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 Bank Indonesia and other foreign exchange banks, besides figures originating from the Department of Finance.

As known, the monetary balance sheet in our annual reports aims at giving a picture, in the form of a balance sheet, of the factors influencing the money circulation according to sectors and money creating bodies.

The credit side of the balance sheet constitutes the monetary as well as the non-monetary liabilities of the money-creating bodies. viz. the Government, i.e. the Department of Finance, Bank Indonesia and 13 other banks.

The counter items of those liabilities are contained on the debit side and are divided into 4 headings, according to the 4 sectors in table 7 regarding "Cause of changes in the money supply". It deserves note that the grant total on the debit 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 non-monetary liabilities, which are not

TABLE 8 — MONETARY BALANCE SHEET
(as at December 31 ; Rp. million)

	1957	1958	1959		1957	1958	1959
I. Net credits to Government:				I. Currency in circulation			
a) Credits from banks to Government	17,523	26,267	29,802	Total issued:			
b) Government notes and coins	953	1,107	1,403	a) Bank notes	14,063	19,986	26,504
c) Treasury notes and bills and Government securities with banks	753	1,274	1,207	b) Government notes	762	880	1,130
				c) Coins	191	227	273
<i>minus:</i>					15,016	21,093	27,907
d) Bank notes with Government	19,229	28,648	32,412	<i>minus:</i>			
	395	445	733	d) Bank notes with Government	395	445	733
Total	18,834	28,203	31,679	e) Notes and coins with banks	530	777	791
II Credits from banks to private sector (incl. privately owned securities with banks)	4,521	6,620	13,248	Total	14,091	19,871	26,383
III. Gold and foreign exchange holdings	1,289	2,503	14,854	II. Deposit money	4,822	9,495	8,500
IV Sundry items	—	45	—	Total money supply	18,913	29,366	34,883
	24,644	37,371	59,781	III. Non-monetary liabilities	5,731	8,005	24,898
					24,644	37,371	59,781

considered money, are also included. These non-monetary liabilities already amounted to Rp 24,838 million at the end of 1959 (see the credit side of the balance sheet in table 8). Besides consisting of such items as Capital, Reserves, Profit and loss accounts, Time deposits and the like, a new item has been created "Register account for Government long-term debt", in relation with the freezing of 90% of deposits with banks. (see: Government Regulation in lieu of Law No 3/1959).

To know the volume of money in circulation, the total of these nonmonetary liabilities has to be deducted from the grand total on the debit side of the monetary balance sheet. Thus the volume of money in circulation as evident from the monetary balance sheet in table 8 was Rp 34,883 million at the end of 1959, consisting of currency to the amount of Rp 26,383 million and deposit money amounting to Rp 8,500 million.

Money supply

The increase in the volume of money in circulation by Rp 6,511 million and the fall in deposit money by Rp 993 million caused on balance the money volume in circulation to rise by Rp 5,518 million during 1959. In the previous year the increase amounted to Rp 10,453 million, consisting of an increase in currency as well as in deposit money by respectively Rp 5,780 million and Rp 4,673 million, as can be seen from table 9.

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
1954 December	7,473.7	3,642.8	11,116.5	69.7	30.3
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 December	19,871.7	9,494.5	29,366.2	67.7	32.3
1959 January	19,323.0	9,415.8	28,738.8	67.2	32.8
February	19,523.6	9,835.3	29,358.9	66.5	33.5
March	20,087.1	9,930.9	30,018.0	66.9	33.1
April	20,918.7	9,947.5	30,866.2	67.8	32.2
May	22,048.8	9,671.6	31,720.4	69.5	30.5
June	22,834.6	9,544.9	32,379.5	70.5	29.5
July	24,246.5	9,741.1	33,987.6	71.3	28.7
August	18,027.7	2,971.0	20,998.7	85.9	14.1
September	20,209.9	4,547.2	24,757.1	81.6	18.4
October	21,566.0	6,390.4	27,956.4	77.1	22.9
November	23,230.1	7,053.0	30,283.1	76.7	23.3
December	26,383.1	8,499.7	34,882.8	75.6	24.4

Currency in circulation increased during the first and second quarters. The rise was interrupted in the third quarter, as a result of the monetary measures on August 2, 1959, to continue again in the fourth quarter, reaching the amount of Rp 26,383 million at the end of 1959, a figure even higher than the volume of currency in circulation before the monetary measures on August 25, 1959 (July 1959: Rp 24,247 million).

The volume of deposit money also rose in the first quarter, declined in the second and third quarters, to rise again in the last quarter of 1959. The monetary measures of August 1959 decreased the share of deposit money in the total money supply, although afterwards its development showed a tendency to the old ratio.

IV. PUBLIC FINANCE

General review

As was set forth in the preceding year's report, the budget for 1959 was prepared in the middle of 1958. Its composition met with various complications. The lack of realization figures from the 1958 budget covering an adequate period and the swiftly changing economic pattern made it difficult to get a clear picture of the economic developments in 1959, to serve as a basis for the 1959 budgetary estimates. As a matter of consequence, this budget was subjected to numerous modifications and adjustments.

Originally revenues were estimated at Rp 20,969 million and expenditures at Rp 28,969 million, hence yielding a deficit of Rp 8,000 million. Later on, the 1959 budget underwent some changes; both receipts and outlays were slightly brought up to:

Revenues	Rp 21,127 million
Expenditures	Rp 29,037 million
<hr/>	
Deficit	Rp 7,910 million

This final composition of the budget was submitted to the house of Representatives and was given sanction on December 19, 1958.

It transpired afterwards that the approved 1959 budget did not yet cover all the Government requirements, so that it had to be followed by a supplementary budget. The composition of the 1959 budget, including the supplementary budget, as was submitted together with the 1960 Financial Note, turned out to comprise revenues Rp 24,162 million, expenditures Rp 44,797 million, thus producing a deficit of Rp 20,635 million. The reasons for the need for the 1959 supplementary budget were among others found in:

- a. the revision of the basic salaries of public servants effective as from January 1, 1959,
- b. the intensification and speeding up of the process of restoring security,
- c. the purchases of ships for substituting the K.P.M. vessels withdrawn from the Indonesian waters,

- d. other needs for stepping up output and development of the economy,
- e. the preparations for the Asian Games IV in 1962 and the Colombo Plan Conference at Jogjakarta.

All these factors contributed towards the Government's need for a supplementary budget to the 1959 budget. As a result of the Government's monetary measures of August 25, 1959, the budget already drawn up — considering the sudden monetary changes— appeared not to be in line with prevailing conditions any longer.

It is clear that the institution of monetary measures aimed at improving the economic situation of a country is not an isolated affair, but should be preceded by and coordinated with other steps, such as budgetary and fiscal measures, particularly for Indonesia, where the major source for upsetting the monetary equilibrium emanates from the budgetary sector, consistently showing a deficit. To assist the Government monetary measures the following have been resorted to:

1. the utmost was done in bringing down unnecessary expenditures (see the Instruction of the First Minister of September 9, 1959, No 1144/G.T.);
2. exertion in enlarging the State's revenues by intensifying the means for collecting taxes, the introduction of new taxes, the revision of the tax system etc. (see Government Regulations in lieu of Law Nos 7 up to and including 20, of 1959);
3. the arrangement of reconstructional expenditures for the duration of the "transitional period" in such a manner that a working basis could be set up for the blueprint of an overall reconstruction;
4. a revision of the controlling system on the utilization of the budget;
5. a modification of the administration and accounting systems as well as the computing methods pertaining to the budget.

Based on a more complete data than at the time of drawing up the 1960 Financial Note, the composition of the 1959 budget, inclusive of the supplementary budget, turned in final instance into.

Revenue	Rp 24,525 million
Expenditures	Rp 46,300 million
Deficit	Rp 21,77 5 million

The supplementary budget to the 1959 budget was approved by means of Government Regulation in lieu of law No 8./1960 together with the sanctioning of the 1960 main budget. Of the supplementary budget for an expenditure of Rp 17.263 million, the major part was appropriated for the additional defrayment for the security sector (Ministries of Defence, of Justice, of Veteran Affairs), namely, Rp 7,988 million.

Together with the supplementary budget for said expenditure, there was an additional revenue amounting to Rp 3,398 million, the major part of which constituted computations from foreign loans (Japanese war reparations, Russian credit, credit from the Chinese People's Republic, etc.).

Since the composition of the previous budget was considered not to reflect adequately the various aspects of the Government's line of policy in the execution of its programmes, as from 1960. a new system will be adopted, aimed at giving a clearer picture of the realization of the Government's programmes already stipulated by the Working Cabinet.

As is known, according to the old system the budget is divided into two parts, viz.: Current Division and Capital Division. The current division covers: service purchases, purchases of commodities and other purchases, while the capital division comprises all capital purchases. In the light of the new system, the budget has been divided into 4 sections, viz.

- I. Current budget
- II. Reconstructional budget
- III. Commercial budget
- IV. Computative budget

As regards the Current Budget it may be stated that these estimates cover all the current and special expenditures of a temporary nature, for instance: the restoration of security, general elections, etc. The reconstructional budget comprises investments (planned development and unscheduled reconstruction), non-development investments and financial investments.

What is meant by investments is the staking of capital in the reconstructional field for increasing production and for speeding up distribution. Nondevelopment investments pertain to all capital expenditures which also constitute an increment to the State's equity, but which form no direct stimulation to the economic growth' such as: defrayments for the erection of office buildings, the purchase of army equipments, etc.

The commercial budget signifies a link between purchases, revenues and the commercial budgets for: IBW, ICW, semi-Government undertakings, and "nationalized" enterprises. In the old-style budgets can be found items on expenditures and revenues which have been little or not connected with each other, even though there exists some firm tie-up. In the new-style budgets such items are entered into the computative budget.

The draft for the 1960 budget was worked into the 1960 Financial Note and forwarded on November 1959, hence more than two months after the Government monetary measures of August 1959. The economic state of affairs at the time of drawing up the budget was still very unstable as a result of the various follow-up measures in the monetary field as well as of the reconversion in all sectors of the economy in line with the tri-programme of the Working Cabinet and which exercised a very extensive impact. later on, the 1960 draft budget was sanctioned by means of Government Regulation in lieu of law No 6/1960 and was promulgated on March 23, 1960, retroactively to January 1, 1960.

A comparison between the 1959 and 1960 budgets gives the following picture:

	1959 (in millions Rupiah) 1960		
	I	II	III
Revenus	21,127	24,525	44,039
Expenditures	29,037	46,300	45,961
Deficit	7,9102	1,775	1,922

- I = main budget as approved by the House of Representatives.
- II = including the supplementary budget as sanctioned by means of Government Regulation in lieu of Law No 8,1960.
- III = the main budget as approved by means of Government Regulation in lieu of Law No 6/ 1960.

From the comparative figures as given above, it is apparent that the expenditures projected in the 1960 budget were about RP 17 billion higher than those of the main budget of 1959, but were not much at variance with the 1959 budget after having the latter increased by means of the supplementary budget.

As regards revenues, it may be stated that the 1960 budgetary estimates are much higher than the 1959 estimates, both with regard to the 1959 main budget (difference about Rp 23 billion) and to the final 1959 budget (difference about RP 20 billion).

The additional expenditure estimates amounting to Rp 17 billion were mainly required for the defrayment of the Current Budget amounting to RP 9,782 million and of the Reconstructional Budget totalling Rp 6,780 million. The additional expenditure for the Current Budget was chiefly for personnel purchases and for current expenditures respectively amounting to RP 2,841 million and Rp 3,508 million. The supplement to the Reconstructional Budget was mainly needed for financing investments amounting to RP 5,364 million' covering, among others, the preparatory work on the Asian Games IV, the Djatiluhur Project, the erection of the Hotel Indonesia, and the programmes for intensifying the foodstuffs output absorbing respectively RP 425 million RP 638 million, RP 743 million and Rp 558 million

For a clearer picture of the 1960 budget, the groupings in said budget are expressed in percentages of the budget in its entirety.

- I. Current Budget : 68.2% -- - 21.8% out of which will be mainly devoted to personnel purchases.
- II. Reconstructional Budget: 26.8%—14.3%(out of which will be chiefly devoted to investments.
- III. Commercial Budget: 3.3
- IV. Computative Budget : 1.7%.

The Government Cash Deficit

As is evident from table 10, the 1959 Government cash deficit amounted to Rp 13,324 million. In the following survey a more detailed picture is given regarding said cash deficit and its component parts as well as its financing.

It should be noted that the Government net expenditure abroad during the year under review amounted to Rp 3,3 81 million. In computing the internal monetary effects, the external net expenditures should be subtracted from the above- mentioned cash deficit. Because even though, on the one hand, said amount falls under the total Government expenditure and constitutes an additional cause of the Government cash deficit — and thereby exercises an inflationary effect—yet, on the other hand, the utilization of that amount for foreign payments resulted in a decrease in foreign exchange reserves and thus has a deflationary effect. Hence, the monetary effect of the Government expenditures abroad is neutral.

Compared with the report of the foregoing year, in the report for this year the percentage figures regarding the financing of the Government cash deficit has undergone some changes, i.e. by:

- leaving out the items for movements in balances with banks, of autonomous resorts and of Government enterprises and foundations (formerly items h. and i. in table 10).
- incorporating incidental items as “Profits from the devaluation of banknotes” and “Revaluation of gold holdings” (see items h. and i. in table 10) .

Thus a clearer picture is attained regarding the actual role of the Central Government in the creation of money, and every source used in the financing of the Government cash deficit has been accounted for.

The Government cash deficit constitutes the balance between budget revenues and expenditures and movements in the amounts of net Government: loans from domestic and foreign capital markets as well as in the movements in treasury notes and bills

with the private sector. The figures of table 10 indicate that the 1959 Government budget showed a deficit totalling Rp 13,070 million.

TABLE 10 — GOVERNMENT CASH DEFICIT AND ITS FINANCING
(Rp. million)

	1958	1959				
	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 = —)	— 8,972	—13,070	— 1,623	— 2,641	— 6,253	— 2,553
Net borrowing on capital market (increase = +)						
a. internal origin	— 93	— 135	— 100	— 12	— 23	— 0
b. external origin	— 486	— 343	— 219	— 12	— 212	+ 76
Movements in treasury notes and bills with private sector (increase = +)	+ 17	— 224	+ 119	— 46	— 13	+ 164
Cash deficit (—)	— 9,534	—13,324	— 1,823	— 2,687	— 6,501	— 2,313
<i>Financing of the cash deficit :</i>						
a. Advances from Bank Indonesia (increase = +)	+ 9,318	+ 3,420	+ 2,429	+ 2,727	— 4,566	+ 2,830
b. Prepayments from importers (increase = +)	— 181	— 33	— 6	— 1	— 11	— 6
c. Net transfer from counterpart-accounts (increase = +)	+ 194	— 96	— 14	+ 10	— 140	+ 48
d. Movements in treasury notes and bills with banks (increase = +)	+ 452	— 142	— 41	+ 36	— 12	— 125
e. Movements in bank-notes balances with Government payment-offices (increase = —)	— 50	— 288	— 340	+ 12	+ 86	— 46
f. Movements in currency issued by the Government (increase = —)	+ 153	+ 297	+ 41	+ 40	86	+ 130
g. Movements in other debts of the Government to banks (increase = —)	— 352	+ 201	— 246	— 128	+ 1 093	— 518
h. Profit from the devaluation of bank-notes (increase = +)	—	+ 8,522			8 522	
i. Difference from the revaluation of gold holdings (increase = +)	—	+ 1,443	—	—	+ 1,442	
Total	+ 9,534	+13,324	+ 1,823	+ 2,687	+ 6,501	+ 2,313
*) Revised figures.						

This deficit figure of table 10 amounting to Rp 13,070 million is at great variance with the deficit figure as computed on the basis of the figures of the Department of Finance as may be seen from table 11 (Rp 13,780 million).

Net borrowings from the domestic capital market decreased by Rp 135 million, while net borrowings from the foreign capital market rose with Rp 343. million.

Furthermore, the amount of treasury notes and bills with the private sector rose with Rp 224 million. If compared with the movements at the end of 1958 —depicting an increase of Rp 17 million—the movements prevailing at the end of 1959 signified a great increase, which mainly occurred in the first and fourth quarters respectively to the amounts of Rp 119 million and Rp 164 million. In final instance, the Government cash deficit totalled Rp 13,324 million or Rp 3,790 million higher than the Government cash deficit of 1955 which amounted to Rp 9,534 million.

Table 10 also shows that the Government cash position experienced a steady deficit covering the first, second, third and fourth quarters. The cash deficit in the period under review averaged Rp 1,110 million per month.

The Government cash deficit discussed above was financed by drawings on banks and by the issue of currency. Bank Indonesia advances to the Government during 1959 increased by Rp 3,420 million as against the increase of Rp 9,318 million in 1958. This downward trend was the result of the decrease in the third quarter totalling Rp 4,566 million due to the monetary measures of August. In 1959, the prepayments by importers declined by Rp 33 million. The item “Net transfers from counterpart accounts” decreased by Rp 96 million in 1959. This item was intended for correcting movements occurring in the Government debt with Bank Indonesia.

The aggregate on treasury notes and bills with banks decreased by Rp 142 million. The relative movement demonstrated that moneys taken up by the Government from banks in 1959 decreased by said total. In this item, the largest movement occurred in the fourth quarter.

Bank-notes with Government pay-offices increased by Rp 288 million, indicating that the amount held and which did not flow back into circulation increased by said

TABLE 11 — BUDGETS 1958 AND 1959 AND PROVISIONAL RESULTS (Rp million)						
	Net expenditure		Net revenue		Balance	
	1958	1959	1958	1959	1958	1959
Budget	31,430	39,503	18,246	18,246	— 13,184	— 21,779
Provisional results	31,696	40,602	19,656	26,322	— 12,040	— 13,780
Difference	+ 266	— 775	+ 1,410	+ 8,998	— 1,144	— 7,999

Source : Department of Finance.

total. Conversely, paper and metallic currency issued by or on behalf of the Government constituted an addition to the circulatory total by Rp 297 million.

The profit items originating from the devaluation of banknotes and the revaluation of gold holdings amounted to Rp 8,522 million and Rp 1,443 million respectively.

On the basis of the above developments it may be inferred that the Government cash deficit in the year under report was financed by profits from the devaluation of banknotes which is an inflationary system of finance.

Government expenditure

Table 11 shows that the actual 1959 budgetary deficit appeared to be Rp 1,740 million higher than that for the preceding year.

Compared with 1958, both net expenditure and net revenue show increases by respectively Rp 8,906 million and Rp 7,166 million.

Table 12 depicts — these figures preliminary yet — the actual gross expenditure specified according to the various sectors. Differing from previous years in which Government expenditures were classified into 6 sectors, as from the present reporting year, a classification into 9 sectors was introduced without giving further details as to the Ministries/Services belonging to said sectors. This classification into 9 sectors is intended as an alignment to the existing classification of Departments (formerly Ministries) in 1960.

- I. The General Sector comprises the High Colleges of State, the Ministries for Information, for the Mobilization of the People's Potential for Reconstruction and for Education and Cultural Affairs.
- II. The Finance Sector covers the Ministry of Finance and the Financing Service.
- III. The Foreign Sector covers every expenditure pertaining to the Ministry of Foreign Affairs.
- IV. The Home Affairs Sector comprises the Ministry of Home Affairs and the Ministry of Inter-Territorial Relations.
- V. The Security Sector covers the Ministries for Defence, for Justice, and for Veterans Affairs.
- VI. The Reconstruction Sector comprises the Ministries for Industry, for Agrarian Affairs and for Transmigration.
- VII. The Production Sector covers the Ministries for Agriculture, for Public Works & Energy and for Labour.
- VIII. The Distribution Sector comprises the Ministries of Trade, of Communication, and for Navigation.
- IX. The People's Welfare Sector covers the Ministries for Social Affairs, for Health and for Religious Affairs.

In its entirety, the actual 1959 expenditure reached Rp 44,350 million, which is Rp 1,950 million lower than the budget for said year. Compared with 1958, this 1959 expenditure appears to have increased by Rp 9,037 million. This increase was principally caused by the Finance Sector and the Security Sector by respectively Rp 4,309 million and Rp 3,259 million. while sectors which undergo cuts in their expenditures were mainly the Home Affairs Sector and the Foreign Relations Sector with respectively Rp 413 million and Rp 693 million.

TABLE 12 — GROSS GOVERNMENT EXPENDITURE
(Rp million)

S e c t o r s :	1958		1959		Difference between 1958 1959 outturn
	Budget	Provisional outturn	Budget	Provisional outturn	
General	4,317	4,356	5,288	5,059	+ 703
Finance	6,118	7,699	11,636	12,008	+ 4,309
Foreign Relations	405	1,131	456	438	— 693
Home Affairs	5,682	5,374	4,969	4,961	— 413
Security	11,540	11,631	15,674	14,890	+ 3,259
Development	394	387	803	380	— 7
Production	2,221	2,001	3,412	2,872	+ 871
Distribution	2,153	1,148	2,257	1,897	+ 749
Public Welfare	1,491	1,586	1,805	1,845	+ 259
Grand total	34,321	35,313	46,300	44,350	+ 9,037

Source : Department of Finance.

Government revenue

The preliminary Government net revenue for 1959 reached the amount of Rp 26,222 million as against Rp 19,656 million for 1958. Since the 1959 budgetary net revenue was estimated at Rp 17,824 million, the actual revenue proved to be about Rp 8,998 million above the estimates.

From the figures incorporated in table 13 may be seen that the actual revenue from direct taxes reached the total of Rp 5,510 million or Rp 1,934 million more than was planned and Rp 1,231 million higher than the 1958 receipts. Compared with 1958, the revenue from all kinds of “direct taxes” showed a rise; principally income and corporate taxes increased appreciably, by respectively Rp 269 million and Rp 988 million.

The 1959 total receipts on “indirect taxes” amounted to Rp 697 million if compared with 1958. This increase was largely due to the increase in the receipts of import duties, export duties, and excises duties, amounting to respectively Rp 212 million, Rp 131 million and Rp 318 million.

The 1959 budgetary estimates were taken as the provisional revenue of the so-called I.B.W.-enterprises—namely, amounting to Rp 398 million —since it has not yet been possible to compute their actual net revenues.

The 1959 revenue under "Sundries" reached the total of Rp 13,405 million or Rp 5,498 million higher than the budgetary estimates for the same year. If compared with the foregoing year, the total on various receipts appeared to have increased by Rp 4,981 million. This raise was primarily ascribable to the increased receipts on T.P.I./PUIM totalling Rp 2,821 million (TPI Rp 1,374 million and PUIM Rp 1,447 million) and to the increased receipts on P.B.E./ PUEKS (20%) totalling Rp, 1,496 million (PBE Rp 245 million and PUEKS Rp 1,251 million).

TABLE 13 -- NET GOVERNMENT REVENUE
(Rp million)

	1956	1957	1958		Differences between 1958 and 1959 outturn
	Provisional outturn	Provisional outturn	Provisional outturn	Provisional estimate	
<i>A. Taxes</i>					
1. <i>Direct taxes</i>					
Transition tax	1,450	1,688	1,250	1,957	+ 269
Income tax	351	366	351	360	- 6
Company tax	1,875	1,945	1,600	2,933	+ 988
Free sales tax	360	202	300	176	- 26
Other direct taxes	48	78	63	84	+ 6
Sub total	4,024	4,279	3,576	5,510	+ 1,231
2. <i>Indirect taxes</i>					
Turnover/sales tax	825	1,137	729	1,110	- 27
Import duties	1,689	1,644	1,850	1,856	+ 212
Normal export duties	134	185	170	316	+ 131
Other export duties	70	102	100	96	- 6
Excises	3,403	3,535	2,891	3,853	+ 318
Other indirect taxes	188	209	203	278	+ 69
Sub total	6,309	6,812	5,943	7,509	697
Total of A	10,333	11,091	9,519	13,019	+ 1,928
<i>B. Balances of Government enterprises</i>	141	141	398	398	257
<i>C. Sundries</i>					
TPI/Puim	3,000	2,925	3,500	5,746	+ 2,821
BE (20)/Pueks.	3,300	3,706	3,000	5,202	+ 1,496
Laapl	100	30	30		30
Share of profits	171	145	271	62	- 83
Mining concessions	177	190	87	132	- 58
Court fines etc.	18	31	38	43	+ 12
Miscellaneous	1,006	1,397	981	2,220	+ 823
Total of C	7,772	8,424	7,907	13,405	+ 4,981
Grand Total	18,246	19,656	17,824	26,822	+ 7,166

Source : Department of Finance

The L.A.A.P.L.N. (Foreign Exchange Institute) receipts accruing from profits and mining concessions suffered setbacks. "Miscellaneous" receipts, not enumerated further — reaching the total of Rp 2,220 million or Rp 823 million higher than 1958— included among others:

- * the revaluation of the Bank Indonesia claims account on the Government (in Rupiahs in connection with deposits for I.M.F. purposes relative to the Rupiah devaluation) amounting to Rp 924 million,
- * receipts on reserves on counterpart funds (I.C.A) amounting to Rp 202 million,
- * receipts on the countervalue of Eximbank loans amounting to Rp 94 million, and
- * the surplus balance of the Foreign Exchange Fund amounting to Rp 170 million.

Public Debt

The total public debt for 1959 increased by Rp 10,303 million, i.e. from Rp 34,399 million at the end of 1958 to Rp 44,642 million at the end of 1959. On scrutinizing table 14, it will become evident that the increase of Rp 10,303 million formed the greatest increase if compared with preceding years. Part of this increase was caused by the rise in the internal floating debt by Rp 3,860 million, while the consolidated debt rose with Rp

TABLE 14 — GOVERNMENT DEBT POSITION
(Rp million)

End of	Consolidated debt		Floating debt internal	Total debt	Movements
	External	Internal			
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	2,334	4,670	27,335*)	34,339	+ 9,275 *)
1959	8,912	4,535	31,195	44,642	+ 10,303

*) Revised figures.

6,443 million. The external consolidated debt increased in 1959. by Rp 6,578 million, while the internal consolidated debt decreased by Rp 135 million. In the increase of the external consolidated debt by 6,578 million was included the Rupiah value increase of the debt amounting to Rp 6,601 million resulting from the devaluation.

Table I 5 depicts the development and component parts of the internal floating debt. It becomes obvious from this table that within the first six months of 1959, Bank Indonesia advances to the Government increased by Rp 5,250 million, and on August 25, 1959, the amount of such advances even reached Rp 31,764 million. The monetary measures of August 1959 enabled the Government to redeem part of its debt in advances by Rp 8,575 million, and in October 1959 another instalment redemption was effected by the Government out of the profits derived from the revaluation of gold and foreign exchange holdings amounting to Rp 777 million. However, because the Government continued to take up advances, the total reached Rp 28,349 million by the end of December 1959. The amount of Government money (including subsidiary money) in circulation, also showed an increase by Rp 297 million, and the amount of treasury bills and notes issued also increased by Rp 82 million. Only the debt to importers decreased by Rp 33 million as from August importers need no longer make pre-payments at the time of submitting their applications for import licenses.

The Government consolidated debt (table 16) seemingly indicates as if this debt in 1959 increased by Rp 6,443 million, being the balance between the increase in the external consolidated debt of Rp 6,578 million and the decrease in the internal consolidated debt amounting to Rp 135 million.

The very large increase in the external debt in the fourth quarter, i.e. amounting to Rp 6,682 million, was in essence not a real increase but represented the balance of the debt increase as a result of the revaluation of old debts due to the Rupiah devaluation—which amounted to Rp 6,601 million—and movements in the debt position due to part payments as well as new loans occurring in said quarter.

In 1959, redemptions of debts were effected to Australia, the United States and the E.C.A. to the respective amounts of Rp 29 million, Rp 24 million and Rp 27 million, while the debt to the Exim-Bank diminished by Rp 37 million, being the balance between redemptions amounting to Rp 76 million and reimbursements totalling Rp 39 million.

The internal consolidated debt decreased by lip 13 5 million, because a part payment of Rp 41 million was efected on the 1950 R.I. State Loan while the part payment on the Government debt to Bank Indonesia, which was consolidated, amounted to Rp 94 million.

On June 26, 1959, two loan agreements were signed with the Development Loan Fund covering \$; 9 million, viz. \$ 3 million for financing the railroad rehabilitation between Tandjung Enim-Kertapati in South Sumatera, and \$ 6 million for the reconstruction and building of harbours in Indonesia. In addition to the above, in 1959 Indonesia also obtained two loans from the Exim-Bank, the first loan amounting to \$ 6.9 million for extensions to the Cement Works at Gresik and signed on June 24, 1959. It is hoped that with this loan the Gresik Cement Works production can be stepped up by 50%, i.e. from 250,000 ton to 375.000 ton. The other loan totalling \$ 5 million was for the purchase of Lockheed Electra planes and was signed on November 24, 1959.

TABLE 15 — FLOATING DEBT
(Rp million)

End of	Debt to Bank Indonesia	Currency issued by the Government	Treasury bills and notes	Debt to importers (pre-payments to Foreign Exchange Fund)	Claim on Foreign Exchange Fund	Total floating debt
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	24,835 *)	1,106	1,324	70	—	27,335 *)
1959 March	27,358	1,147	1,402	64	—	29,971
June	30,085	1,187	1,392	54	—	32,718
September	25,519	1,273	1,367	42	—	28,201
December	28,349	1,403	1,406	37	—	31,195
MOVEMENTS IN FLOATING DEBT IN 1959						
1st quarter	2,523	41	78	— 6	—	2,636
2nd quarter	2,727	40	— 10	— 10	—	2,747
3rd quarter	— 4,566	86	— 25	— 12	—	—4,517
4th quarter	2,830	130	39	— 5	—	2,994
Total	3,514	297	82	— 33	—	3,860
*) Revised figures						

On January 28, 1960, the President of the Exim-Bank in Washington announced said Bank's approval for extending two further loans to Indonesia all in all amounting to \$ 47.5 million. One loan, totalling \$ 33.2 million was for supporting the establishment of a Ureum Fertilizers Plant at Palembang, while the other loan, amounting to \$ 14.3 million, was intended for defraying the cost of setting up an electric steam generating central power plant with a capacity of 60,000 KW at Surabaya.

On the other hand, at the request of the Republic of Indonesia, the Russian loan totalling \$ 100 million — the agreement which was signed on September 15, 1956—was increased by \$ 17.5 million. The agreement on this supplementary loan was signed on January 1959. This Russian loan will among others be used for the purchase of consumer goods, textiles, agricultural implements, communication conveyances including ships, the erection of industries, etc. while \$ 12.5 million— out of the supplementary

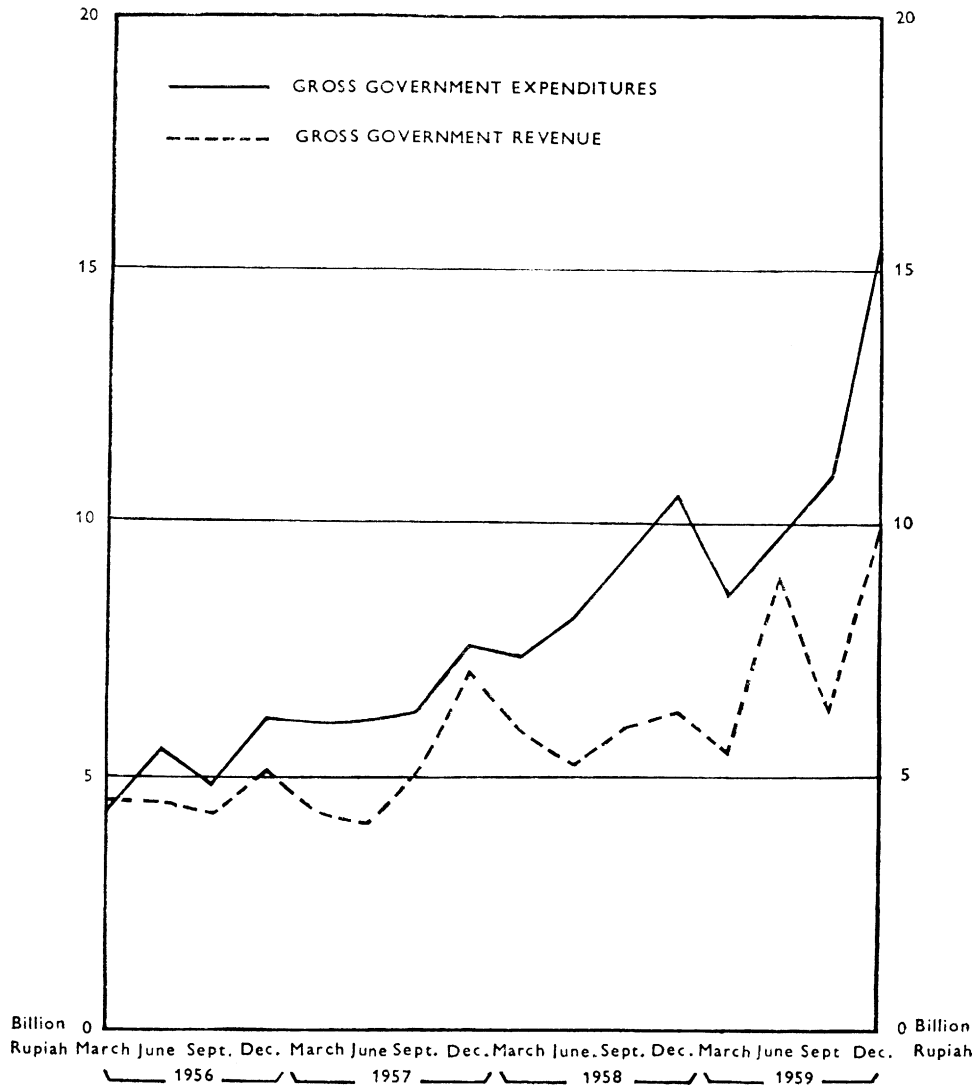
TABLE 16 — CONSOLIDATED DEBT
(Rp million)

	Debt as at the end of							Debt as at the end of 1959
	1957	1958	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	
<i>External debt</i>								
<i>Postwar loans</i>								
Australia	58	29	— 29	—	—	—	— 29	—
United States (Surplus credit)	544	521	—	—	— 24	+ 465**)	+ 1,441	1,962
E.C.A.	174	164	—	— 6	— 44	+ 445**)	+ 439	603
Eximbank	772	881*)	— 38	+ 8	+ 36	+ 2,431**)	+ 2,365	3,246
Japan	684	—	—	—	—	—	—	—
Netherlands	588	588	—	—	—	+ 1,750**)	+ 1,750	2,33
U.S.S.R.	—	238*)	+ 11	+	—	+ 549**)	+ 562	711
Eximbank (ICAX 87-3)	—	2	+ 2	+ 4	— 2	+ 42	+ 50	+ 52
Total external consolidated debt	2,820	2,334*)	— 54	+ 7	+ 57	+ 6,682	+ 6,578	8,912
<i>Internal debt</i>								
1. Public loan 1950	1,115	1,115	— 6	— 1	— 23	—	— 41	1,074
2. Bank Indonesia	3,648	3,555	— 94	— 2	—	—	— 94	3,461
Total internal consolidated debt	4,763	4,670	— 100	— 12	— 23	—	— 135	4,535
Total consolidated debt	7,583	7,004*)	— 154	— 5	— 80	+ 6,682	+ 6,443	13,447
*) Revised figures. **) Devaluation								

loan of \$ 17.5 million—will be used for the setting up of the main Asian Games stadium, while the remainder of \$ 5 million will be utilized for the setting up of a Technological College at Ambon. On February 28, 1960, a new loan agreement was signed by the Government of the Republic of Indonesia and the Government of the Soviet Union of Socialist Republics covering \$ 250 million for the establishment of industrial and other projects, including projects in the steel industry, the non-ferrous metal industry, the chemical industry, the atomic energy industry for peaceful aims, textiles and agriculture, all needed for the over-all development of the Republic of Indonesia.

The credit amounting to Swiss Fr 48 million and obtained from the Chinese People's Republic in 1958 for textiles and rice was completely realized in 1959

CHART. I
BUDGET. RESULT.



V. BANKING AND CREDIT

Credit Restrictions

As was put forward in the report of the foregoing bookyear, in order to restrict expanding credit grantings by banks, the Monetary Board, in its session of 8th April 1959 issued the following rulings :

- a. the part of the cash to be deposited into the “Special Account” of banks with Bank Indonesia was increased from 50% to 75% of the surplus in cash assets,
- b. by fixing a credit ceiling as per the end of August 1958, the amount of credits to be granted by banks was limited. This ruling was not only applicable to private foreign exchange banks and other private banks recording a total on deposits, demand liabilities and bills payable at Rp 75 million and over, but also to all State foreign exchange banks, such as Bank Indonesia, Bank Negara Indonesia and Bank Rakjat Indonesia.

The ruling on the establishment of a credit ceiling at the end of August 1958, was followed up by an instruction to the credit institutions concerned to the effect that within 3 months—effective as from 1 6th April 1959 onward— such institutions were to have the total of their credits granted adjusted as per the end of August 1958. So as not to have the above-mentioned ruling complicate the operations of State enterprises— assigned by the Government to import 9 kinds of basic commodities. such as: textiles, flour, weaving yarn, cotton, cement, reinforced concrete iron & reinforced concrete iron wire, gunny bags/jute, paper, tinplate — in its session of 30th May 1959 the Monetary Board ruled that for the financing of the imports of the aforementioned goods, credit institutions were allowed to give out credits for :

- a. the advance financing for the importation of the above mentioned consumer goods (textiles and flour) up to 50% of the B.E. value to be purchased.
- b. the advance financing for the importation of other goods (raw materials/ auxiliary commodities) up to 50% of the B.E. value to be purchased.
- c. follow-up financing purposes.

The above-mentioned credit grants were hence not included in the credit ceiling rulings of end August 1958 as decreed by the Monetary Board.

In aligning the totals of their credit grants to the position of end August 1958, it appeared that credit institutions had to cope with practical difficulties in withdrawing the credits already given out and which, by the end of March 1959, already exceeded the fixed ceiling by Rp 1,270.6 million. In this connection, in its meeting of 3rd August 1959, the Monetary Board found it necessary—as from 14th August 1959 onward—to establish a new credit ceiling, viz, as follows :

a. credit ceiling per end of March 1959 for:

1. Nederlandsche Handel Mij.N.V.
2. Escomptobank P.T.,
3. Great Eastern Banking Corp. Ltd.,
4. Bank Dagang Nasional Indonesia N.V.,
5. Bank Persatuan Dagang Indonesia P.T.,
6. Bank Umum Nasional N.V.,
7. Bank Timur N.V.,
8. Bank Negara Indonesia,
9. Bank Rakjat Indonesia,
10. Bank Indonesia.

b. credit ceiling per end November 1957 for:

1. The Chartered Bank Ltd.
2. Oversea Chinese Banking Corp.
3. The Hongkong & Shanghai Banking Corp.
4. Bank of China.

c. credit ceiling per end August 1958 for:

Nationale Handelsbank N.V.

The above-mentioned new credit ceilings did not include the credit grants for purchasing paddy (B.P.P.) and rice (J.U.B.M.), either the credit grants with Treasury Notes

and Bills as collateral, nor the credit grants for the importation of the 9 basic commodities as mentioned at the beginning of this chapter.

It should be noted that the differentiation in credit ceilings as enumerated under a, b and c above, was due to the fact that the credit grants by credit institutions belonging to group b had already been put on a restrictive basis since the outset of 1958 and aligned to the credit ceilings of end November 1957, so that the total on credit grants by these credit institutions would never exceed the limit stipulated for the end of November 1957.

The credit ceilings applicable to the Nationale Handelsbank N.V. should likewise be differentiated from those of other credit institutions because on August 1958 the afore-mentioned bank was still carrying on its activities in a normal manner, as a result of which the total on credits granted per the end of August 1958 could be taken as a guiding factor for establishing the credit ceilings. As from November 1958 on, this bank was no longer allowed to continue its operations in the payment traffic with abroad, which hence caused the bank concerned also to begin decreasing its activities in the credit field.

A couple of days after the announcement of the above mentioned new credit ceilings, the Government launched its monetary operations by promulgating Government Regulation substituting an Act No 2/1959 (Government Gazette 1959 No 89) and Government Regulation substituting an Act No 3, 1959 (Government Gazette 1959 No 90). On the whole, the afore said monetary operations caused complications in the liquidity position of banks, so that to cope with the withdrawals by clients of the exempted part of various accounts at banks and with the social need for various kinds of credit, banks met with difficulties exceeding their own financing powers. To cope with this liquidity problem at banks—resulting from the monetary operations launched by the Government on 25th August 1959—Bank Indonesia, on the guarantee of the Government, issued emergency liquidity credits to banks for handling the above mentioned urgent needs.

The granting of credits by banks (through utilizing the liquidity credits from Bank Indonesia) to undertakings in the sectors of production, export, distribution, transport and other—the need for which made themselves very much felt at that time—caused

the Monetary Board to waive temporarily the execution of the credit ceiling rulings applicable to credit institutions, and which rulings had already been established by the Monetary Board in its session of 3 rd August 1959.

Aside from the above-mentioned waiver of the credit ceiling rulings meant for credit institutions, the application of the stipulations as mentioned in the Monetary Board Decrees No 28, 1957 and No 33, 1957, was temporarily postponed under the proviso that :

- a. Treasury Notes and Bills already deposited with the Bank Indonesia by private credit institutions—as regulated in Monetary Board Decree No 28, 1959—should (based on the afore-mentioned Monetary Board Decrees be maintained according to the position as prescribed per 31st July 1959, until a further ruling
- b. cash assets already deposited into the “Special Account” with Bank Indonesia—based on Monetary Board Decree No 33 - —by credit institutions, should (as mentioned in said Monetary Board Regulation) be maintained according to the balance as recorded on 25th August 1959, until a further ruling.

In the following table is depicted the implementation of the above-mentioned Monetary Board Regulations and the development—after the implementation of said regulations was waived — as a result of the Government measures in the monetary field on 25 th August 1959.

The figures in the afore-mentioned table show that investments in Treasury Notes and Bills made compulsory at the end of the first quarter, at the end of the second quarter and up to July 1959—i.e. before the Government measures in the monetary field — respectively totalled Rp 509.2 million, Rp 523.8 million and Rp 566.9 million, while actual investments respectively amounted to Rp 538.5 million, Rp 554.4 million and Rp 716.6 million, so that for the first quarter, the second quarter, and up to July 1959, the excess in actual investments amounted to Rp 29.3 million, Rp 30.6 million and Rp 149.7 million.

Investments in Treasury notes and bills						Deposits in the „Special Accounts“			Ratios of cash to deposits, demand liabilities and bills payable.			
						Excess of cash						
							Obligatory	Actual	Difference	Obligatory	Actual	Difference
in million Rp.												
MARCH	1959	509.2	538.5	+	29.3	1.233.8	703.8	430.3	—273.5	30%	44.2%	+ 14.2%
JUNE	1959	523.8	554.4	+	30.6	875.8	982.9	473.3	—509.6	30%	39.5%	+ 9.5%
JULY	1959	566.9	617.6	+	149.7	894.5	1.033.2	599.5	—433.7	30%	39.7%	+ 9.7%
AUGUST	1959	517.3	714.6	+	197.3	559.7	805.6	565.9	—239.7	30%	50.5%	+ 20.5%
SEPT	1959	517.3	584.5	+	67.2	899.2	565.9	565.9	—	30%	53.7%	+ 23.7%
DEC	1959	517.3	486.7	—	30.6	1.777.6	562.0	562.0	—	30%	57.0%	+ 27.0%

Since the launching of the monetary operations, the investment in Treasury Notes and Bills should be maintained at the prescribed level of at the end of July 1959, i.e. to the amount of Rp 566.9 million. In the meantime, the Nationale Handelsbank N.V. was nationalized on 19th August 1959, so that from that time on the Monetary Board Decree No 28, 1957 —on the compulsory depositing of part of the cash assets in the shape of Treasury Notes and Bills —was no longer applicable to said bank. This resulted in the fact that the compulsory deposit of Rp 42.3 million in Treasury Notes and Bills— that was assigned to the Nationale Handelsbank N.V. had again to be abandoned. Such was also the case with the compulsory investment in the shape of Treasury Notes and Bills amounting to Rp 7.3 million that was prescribed to the Bank Timur N.V., which also had to be abandoned, because -- as a result of the Government monetary measures—the Bank Timur N.V. could no longer meet the requirements as set forth in the Monetary Board Decree No 28, 1957. Thus, the total on obligatory investments in Treasury Notes and Bills for the months from August up to and including December 1959 amounted to Rp 566.9 million—(Rp 42.3 million + Rp 7.3 million) = Rp 517.3 million. The actual investments in Treasury Notes and Bills respectively amounted to Rp 714.6 million, Rp 584.5 million and Rp 486.7 million by the end of August, September and December 1959. The actual total investment by the end of December 1959 appeared to show a deficit by Rp 30.6 million, if compared with the compulsory position for the above-mentioned month. This discrepancy was attributable to the fact that some banks could not yet meet said requirement as a result of the liquidity problems confronting them.

The figures in the surplus cash money recorded were Rp 1,233.8 million, Rp 875.8 million, Rp 894.5 million, Rp 559.7 million, Rp 899.2 million and Rp 1,777.6 million respectively for the ends of the first quarter, the second quarter, the months of July, August, the third quarter and the fourth quarter of 1959. The amounts that should have been entered into the “Special Account” for the end of the first quarter, the second quarter, the months of July and August 1959 were consecutively Rp 703.8 million, Rp 982.9 million, Rp 1,033.2 million and Rp 805.6 million — in line with the obligation of credit institutions to deposit 50%/75% of their excess cash money into the “Special Account” with a minimum position of 50%/75% of the excess cash money as recorded per the end of October 1957—while the actual deposits totalled respectively Rp 430.3 million, Rp 473.3 million, Rp 599.5 million and Rp 565.9 million so that entries into said “Special Account” showed deficits of Rp 273.5 million, Rp 509.5 million, Rp 433.7 million and Rp 239.7 million for the end of the first quarter, the second quarter, the months of July and August 1959. The aforementioned deficits in deposits were due to the fact that there were still national (Private and Government) credit institutions failing to enter 50%/75% of their surplus cash into the “Special Account”.

Since the financial operation was launched, the balances of the “Special Account” at the Bank Indonesia should consistently be maintained at the prescribed level for 25th August 1959, i.e. to the amount of Rp 565.9 million, but with the releasing of the Bank Indonesia ‘Special Account’ balance of the Great Eastern Banking Corporation to the amount of Rp 3.9 million—since said Bank had to suspend all activities as per 15th December 1959—the obligatory investment for the end of the fourth quarter of 1959 and afterwards was adjusted to Rp 562. 0 million.

Aside from the regulations aimed at limiting the granting of quantitative credits by credit institutions, a narrowing down of credit granting to certain sectors only was also imposed during the year under report. In its meeting of 30th May 1959, the Monetary Board resolved that especially for financing the imports of the following 9 kinds of commodities, viz. textiles, flour, weaving yarn, cotton, cement, reinforced concrete iron & reinforced concrete iron wire, gunny bags/jute, paper and tinplate -- which could only be imported by the 8 State enterprises, viz. C.T.C., Usindo, Satya Negara. Indevitra, Juda Bakti Triangle, Indestins and Mira Sari— banks were allowed to give out import credits to the above-mentioned State enterprises for :

- a. the advance financing of the consumer goods mentioned above (textiles and flour) up to 50%, of B.E. value to be purchased.
- b. the advance financing of other goods (raw/auxiliary materials) up to 50% of the B.E. value to be purchased.
- c. follow-up financing purposes.

With the repealing of the B.E. System (Bukti Ekspor = Export Certificate) — based on Government Regulation in lieu of Law no 4, 1959 (Government Gazette 1959—91)—the rulings on import credits adopted during the meetings of the Monetary Board on 14th January 1958 and 17th February 1958 were withdrawn.

As a follow-up measure and within the framework of the new import regulations, the Panitia Penampungan Operasi Keuangan (The Council for Coping with the Monetary Operation)—in its meeting of 7th September 1959 —ruled that banks were forbidden to give import credits for advance financing purposes, in the sense that, after receiving the Import License and before opening the relative L/C, the importer (the bank's business relation) was to make a compulsory advance deposit — to 100% of the counter value in Rupiahs— into a guarantee account and which obligatory advance deposit should not be financed by means of a bank credit.

The rulings prohibiting the granting of credits for advance financing purposes as mentioned above were not applicable for the imports of fertilizers, rice (J.U.B.M.), cambrics (G.K.B.I. and the 9 kinds of commodities to be imported on a pooling basis by the 8 State enterprises as indicated above. These regulations on the prohibition of credit grantings for advance financing purposes were also not to be imposed on the Jajasan Bahan Perindustrian (J.B.P. = Industrial Raw Materials Institute) importing weaving yarn, newsprint and cloves, neither on industrial undertakings receiving recognition as importer and that used to import themselves the raw/auxiliary materials for their own undertakings or for their own factories and whose imports were based on foreign exchange allocations fixed by the Department of Industry and nor on State enterprises importing raw/auxiliary materials on behalf of industrial undertakings within the sphere of the B.U.D. (Badan Urusan Dagang = Trade Affairs Agency).

Especially for the importation of the 9 kinds of commodities by the 8 State enterprises mentioned above and for the importation of weaving yarn, newsprint and cloves by the J.B.P., banks were allowed to give out credits for follow-up financing purposes, which included the payment of import duties, forwarding agency charges, discharging costs, etc.

The granting of credits by the 13 foreign exchange banks and by the Bank Indonesia during the year under report showed a steadily rising tendency, so that at the end of March 1960 this total exceeded twice the total of the credits of at the end of July 1959, i.e. before the Government launched its measures in the monetary field on 25th August 1959. This development showed the following increases :

	(in million Rp)				
	March 1959	June 1959	July 1959	September 1959	December 1959
Credits granted :	6,448.4	6,377.6	6,326.0	6,843.4	11,432.1
+ / -	- 70.7	- 51.7	+ 517.4	+ 4,588.7	
Credit ceiling :	- *)	5,087.4	5,087.4	6,694.8	6,694.8

*) The March 1959 credit ceiling was only imposed on 4 foreign exchange banks.

From the above-mentioned figures it appeared that within the space of time of 5 months after the Government took its monetary measures, the total of credits given out increased by Rp 5,106.1 million at the end of December 1959: Rp 1,432.1 million; per the end of July 1959: Rp 6,326.0 million).

Compared with the credit ceiling stipulated for the credit institutions as mentioned in the Monetary Board Decrees no 28 and no 33 1957 and which was fixed by the Monetary Board in its session of 3rd August 1959 at Rp 6,694.8 million, it becomes clear that the total of credits at the end of December 1959 amounting to Rp 1,432 credit ceiling by Rp 4,737.3 million.

Because the amounts on the credits granted mentioned above also included the totals on import credits for the 9 basic goods and the credits given by the Jajasan Lembaga Djaminan Kredit (which, in line with the approval of the Monetary Board, were exempted from the above-mentioned credit ceiling rulings) —viz. respectively Rp 3,135.8

million and Rp 32.9 million at the end of December 1959 (credits given out to channel the financing of the paddy purchases by the B.P.P. and the rice purchases by the J.U.B.M.—which were also exempted from the credit ceiling —were excluded from the total figures of the above-mentioned credits granted) —the actual credit total per the end of December 1959 that was liable to the credit ceiling regulations stood at Rp 11,432.1 million minus Rp 3,168.7 million = Rp 8,263.4 million, so that, according to the applicable regulations, the additional increase in credits per the end of December 1959 in essence totalled Rp 8,263.4 million minus Rp 6,694.8 million = Rp 1,568.6 million over and above the established credit ceiling. From the above-mentioned figures it becomes clear that this addition in credit grants was principally due to the increase in credits given out to those sectors exempted from the credit ceiling regulations.

With the compulsion for credit institutions to deposit effectively their savings balances—frozen by Government Regulation in lieu of Law no 3, 1959 — into the Treasury account with Bank Indonesia (in line with the regulations mentioned in the Finance Minister Regulations no 1 of 28th January 1960 and no 2 of 22nd February 1960) said credit institutions necessarily had to keep a vigilant watch over their relative liquidity positions to fulfil this obligation.

In order that the liquidity problem confronting such credit institutions did not result from excessive credit grantings, it was deemed necessarily to establish a new credit ceiling. In this connection, by means of Regulation no 3 of 12th April 1960, the Finance Minister ruled that, as from the 1st of April 1960, all private banks and State banks were made compulsory to restrict their granting of credits to the total of the credits given out as per the end of February 1960. Should—on the date of promulgation of the above-mentioned regulation—the total of credits given out by said banks already exceed the total of credits given out per the end of February 1960, the banks concerned were obliged—within 3 months at the latest as from the date of issuance of said regulation—to exert themselves so as to decrease the total of the credits already given out to equal the total of credits already given out per the end of February 1960.

In line with the establishment of the above-mentioned credit ceiling per the end of February 1960, the Monetary Board decreed that said credit ceiling did not include those credits channeled through banks by the *Jajasan Lembaga Djaminan Kredit*. The granting of import credits for the 9 basic goods to State enterprises, and channelling credits

already given out for the financing of the paddy purchases by the Badan Pembelian Padi—which, at the fixing of the previous credit ceiling, was not included in said credit ceiling regulation —were now decreed by the Monetary Board to be included in the credit ceiling per the end of February 1960, with the proviso that the total of credits already set aside for the purchase of rice per the end of February 1960 should not be utilized for credit-granting purposes to other sectors.

Supervision of banks

New permanent licenses given out during the year under review for conducting private commercial banking activities numbered 16. In this total was included the number of permanent licenses granted to new private commercial banks (9) and to private commercial banks which, during the foregoing year, fulfilled the requirements as set forth in Government Regulation No 1/1955, so that the provisional licenses already in their possession could be turned in against permanent ones (7). Because of this, in essence 9 new private commercial banks were set up during the foregoing year.

With the issuance of the Finance Minister's Decree no 28 dated 19th September 1959, for a time the Government did not handle applications - for the establishment of new private commercial banks and savings banks—submitted after 25th August 1959, unless such applications were already received by the Department of Finance before 25th August 1959 and unless capital funds deposits to the Bank Indonesia—in line with the rulings given—were already made. In this connection, the erection of the above-mentioned 9 new banks, concerned those that had submitted their applications for a bank operating license before 25th August 1959 and had already deposited their capital funds with the Bank Indonesia.

In addition, during the reporting year a new State bank was set up, namely the Bank Umum Negara (the General State Bank) assigned to cope with the activities of the nationalized Nationale Handelsbank N.V. in Indonesia, while at the beginning of 1960 was set up another State bank, i.e. the Bank Dagang Negara (the Commercial State Bank) entrusted with the task of handling all the activities of the nationalized P.T. Escomptobank.

Aside from the establishing of above-mentioned commercial banks, during the year under report :

- a. 4 permanent licenses for conducting commercial banking activities were withdrawn;
- b. the complete suspension of all banking activities and operations was imposed on 1 bank;
- c. the temporary license given out to 1 commercial bank was not prolonged;
- d. the nature of the activities of 3 commercial banks was changed into credit granting bodies as stipulated in article 13, letter (c) of Government Regulation 1/1955.

In connection with the above mentioned events, although 9 new private commercial banks were established during the reporting year, through the withdrawal of permanent licenses/non-prolongation of the temporary license, and the modification in banking status as outlined above, during the year under review the number of private commercial banks remained unchanged as compared with the foregoing year.

From the figures incorporated above, it becomes clear that Djakarta Raya remained the centre for a large part of commercial banks, while Central Djawa and East Djawa —

Region	Head Offices of Commercial Banks				Branches & Sub-branches of Commercial Banks				Total Commercial Banks	
	Private		Government		Private		Government		Priv. & Govt.	
	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959
1. Djakarta Raya	56	56	5	6*)	23	23	3	8*)	87	93*)
2. West Djawa	8	8	—	—	12	11	20	23	40	42
3. Central Djawa	11	9	—	—	54	35	32	33	97	77
4. East Djawa	6	4	—	—	40	28	34	38	80	70
5. Sumatera	10	13	—	—	45	41	32	43	87	97
6. Kalimantan	4	5	—	—	15	16	8	11	27	32
7. Sulawesi	7	7	—	—	12	11	13	16	32	34
8. Nusa Tenggara	1	1	—	—	5	7	9	9	15	17
9. Maluku + West Irian	—	—	—	—	—	—	3	3	3	3
T o t a l	103	103	5	6	206	172	154	184	468	465

*) Note : In the number of Government banks are included Bank Umum Negara and Bank Dagang Negara (Excl. Bank Industri Negara)

with the withdrawal of the permanent licenses of some banks — some their number decreased by 2 commercial banks each, while various other banks transferred their main offices to Djakarta Raya. The banking development outside Djawa showed an increase in the number of commercial banks, viz. in Sumatera by 3 units and in Kalimantan by 1 unit.

Moreover, the number of branches affiliates of private commercial banks decreased by 34 units during the year under report as a result of the nationalization of the Nationale Handelsbank N.V. in Indonesia and of the P.T. Escomptobank and the transfer of all the activities of both afore-mentioned banks to the Bank Umum Negara and the Bank Dagang Negara. Hence, during the year under report, the total of Government banks increased by 2 units with an aggregate on branches numbering 34 units.

Out of the total of 103 private commercial banks, at the end of the reporting year, 88 obtained permanent licenses while the remaining 35 continued to operate on temporary licenses.

The total of savings banks in the year under report decreased by 4 units, viz. the permanent license of 1 was withdrawn the temporary license of 2 units were not extended, while 1 changed its legal status from a corporation into a cooperative and as a consequence could no longer have Government Regulation 1/1955 applicable to it. Furthermore, 1 commercial bank changed its nature into a savings bank, and 1 newly-established bank obtained a permanent license for conducting savings bank activities, so that the overall total of savings banks during the year under report numbered 16 units, indicating a decrease of 2 units if compared with the total of the foregoing year. Of this total of 16 savings banks, 1 continued to operate on a temporary license.

During the year under report, the direct surveillance over commercial banks was better conducted than during the foregoing year. This was due to the fact that candidate bank examiners were now in a position to start putting into practice the results of their training. Although this surveillance could not be conducted over all commercial banks, yet in the foregoing year more than 50% of said commercial banks could be checked into, and on the basis of which investigational results these banks could be steered toward improvement as intended by the Bank Indonesia.

Within the framework of controlling the Dutch banks in Indonesia — based on Government Regulation no 29, 1958 (Government Gazette no 38/ 1958) jo No 8/1959 (Government Gazette No 14/1959) - on 20th April 1959, the management over the Nationale Handelsbank N.V. in Indonesia was entrusted to the Badan Pengawas Bank² Belanda Pusat (Agency for Controlling Dutch Banks) as a follow-up measure of the Finance Minister's Decree No 40269/U.M. II, dated 3rd April 1959. By means of Government Regulation No 39/1959 (Government Gazette No 84/1959) the Nationale Handelsbank N.V. in Indonesia was nationalized and declared State property. On 16th September 1959 — based on article 3 of the above-mentioned Government Regulation no 39/1959 — all the assets and liabilities of the nationalized Nationale Handelsbank N.V. in Indonesia were surrendered to the Bank Umum Negara (General State Bank), a Government bank established on the strength of Government Regulation in lieu of law no 1, 1959 (Government Gazette No 85/1959).

Aside from putting Dutch banks in Indonesia — based on Government Regulation No 22/1958 jo No 8/1959 — under the control of the Badan Pengawas Bank² Belanda Pusat, by means of Ordinance No Kpts/Peperpu/ 0441/1958/dated 23rd October 1958 the Army Chief of Staff, as Central War Administrator, placed all banks partly or wholly owned and set up by/ for Oversea Chinese (Hoe Kiau) —non-nationals of foreign countries already enjoying diplomatic relations with the State of the Republic of Indonesia and/ or having already received recognition from the Republic of Indonesia — under the control of the Government of the Republic of Indonesia. As mentioned in Government Regulation no 22/1958, the control of such banks was transferred to the Badan Pengawas Bank² Belanda. Based on these rulings, the Great Eastern Banking Corporation, domiciled in Djakarta, was placed under the control of the Badan Pengawas Bank² Belanda Pusat. As per 19th November 1959, the Great Eastern Banking Corporation was instructed to suspend—both in the head office as well as in its branches all activities in receiving deposits and issuing foreign exchange for the payment traffic with abroad. Afterwards, based on ordinance No Kpts/Peperpu/01104/ 1959, dated 5th December 1959, of the Army Chief of Staff as Central War Administrator, the Great Eastern Banking Corporation was instructed as per 15th December 1959 to suspend—both in its head office and in its branches —all banking activities and operations, with the exception of those banking activities already in process of finalization. Accordingly, this bank is still finalizing its prescribed duties.

Moreover, as from 8th February 1960, the P.T. Escomptobank was no longer allowed to engage in the payment traffic with abroad. Based on Government Regulation no 13, 1960 (Government Gazette No 35/1960), the P.T. Escompto Bank—including all its shares— was nationalized on 1st April 1960. On 11th April 1960, on the strength of the Finance Minister's Regulation no 29103./B.U.M II, dated 4th April 1960, all rights, powers, debts and duties of the nationalized P.T. Escomptobank were transferred to the Bank Dagang Negara (the Commercial State Bank) — formed by means of Government Regulation in lieu of Law no 13, 1960 (Government Gazette 39/1960) —while as per the afore-mentioned date the P.T. Escomptobank was in a state of liquidation.

Credit facilities granted by foreign exchange Banks.

The combined balance sheet of Bank Indonesia, Bank Negara Indonesia, Bank Rakjat Indonesia, Bank Umum Negara and 10 other foreign exchange banks—as depicted in table 17—indicates increases in the items: “Capital, reserves, profit and loss account” by Rp 740 million, “Guarantee deposits” by Rp 116 million, “Sundry accounts” by Rp 4,933 million, “Foreign Exchange Fund: foreign liabilities” by Rp 739 million, “Banknotes issued” by Rp 6,518 million, “I.M.F. and I.B.R.D. accounts” by Rp 1,511 million. The rise in the balance of liabilities to the I.M.F. and the I.B.R.D. to the amount mentioned is caused by the revaluation of the assets and liabilities in foreign currency since October 21, 1959, as an effort to smooth out the foreign trade within the frame work of the Government monetary operations. Said monetary measure also gave rise to the inclusion of a new item in the combined balance sheet, namely, the “Government's debts registration account”, totalling Rp 10,825 million at the end of December 1959. This entry constitutes the aggregate on the frozen assets of various accounts, which, on the whole, is visibly on the decrease on table 17, when compared with the position of per the end of 1958. The “Time deposits” declined by Rp 106 million, “Rurni accounts” by Rp 48 million, “Demand deposits and bills payable” with Rp 995 million, debt of foreign exchange banks to other foreign exchange banks” by Rp 100 million. “Government accounts” decreased by Rp 148 million and the item “Debt of Bank Indonesia to other foreign exchange banks” by Rp 2,947 million. “Banknotes issued” increased by Rp 6,518 million. Into this mutation has been computed the proceeds from the 90% decline in value of the bank notes in the denominations of Rp 1,000 and Rp 500 in line with Government Regulation in lieu of Law No 2/1959 dated August 24, 1959. The frozen

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

	1957	1958*)	1959					1957	1958 ¹⁾	1959		
	Dec.	Dec.	March	June	Sept.	Dec.		Dec.	Dec.	March	June	Sept.
Cash in hand	530	777	987	883	783	791	Capital, reserves, profit and loss account	1,931	2,497	2,757	2,616	2,811
Balances of foreign exchange banks with Bank Indonesia	1,888	3,658	3,260	2,444	130	711	Time deposits	170	185	209	254	86
Balances of foreign exchange banks with other foreign exchange banks	83	214	221	256	90	114	Government accounts	1,799	2,193	2,484	2,624	1,514
Special Account	—	413	429	473	565	565	Rural accounts	122	150	144	151	96
Treasury notes and bills	669	1,169	1,128	1,164	1,152	1,027	Guarantee deposits	228	321	412	336	330
Securities	131	163	181	178	193	282	Demand deposits and bills payable	4,822	9,495	9,931	9,545	4,547
Participations	32	32	32	36	44	44	Debt of foreign exchange banks to other foreign exchange banks	83	214	222	256	90
Advances and domestic bills discounted	4,443	6,530	7,871	8,349	8,845	13,042	Prepayments from importers	681	2,243	4,175	3,576	2,153
Foreign bills and balances	1,114	732	659	1,158	792	4,255	Government's debts registration account	—	—	—	—	9,408
Premises and inventory	451	493	500	562	606	664	Sundry Credit Account	1,272	1,906	3,587	4,243	2,782
Sundry debt accounts	—	1,126	2,568	1,663	3,053	989		11,108	19,204	23,921	23,601	23,817
	9,341	15,307	17,836	17,166	16,267	22,484	Foreign Exchange Fund : foreign liabilities	1,969	327	221	205	324
Gold, claims in gold on the Government and convertible foreign exchange	469	452	443	489	487	1,556	Debt of Bank Indonesia to other foreign exchange banks	1,888	3,658	3,260	2,444	130
Foreign Exchange Fund : foreign currency account	1,674	1,645	2,031	1,304	1,740	10,099	Special Account	—	413	429	473	565
Advance to the Government:							Banknotes issued	14,064	19,986	20,712	23,303	20,410
a. from Bank Indonesia	19,073	28,390	30,819	33,547	28,980	31,811	E.C.A. and S.A.C. counterpart accounts	1,449	1,948	2,322	2,206	2,045
b. from importers	249	70	64	54	42	37	I.M.F. and I.B.R.D. accounts	642	642	642	642	539
Claims in rupiah on the Government	314	314	314	314	314	1,856						
	31,120	46,178	51,507	52,874	47,830	67,853		31,120	46,178	51,507	52,874	47,830

¹⁾ Revised figures

TABLE 18 — CREDITS GRANTED BY BANK INDONESIA, BANK
NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS ¹⁾
(Rp million ; end of period)

	1958	1959			
	December	March	June	Sept.	Dec.
A. Government enterprises and foundations	1,347	1,318	848	1,654	3,988
B. Enterprises predominantly financed by the Government	124	181	319	417	1,896
C. Private business and individuals					
Banks and credit institutions (excl. foreign exchange banks)	235	351	330	494	328
Insurance companies, savings institutions, pension funds	2	16	16	5	5
	2	3	3	3	2
Domestic produce trade	145	174	175	247	253
Exporters	895	1,095	990	769	1,217
Importers	877	1,098	968	771	725
Sugar estates	155	182	239	232	237
Other agricultural estates	98	132	121	104	81
Industries	371	339	325	331	595
Storage and transport companies	91	84	124	66	58
Mining	5	6	6	6	8
Miscellaneous enterprises	609	770	904	846	833
Private persons	169	242	197	233	114
Sub total	3,654	4,492	4,398	4,107	4,456
Grand total	5,125	5,991	5,565	6,178	10,340

¹⁾ Excl. Bank Rakjat Indonesia

assets derived from said banknotes amounted to Rp 8,575.5 million. To show in how far the Decree of the Monetary Board No 33, dated May 28, 1957, has had a bearing on the credit-granting ability of banks, a new item "Special account", has been inserted in table 17, indicating the part of the cash balance that has to be deposited by Private and Government credit institutions to Bank Indonesia. Said part of the cash balance was arrived at by subtracting the amount of cash by that part that has to be kept at hand obligatorily by the credit institution concerned for maintaining the prescribed minimum ratio between the total on cash and the total on deposits, demand deposits and bills payable.

On the liabilities side of the Combined balance sheet, the balance of the item 'Advances and domestic bills discounted' showed the balance of Rp 13,042 million as per the end of 1959, as compared with the balance of credits granted by Bank Indonesia, Bank Negara Indonesia, Bank Umum Negara and 10 other foreign exchange banks (excluding Bank Rakjat Indonesia). The debit balances of "Government enterprises and foundations", "Bank and Credit institutions", "Domestic produce trade", "Exporters",

TABLE 19 — CREDITS GRANTED TO PRIVATE ENTERPRISES AND INDIVIDUALS BY 7 FOREIGN BANKS AND 6 NATIONAL BANKS ¹⁾
(Rp million)

Granted to	1958				1959			
	7 non. nat. foreign exch. banks		6 nat. foreign exch. banks		6 non. nat. foreign exch. banks		7 nat. foreign exch. banks	
	Total	%	Total	%	Total	%	Total	%
1. Exporters	546.9	44	348.2	9	707.5	48	501.9	16
2. Importers	252.2	20	623.7	16	139.4	10	570.8	19
3. Agricultural estates	81.3	7	171.5	4	112.6	7	205.3	7
4. Industries	148.0	12	223.3	6	231.0	16	307.8	10
5. Others	215.2	17	2,514.2	65	273.6	19	1,470.2	48
Total	1,243.6	100	3,880.9	100	1,464.1	100	3,056.0	100
a. National	764.9	62	3,735.0	96	1,079.9	74	2,880.2	94
b. Non-National	478.7	38	145.9	4	384.2	26	175.8	6

¹⁾ Exclusive of Bank Rakjat Indonesia

'Industries', and "Miscellaneous enterprises" rose by respectively Rp 4,441 million, Rp 93 million, Rp 107 million, Rp 322 million, Rp 224 million and Rp 224 million. The increase in the credits granted to Government enterprises and foundations, specifically in the final quarter of 1959, was for the major part due to the increase in the credits given to the Central Trading Company (C.T.C.) for financing the expansion of its scope of activities chiefly as distributors of vital commodities to the Eastern part of the Indonesian archipelago and for defraying its copra exports, the financing of fertilizers imports by Mirasari, the expenditures in connection with the chartering of ships by the PELNI (Pelajaran Nasional Indonesia = Indonesian Navigation Company), the defrayment of imports of equipment needed by the P.L.N. (Perusahaan Listrik Negara = State Power Company), the emergency credit grants to the BAPPHAR (Badan Pusat Penyelenggaraan Perusahaan' Pharmasi = Central Organization for Pharmaceutical Enterprises), BAPPIT (Badan Pusat Penyelenggaraan Perusahaan-perusahaan Industri dan Tambang = Central Maintenance Organization for Industries and Mining), B.U.D. (Badan Urusan Dagang = Commercial Affairs Organization), P.P.N.-Baru (Pusat Perkebunan Negara-Baru = New Style Government Estates Centre), the credits granted to various Government enterprises for defraying imports within the S.A.C scheme. It was deemed necessary to grant these emergency credits to the Government enterprises and foundations as well as to private undertakings, because of the liquidity complications confront-

ing such organizations as a result of the monetary measures of August 25, 1959, taken by the Government.

With the nationalization of the Nationale Handelsbank N.V. into the Bank Umum Negara (BUNEG), the number of non national foreign exchange banks was brought to 6, while there were 7 national foreign exchange banks, as compared with the 7 non national foreign exchange banks and 6 national foreign exchange banks before August 10, 1959. Table 19 presents a specification of the total on credits as given out by foreign exchange banks (excluding Bank Rakjat Indonesia) to private enterprises and individuals. The figures incorporated in said table indicate that of the credit total granted by the 13 foreign exchange banks amounting to Rp 4,455.9 million as per the end of 1959, 21.1% or Rp 941.6 million was granted by non national foreign exchange banks and 78.9% or Rp 3,514.3 million by national foreign exchange banks. Of the over-all credit amount granted by said 6 non national foreign exchange banks 66% or Rp 625.4 million was granted to business contacts belonging to the Indonesian group, while for the 7 national foreign exchange banks this percentage amounted to 93%. (= Rp 3,270.5 million). As was the case in tile preceding year, that part of the credits received by Indonesian enterprises and individuals may be said to have relatively gone up in 1959.

If a comparison was made between the total in credits given by non national foreign exchange banks and by national foreign exchange banks to the private sector during the last 3 years, the following picture would be obtained :

	(in millions of Rupiah)					
	1957		1958		1959	
Non national foreign exchange banks	1,422.9	(40.3 %)	1,243.6	(24.3 %)	941.6	(21.1 %)
National foreign exchange banks	2,110.0	(59.7 %)	3,880.9	(75.7 %)	3,514.3	(78.9 %)
T o t a l :	3,532.9		5,124.5		4,455.9	

It may be evident from the above mentioned figures that, relatively speaking, the credits given out by the National foreign exchange banks are on the increase, if com-

TABLE 20 — LIQUIDITY POSITION OF 13 FOREIGN EXCHANGE BANKS¹⁾

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)	
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 December	799.1	3,462.9	7,461.9	321.7	54.8
1959 March	1,028.0	3,187.3	8,126.4	305.9	50.0
June	900.3	2,881.9	7,793.8	453.5	45.9
September	823.6	1,660.0	2,964.9	400.8	73.8
December	922.4	3,232.0	6,333.5	564.1	60.2

¹⁾ Exclusive of Bank Indonesia

pared with their credit grants in 1958, while the credit by the non national foreign exchange banks decreased in an absolute 35 well as relative sense, when compared with their credit policy of 1958.

Table 20 depicts the liquidity position of the 13 foreign exchange banks (excluding Bank Indonesia), namely, the ratio between cash assets (cash plus balances of the exchange banks with Bank Indonesia) after deducting the part invested in Treasury Notes and Bills and demand liabilities (current accounts plus other debts on demand).

It should be stated that investments in Treasury notes and Bills amounted to Rp 294 million, Rp 457 million, Rp 540 million, Rp 545 million, Rp 617 million, Rp 487 million for respectively the end of 1957, the end of 1958, the end of March, June, September and December 1959. This implies that should there be no compulsory investment in Treasury Notes and Bills, the cash assets of the 13 foreign exchange banks would have been larger by the amounts enumerated above. The increase in cash assets would in turn have raised the liquidity position of the 13 foreign exchange banks

Table 21 outlines the trend of the current account position of the various economic groupings. It is apparent that the overall total of the current accounts declined at the end of June and September to increase again at the end of December 1959.

TABLE 21—SPECIFICATION OF CURRENT ACCOUNTS WITH BANK INDONESIA
BANK NEGARA INDONESIA AND 11 FOREIGN EXCHANGE BANKS¹⁾
(Rp. million; end of period)

	1958	1959			
	December	March	June	Sept.	Dec.
A. Government enterprises and foundations	858	105	836	236	899
B. Enterprises predominantly financed by the Government	116	144	159	87	177
C. Private business and individuals					
Banks and credit institutions (excl. foreign exchange banks)	466	354	650	608	1,096
Insurance companies, savings institutions, pension funds	309	335	349	73	166
	7	5	4	1	3
Domestic produce trade	119	135	161	62	137
Exporters	222	261	223	104	165
Importers	914	1,135	1,021	453	869
Sugar estates	265	222	204	47	40
Other agricultural estates	1,372	1,288	1,066	312	507
Industries	1,169	1,084	951	362	578
Storage and transport companies	200	152	171	51	121
Mining	30	1	21	13	19
Miscellaneous enterprises	1,179	1,359	1,321	548	1,157
Private persons	665	816	761	385	574
Sub total	6,917	7,161	6,903	3,019	5,432
Grand total	7,891	8,363	7,898	3,342	6,508

¹⁾ Excl. Bank Rakjat Indonesia

It may be inferred that the decrease to the position of Rp 3,019 million per the end of September 1959 was chiefly caused by the freezing of the current account assets in connection with the monetary measures of August 25, 1959.

State banks

Bank Negara Indonesia

In 1959, the paid-up capital increased to Rp 300 million, while the reserves and profit and loss account rose to Rp 380 million. Loans received from the Government also increased, i.e. by Rp 53 million, reaching a total of Rp 236 million at the end of 1959. While amounting to Rp 0.2 million at the end of 1958, the debt to the Bank Indonesia increased to Rp 350 million, representing an emergency exploitation credit

grant received during the 2nd semester of 1959, the credit being extended by the Bank Indonesia to Bank Negara Indonesia for further credit extension. Importers deposits to cover applications for import licenses at the end of 1959 totalled Rp 1,500 million, indicating an increase of Rp 1,300 million as compared with the end of 1958, in which item was included guarantee deposits from importers. In 1959, importers deposits increased because the State enterprises generally channelling their imports through other banks, now channelled them via the Bank Negara Indonesia. Time deposits, totalling Rp 255 million at the end of 1958, have now vanished altogether, while deposits on other terms decreased by Rp 10 million. At the end of 1959, the current account balance in the name of the Central Government amounted to Rp 460 million; the balance of other current account holders totalled Rp 580 million, as compared with the end of 1958 respectively amounting to Rp 180 million and Rp 890 million. The total on credits granted at the end of December 1959 amounted to Rp 3,800 million, or Rp 2,250 million more than at the end of December 1958. The remainder of the credits granted to Government enterprises and foundations and to enterprises predominantly financed by the Government, increased by Rp 2,109 million in 1959, reaching a total of Rp 2,241 million, from which total Rp 1,897 million was the balance of credits for advance financing to the import sector, i.e. principally those granted to State enterprises. The effect of the Government monetary measures of 25th August 1959 was that at the end of 1959 assets items aggregating Rp 725 million and liabilities items totalling Rp 1,630 million were still frozen.

Bank Industri Negara

At the end of December 1959, the amount of paid-up capital, reserves, profit and loss account totalled Rp 607 million as against Rp 571 million at the end of 1958. The balance on loans obtained by the B.I.N. at the end of 1959 amounted to Rp 1,368 million, Rp 929 million of which was received from the Government. Current account obligations to third parties totalled Rp 243 million, as compared with the balance at the end of 1958 totalling Rp 552 million, indicating a decrease of Rp 309 million. Of said balance., Rp 183 million was for account of Government enterprises and foundations, and enterprises predominantly financed by the Government (including daughter companies of the B.I.N.), while Rp 60 million was for account of private companies and persons. At the end of 1959, the balance of credits granted by the Bank Industri Negara

amounted to Rp 1,844 million as against Rp 1,381 million at the end of December 1958. Compared with 1958, the total of credits granted to Government enterprises and foundations and enterprises predominantly financed by the Government, increased by respectively Rp 38 million and Rp 147 million, so that the balances of said credits at the end of 1959 respectively amounted to Rp 113 million and Rp 580 million. At the end of December 1959, the balance on credits to B.I.N. daughter companies amounted to Rp 632 million, out of which Rp 443 million was for the industrial sector. Of the total on credits to private companies amounting to Rp 519 million, the balances to the industrial sector and to sugar estates amounted to respectively Rp 160 million and Rp 150 million.

The total on participations in enterprises at the end of 1959 amounted to Rp 298 million, indicating an increase by Rp 24 million if compared with the participations of the Bank Industri Negara at the end of 1958.

Compared with 1958, the total of the Bank Industri Negara balance-sheet increased by Rp 333 million reaching Rp 2,336 million at the end of 1959.

Bank Rakjat Indonesia

During 1959, Bank Rakjat Indonesia did not open new branch offices, the total of branch offices all over Indonesia numbering 118. At the end of 1959, current account obligations totalled Rp 1,700 million, 38% of which was for account of the Government, 13% for account of Autonomous Resorts and 49 % for account of private enterprises and persons. Loan capital and time deposits amounted to Rp 418 million or Rp 13 million lower than at the end of 1958, which decline was principally caused by the decrease of Rp 74 million in time deposits. The debit to the Bank Indonesia amounted to Rp 613 million, resulting from credits received from the Bank Indonesia for forwarding to the Badan Pembelian Padi (B.P.P. — Organization for the Purchase of Paddy). The balance of credits extended to the B.P.P. by the Bank Rakjat Indonesia amounted to Rp 1,220 million at the end of December 1959, while at the end of December 1958 this balance amounted to Rp 420 million. In the credit balance to the B.P.P. at the end of 1959 was included the rest of the credits to the same organization for unimplemented purchases for 1958/1959 and the remainder of the credits for advance financing to tani (rice- planters) for the purchasing years 1959/1960 and 1960/1961. As a result of the

Government monetary measures in August 1959, Rp 240 million in assets and Rp 789 million in liabilities were frozen.

Beginning with this report for the year 1959—1960, table 22, depicting the granting of credits by the Bank Rakjat Indonesia, undergoes a change, namely: the column captioned “In the agrarian sphere” has now been captioned “In the desa sphere”. This correction is deemed necessary to avoid misinterpretation. The “desa sphere” (village sphere) does not only cover the agrarian sector, so that in the credit total under the above mentioned heading are also included those credits extended to other parties outside the agrarian sector, but found in the “desa sphere”. On the other hand, many credits granted to agrarian undertakings were inserted in the column “Middle class and a current account loans” because in its system of classifying credits the Bank Rakjat Indonesia often uses credit limits as a basis.

The development of the granting of loans by the Bank Rakjat Indonesia as from the end of 1952 onward can be seen in table 22. Compared with 1958, the credit balance at the end of 1959 appeared to be Rp 207 million higher, reaching the total of Rp 1,176 million. Of this balance at the end of 1959, 65% or Rp 763 million were credits to the middle class and current account credits, 23% or Rp 277 million were credits within the “desa sphere” and 12% or Rp 137 million were credits to Government workers and pensioners, etc.

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

End of	In the desa 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
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	199.6	21	140.7	14	628.5	65	968.8
1959	276.5	23	136.4	12	763.1	65	1,176.0
*) 1954 — 1958 revised figures 1959 provisional figures							

Source : Bank Rakjat Indonesia

TABLE 23 — DESA BANKS

	Number of banks in operation	Loans outstanding (Rp million)	Loans issued during year (Rp million)
	(end of period figures)		
1938	7,114	3.9	20.7
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
1959*)	4,515	74.4	269.7
*) Provisional figures			

Source : Bank Rakjat Indonesia

The number of desa banks in operation steadily decreased since 1955, the total at the end of 1959 being 4,515 village banks. The balance of credits granted at the end of December 1959 was Rp 74 million as compared with Rp 70 million at the end of December 1958. Credits extended during 1959 totalled Rp 270 million as against Rp 242 million during 1958. Although the total of village banks steadily declined, on reviewing the development since 1952, an increase from year to year in the total of credits granted every year is in evidence, which increase was caused by the fact that the number of borrowers consistently increased and the ceiling to the amounts borrowable was raised for each kind of credit.

Bank Tani and Nelayan

In the Annual Report for 1958-1959, the legal basis of establishment and aims of the Bank Tani dan Nelayan (Bank for Smallholders and Fishermen) were dealt within the present report is given some information on the granting of credits by the Bank Tani dan Nelayan, which, roughly, could be divided into two kinds of credits, viz. those that might be called "supervised credits" and "normal credits".

Before a "supervised credit" is granted a Government agency operating closely within the smallholder's interests sphere, first scrutinizes the credit application from the angle of good faith, the possibilities for developing the smallholder's undertaking, etc.

The security for such a loan is not sought in the person of a guarantor or in a fixed asset as a collateral but more in the nature of a moral guarantee. Although — if found necessary — the Bank Tani dan Nelajan may establish branches and affiliations all over the territory of Indonesia and even abroad, loans to farmers and fishermen are extended through the intermediary of local credit organizations having an autonomous character and on the recommendations of the heads of primary or secondary autonomous resorts, as for instance, existing cooperatives and banks active in the fields of farming and fishing. Without restricting the scope of the Bank Tani dan Nelajan for making advance payments for importing raw materials and agricultural implements, the Bank Tani dan Nelajan can not appoint organizations exclusively engaged in imports and exports as channelling organs.

At the end of 1959, the balance on credits granted direct amounted to Rp12.8 million for the farmers group and Rp 2.5 million for the fishermen group, as compared with the balance on direct credits at the end of 1958 which, for both groups, respectively amounted to Rp 11.9 million and Rp 4.0 million.

The Bank Tani dan Nelajan gave out capital loans to channelling bodies for forwarding to the farmers and fishermen groups. The balance on capital loans to such channelling organs totalled Rp 43.0 million at the end of 1959 and Rp 31.4 million at the end of 1958.

Bank Umum Negara

With the issuance of Government Regulation no 39, 1959 (Government Gazette 1959, No 84, 1959, Supplement to Government Gazette No 1826) the Nationale Handelsbank N.V. in Indonesia was nationalized. To cope with all the activities of the Nationale Handelsbank N.V. in the banking field, it was found necessary to set up a new bank, namely, the Bank Umum Negara (Government Regulation in lieu of Law no 1, 1959, re the Bank Umum Negara. Government Gazette, No 85, 1959).

As is generally known the Nationale Handelsbank N.V. in Indonesia constituted a foreign exchange bank, in connection with which the institution had played an important part in the monetary traffic with foreign countries. In addition, the afore- said bank

had also been useful to the public at large in easing the flow of domestic payments. Considering these two factors, the Bank Umum Negara (BUNEG) was entrusted with the task of engaging in commercial banking/foreign exchange banking activities in the widest sense possible.

The Bank Umum Negara has the form of a limited company, with all the shares in hands of the Government and as a limited company, the BUNEG has to abide by the Civil Law and the Commercial Law applying to Indonesia. Furthermore, the BUNEG was given the right to engage in legal activities based on traditional law and to hold/acquire property which, according to the prevailing law, may only be acquired by persons subjected to traditional law.

The BUNEG balance sheet at the end of December 1959 indicated that “Paid-up capital, reserves and profit and loss account” totalled Rp 234 million, “Loans from Bank Indonesia” totalled Rp 582 million, “Balance current accounts and bills payable” reached the total of Rp 547 million, whereas various other liabilities amounted to Rp 19 million. The assets and liabilities, as frozen by the monetary measures of 25th August 1959, were respectively Rp 273 million and Rp 218 million. The “Cash balance” (cash + balance current account with Bank Indonesia and other foreign exchange banks) amounted to Rp 195 million, “Special account” with Bank Indonesia totalled Rp 58 million; “Debtors and domestic bills” totalled Rp 1,005 million, “Buildings and other holdings” totalled Rp 154 million, while the various other assets totalled Rp 25 million.

A breakdown of BUNEG debtors showed that of the total balance on credits granted aggregating Rp 985 million at the end of December 1959, 74% was extended to Government enterprises and foundations, while 26% was accorded to private enterprises and individuals.

National private banks

95 national private banks—not including the national banks functioning as foreign exchange banks—were registered up to the end of December 1959. Of these 95 banks, 80 operated on a permanent license, while 15 operated on a temporary license with the Government giving them the opportunity to develop within a specified period to meet

all the terms and conditions necessary for acquiring a permanent license as set forth in Government Regulation no 1/1955, Monetary Board Decrees nos 25 and 27 — 1957.

Of the afore-said total of 95 banks, complete figures were received from only 49 banks. The figures incorporated in table 24 were compiled from the quarterly balance-sheets of the 49 banks submitting regular reports. Because of administrative-technical reasons, the other banks were not yet in a position to submit regular reports. This table depicts the combined balance sheet of those 49 national private banks submitting regular reports to the Bank Indonesia and, in addition, the combined balance

TABLE 24 — COMBINED FIGURES OF NATIONAL PRIVATE BANKS
(end of period ; Rp. '000)

	All reporting banks ¹⁾		20 largest banks	
	Dec. '58 ²⁾	Dec. '59 ³⁾	Dec. '58 ²⁾	Dec. '59 ³⁾
<i>Assets :</i>				
1. Cash	156,942	159,318	122,300	98,752
2. Balances with banks	319,473	308,565	211,273	223,023
3. Treasury notes and bills	700	700	700	700
4. Investment in securities	6,486	9,232	6,216	7,759
5. Debtors, domestic bills	1,326,461	1,506,805	1,017,292	850,443
6. Participations	1,515	1,105	1,000	500
7. Real estates	57,473	81,156	43,072	51,822
8. Sundry	485,754	1,180,645	332,041	845,342
Total	2,354,804	3,247,526	1,733,894	2,078,341
<i>Liabilities :</i>				
9. Capital	134,230	184,367	65,081	89,425
10. Reserves	21,399	25,956	14,659	15,522
11. Loan capital	147,162	77,121	98,972	56,517
12. Balances of other banks	131,868	279,638	126,067	82,617
13. Demand deposits, bills payable	891,807	470,151	605,456	441,488
14. Time deposits	216,142	127,197	176,576	102,105
15. Sundry	812,196	1,917,642	647,083	1,290,667
Total	2,354,804	3,247,526	1,733,894	2,078,341
¹⁾ Total : 49 banks. ²⁾ Revised figures. ³⁾ Provisional figures.				

TABLE 25 — SPECIFICATION OF DEBTORS
(end of period ; Rp. '000)

Sector	All reporting banks ¹⁾		20 largest banks	
	Dec. '58 ²⁾	Dec. '59 ³⁾	Dec. '58 ²⁾	Dec. '59 ³⁾
1. Trade	682,516	891,745	512,500	513,032
2. Industry	308,126	338,970	232,921	172,921
3. Transportation	40,109	39,253	35,784	30,130
4. Estate agriculture	37,309	38,031	30,068	18,148
5. Individuals	61,508	92,778	45,973	59,515
6. Sundry	161,773	80,535	136,124	47,876
Total	1,291,341	1,481,312	993,370	841,622

¹⁾ Total : 49 Banks.

²⁾ Revised figures.

³⁾ Provisional figures.

sheet of the 20 largest banks among them. The composition of those 20 largest banks at the end of 1959 is not similar to that at the end of 1958. From the table may be seen that the difference between the figures for the 20 largest banks and those of all reporting banks increased, indicating a growth in the potential of all the banks outside the 20-largest-group in the course of 1959. On the debit side of the combined balance sheet of all reporting banks may be seen that investments in securities increased by Rp 2.7 million, the item "Debtors anti domestic bills" increased by Rp 180.3 million, fixed assets increased by Rp 23.7 million. The credit side of this combined balance sheet shows that "Capital", "Reserves" and "Balances of other banks" increased by respectively Rp 50.1 million. Rp 4.6 million and Rp 147.8 million. "Loan capital", "Demand deposits and bills payable", and "Time deposits" decreased by respectively Rp 70.0 million, Rp 421.6 million and Rp 88.9 million. The item Sundry both on the debit and on the credit side increased, viz. by respectively Rp 694.9 million and Rp 1,105.4 million, which presumably were attributable to entries of the various assets and liabilities in line with the Government measures in the monetary field of 25th August 1959.

The break-down figures on debtors (table 25) depicts the widening span of credits by national private banks. This table shows that of the total of credits granted by all national private banks reporting at the end of 1959, the trade sector took 60%, and the industrial sector 23% as compared with the end of 1958 with respectively 53% and 24%. The percentages for the end of 1957 were respectively 48% and 30%.

TABLE 26 — SPECIFICATION OF CURRENT ACCOUNTS
(end of period : Rp. '000)

Sector	All reporting banks ¹⁾		20 largest banks	
	Dec.'58 ²⁾	Dec.'59 ³⁾	Dec.'58 ²⁾	Dec.'59 ³⁾
1. Trade	289,513	208,535	213,098	135,661
2. Industry	45,120	51,730	36,351	19,667
3. Transportation	29,648	8,465	16,782	4,902
4. Estate agriculture	21,073	8,310	16,814	7,198
5. Individuals	71,575	53,004	50,867	31,575
6. Sundry	228,757	115,048	144,192	106,992
Total	685,686	445,092	478,104	305,995

¹⁾ Total : 49 Banks.

²⁾ Revised figures.

³⁾ Provisional figures.

Table 26, specifying current account balances, depicts sector-wise the development of the current account balances at the national private banks. it may be seen that the total current account balances at the end of December 1959 amounted to Rp 447 million, while this total stood at Rp 686 million at the end of December 1958. Although the current account balances figure of the industrial sector showed an increase, it may be said that in the aggregate the current account balances of all sectors decreased as a result of the freezing measures imposed on all bank deposits on 25th August 1959.

Pawnshop service

The aggregate of pawnshops continued to increase since 1951 (370 units) until the total of 440 units was reached by the end 1959. This development as from 1954 on, can be followed in table 27. Although during 1959, the total of pawns brought in went down to 40 million pieces, yet the amount on loans granted rose to Rp 3,928 million, so that it may be said the average Rupiah pawn value of each piece of article in pawn has increased if compared with 1958. The number of pawns taken out was equal to the number of pawns brought in during 1959. Redemption money amounted to Rp 3,239 million; outstanding loans by the end of 1959 totalled Rp 1,483 million as against Rp 789 million by the close of 1958, hence indicating an increase of as much as 188%. The average period of "A" pawns (with values ranging from Rp 0.50 to Rp 25.—) was 91 days, as against 92 days and 95 days respectively for 1958 and 1957.

TABLE 27 — PAWNSHOP SERVICE

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
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	789
1959 ¹⁾	440	40	3,878	40	3,237	1.483
¹⁾ Provisional figures						

Source : Pawnshop Service

Savings banks

In 1959 the number of branches of the Post Office Savings Bank increased by 19, reaching a total of 899. The number of savings books in circulation rose with 206,198 as compared with the increases of 147,940 savings books for 1958 and 477,380 for 1957. To the end of 1959, the total of savings books in circulation amounted to 1,627,787 whereas the total of savings amounted to Rp 479.7 million, which indicates that the average savings balance per savings book totals Rp 294.27 as compared with Rp 263.91 and Rp 266.42 at the end of 1958 and 1957. At the end of 1959 investments by the Post

TABLE 28 — CREDIT BALANCES AT SAVINGS BANKS
(Rp '000)

End of	Post Office Savings Bank	Private Savings bank	Total
1940	50,607	15,941	66,548
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
1959*)	479,668	56,250	535,918

*) Provisional figures.

Office Savings Bank amounted to Rp 507 million, consisting' of, among others, Rp 176 million in Government bonds, Rp 172 million in Treasury Notes and Bills, Rp 56 million in B.B.N. bonds, while Rp 82 million were loaned to Autonomous Regions for the financing of certain projects as the construction of market places and bus stations and the distribution of electric power.

The total of savings with the Post Office Savings Bank and with the 6 biggest private savings banks showed an increase of Rp 112 million for 1959. As from 1954 on, the amounts of savings increased steadily i.e. by Rp 34 million (1955), Rp 45 million (1956), Rp 80 million (1957), Rp 84 million (1958) and Rp 112 million in 1959.

Foundation Credit Guarantee Institute

In 1959, the branches of the Lembaga Djaminan Kredit (Credit Guarantee Institute) received 253 credit applications. Compared with the number of applications for the preceding year, totalling 721, this indicated a decrease of about 65%. This decline was mainly due to the fact that almost no applications for new credits came in from regions troubled with unrest and due to the freezing of credit applications from such regions as Central Sumatera and South Sumatera. It should also be added that from September to December 1959— because of the unclear financial situation resulting from the monetary measures just launched—a policy of “no decision” was adopted on any incoming applications.

The over-all amount on credit applications in 1959 totalled Rp 77.8 million. For the year previously this figure stood at Rp 123.6 million, so that the 1959 aggregate on applications indicated a decrease of about 38%.

But, although the 1959 over-all total on applications showed a decrease if compared with the preceding year, the average amount per application increased, namely Rp 172,000. - for 1958, while 1959 recorded an average of Rp 307,500.— per application.

Applications for credits that were granted in the year under report numbered 74, while the foregoing year recorded 83 applications.

TABLE 29 — OPERATIONS OF JAJASAN LEMBAGA DJAMINAN KREDIT
(figures covering period of September 1952/December 1959 including Branches of L.D.K.)

Credit applications							Credits in administration with the controlling banks		Current loans		Reported arrears in the accorded redemptions			
Sectors of activity	Received		Rejected		Granted				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	1,310	255,453	866	154,827	421	73,271	381	61,708	116	19,045	88	76	15,036	79
Industry	2,600	422,872	1,758	319,807	821	47,919	779	47,193	310	27,033	253	82	11,973	44
CO-operatives	295	28,488	122	16,492	172	11,612	162	10,055	32	2,780	28	88	2,728	98
Agricultural	472	84,477	304	55,205	24	6,150	16	3,121	17	3,174	10	59	1,018	15
”Jatra”	1	44,000	—	—	1	14,000	1	24,000	—	—	—	—	—	—
”Perrin”	1	29,000	—	—	1	16,000	1	8,100	1	3,690	—	—	—	—
Total	4,679	864,290	3,050	546,331	1,440	198,952	1,340	154,177	476	55,721	379	80	30,755	55

Source: Jajasan Lembaga Djaminan Kredit.

In comparing the number of credit applications received, the number of credit applications granted in the year under review increased in comparison with 1958, namely 29% for 1959 and 11% for 1958.

Credit applications granted during the year under report covered a total of Rp 10.9 million, while in 1958 this total stood at Rp 10 million, hence showing an increase of Rp 0.9 million or 9%. This was also reflected in the average size of credit applications granted, viz. Rp 111,000.— for 1958 and Rp 147,000.— for 1958 per credit application.

Credit applications that were rejected during the year under report totalled 370 while for the year previously this figure stood at 546. In this connection, it should be noted that in the total of rejected applications during the year under report were included rejections for applications received in 1958 but which could only be decided upon during the year under-review.

The decrease in the total of rejections for 1959 -- if compared with the total of rejections for 1958 ---- was due to the sharp decline in incoming applications.

The number of credit arrears at the end of 1959 was 379 or about 80% of the total of credits granted. At the end of 1958 this figure was 427 or about 80% of the total of credits. The decrease in the number of arrears in 1959 was attributable to the Service for Industry, the Internal Trade Service, and the Cooperative Service, while the number of arrears increased for the Department of Agriculture.

Further, arrears on credits declined in the regions of North Sumatera by 14% Central Sumatera by 31%, South Sumatera by 19%, West Djawa by 13%, Central Djawa by 18%, Maluku by 16%, and Nusa Tenggara by 50%.

The amount of arrears expressed in Rupiahs aggregated Rp 30.7 million at the end of 1959 and Rp 30.1 million at the end of 1958, or respectively 55% and 52% of the total amounts of credits granted.

In this connection, it is worth noting that the Committee for the Settlement of Debts to the State (P3N) —set up by the Central War Administrator —did render its service in getting credit arrears settled.

The development of credit granting with the guarantee of the Guarantee Institute— as from September 1959 to and including December 1959—can be seen from table 29.

Stock Exchange

The stock exchange in Djakarta during the year under review did not undergo many changes if compared with conditions during the previous reporting year. The general consensus was that no indications were visible by which the trade in securities at the stock exchange showed improvement/greater briskness than during the preceding year. Factors impeding the improvement of dealings in securities at the Djakarta stock exchange were, on the one hand, the increasing lack of objects for investment answering to the needs and aims of a given investment, as a result of the nationalization of Dutch enterprises, while, on the other hand, business world methods in selecting modes for attracting capital for its enterprises remained conservative.

On following the development in the transactions of securities at the stock exchange during the past year, the conclusion may be drawn that existing trade in securities mainly revolved around 3% R.I. Bonds 1950 and 3% Bank Industri Negara Bonds. Dealings in Indonesian company shares, which almost all were affected by nationalization, Dutch securities and original U.S. securities were effected only sporadically and the number of transactions generally decreased if compared with the year previously (see table no 30).

As explained in the report of the previous year, at that time the Bank Industri Negara again floated a new loan in 5 1/2%, B.I.N. Bonds 1974, worth Rp 250,000,000.— . Of this loan, the part that could be placed—while the opportunity for participation in the loan was given—only amounted to about Rp 106,000,000,—while the balance was continuously made available at the Stock Exchange. Until the end of the year under report, the nominal value of Rp 7 million could be disposed of, so that of said loan the over-all total of + Rp 113,000.000. - could be placed.

During the year under report, the Government in addition launched a loan within the framework of the Government monetary measures of 25th August 1959. The imple-

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

	Sales (Nominal value)		Highest price		Lowest price								
	1958	1959	1958	1959	1958	1959							
<i>Domestic Securities</i>	(Rp '000)												
3 % R. I. bonds 1950	83,548	111,806	94½	90	55½	50							
3 % B.I.N. bonds 1969	4,223	9,223	97½	90	83	70							
3 % „ bonds 1970	7,825	7,093	97½	90	82½	75							
3 % „ bonds 1971	4,897	11,060	97¾	90	83	75							
5½ % „ bonds 1972	10	6,115	100	100	100	90							
5½ % „ bonds 1974	—	13,296	—	100	—	98							
5 % Grand Hotel Pra- nger bonds	8	—	90	—	85	—							
Escomptobank	1,087	809	550	515	290	375							
Stroohoedenveem	130	246	195	220	110	150							
Verenigde Prauwenveren	450	286	146	150	60	50							
Semarangsch Stoomboot & Prauwenveer	335	154	210	210	115	125							
Tegalsch Prauwenveer	51	41	320	240	175	220							
G. E. B. E. O.	199	39	350	340	295	260							
Pandjie & Tandjoongsarie	93	517	145	130	85	65							
Bodjong Datar	36	332	300	125	170	85							
Gedeh A.T.O.	156	24	170	175	125	120							
Malabar A.T.O.	53	95	135	135	90	75							
Taloen A.T.O.	143	2	120	90	100	90							
<i>Foreign Securities</i>	(N. f. '000)			up to No- vember 8	as from No- vember 9	up to No- vember 8	as from No- vember 9						
3½ % Ned. Indie bonds '35	5	3	190	Rp. 140	—	55	Rp. 140	—					
3 % Ned. Indie bonds '37	23	2	115	140	—	100	140	—					
3 % Ned. Indie bonds 1937 A	385	374	190	140	10	60	109	9					
H.V.A.	7	8	1,150	1,400	—	465	1,000	—					
Nationale Handelsbank	84	64	950	1,175	110	400	890	95					
Vereenigde Vorstenland- sche Cult. Mij	28	48	120	100	5¾ N. f.	45	60	5¾ N. f.					
Koninklijke Olie	32	12	Rp. 2,400,—	Rp. 2,250,—	125,—	Rp. 875,—	Rp. 1,500,—	123,—					
Alg. Kunstzijde Unie	15	25	3,250	3,500	—	1,000	2,500	—					
Philips' Gloeil., Gem. Bezit	49	29	4,850	6,250	504	1,400	4,000	425					
Unilever	91	64	5,550	6,300	—	1,900	4,000	—					
	(Per Sert. of 10 shares)												
General Motors	57	48 \$.	250,—	\$.	225,—	\$.	85,—	\$.	140,—	\$.	40,—		
Shell Oil	70	156 „	465,—	„	325,—	„	70,—	„	150,—	„	235,—	„	60,—
United States Steel	65	11 „	490,—	„	400,—	„	105,—	„	105,—	„	350,—	„	100,—
	(original US. Securities)												
2¾ % Am. Tel. & Tel. Co. bonds 1980	12,000	—	264	—	—	225	—	—	—	—	—	—	—
2½ % Am. Tel. & Tel. Co. bonds 1986	8,000	—	252	—	—	225	—	—	—	—	—	—	—
4 % Can. Pac. Railw. Co bonds	28,000	200	350	350	—	217	350	—	—	—	—	—	—
3 % Comm. Edison Co. bonds 1977	12,000	—	315	—	—	240	—	—	—	—	—	—	—
2¾ % ILL. Bell. Tel. Co. bonds 1981	10,000	—	264	—	—	225	—	—	—	—	—	—	—
3 % Pac. Gas. en ELL. Co. bonds. 1974	11,000	—	288	—	—	245	—	—	—	—	—	—	—

N.B. 1. Exchange rate :

	up to 24/8-'59:	as from 25/8-'59:
U. S. \$ 1	: Rp. 11.40	Rp. 45.—
N. f. 1	: Rp. 3.—	Rp. 11.91

2. As from November 9, 1959 quotation/sales of all foreign funds are based on their respective currency.

mentation of this loan was set forth in the Government Regulation substituting an Act no 26, 1959, and was given the name of Consolidation Loan with an interest of 3 1/2 % per annum. Until now the emission of said loan is still in a computative phase, while the issue/surrender of the bonds and their registration in the Register of Government Stock is still in a preparatory stage.

Furthermore, it may be added that an emission of 6%, Prized Debentures 1959 was also effected by the Government. This loan was originally planned for issuance in October 1959, but because of the above mentioned Government measures it had to be postponed and could only be implemented at the beginning of February 1960. This loan, amounting to Rp 2.000 million, was floated on the strength of Emergency Law no 3, 1959 Government Gazette no 43, 1959, while its implementation was taken care of by Decree of the Minister of Finance no 106208/U.M.I., dated 13-8-1959, as amended and supplemented. The opportunity for participation in this loan was open until 30-9-1960.

The existence of the two afore-mentioned Government Bonds, resulting in an increase of objects for investment at the stock exchange, if followed by emissions from large undertakings, may promote an improvement in stock exchange dealings.

As regards the development of the transaction rates of some of the most important securities, reference is made to table no 30. As can be seen from said table, a modification in the rating method of overseas securities has been effected after the Government measures in the monetary field on 25-8-1959, where the B.E. System was repealed in addition to the new rate-fixing of the Rupiah vis-a-vis the American dollar (\$ 1 = Rp 45.—).

In order to give a picture of the return of Indonesian securities from abroad, 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	„	27,538,211.65
	1957	„	13,631,577.11
	1958	„	3,548,994.85
	1959	„	2,777,892.28
January/March	1960	„	708,470.28
			<hr/>
			Rp 57,027,674.44

It should be added that at the moment of their repatriation to Indonesia the extent of the “T.P.I. Efek” of the relative securities was $33\frac{1}{3}\%$ of the stock exchange value (hence not of the nominal value).

VI. FOREIGN TRANSACTIONS AND AGREEMENTS

Introduction

The devaluation of the Rupiah currency—determining the official rate vis-a-vis the US \$ at US \$ 1 ——— Rp 4,—constituted a part of the series of monetary measures of August 25, 1959, which directly influenced the payment traffic with abroad.

The lowering of the Rupiah currency rate—accompanied by the obligation of exporters to pay the PUEKS (export levies) at the same percentage as the previous PBE, namely 20% of the export value—in first instance enlarged the Rupiah income of exporters by about 18 % if compared with thee of before August 25 (0.80 X Rp 45: 0.8 X 332% X Rp 11.40).

On the other hand, since there was still the obligation for importers to the PUIM (import levies) replacing the previous TPI (import surcharge), the devaluation meant that the Rupiah cost for import goods has increased generally.

It is clear that the development in the payment traffic with abroad during the reporting year after said measures still constituted too short a term for clearly reflecting the extent of the influence of the devaluation. However it may be stated that the post—devaluation trend in the export sector was more advantageous if compared with the period of January to August. If it is further known that during the period of January to August the state of improvement taking place as from the second semester of 1958 because of the recovery of the regions formerly in the hands of the rebels — could be maintained and continued, the conclusion may be drawn that the post- devaluation export revenues—even though not yet reaching the “normal level”—were really satisfactory. As a “normal level” of the export proceeds may be taken the average figures of the years 1954 up to 1956. Compared with these average figures, the export revenues of 1959 still revolved around 15% below the normal level.

Export revenues (excluding crude oil) from 1954 and further were as follows :

1954	Rp 28,620 million
1955	„ 30,972 „
1956	„ 29,155 „
1957	„ 26,923 „
1958	„ 17,980 „
1959	„ 25,101 „

Source : Central Bureau of Statistics.

The relationship between proceeds and export volume during the period of January to August and of September to December is given below :

Period	Volume of export*)	Monthly average (000 tons)	Receipt**) (min. Rp)	Monthly average
January—August	1,333	166	14,829	1,853
September—December	869	217	10,045	2,511

Form the above mentioned figures it may be inferred that during period of September to December the volume and foreign exchange proceeds of exports totalled respectively about 30% and 35% higher than those for the period of January to August.

Despite the fact that the short period under observation does not justify the conclusion from the above mentioned figures that the devaluation was really advantageous, yet it may be cautiously postulated that said devaluation did at any rate contribute towards an advantageous trend in the export sector.

Admittedly the increase in the foreign exchange earnings through the 1959 exports was also caused by the world market price of natural rubber— an export item covering 50% to 60% of the State's source of foreign exchange income— which steadily rose since February 1959 so that the level of the average prices for 1959 was far higher than that of 1958. (the average New York price for R.S.S.I. in 1958 : Us \$ cts 28.2 per lb. with US \$ cts 32.01 per lb. as the highest quotation in November 1958; the average price for

* Figures from the Central sureau of statistics.

* Figures from the salunce of Payments sureart

1959: US \$ cts 36.4 per lb.; the highest quotation being US \$ cts 45.01 per lb. in November 1959) .

If the analysis on the influence of the devaluation on the export sector cannot yield pertinent conclusions because of the short period under observation, such an analysis would even be more difficult to undertake in the import sector. Here the post-devaluation increase in the cost of import actually constituted only one factor—which was even not of such importance because of the great purchasing power in the community—among many other factors that determined the aggregate of imports. First of all, it may be stated that with the restriction in giving out foreign exchange licenses for importing purposes, the volume imported naturally did not reflect the community's need nor the effective demand for import goods. Besides, since from the second quarter of 1959 the imports of essential goods—which according to rough estimates covered around 50—60% of the total value of imports— could only be effected by certain State enterprises, the realization of said imports was in part also dependent on how these import channels worked. For instance, the liquidity problem confronting State enterprises as a result of the monetary measures, generally produced all sorts of bottlenecks in the importing, machinery.

This explains why during the year under report import allocations reserved for State enterprises could not be realized in time so that the relative import goods could also not be received by the parties concerned. Fortunately, part of these stagnations could be overcome after credits were given to such enterprises.

Technical problems of the kind referred to above—and not the decline in the purchasing power for imported goods because of their increased prices if computed into post-devaluation Rupiahs—were the cause that the total in realized imports in 1959 was not in balance with the foreign exchange earnings from exports. The increase in export proceeds not offset by a rise in export expenditures—above all where part of the 1959 imports was financed by foreign credits - caused the State foreign exchange holdings to increase by Rp 5,372 million, indicating a rise of about 54% above the amount at the end of 1958. The developments in the State's foreign exchange holdings are shown in table 31 below :

TABLE 31 — GOLD AND FOREIGN EXCHANGE HOLDINGS ¹⁾
(Rp million)

End of	Gold holdings of Central Bank and Foreign Exchange Fund	Ready foreign exchange position of the Foreign Exchange Fund		Sub Total	Bank balances abroad	Other foreign exchange holdings	Total	Total movement within year period
		Assets	Liabilities					
1953	6,663	683	— 4,330	3,016	4,986	39	8,041	— 6,000
1954	4,164	5,763	— 6,860	3,067	3,379	119	6,565	— 1,476
1955	3,762	8,044	— 6,138	5,668	4,879	24	10,571	+ 4,006
1956	2,100	7,571	— 7,843	1,828	4,330	24	6,182	— 4,389
1957	1,851	6,608	— 7,772	687	4,168	—	4,855	— 1,327
1958	1,784	6,498	— 1,295	6,987	2,929	47	9,963	+ 5,108
1959	1,566	10,094	— 1,061	10,599	4,695	41	15,335	+ 5,372
1958 March	1,836	5,455	— 7,378	— 87	3,031	103	3,047	—1,808
June	1,808	4,938	— 2,282	4,464	2,787	24	7,275	+4,228 ²⁾
Sept.	1,804	4,970	— 1,713	5,061	2,573	43	7,677	+ 402
Dec.	1,784	6,498	— 1,295	6,987	2,929	47	9,963	+2,286
1959 March	1,753	8,017	— 873	8,897	2,704	56	11,657	+1,694
June	1,930	5,147	— 809	6,268	4,062	43	10,373	—1,284
Sept.	1,922	6,830	— 1,271	7,481	3,983	45	11,509	+1,136
Dec.	1,566	10,094	— 1,061	10,599	4,695	41	15,335	+3,826

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⁾ Payments of war reparations by Japan caused Foreign Exchange Fund liabilities to decrease by Rp. 5,227 million representing an overall improvement of its foreign exchange position.

Source: Bank Indonesia

The total of imports that could be realized in the year past amounting to Rp 27,902 million (excluding the imports by oil companies on a c & f value basis - which was slightly higher than that of 1958, Rp 24,341 million (excluding the imports by oil companies, on a c & f value basis) — was clearly still far from adequate to cover the domestic need for consumer goods, auxiliary products, semi-fabricates as well as capital goods.

In this connection, it may be noted that of said imports, rather an important part consisted of military goods, and also that the need for import goods during the past years too could not be satisfactorily met. Hence it may be said that there was a real thirst for essential goods, both in the shape of consumers goods, auxiliary goods, capital goods as well as replacement goods within the scheme of maintaining the production

factors. If it is further taken into account that shortly after the monetary measures were introduced the domestic money circulation also steadily increased, while the domestic production of goods still could not be enlarged, it becomes clear that the domestic post-devaluation inflationary tensions did not lessen if compared with the previous years.

Meanwhile it should be said that in the still gloomy developments during the past year there were also found some rays of hope. First of all, it should be noted that the sincerity and the firmness of the Government in its efforts to improve the economic and monetary situation, gave cause for hope for successfully though gradually surmounting the many difficulties still encountered in the past year. Efforts for better regulating the distribution of essential goods, the drive against hoarding—which in the year past occurred in the field of capital goods, auxiliary goods and consumer goods—as well as endeavors for curbing the granting of credits, showed results that at least constituted fair contributions towards stabilizing conditions.

Moreover, the increase in the State foreign exchange holdings has strengthened the liquidity position of the State vis- a-vis foreign countries and creates possibilities for enlarging imports in the future.

Balance of payments

Indonesia's balances of payments for 1958 and 1959 are shown in table 32. The total in both balances of payments indicate the receipts and expenditures in foreign exchange occurring between Indonesia and foreign countries, computed in Rupiah on the basis of the official rate prevailing as from August 25, 1959 (US \$ 1 = Rp 45).

It should be observed that — in line with the International Monetary Fund routine — the 1959 balance of payment indicates export and import figures on f.o.b. basis, so that consequently they are at variance With the 1958 balance of payment, where only the export figures have been computed on a f.o.b. basis, while the import figures have been based on c & f. To enable a comparison between the 1958 and 1959 figures, the difference in the computation methods of the import and export figures as mentioned need be dispensed with. Since a backtracking computation of the 1958 figures will not be possible, the computative basis as used for 1958, therefore, was taken for comparative purposes, viz. the f.o.b. basis for exports but the c.&.f basis for imports.

The increase in the 1959 export proceeds as against 1958 was clearly for a major part due to such export items as: estate rubber (+ Rp 1,287 million), smallholders rubber (+ Rp 4,352 million), copra (+ Rp 750 million), tobacco (+ Rp 237 million), pepper (+ Rp 367 million), tapioca and gapek (+ Rp 130 million), nutmeg and nutmeg foil (+ Rp 244 million). The increase of both kinds of rubber covered 74% of the overall increase, while smallholders rubber as a single item took care for almost 57% of said increase. Noteworthy is also that the increase in the export proceeds was for the greatest part caused by the rise in the proceeds of smallholders export items.

A comparison of the balances of payments for 1958 and 1959 according to their components, show the following results :

	1958 ¹⁾	1959 ²⁾
	(In millions of Rp)	
Balance of goods	+ 4,784	+ 8,860
Balance of services	— 7,721	— 7,728
Balance of donations	+ 533	+ 750
Balance of capital (incl. transitory items)	+ 2,255	+ 3,490
Total balance of payments	— 149	+ 5,372

The beneficial results in the 1959 balance of payments were solely due to the increase in export proceeds, which in 1959 totalled Rp 7,629 million higher than 1958 (1959: Rp 36,754 million; 1958: Rp 29,125 million).

The satisfying development in the 1959 export activities on the part of smallholders did not constitute only an improvement as against the 1958 state of affairs—during

	1956		1957		1958		1959	
	Foreign Exchange Receipt (mln Rp)	Export Volume (million kg)	Foreign Exchange Receipt (mln Rp)	Export Volume (million kg)	Foreign Exchange Receipt (mln Rp)	Export Volume (million kg)	Foreign Exchange Receipt (mln Rp)	Export Volume (million kg)
Smallholders Rubber	88,334	423	7,781	418	6,980	377	10,036	485
Copra/copra cake	1,481	398	1,046	441	952	237	1,203	253
Pepper	383	14	280	18	282	13	537	29
Total:	10,198	835	9,107	877	8,160	627	11,777	767

¹⁾ Excluding debts written off under the War Reparations Scheme.

²⁾ Exports f.o.b. ; imports c. & f. (as was the case with the 1958 figures).

TABLE 32 — INDONESIA'S BALANCE OF PAYMENTS FOR 1958 AND 1959
(Rp million)

CURRENT TRANSACTIONS										
	Yearly totals						Halfyearly totals			
		1958		1959 ¹⁾			1st halfyear 1958	2nd halfyear 1958	1st halfyear 1959 ¹⁾	2nd halfyear 1959 ¹⁾
	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)	29,125	24,341	+ 4,784	36,754	26,196	+ 10,558	+ 525	+ 4,259	+ 4,109	+ 6,449
2. Non monetary gold movement (net)				8		+ 8			+ 4	+ 4
3. Foreign travel	28	328	— 300	20	470	— 450	— 221	— 79	— 312	— 138
4. Transportation	714	1,326	— 612	797	3,213	— 2,416	— 340	— 272	— 1,145	— 1,271
5. Insurance	47	225	— 178	8	154	— 146	— 127	— 51	— 59	— 87
6. Investment income	391	3,481	— 3,090	181	3,670	— 3,489	— 1,835	— 1,255	— 1,973	— 1,516
7. Government, not included elsewhere	87	1,374	— 1,287	91	770	— 679	— 880	— 407	— 328	— 351
8. Miscellaneous :										
8.1. Foreign workers		1,058	— 1,058	4	995	— 991	— 482	— 576	— 537	— 454
8.2. Other	884	2,080	— 1,196	714	1,977	— 1,263	— 560	— 636	— 774	— 489
Total goods and services	31,276	34,213	— 2,937	38,577	37,445	+ 1,132	— 3,920	+ 983	— 1,015	+ 2,147
<i>B. Donations</i>										
9. Private	8		+ 8	8		+ 8		+ 8	+ 4	+ 4
10. Official	8,486		+ 8,486	742		+ 742	+ 8,032	+ 454	+ 174	+ 568
Total current transactions	39,770	34,213	+ 5,557	39,327	37,445	+ 1,882	+ 4,112	+ 1,445	— 837	+ 2,719
MOVEMENT OF CAPITAL AND FOREIGN EXCHANGE AND GOLD HOLDINGS										
<i>C. Private, exclusive Banks</i>										
11. Long term loans										
11.1. Oil companies investment	1,500	1,263	+ 237	1,259	1,259		+ 95	+ 142	— 43	+ 43
11.2. Other long term loan movements		63	— 63	95	31	+ 64	— 39	— 24	+ 36	+ 28
12. Short term loans										
13. Long term improvements	4		+ 4		12	— 12	+ 4			— 12
14. Short term improvements	114	79	+ 35	111	111		+ 12	+ 23	— 4	+ 4
<i>D. Government and Banks</i>										
15. Long term loans	3,706	3,809	— 103	6,907	1,464	+ 5,443	— 1,559	+ 1,456	+ 1,831	+ 3,612
16. Short term loans										
16.1. Liabilities to I.M.F. and I.B.R.D.					407	— 407				— 407
16.2. Other short term loan movements	339		+ 339	391		+ 391	+ 63	+ 276		+ 391
17. Long term improvements		544	— 544		959	— 959	— 355	— 189	— 166	— 793
18. Foreign exchange and monetary gold holdings										
18.1. Foreign exchange holdings			— 5,178			— 5,589	— 2,459	— 2,719	— 264	— 5,325
18.2. Monetary gold holdings			+ 67			+ 217	+ 39	+ 28	— 146	+ 363
Movements of capital, foreign exchange and monetary gold			— 5,206			— 852	— 4,200	— 1,006	+ 1,244	— 2,096
Items not included elsewhere			— 351			— 1,030	+ 87	— 438	— 407	— 623
¹⁾ Exports and Imports: f.o.b.										

Source : Bank Indonesia.

which year setbacks occurred giving cause for anxiety— but what was more, both the revenues in foreign exchange and the export volume showed a recovery or an improvement towards “normal”. All these may be seen from the figures below as far as the 3 important smallholders export items are concerned.

A heartening development as may be viewed in the smallholders product exports is still not yet in evidence on the part of large estates. Even though in the case of large estates, 1959 generally also showed a slight improvement over 1958, it cannot be said yet that conditions here already showed a satisfactory recovery. All these may be seen from the figures below :

Estate Rubber	7.426	253	7.244	261	4.940	223	5.818	233
Tea	1.374	39	1.402	40	1.132	39	841	33
Palm oil/palm kernels	1.457	165	1.358	169	1.256	168	932	136
Sugar	183	168	837	144	336	88	114	40
Tin	2.784	45	2.322	40	1.704	27	1.749	26
T o t a l :	13.854	670	13.163	654	9.368	45	9.454	468

In the import sector, 1959 showed a realized total of about 15%, higher than the year previously, namely Rp 27,902 million in 1959 as against Rp 24,341 million for 1958 (both on a c. & f. basis).

A price comparison of the most important import goods of 1959 as against 1958 show the following result s :

	1958	1959	Changes in 1959	
	(In millions of Rp)		as against 1958	
	(On c. & f. basis)			
Rice	4,526	3,979	—	547
Other foodstuffs	1,094	908	—	186
Textiles	4,052	3,530	—	522
Chemicals	726	774	+	48
Plain metal	1,714	1,858	+	144
Machines & appliances	2,926	7,535	+	4,609

It may be added that the import aggregate increase principally concerned such goods as machineries and equipments, which for the major part were purchased on a

credit basis. Consumer goods, auxiliary commodities and semifabricate, generally showed totals not far different from the 1958 imports, with the exception of rice and textiles (respectively Rp 547 million and Rp 522 million less than 1958).

The total on donations received in 1959 (Rp 750 million) did not differ much from the 1958 total, i.e. if from the 1958 aggregate were excluded the total of written off trade debts of Indonesia to Japan, which were made a part of the Japanese war reparation payments (Rp 7,961 million). The total on donations for 1959 --- as was the case with 1958 --- consisted for the major part of goods received and originating from war reparations (Rp 660 million), almost the whole of which formed a realization of part of the war reparation payments program by Japan. For the period of April 1958 --- April 1959, the Japanese war reparations covered the value of US \$ 33,543,000. Only a small part, i.e. US \$ 527,000 out of the war reparation payments program related to the 1959-1960 period (US \$ 21,252,064), was included in the Rp 660 million total. Besides the 1959 war reparations payment, aids on the basis of the ICA (Rp 78 million) and under the Colombo Plan (Rp 12 million) were also received.

While large savings were attained in the services sector in connection with the repatriation of Dutch nationals during 1958, these savings did not recur in 1959.

Modifications undergone by items in the services sector were generally not large, so that the deficit in the Balance of services for the years 1958 and 1959---excluding the total on expenditures for freight on import goods --- almost did not change (1959: Rp 7,728 million, 1958: Rp 7,721 million). The addition in the net expenditure to the item "Foreign travels" recorded for 1959 was due to the large increase in the amount spent for Islam Pilgrimage purposes (1958: Rp 134 million; 1959: Rp 266 million). This was ascribable to the fact that the total number of Hadji Pilgrims in 1959 was larger than normal, since in 1958 part of the pilgrims could not depart because of transportation difficulties.

The rise in expenditures in the item "Capital income" had some bearing, on the increase in the 1959 profit transfers by oil companies (1959: Rp 3,188 million; 1958: Rp 3,034 million).

The item "Government" showed fair retrenchments in expenditures (Rp 608 million) in 1958, resulting from the fact that special expenditures—which in 1958 were channelled through our representations abroad—did not recur. Hence the total on expenditures for the item "Government" for 1959 covered only current expenditures for said representations.

Furthermore, another fair decrease may be noted in the item "Insurance". These retrenchments were due to the new rulings pertaining to transfers of re-insurance premiums effective as from January 1, 1959.

As may be seen from table 32 (item 15, credit side), the total on 'long-term loans received in 1959 by far exceeded the 1958 aggregate. The receipt of Rp 6,907 million consisted of: balance (Rp 66 million) from the Eximbank loan which has almost been wholly utilized, part (Rp 536 million) from the Russian loan which over-all totalled US \$ 112.5 million, final balance (Rp 102 million) from the loan from the Chinese People's Republic amounting to Sw Fr 48 million, C-credits (Rp 829 million), other intermediate term credits (Rp 3,124 million) as well as in loan totalling Rp 2,250 million granted by some private banks in the United States.

In the item 16.2 "Other short-term loans" has been incorporated the receipt of a part of the second S.A.C. loan (Rp 391 million) which over-all totalled US \$ 51.6 million.

Receipts in the private sector—as was the case in past years—consisted for the major part of oil companies investments showing a slight decrease (1959: Rp 1,259 million; 1958: Rp 1,500 million). Besides the oil companies investments, a capital investment of Rp 95 million also took place (see item 11.2 "Other long-term loans") on the part of private interests, out of which Rp 52 million constituted the import value of books received under the "Informational Media Guarantee Program".

The outflow of capital in the 1959 balance of payments consisted for the major part of annually recurring expenditures, among others, depreciations by oil companies operating in Indonesia to the amount of Rp 1,259 million (item 11.1 debit); furthermore, in the debit item 15 are found the instalment payments on various loans, viz. on the loans from the American Surplus Credit (Rp 94 million), Eximbank (Rp 300 million), I.C.A. (Rp 19 million), repayments on B-credits (Rp 55 million) and C-credits (Rp 722 million), other intermediate-term credits (Rp 264

TABLE 33 — BALANCE OF PAYMENTS (EXCLUSIVE OIL COMPANIES) DIVIDED ACCORDING TO MONETARY REGIONS
(Rp.million)

	U.S.A. + Canada						E.P.U. — area						£ — area						O t h e r						T o t a l					
	1958			1959			1958			1959			1958			1959			1958			1959			1958			1959		
	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo	C (+)	D (—)	Saldo
Current Transactions																														
A. Goods ¹⁾	4,022	2,692	+ 1,330	5,573	1,855	+ 3,718	3,644	5,456	— 1,812	2,945	4,622	— 1,677	7,350	4,843	+ 2,507	12,935	4,216	+ 8,719	2,964	8,396	— 5,432	3,656	12,166	— 8,510	17,980	21,387	— 3,407	25,109	22,859	+ 2,250
B. Services (incl. donations)	379	482	— 103	245	699	— 454	406	797	— 391	79	912	— 833	197	1,926	— 1,729	190	1,725	— 1,535	415	371	+ 44	769	1,334	— 565	1,397	3,576	— 2,179	1,283	4,670	— 3,387
Total A + B	4,401	3,174	+ 1,227	5,818	2,554	+ 3,264	4,050	6,253	— 2,203	3,024	5,534	— 2,510	7,547	6,769	+ 778	13,125	5,941	+ 7,184	3,379	8,767	— 5,388	4,425	13,500	— 9,075	19,377	24,963	— 5,586	26,392	27,529	— 1,137
Capital Movement																														
C. Private	4	47	— 43	51	12	+ 39	8	— 8	— 8	4	— 4	— 4	8	— 8	— 8	16	— 16	— 16	—	—	—	44	8	+ 36	4	63	— 59	95	40	+ 55
D. Government and banks	1,113	442	+ 671	2,747	560	+ 2,187	710	848	— 138	450	592	— 142	—	127	— 127	87	553	— 466	2,223	237	+ 1,986	4,784	872	+ 3,912	4,046	1,654	+ 2,392	8,068	2,577	+ 5491
Total C + D	1,117	489	+ 628	2,798	572	+ 2,226	710	856	— 146	450	596	— 146	135	— 135	87	569	— 482	2,223	237	+ 1,986	4,828	880	+ 3,948	4,050	1,717	+ 2,333	8,163	2,617	+ 5,546	
Total Transitory items			+ 1,855 + 20			+ 5,490 — 36			— 2,349 — 205			— 2,656 — 8			+ 643 + 422			+ 6,702 — 4			— 3,402 — 8			— 5,127 + 28			— 3,253 + 229			+ 4,409 — 20
1) 1958 : Exports : f.o.b., Imports: c.i.f. 1959 : Exports and Imports: f.o.b.																														

Source : Bank Indonesia

million), and redemptions of the Bank Industri Negara loan bonds (Rp 10 million). In the debit item 17 totalling Rp 9 5 9 million has been incorporated the advance payments on import credits (Rp 343 million) as was the practice during the previous years.

The other portion of this item 17 (Rp 616 million) constituted expenditures resulting from the increase in the Indonesian quatum to the International Monetary Fund. The debit item 16.1 showed the first redemption amounting to Rp 407 million by Indonesia on “drawings” effectuated during 1955.

From table 33 —reflecting the payment transactions between Indonesia and the most important monetary areas—have been removed entries connected with oil companies as well as with international organizations. The net results of the payment transactions between Indonesia and said groups of countries are shown below :

	1958	1959
	(In millions of Rupiah)	
United States and Canada	+ 1,875	+ 5,454
U.P.E. area (excluding England)	— 2,554	— 2,664
Sterling area	+ 1,065	+ 6,698
Other areas	— 3,410	— 5,099
	— 3,024	+ 3,389

As was the case with the previous years, the 1959 payments relationship between Indonesia, the United States and Canada showed a surplus. Because of increasing Indonesian exports to these regions (+ Rp 1,551 million) and diminishing imports (— Rp 837 million) and the increase in the “inflow of capital”, the positive balance in the balance of payments with these areas constituted no negligible total.

Conversely with the E.P.U. area the Indonesian balance of payments depicted a deficit again, as was the case in the previous years. Indonesia’s 1959 deficit with respect to these countries was larger than 1958 (Rp 1959: Rp 2,664 million; 1958: Rp 2,554 million), which deficit increase was mainly due to a “lag” in the receipts in the “services” sector.

With respect to the Sterling area, Indonesia's balance of payments showed changing trends. While surpluses were shown for 1954 and 1955, during the following 2 years — 1956 and 1957 — a deficit was in evidence, which afterwards again turned into a surplus for the years 1958 and 1959. The surplus attained in 1959 was substantial and was, on the one hand, due to the sharp increase in exports (+ Rp 5,585 million), and, on the other hand, because imports from these regions dropped (- Rp 618 million). On further investigation, it transpires that this surplus increase was due to the increase in exports from Indonesia to England and Singapore. While in 1958, Indonesian exports to England and Singapore totalled respectively Rp 3,420 million and Rp 3,088 million, both increase to respectively Rp 8,337 million and Rp 3,961 million in 1959. The deficit vis-a-vis other regions was also a recurrent feature every year. With the exception of 1955, Indonesia consistently had to contend with a deficit with this group of countries since 1954. The size of the 1959 deficit resulted from the import increase from these countries (+ Rp 3,777 million) which Noms not in balance with the Indonesian export increase to those countries. From the balances in the capital sector, it may be inferred that the large deficit was mainly financed by Indonesia through the receipt of long-term credits from the countries concerned (+ Rp 692 million).

Balance of Trade

Throughout 1959 the surplus on the balance of trade increased if compared with 1958. This increase was due to a rise in export proceeds, while imports dropped. It should be stated that the data of the balance of payments were calculated on a cash basis, while the figures from the Central Bureau of Statistics as stated in table 34 were computed on a transaction basis. Worthy of note is also that the export and import figures (excluding oil companies) for 1959 are only applicable up to and including the month of November. Export proceeds increased during 1959, whereas imports consistently dropped. Exports rose from Rp 8,612 million (15,392 thousand tons) in 1955 to Rp 9,944 million (12,803 thousand tons) for the following year, but imports declined from Rp 5,851 million (3,506 thousand tons) to Rp 5,227 million (3,165 thousand tons). Excluding oil companies, exports indicate a surplus of Rp 2,864 million, namely being the balance from exports and imports amounting to Rp 6,429 million and Rp 3,565 million.

TABLE 34 — INDONESIA'S BALANCE OF TRADE
(Rp million)

	T o t a l			Oil companies not included		
	Exports ¹⁾	Imports ²⁾	Balance	Exports ¹⁾	Imports ²⁾	Balance
1938	687	478	+ 209	524	470	+ 54
1954	9,879	7,175	+ 2,704	7,290	6,375	+ 915
1955	10,779	7,195	+ 3,584	8,319	6,144	+ 2,175
1956	10,209 ³⁾	9,807	+ 402 ³⁾	7,629 ³⁾	8,700	— 1,071 ³⁾
1957	11,052	9,160	+ 1,892	7,375	7,295	+ 80
1958	8,612	5,851 ³⁾	+ 2,761 ³⁾	5,421 ³⁾	4,868 ³⁾	+ 553 ³⁾
1959 ⁴⁾	9,944	5,227	+ 4,717	7,307	4,175	+ 3,132
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.

Expressed in per cent of the value of imports, export proceeds have risen with 44%, namely from 146% in 1958 to 190% in 1959.

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

Exports

Compared with the previous year, exports fell in volume, but proceeds showed an increase during 1959. The volume of exports decreased by 16.8% from 15,392 thousand tons to 12,803 thousand tons, while proceeds rose with 15.5% namely from Rp 8, 612 million to Rp 9,944 million. The drop in export volume was not equally distributed over all products. A striking decrease occurred, firstly, in the exports of hard rope fibres falling with almost 30%, from 28 thousand tons (Rp 44 million) to 20 thousand tons (Rp 37 million); secondly, tobacco with nearly 30%, i.e. from 22 thousand tons (to the value of Rp 345 million) to 16 thousand tons (valued at Rp 278 million). Since tobacco was exported on a consignment basis, it is worthwhile to note that not all the auction proceeds have been incorporated in the revenues as yet.

TABLE 35 — VALUE OF EXPORTS¹⁾
(Rp million, including revenue from export duties)

	1938	1956	1957	1958	1959 ²⁾	1959 as % of 1958
Rubber	158	4,028	3,983	2,978	4,758	159.8
<i>of which: estate rubber</i>	87	1,712	1,663	1,234	1,628	131.9
<i>smallholders rubber</i>	71	2,316	2,320	1,744	3,130	179.5
Petroleum and petroleum products	163	2,561	3,677	3,219	2,637	81.9
Tin and tin ore	34	725	619	431	408	94.7
Copra and copra cakes	43	513	486	239	363	151.9
Coffee	14	343	334	206	215	104.4
Tea	57	337	340	283	231	81.6
Tobacco	39	332	383	345	278	80.6
Palm oil and palm kernels	19	346	347	314	273	86.9
Sugar	45	191	193	84	34	40.4
Pepper and other spices	18	151	177	112	248	221.4
Tapioca and tapioca products	9	7	14	9	47	522.2
Forest products (timber, gums, resins)	7	64	56	47	49	104.3
Hard rope fibres	18	73	49	44	37	84.1
Groundnuts and groundnut oil	4	5	14	6	8	133.3
Rattan	3	36	38	30	33	110.0
Pinang nuts	6	39	44	22	9	40.9
Hides and skins	4	18	18	15	20	133.3
Shells	1	9	7	3	4	133.3
Sago and sago products	1	8	6	4	3	75.0
Cattle	2	5	12	9	11	122.2
Coal	2	1	5	2	1	50.0
Soya beans	1	—	—	2	1	50.0
Total	648	9,792	10,802	8,404	9,668	115.0
Other export products	39	256	250	207	276	133.3
Total exports ³⁾	687	10,048	11,052	8,611	9,944	115.5
Total exports, excl. of petroleum and petroleum products	524	7,494	7,375	5,393	7,307	135.5
¹⁾ U.S. \$ 1 = Rp 11.40 ²⁾ Provisional figures ³⁾ Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver						

Source : C.B.S.

On the other hand, the volume of exports of other goods showed a considerable increase: exports of copra and copra cakes increased from 236 thousand tons to 253 thousand tons, while export proceeds rose from Rp 239 million to Rp 363 million in 1959; coffee exports rose with almost 40%, i.e. from 27,842 tons (Rp 206 million) during 1958 to 38,053 tons (Rp 215 million) during 1959; exports of pepper and other spices with 110%, i.e. from 20 thousand tons (with a value of Rp 112 million) to 42 thousand tons (to the value of Rp 248 million); tapioca and tapioca products with almost 560%, i.e. from 22 thousand tons (to the value of Rp 9 million) to 146 thousand tons (to the

TABLE 36 — VOLUME OF EXPORTS
(‘000 tons gross)

	1938	1956	1957	1958 ¹⁾	1959 ²⁾	1959 as % of 1958
Rubber	304	676	679	600	718	119.7
<i>of which: estate rubber</i>	157	253	261	223	233	104.5
<i>smallholders rubber</i>	147	423	418	377	485	128.6
Petroleum and petroleum products	6,067	10,527	15,615	13,367	10,568	79.1
Tin and tin ore	27	45	39	28	26	92.9
Copra and copra cakes	659	398	421	236	253	107.2
Coffee	68	59	52	28	39	139.3
Tea	72	39	40	39	33	84.6
Tobacco	49	12	15	22	16	72.7
Palm oil and palm kernels	268	165	170	168	136	81.0
Sugar	1,175	169	146	88	40	45.4
Pepper and other spices	131	30	27	20	42	210.0
Tapioca and tapioca products	250	16	43	22	146	663.6
Forest products (timber, gums, resins)	429	62	30	22	66	300.0
Hard rope fibres	90	34	38	28	20	71.4
Groundnuts and groundnut oil	33	2	5	3	5	166.7
Rattan	36	30	33	27	33	122.2
Pinang nuts	64	27	24	17	14	82.4
Hides and skins	6	1	1	1	1	100.0
Shells	1	2	1	1	1	100.0
Sago and sago products	28	23	18	17	18	105.9
Cattle	12	2	5	4	5	125.0
Coal	368	12	41	19	15	78.9
Soya beans	9	—	—	1	—	—
Total	10,146	12,331	17,433	14,757	12,195	82.6
Other exports products	848	697	561	635	608	95.7
Total exports ³⁾	10,994	13,028	17,994	15,392	12,803	83.2
Total exports, excl. of petroleum and petroleum products	4,927	2,507	2,379	2,025	2,235	110.4
¹⁾ Revised figures ²⁾ Provisional figures ³⁾ Excluding postal parcels, passengers' goods, ship's chandlery, gold and silver						

Source : C.B.S.

value of Rp 47 million); forest products (timber, resins, gums) with 200%, i.e. from 22 thousand tons (Rp 47 million) to 66 thousand tons (to the value of Rp 49 million).

Shifts occurred in the positions of rubber and oil including oil products as export commodities. While in 1958 exports of oil and oil products took first place with a value of Rp 3,219 million or 37% of the over-all export proceeds, and the export proceeds of rubber stood at Rp 2,978 million or 35% of the over-all export value, in 1959, the first place was taken over by rubber with an export yield of Rp 4,758 million or 48% of the

TABLE 37 — EXPORTS BY DESTINATION
(Rp million)

	1938	1956	1957	1958	1959 ¹⁾
<i>EUROPE</i>					
United Kingdom and Irish Republic.	37.32	896.12	807.28	1,094.28	1,788.80
Germany	25.46	404.55	461.78	303.51	485.73
France.....	12.00	47.75	62.08	23.57	28.47
Belgium and Luxemburg	5.69	75.50	89.36	253.98	170.03
Netherlands.....	137.49	1,955.59	1,854.16	355.40	97.20
Italy.....	9.73	133.95	170.23	96.96	49.39
Denmark	10.09	22.44	28.41	6.74	5.93
Norway	5.38	22.87	24.62	7.27	12.49
Sweden	2.12	18.91	37.59	9.97	31.36
Other countries	10.15	245.42	122.78	135.28	171.34
Total export to Europe	255.43	3,822.86	3,658.30	2,278.50	2,840.74
Percentage of total exports value..	37.2	38.0	33.1	26.6	34.8
<i>AMERICA</i>					
Canada.....	1.25	7.93	5.58	0.99	0.65
United States.....	97.88	1,611.22	1,683.61	1,480.59	1,337.81
Other countries.....	8.85	42.79	53.89	32.78	25.99
Total exports to America.....	107.98	1,661.94	1,743.08	1,514.36	1,364.45
Percentage of total exports value..	15.7	16.5	15.8	17.6	16.7
<i>AFRICA</i>					
Egypt	26.6	14.76	34.25	3.00	8.95
Portugese East Africa	0.59	14.68	8.54	5.66	1.59
Union of South Africa.....	5.28	21.82	18.06	9.74	9.28
Other countries.....	5.33	8.21	8.63	1.96	1.76
Total exports to Africa.....	37.86	59.47	69.48	20.36	21.58
Percentage of total exports value..	5.6	0.6	0.6	0.2	0.3
<i>ASIA</i>					
Iraq	2.53	0.84	1.30	0.13	0.07
India	5.15	29.55	62.67	102.55	29.69
Pakistan	3.65	16.59	6.36	12.47	12.47
Burma.....	0.11	19.22	4.16	—	4.32
Thailand.....	2.76	107.60	120.83	103.52	86.77
Malayan Union	3.51	89.82	104.82	60.83	58.33
Penang	7.72	168.51	197.97	324.87	219.42
Singapore.....	116.65	2,159.45	2,939.96	2,119.75	1,906.49
Indo-China	1.95	70.93	65.88	65.41 ²⁾	41.38 ²⁾
Hongkong	13.49	37.57	194.56	75.56	102.29
China	9.88	133.51	287.51	494.92	464.06
Japan.....	21.43	840.20	407.17	312.14	281.68
Philippines	6.02	193.72	305.82	331.23	182.07
Other countries.....	9.90	37.05	152.67	228.05	200.71
Total exports to Asia.....	201.10	3,895.62	4,861.91	4,225.32	3,589.75
Percentage of total exports value..	29.1	38.8	44.0	49.1	44.0
<i>AUSTRALASIA</i>					
Australia.....	28.89	358.80	480.15	504.40	304.71
New Zealand	7.64	52.70	51.66	38.99	19.51
Oceania	0.26	20.84	20.88	19.58	17.51
Total exports to Australasia.....	36.79	432.34	552.69	562.97	341.73
Percentage of total exports value..	5.4	4.3	5.0	6.5	4.2
<i>Via free ports :</i>					
Sabang, Tandjung Uban and unknown.	47.89	182.30	166.39	1.00	—
Percentage of total exports value..	7.0	1.8	1.5	—	—
Grand Total.	687.05	10,054.53	11,051.85	8,611.51	8,158.25

¹⁾ Provisional figures (Jan/Nov), US \$ 1 = Rp 11.40

²⁾ South Viet-Nam.

Source : C.B.S.

TABLE 38 — IMPORTS BY ORIGIN
(Rp million)

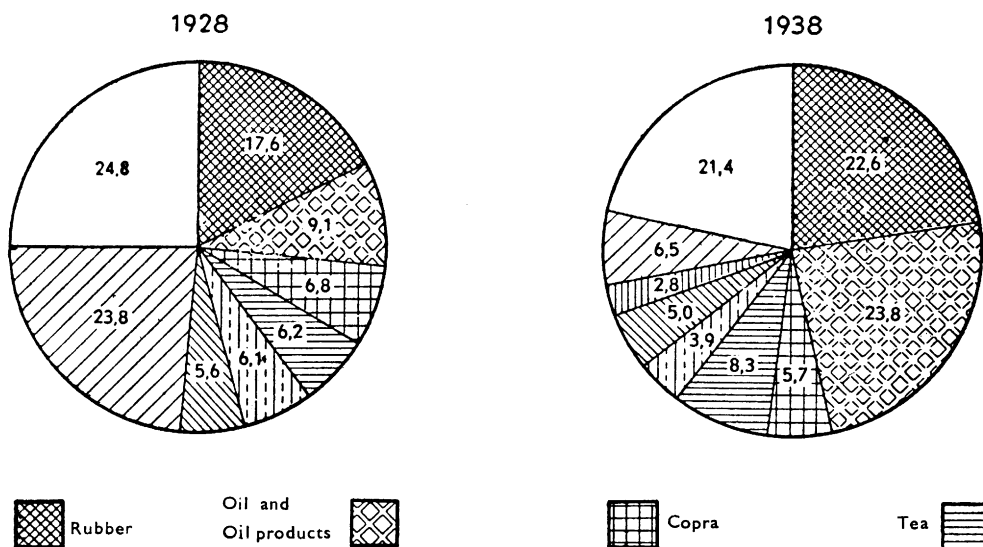
	1938	1956	1957	1958	1959 ¹⁾
<i>EUROPE</i>					
United Kingdom and Irish Republic..	38.16	589.92	518.41	309.73	346.53
Germany.....	49.05	873.32	949.58	566.56	608.19
France.....	9.41	94.58	144.93	158.15	88.40
Belgium and Luxemburg.....	13.19	271.44	334.08	120.62	127.88
Netherlands.....	106.17	1,038.11	892.29	379.74	196.20
Italy.....	5.05	244.00	197.89	121.02	52.31
Czechoslovakia.....	4.75	69.56	37.49	22.61	34.05
Switzerland.....	4.42	78.08	49.33	29.75	27.25
Sweden.....	3.54	95.10	80.20	53.79	28.36
Spain.....	0.28	0.92	24.22	74.25	0.11
Other countries.....	5.77	230.53	196.64	134.91	153.32
Total imports from Europe.....	239.79	3,585.56	3,425.06	1,971.13	1,664.60
Percentage of total imports value...	50.1	31.6	37.4	33.6	31.8
<i>AMERICA</i>					
Canada.....	3.67	8.21	13.85	6.01	8.66
United States.....	60.21	1,609.08	1,520.06	931.69	838.09
Other countries.....	0.54	96.84	4.66	0.14	73.74
Total imports from America.....	64.42	1,714.13	1,538.57	937.84	920.49
Percentage of total imports value...	13.4	17.5	16.8	16.0	17.6
<i>AFRICA</i>					
Egypt.....	0.43	9.38	1.11	160.11	5.64
British East Africa.....	3.21	104.77	74.00	59.17	40.57
Union of South Africa.....	0.17	7.20	15.49	5.98	3.99
Other countries.....	0.59	36.67	9.90	28.08	17.45
Total imports from Africa.....	4.40	158.02	100.50	253.34	67.65
Percentage of total imports value...	0.9	1.6	1.1	4.3	1.3
<i>ASIA</i>					
Serawak, Brunei, Br. North Borneo...	1.68	43.39	123.12	71.44	21.31
India.....	11.17	184.63	190.18	86.00	125.62
Pakistan.....	8.67	8.67	1.98	0.92	1.00
Burma.....	7.20	512.05	322.41	239.32	324.79
Thailand.....	2.58	309.70	302.15	235.12	59.84
Malayan Union.....	0.30	13.33	14.67	11.66	10.96
Penang.....	4.28	0.97	0.57	0.57	1.51
Singapore.....	36.18	76.09	155.66	103.53	95.77
Indo-China.....	2.11	1.73	33.02	62.38 ²⁾	3.80 ²⁾
Hong Kong.....	6.47	536.43	398.55	267.35	147.81
China.....	8.25	344.04	308.13	476.20	697.63
Japan.....	71.83	1,521.17	1,370.73	795.82	782.77
Philippines.....	0.89	1.05	1.59	1.36	0.61
Other countries.....	1.40	492.13	588.24	258.45	206.69
Total imports from Asia.....	154.34	4,045.38	3,811.00	2,610.12	2,480.11
Percentage of total imports value ..	32.3	41.3	41.6	44.6	47.5
<i>AUSTRALASIA</i>					
Australia.....	13.24	211.58	207.83	78.09	95.29
New Zealand and Oceania.....	0.05	0.08	0.23	0.32	0.52
Total imports from Australasia.....	13.29	211.66	208.06	78.41	95.81
Percentage of total imports value...	2.8	2.2	2.3	1.3	1.8
<i>Via free ports :</i>					
Sabang, Tandjung Uban and unknown.	2.22	84.30	75.26	8.68	—
Percentage of total imports value...	0.5	0.8	0.8	0.2	—
Grand total.....	478.46	9,799.05	9,158.45	5,859.52	5,228.66

¹⁾ Provisional figures ²⁾ South Viet-Nam

Source : C.B.S.

CHART IIa.

PROPORTIONAL SHARES OF THE PRINCIPAL
PRODUCTS IN THE VALUE OF EXPORTS

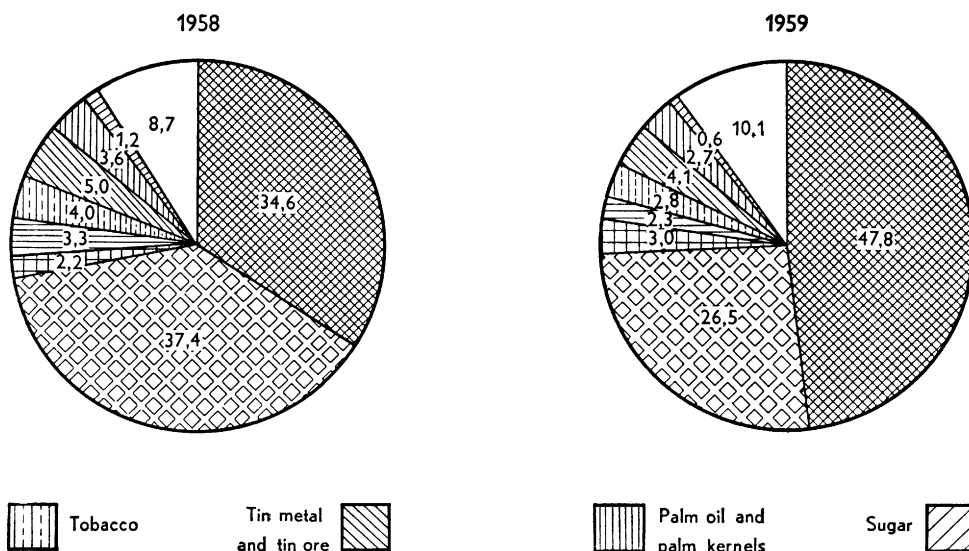


over-all export value, while oil totalled only Rp 2,637 million or 27% of the over-all export value.

Based on countries of destination, exports to Asian countries amounted to Rp 3,590 million or 44% of the over-all export value, and of said amount, exports to Singapore totalled Rp 1,907 million or 23%, of the over-all export value. Exports to the United States and the United Kingdom (including Ireland) amounted to respectively Rp 1,338 million (16%) and Rp 1,789 million (22%). Exports to the Netherlands showed a considerable decrease. In 1958, exports to the Netherlands amounted to Rp 355 million, but in the following year exports to said country fell to only Rp 97 million (1.1%).

Exports to countries allied in the "European Common Market" (Belgium and Luxembourg, Western Germany, France, Italy and Netherlands) totalled Rp 831 million in 1959, covering 29% of the value of exports to Europe or 10% of the over-all export value. Exports to Western Germany increased by 60% (from Rp 304 million to Rp 486 million), to Hongkong with 34% (from Rp 75.56 million to Rp 102.29 million); declining

Chart IIb PROPORTIONAL SHARES OF THE PRINCIPAL PRODUCTS IN THE VALUE OF EXPORTS



were exports to Belgium and Luxemburg, with 23% (Rp 254 million to Rp 170 million), to India with 71% (from Rp 103 million to Rp 30 million), to Singapore with 10% (from Rp 2,120 million to Rp 1,906 million), to Japan with 10% (from Rp 312 million to Rp 282 million), to the Philippines with 45% (from Rp 331 million to Rp 182 million) and to Australia with 39% (from Rp 504 million to Rp 305 million).

Imports

During 1959, the volume of imports showed a small increase, if compared with the foregoing year (3,506 thousand tons for 1958 to 3,507 thousand tons in 1959); but the value of imports decreased from Rp 5,851 million to Rp 5,227 million. The value of imports of the three economic groups (consumer goods, raw materials and auxiliary goods and capital goods) declined respectively with 17%, 6% and 11%. If we compare the value of imports according to the economic sectors, raw materials and auxiliary goods still accounted for the biggest share, i.e. to 48% of the total value of imports, while consumer goods and capital goods amounted to respectively about 31% and 21%.

TABLE 39 — IMPORTS INTO INDONESIA

	Value (Rp million)					Per cent share in total value of imports				
	1938	1956	1957	1958 ¹⁾	1959 ²⁾	1938	1956	1957	1958 ¹⁾	1959 ²⁾
<i>Total imports:</i>										
Consumer goods	207	4,070	2,917	1,957	1,619	43.3	41.5	31.8	33.4	31.0
Raw materials and auxiliary goods	154	3,822	4,347	2,643	2,487	32.2	39.0	47.5	45.1	47.6
Capital goods	117	1,908	1,895	1,259	1,122	24.5	19.5	20.7	21.5	21.4
<i>Imports excluding oil companies :</i>										
Consumer goods	205	4,012	2,565	1,893	1,518	43.7	46.2	35.2	38.8	36.4
Raw materials and auxiliary goods	148	2,998	3,267	2,027	1,943	31.4	34.5	44.8	41.6	46.5
Capital goods	117	1,683	1,461	956	714	24.9	19.3	20.0	19.6	17.1
¹⁾ Revised figures ²⁾ Provisional figures										

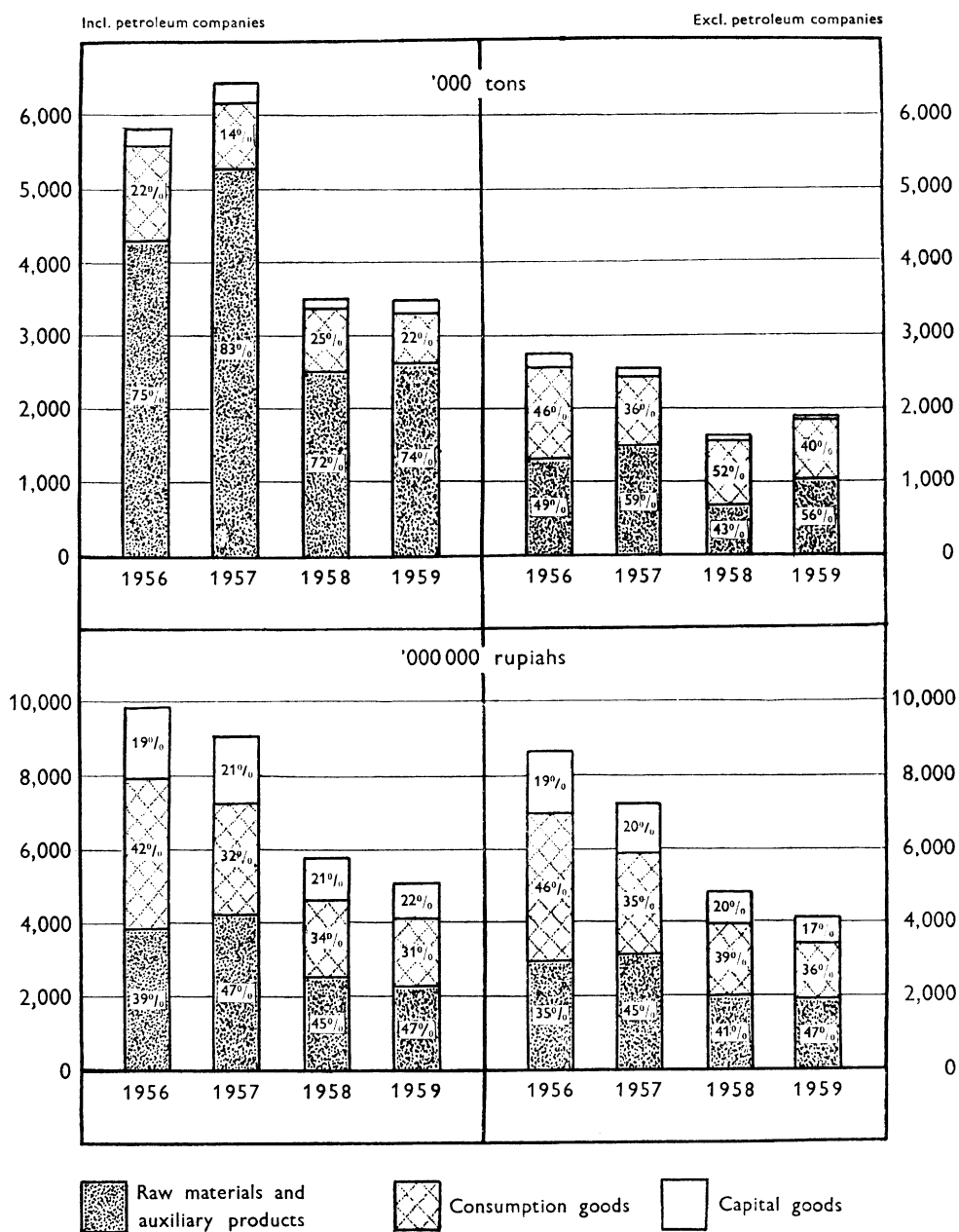
Source : C.B.S.

Of the vital import goods during 1959, imports of milk decreased by 28% rice by 14%, cotton by 38%, textiles by 49%, cardboard, printing paper and writing-paper by 12%, cloves by 33% and tobacco by 57%. On the other hand, the imports showing an increase were cotton weaving yarn by 17%, gunny bags by 118%, cement by 123%, tinplate sheets by 60%, cargo-carrying motor vehicles and buses by 22%. If considered from the countries of origin, those showing a striking increase were imports from Czechoslovakia, India, Burma, the Chinese People's Republic and Australia, respectively by 60%, 46%, 36%, 46% and 22%. On the other hand, imports from 10 countries recorded a considerable decrease, viz. from France by 44%, Italy 57%, Sweden 47%, Spain 99%, Egypt 96%, Thailand 75 %, Singapore 51 %, South Vietnam 94 %, Hongkong 4 5 % and the Netherlands 48%.

As regards the Government measures in the import field, the following may be cited. On 20th April 1959, Government set forth a new import procedure which mainly covered the following :

- a. the imports of 9 kinds of important raw materials and consumer goods were reserved for and were to be executed by enterprises under control of the Government, as was the case with the imports of rice, cloves, cambrics and fertilizers; the group of 9 raw materials and consumer good, mentioned being :

CHART III — IMPORT.



1. raw cotton
2. weaving yarn
3. textiles
4. paper
5. cement
6. reinforced concrete iron and iron wire
7. tinsplate
8. gunny/jute
9. flour

Those allowed to import the afore-mentioned 9 kinds of vital raw materials/consumer goods were exclusively importers appointed by the Government, viz.:

1. Central Trading Cor
 2. Usaha Industri Indonesia (Usindo)
 3. P.T. Indestins
 4. P.T. Indevitra
 5. P.T. Juda Bakti
 6. P.T. Mira Sari
 7. P.T. Satya Negara
 8. P.T. Triangle
- b. the imports of raw materials/auxiliary goods and capital goods for industries or groups of allied industries were undertaken on the basis and within the framework of foreign exchange allocations determined by the Department of Industry for every industrial undertaking or group of allied industries concerned;
- c. a group of raw materials/auxiliary goods and capital goods for certain undertakings could only be imported on an indent order basis on the account of those undertakings in need of them;
- d. however, as for the imports of another group of consumer goods, raw materials/auxiliary goods and capital goods, no indent orders were prescribed.

The imports of raw materials/auxiliary goods and capital goods mentioned under b could be effected by the relative group of industrial enterprises itself in so far as these enterprises have been accorded a recognition and have received an importer's code

number from the B.D.P. (Bureau for Commercial Foreign Exchange); in cases where such enterprises were not allowed to function as importers, the importing of their raw materials is passed on to importers having received such recognition from the B.D.P.; in addition such importers could import such goods as have been grouped under c and d.

Terms of Trade

As has been put forward in the annual reports of preceding years (see, among others, page 154 of the Report for the Year 1958 — 1959), the terms of trade as listed in table 40 are computed according to the “Paasche” method.

Compared with 1958, the terms of trade for 1959 showed no negligible increase, viz. from 70 in 1958 to 91 in 1959. This increase was caused, on the one hand, by the increase in the price index number for exports (1958 = 239; 1959 = 278) and, on the other hand, by the decline of the price index number for import commodities (1958 = 343; 1959 = 304).

TABLE 40 — TERMS OF TRADE FOR INDONESIA
(1950 = 100)

	Price index numbers		Terms of trade	
	Exports (f.o.b.)	Imports (c.i.f.)		
1954	258	323	80	
1955	295	325	91	
1956	277	316	87	
1957	265	312	85	
1958	240	340	71	
1959	283	397	93	
			monthly average	5 months' moving average
1959 January	259	369	71	75
February	278	434	64	76
March	268	358	75	78
April	249	324	77	81
May	238	230	103	85
June	259	305	85	98
July	268	318	84	104
August	305	220	139	108
September	321	293	110	113
October	357	295	121	112
November	351	311	113	...
December	267	343	78	...

Throughout 1959, the price index number for exports showed a fluctuating trend, with the month of October showing the highest figure, i.e. 357, and the month of May posting the lowest figure, i.e. 238 (for 1958, the peak figure was attained in February, i.e. as high as 277, while the lowest point was recorded in March with 218). The figure of 357 was attained as a result of the increase in the price index number for exports comprising estates and small-holders products (respectively 385 and 340), whereas the lowest figure (May = 238) was caused by the drop in the price index number for export products of estates and small-holders products, respectively 232 and 291).

TABLE 41 — PRICE INDEX NUMBERS OF IMPORT - AND
SOME MAIN EXPORT COMMODITIES
(1950 = 100)

Exports (f.o.b.)	1957	1958	1959	Imports (c.i.f.)	1957	1958	1959
Rubber	303	259	343	Consumer goods	303	300	293
Copra	154	133	191	of which :			
Petroleum products	256	236	271	Rice	332	299	280
Tin ore	383	374	377	Wheat flour	290	254	251
				Cotton piece goods	240	262	199
				Raw and auxiliary materials	337	381	319
				Capital goods	368	385	325

The peak in the price index number for imports for 1959 was found in February (434) and the lowest figure in August (220), while the relative figures for 1958 were the highest in September (391) and the lowest in December (260). The afore- said February peak figure was the result of the high ceiling of the price index number for raw materials and auxiliary goods, i.e. 845, whereas the figure of 220 was caused by the low level of the price index number for import commodities such as consumption goods, raw materials and auxiliary goods and capital goods; respectively 285, 237 and 250.

Table 41 lists the price index number of several main export and import commodities. In 1959, the price index number of the main export commodities (such as rubber, copra and petroleum products) showed a considerable increase, while tin ore remained steady. The price index number of important import commodities declined — with the exception of raw materials and auxiliary goods, which increased— with textiles and capital goods showing a very large decrease.

Foreign exchange system and measures

With the issuance of Government Regulation in lieu of Law no 4, 1959, the B.E. system (Export Certificate System) —effective since 20th June 1957 —was repealed as from 25th August 1959. Concurrently, by means of Government Regulation no 43, 1959, —on the determination of the value of the Rupiah currency— it was decreed that as from the afore-said date the new counter-value of the Rupiah currency as against foreign currency was changed into US \$ 1.—= Rp 45.—(the basic rate).

In this manner, while since the freezing of the B.E. rate at a given level— see, among others, page 157 of the Report for the Year 1958-1959 — on 18th April 1958, the principle of a “flexible” value of the Rupiah currency vis-a-vis foreign currency — which was tied up to the Export Certificate System—was in practice abandoned earlier, the “fixed rate” system of the value of the Rupiah vis-a-vis foreign exchange was officially made effective again as from 25th August 1959 on.

In addition to the above-mentioned measures, Government Regulation no 42, 1959, on the PUEKS and PUIM (Levies on exports and imports) was also issued.

The PUIM (Import levies) — the percentage for which was made dependent on the kind of goods to be imported—was identical to the previous TPI (Tambahan Pembayaran Impor — Import surcharge) . As was the case with the TPI, this PUIM was to be calculated on the basis of the C & F value of the commodities to be imported, expressed in Rupiahs. But, although the number of groupings of the goods—for each of which the PUIM percentage would vary — were the same as under the TPI system, viz. six kinds of groupings, it should be noted that the composition of the kinds of “goods within a given PUIM grouping was not completely identical to the kinds of goods under the TPI system. Furthermore, the PUIM percentage figure for a given grouping was also slightly higher than that of a grouping of the same level under the TPI system. The changes in percentage figures for the PUIM groupings as compared to those for the TPI system were as follows:

Class of grouping: PUIM system TPI system

Group I	0 %	0 %
Group II	25 %	20 %
Group III	50 %	50 %
Group IV	100 %	100 %
Group V	150 %	140 %
Group VI	200 %	175 %

In determining these groupings, the ruling was given that the Government might at any time insert changes into the composition of the goods within a given groupie-, so that a certain commodity in one class of grouping might be transferred into another class.

With the coming into effect of this new import regulation, the necessity for importers for making prepayments at the time of submitting their applications for import licenses to the bank — applicable under the B.E. System was dispensed with.

Every export transaction based on foreign exchange contracts closed on or after 25th August 1959 was liable to the imposition of a PUEKS (Export Levies) amounting to 20% of the sales value obtained and based on the new rate of exchange, the payment of which should be made at the time the relative foreign exchange was accounted for.

In the case of exports on a consignment basis, the PUEKS would be collected at the time the consignment proceeds were transferred to Indonesia or at the time of submitting form. 1 8-b — to be signed by the Customs — with the consignor drawing a sight draft and the shipping documents being received by the bank.

Export Levies (PUEKS) were also imposed on all conversions—of foreign exchange into Rupiahs—pertaining to Invisibles, such as transfers in foreign exchange from abroad, surrender of foreign bank notes, blank drafts, travellers cheques, etc. effected on or after 25th August 1959.

These PUEKS levies were also to be imposed on the surrender of bullion to the Foreign Exchange Fund which—in line with the change in the value determination of the Rupiah vis-a-vis foreign exchange—as from 25th August 1959 on were to be calculated on the basis of Rp 49,203.95 per kg. of pure gold.

If it might be observed that the levying of PUEKS in the export and invisibles fields was in essence identical to the PBE (Export Certificate Levies) within the framework of the previous BE System — the percentage figure of 20% remaining the same— one difference, however, should be noted here, namely, that while under the BE System the payment of PBE was exempted in the case of conversions of foreign exchange into Rupiah for new foreign investments, such an exemption, however, was no longer applicable under the PUEKS System.

Trade and payment agreements with foreign countries

Within the framework of the trade and payment agreements with foreign countries may be mentioned the following events taking place during the year under report. The clearing agreement between Indonesia and the United Arab Republic (Egypt) — closed on 2nd March 1955 — was changed on 28th September 1959 into a new trade and payment agreement between said two countries, based on payments in effective pound sterling currency.

In this connection, as from said date Indonesia still counts two clearing payment agreements, viz. with the Chinese People's Republic and with Czechoslovakia.

On 14th September in the previous year was also concluded the trade agreement between Indonesia and the Republic of Turkey, which formed the first agreement between said two countries. Payments were to be effected in convertible pound sterling or in other convertible currencies.

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

Vis-a-vis the “drawing” from the I.M.F. amounting to US \$ 55 million— effected by the Indonesian Government on 31st July 1956—was established the “voluntary repurchase” of 17th July 1959 amounting to US \$ 9 million, so that the total on “drawings”, which—based on the terms and conditions of said “drawings”—should be repurchased within the period of 3 to 5 years after effectuation, already decreased to US \$

46 million. As regards the repurchase of this final by Indonesia, a program had already been put forth and approved by the I.M.F.

By way of initiating the realization of said program, a repurchase of another US \$ 9 million was again effected on 26th May 1960. With the effectuation of this second repurchase, the balance on drawings decreased to US \$ 37 million.

In connection with Government Regulation no 43, 1959—on the Fixation of the Rupiah currency, which established the value of the Rupiah currency vis-a-vis the US \$ on US \$ 1.—= Rp 45.— a provisional approval of the Rupiah rate of exchange in relation to the U.S. dollar as set by the Government was given by the I.M.F. on September 23rd, 1959.

As set forth in the previous report, Indonesia stated her agreement to participating in the quota raising for I.M.F.- members by 50% in general. This rise in quota became effective as from 15th September 1959 onward, and the new Indonesian quota with the I.M.F. was set at :

(in million US\$)		
Quota	Gold portion (25 %)	Own currency (75 %)
165	41.25	123.75

Such was also the case with the capital increase for I.B.R.D. members by 100 % in general, to which Indonesia stated her approval. This capital increase became effective as per 15th September 1959, and the new Indonesian subscription to the I.B.R.D. was turned into:

(in million US\$)		
Subscription	Gold portion (2 %)	Own currency (18 %)
220	4.4	39.6

VII. PRODUCTION PRICES AND SOCIAL DEVELOPMENT

Food Producing Agriculture

Production and Food Situation

Based on the provisional figures from the Central Bureau of Statistics and the Service for Indigenous Agriculture—as may be seen from tables 42 and 43 — the 1959 rice production was estimated at about 7,950,000 tons dry, indicating an improvement of about 278,000 tons dry or 3.6% if compared with 1958. This increase implied that only 51 % was achieved of the expected rice production increase within the preceding year's short-term programme. In this connection, it should be put forward that these improvements in rice production occurred in Djawa as well as in regions outside Djawa and Madura respectively with 2% and 6%, among others, as a result of the execution of the mass intensification campaigns during the year under review, such as the expansion of the use of fertilizers, the improvement in the irrigation system, the eradication of plant diseases, the expansion of the area utilizing superior seed. Increases in the rice production in regions outside Djawa and Madura during 1959 were found in Atjeh (+ 23%), Southern Sumatera (+ 22%), Western Kalimantan (+ 11 %) and Eastern Kalimantan (+ 78 %). Aside from the mass intensification drive, the improvement in the rice production outside Djawa and Madura resulted from the increase of the area of paddy fields harvested during the year under review, i.e. from about 2,601,000 ha to about 2,868,000 ha. In the meantime, during 1959 the rice production in quintals per ha all over Indonesia also showed an increase, namely, from 21.9 quintals to 22.7 quintals per ha on the average. For Djawa and Madura this increase was lower, namely, from 22.4 quintals to 22.9 quintals of dry rice.

In line with the experience of past years, the problems confronting the food producing agriculture during 1959 were natural calamities (floods, droughts, landslides), animal pests (mice, swine, worms) and plant diseases. According to reports from the Central Bureau of Statistics, the non-productive area under food planting in Djawa and Madura during 1959 — principally because of pests and plant diseases—showed a decline by 4% i.e. from 282,000 ha to 270,000 ha. In this connection, it should be noted that the 3,200 ha (50%) of *gogo* paddy plantings and 6,500 ha (45%) of soya beans

plantings — which were non-productive — were due to the mice plague and plant diseases; while 43% of the maize plantings, 56% of the cassava plantings, and 63% of the batatas plantings — which were non-productive — were damaged by floods.

In an effort to overcome the danger of floods annually recurring in the Tulungagung region — as was also mentioned in last year's report — the Government is setting up a giant channelling project, the "Suka Makmur" (Neyama). Until its completion at the end of 1961, the project will absorb an outlay of US \$ 1.5 million and Rp 60 million. The purpose of this project was to protect the wet and dry paddy fields—to an area of about 8,600 ha. — against the floods from the Brantas River, yearly causing a loss of about Rp 1 8 million. Aside from providing new areas of land for paddy fields totalling 3,000 ha, this project would guarantee the water supply for an area of about 800 square kms. around the Tulungagung region as soon as it is completed.

As for the development of the multi-purpose Djatiluhur project, it may be stated that second- phase-operations were still under way during the reporting year, namely, the construction of a flood-relieving tunnel with a diameter of 11 metres and a total length of 300 metres. The construction of the foundation on which to base the electric power plant was completed. It is hoped that the construction of a main dam can be started in the middle of 1961.

Aside from the Djatiluhur project, Western Djawa counts another important irrigation project so far still in process of operations at Bekasi. The erection of the Bekasi Dam required an outlay of Rp 45 million. This water project, expected to be completed at the latest by the middle of 1961, would irrigate paddy fields to an extent of 20,000 ha. The other important irrigation projects outside Djawa and Sumatera with their relative irrigation capacities can be studied from the table below.

	1959	1960	1961	1962	Total
1. Way Seputih	—	—	2,000 ha	8,000 ha	10,000 ha
2. Batanghari Utara	3,000 ha	4,000 ha	—	—	7,000 ha
3. Punggur Utara	1,000 ha	3,000 ha	7,000 ha	2,000 ha	13,000 ha
4. Raman Utara	—	1,000 ha	2,000 ha	2,600 ha	5,600 ha
5. Klingi	—	4,700 ha	—	—	4,700 ha
6. Tjisadane Barat	5,200 ha	4,800 ha	2,000 ha	—	12,000 ha
7. Dan. Renteng	—	12,000 ha	—	—	12,000 ha
8. Lombok Utara	—	12,000 ha	—	—	12,000 ha
9. Waduk Darma	—	—	6,500 ha	—	6,500 ha

Source : State Finance Bill.

The activities of the Jabatani during the reporting year in stocking up various kinds of fertilizers for distribution among farmers can be seen from the following table:

Jabatani supplies of fertilizers
(in tons)

<i>Kind of fertilizer :</i>	1958	1959
Z.A.	61,000	88,000
D.S.	27,000	10,000
S.S.	3,000	10,000
Z.K.	7,000	17,000
Other kinds	—	20,000
Total :	98,000	145,000

Source : Department of Agriculture.

For 1960, the Government already worked out a plan for importing fertilizers from various countries in Europe as well as from Japan to an aggregate of 260,000 tons. It was expected that from this total up to forthcoming September 1960 170,000 tons of Z.A. and B.C. fertilizers would have arrived already.

As can be seen from tables 42 and 43, during 1959 the over-all maize production of Indonesia suffered a setback by 25% i.e. from 2,799,000 tons to 2,101,000 tons. This production decline was caused by the decrease in the harvesting area of maize from 2,701,000 ha to 2,308,000 ha. Both in Djawa and Madura as well as outside Djawa and

TABLE 42 — MOST IMPORTANT FOOD CROPS IN DJAWA AND MADURA
(‘000 tons)

	1937	1957	1958	1959	1959 as % of	
					1937	1958
Rice { irrigated	3,682	4,419	4,633	4,712	128	102
{ non-irrigated	223	138	155	169	76	109
Maize (kernels)	2,037	1,307	1,985	1,450	71	73
Cassava (roots)	7,637	7,168	8,039	9,048	118	113
Batatas (roots)	1,182	1,595	1,746	1,484	126	85
Ground nuts (peeled)	181	192	194	198	109	102
Soya beans (peeled)	269	279	372	375	139	101

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

Madura the maize yield showed a decline by respectively 27% and 21%. In this connection, it should be noted that due to the decrease in the harvested area, no negligible decline in the maize yield—principally in Djawa and Madura—was caused by the unproductiveness of many maize plantings, among others, 14,000 ha. (14%) because of diseases and animal pests, 35,000 ha (34%) because of droughts and 44,000 ha (43 %) because of floods. The regions suffering the greatest damage in maize plantings because of these plagues were among others: Bodjonegoro (27,200 ha), Pati (17,700 ha), Surabaya (10,300 ha), Madura (9,200 ha) and Malang (7,900 ha) .

TABLE 43 — MOST IMPORTANT FOOD CROPS IN OUTER ISLANDS
(‘000 ton)

	1957	1958	1959	1959 as% of 1958
Rice (irrigated	2,280	2,184	2,344	107
(non-irrigated	587	581	726	125
Maize (kernels)	510	814	645	79
Cassava (roots)	2,699	3,121	2,884	92
Batatas (toots)	1,043	1,117	1,235	110
Ground nuts (peeled)	37	37	57	154
Soya beans (peeled)	38	50	56	12

Source : Service for Indigenous Agriculture

On the other hand, during 1959 the production of cassava showed an increase by 6% i.e. from 11,278,000 tons to 11,932,000 tons. This improvement resulted from the expansion of the harvested area from 1,340,000 ha to 1,446,000 ha.

Table 44 depicts a summary of the Indonesian rice position. The 1958 figures are corrected figures, while the 1959 ones are provisional of nature. From these figures may be put forward the fact that the total stock of rice for home consumption during 1959 increased by 3%, i.e. from 8,625,000 tons to 8.843,000 tons. This improvement in rice supplies for domestic consumption was mainly due to the increase in the 1959 rice yield from 7,672,000 tons to 7,950,000 tons.

TABLE 44 — RICE SITUATION IN INDONESIA

	Djawa and Madura		Other island		Indonesia	
	1958	1959	1958	1959	1958	1959
(<i>'000 ha</i>) Harvested area Irrigated rice Non-irrigated rice	4,123 265	4,056 273	1,751 865	1,898 971	5,874 1,130	5,954 1,244
(<i>'000 tons of rice</i>) Production of irrigated rice Production of non-irrigated rice Imports from abroad Mutation of J.U.B.M. stocks	4,633 155	4,712 169	2,184 581	2,344 726	6,817 736 921 + 32	7,056 895 891 + 2
Available for domestic consumption					8,506	8,844

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

Government measures for promoting the food production

As mentioned in the previous annual report, in its efforts to step up the food production, the Government worked out a programme comprising *two* parts:

- I. A long-term plan, consisting of:
 - a. The opening up of arid lands and the extension of the area un cultivation.
 - b. The tilling of lands in tidal swamp areas.
 This plan was directed at regions outside Djawa and Madura.

- II. A short-term plan comprising:
 - a. mass intensification drives by means of:
 1. the use of superior quality seed
 2. the utilization of fertilizers
 3. the eradication of pests and plant diseases
 4. the improvement of the irrigation system
 - b. the setting up of Paddy Centres.
 This plan covered the whole of Indonesia.

Throughout the reporting year and within the framework of “Operation prosperity”, the Government launched a multi-purpose drive aimed at stepping up the food production principally to cope with the rice needs through domestic production. Aside from setting up Paddy Centres in the rice production field, “Operation prosperity” resorted to mass intensification methods.

The short-term programme for increasing the rice production covered the crop years 1959/1960, 1960/1961 and 1961/1962. Considering as a target the annual rice need of 100 kgs per capita—while the population totals for the years 1960, 1961 and 1962 were estimated to amount to 90.8, 92.3 and 93.9 million — the three consecutive years mentioned would hence require rice stocks estimated at around 9.1 million tons, 9.2 million tons and 9.4 million tons respectively.

The production targets featured in the execution of the short-term plan for becoming self-supporting in rice for the crop years 1959/1960, 1960/1961 and 1961/1962 totalled consecutively: 8,080,450 tons, 8,435,500 tons and 9,700,000 tons. The estimated 1959 rice production figure of the Central Service for Indigenous Agriculture—amounting to around 8,000,000 tons—was taken as a basis for calculating these rice production targets. In this connection, it is worth noting that according to the Central Bureau for Statistics, the 1959 over-all Indonesian rice production reached 7,950,000 tons. Another basis used for determining the afore-mentioned production target figures were the good results attained by the Paddy Centres during the 1958/1959 crop year.

Therefore 42 Paddy Centres covering an area of 1 00,000 ha. were set up in the 1959/1960 harvesting year. The yield increase to be attained by means of these Paddy Centres was expected to average 3.5 quintals of rice per ha. so that the total production increase expected for the over-all Paddy-Centres area was earmarked at 35,000 tons of rice. The establishment of 125 Paddy Centres covering an area of 500,000 ha. Noms planned for the 1960/1961 crop year, i.e. every centre was to span an area of paddy fields to the extent of 4,000 ha.

Based on the experience gained in various operational fields in the year 1959/1960, the expected yield increase for the crop year 1960/1961 was hoped to reach 3.75 quintals of rice per ha. In this manner, the yield increase anticipated in Paddy-Centre-areas for that crop year was to total 187,500 tons of rice. Because the rice needs for 1962 were

Regions :	Dry paddy yields. (quintals/ha) 1958/1959		Production surplus at Paddy Centres based on quintals Ha	
	Within the Paddy Cen- tres sphere	Outside the Paddy Cen- tres sphere		

CENTRAL DJAWA

Demak	30.7	26.0	+	4.7
Purwodadi	30.0	25.0	+	5.0
Kebumen	60.0	48.0	+	12.0
Pekalongan	29.5	25.0	+	4.5
Purwokerto	40.0	32.0	+	8.0

EAST DJAWA

Banjuwangi	59.54	46.31	+	13.23
Sidohardjo	54.77	41.87	+	12.90
Kediri	47.21	35.92	+	11.29
Malang	42.50	34.00	+	8.50
Bodjonegoro	40.50	26.00	+	14.50

Source : Paddy Centres.
Department of Agriculture.

estimated at 9.4 million tons, 500 Paddy Centres spanning paddy fields to an extent of 3,000,000 ha. will be set up during the crop year 1961/1962. The increase for that crop year was set at 4 quintals of rice per ha, in other words, the anticipated over-all increase was to total 1,200,000 tons of rice.

Regarding the basis for determining the production targets by means of mass intensification drives the following may be set forth. Plantings with superior quality seed and the utilization of fertilizers to the extent of respectively 64,000 ha and 303,000 ha were planned for the 1959/1960 crop year. By fertilizing paddy-fields to an extent of 303,000 ha, a yield increase of 1.5 quintals of rice per ha was hoped for, so that the production increase in the mass intensification campaign for that crop year was expected to total 45,450 tons of rice. For the crop years 1960/1961 and 1961/1962 plantings will be conducted with superior quality seed covering the respective areas of 1,200,000

ha and 2,000,000 ha and the fertilization of respectively 1,240,000 ha and 750,000 ha. The expected production increases for those crop years were to amount to respectively 2 quintals and 2.5 quintals of rice per ha., so that the over-all production increases for those crop years were expected to reach 248,000 tons and 500,000 tons of rice respectively.

The important problems requiring solutions for carrying out the shortterm programme for stepping up the rice production were:

1. the stocking up and the distribution of superior quality seed in adequate quantities and at the proper time,
2. the stocking up and the utilization of synthetic and green fertilizers at the right time,
3. the eradication of pests and plant diseases.

The estimated seed requirements were as follows:

Paddy Centres :	1959/1960	1960/1961	1961/1962
Area under cultivation (ha)	100,000	500,000	3,000,000
Seed requirements (tons)	5,000	25,000	150,000
Mass intensification :			
Area under cultivation (ha)	64,000	1,200,000	2,000,000
Seed requirements (tons)	3,200	60,000	100,000
Total :			
Area under cultivation (ha)	164,000	1,700,000	5,000,000
Seed requirements (tons)	8,200	85,000	250,000

Source : Department of Agriculture.

As for the fertilizers requirements for turning the short-term plan for increasing the rice production into effect, the varieties and quantities needed can be studied from the following table:

Kind of use	1959/1960	1960/1961	1961/1962
Paddy Centres :			
Z.A.	7,500	37,500	225,000
D.S.	2,500	12,500	75,000
Urea			
Total :	<u>10,000</u>	<u>50,000</u>	<u>300,000</u>
Mass intensification :			
Z.A.	22,000	80,000	25,000
D.S.	8,000	34,000	25,000
Urea	300	10,000	25,000
Total :	30,300	124,000	75,000
Grand Total :	<u>40,300</u>	<u>174,000</u>	<u>375,000</u>
Source : Department of Agriculture.			

To enable farmers adequately to utilize the needed fertilizers at the proper prices and at the proper time, the Government adopted the following line of action for the distribution of fertilizers. The fertilizers requirements for the indigenous agriculture—in terms of varieties, quantities, location as well as the time of utilization—were to be submitted by the Regional Service for Indigenous Agriculture, to the Jabatani. As for the fertilization of Paddy-Centre-areas, the Paddy Centres themselves were to contact the Jabatani direct. The importing of the fertilizers will then afterwards be executed by the State enterprises. The channelling of fertilizers to farmer-users in the Paddy-Centre areas would be conducted by the Paddy Centres themselves, while for the distribution would be taken care of by the following organs :

- a. The Paddy Buying Board and the Food Board.
- b. Channelling agencies of the Regional Service for Indigenous Agriculture, such as: the Seed Fund.
- c. Private channelling organizations.
- d. Local cooperatives.

In the fight against pests and paddy diseases—within the framework of the short-term plan—the Government gave out the ruling that in principle the decisions for methods to be adopted in this drive against pests and plant diseases were to be left to the discretion of the regions themselves to act in line with local conditions and requirements. To safeguard an adequate stocking up of pharmaceuticals and implements needed

for this drive against animal plagues and plant diseases, the purchasing and distribution of such chemicals and implements to the various regions would be executed by the Jabatani.

The Government activities in the irrigation field—within the framework of the short-term programme— covered among others the following:

- a. the clearing up of village irrigation systems;
- b. the repair and improvement of impaired irrigation systems.
- c. the extension of the existing irrigation network system.

Because of all above mentioned programmes, it might be assumed that with the carrying out of the mass intensification drives and the setting up of Paddy Centres, the production and consumption of rice would increase with respectively about 9.7 million tons and 9.4 million tons of rice by the end of the 1961/1962 crop year. That would imply that aside from covering the domestic rice needs, the Indonesian rice production was also expected to exceed her consumption by the end of 1962.

Rice

Compared with the foregoing year, the paddy purchases conducted by the B.P.P. (Badan Pembelian Padi = Paddy Purchasing Board) in the year under report showed an improvement. Of the total 1959 purchasing programme for Djawa and South Sumatera amounting to 940,000 tons, about 537,000 tons (58%) could be realized up to the end of 1959 as against about 320,000 tons (35%) out of the buying programme of 900,000 tons for 1958. With the operations being based on purchasing allocations as in the -year previously — viz. 400,000 tons for East Djawa, 200,000 tons for Central Djawa and 300,00 tons for West Djawa—the improvement in paddy in Djawa was as follows:

East Djawa 300,000 tons (77%) as against 182,000 tons (46%)
Central Djawa 105,000 tons (54%) as against 61,000 tons (30%)
West Djawa 110,000 tons (37%) as against 87,000 tons (29%)

During 1959, the activities of the region of South Sumatera in the buying up of paddy resulted in the bringing in of 55% out of its allocation. In this connection, it may be observed that this improvement in the paddy purchases was mainly due to the adoption of a new system in giving advance payments for paddy purchases during the year under report.

Although, if compared with 1958, the paddy purchases showed an improvement, yet the new advance payment system had not yet shown completely satisfactory results for the purchasing of paddy. The factors impeding the purchasing of rice in the regions can be summarized as follows. First, the paddy prices fixed by the Government were not in proportion to the rice prices prevailing in the free market. Secondly, farmers still tended to hoard paddy supplies for selling at higher prices in times of food scarcity. Thirdly, transportation difficulties must be taken into account.

TABLE 45 — BUYING UP OF PADDY DURING 1959

	Planning (tons)	Results as at the end of December 1959	
		tons	as % of planning
West Djawa	300,000	110,000	36.7
Central Djawa	200,000	105,000	52.5
East Djawa	400,000	300,000	75.0
Djawa/Madura	900,000	515,000	54.2
South Sumatera	40,000	22,000	55.0
Total :	940,000	537,000	57.1

Source : Dewan Bahan makanan.

To smooth out the purchasing of paddy, the Government increased the purchasing price of paddy for the crop year 1960/1961 by an average ranging from Rp 35.— to Rp 40.— per quintal for all kinds of paddy in Djawa.

In 1960, the Government drew up a programme in which -- by way of inducement — textiles were provided for, viz. for every half a quintal of paddy 1 1/2 metres of textiles at the officially ruling price. The allocations for paddy purchases for 1960 and the corresponding supplies of textiles were as follows:

Regions :	Paddy purchasing allocations. (In tons)	Supplies of textiles based against ½ quintal of paddy on 1½ metres of textiles
1. West Djawa	300,000	9,000,000
2. Central Djawa	250,000	7,500,000
3. East Djawa	450,000	13,500,000
4. South Sumatera	40,000	1,200,000
	<hr/> 1,040,000	<hr/> 31,200,000

Source : Dewan Bahan makanan.

Based on the reports from the B.R.I. (Bank Rakjat Indonesia), up to the end of December 1959, the Government extended credits for the purchasing of paddy by the B.P.P. of East Djawa, Central Djawa and West Djawa to the respective amounts of: Rp 518.7 million, Rp 173.1 million and Rp 354.0 million as against respectively Rp 470 million, Rp 180 million and Rp 320 million for the foregoing year. For the 1960 paddy purchases totalling about 1 million tons, the Government earmarked an outlay for advance payments to farmers amounting to Rp 1.8 billion.

TABLE 46 — RICE POSITIONS OF J.U.B.M. & B.P.P.*)
(tons of rice)

	1957	1958	1959
Initial stocks	180,000	119,000	163,000
Internally procured	319,000	159,000	269,000
Imports	554,000	921,000 ²⁾	891,000
Sales ³⁾	1,053,000	1,199,000	1,323,000
	934,000	1,036,000	1,158,000
Final stocks	119,000	163,000	165,000
¹⁾ As from 1958 ²⁾ Incl. imports for the armed forces and estates ³⁾ Incl. reduction through storage			

Source : J.U.B.M

As may be seen from table 46, the rice imports effected by the JUBM (Jajasan Urusan Bahan Makanan = Food Foundation) in 1959 reached 891,000 tons as against 921,000 tons for the previous year (—3%). To get a clear picture, a summary of the countries where the rice came from is given below.

<i>Country of origin</i>	<i>Rice Imports</i> (in metric tons)		
	1958	1959 *)	1960 <i>Programme</i>
1. U.S.A. (under the S.A.C. Plan)	38,470	58,788	90,000
2. Brazil	10,001	47,857	—
3. Burma	234,324	400,642	500,000
4. Ceylon	29,456	—	—
5. Hong Kong	69,445	535	—
6. Italy	29,550	—	—
7. Egypt	136,855	2,755	—
8. The Chinese People's Republic	104,976	171,046	—
9. Singapore	49,639	—	—
10. Thailand	107,065	52,151 *)	200,000
11. Russia	53,522	147,298 *)	—
12. Spain	19,816	—	—
13. North Viet Nam	8,861	1,139 *)	20,000
14. South Viet Nam	29,000	8,808 *)	100,000
	920,980	891,019 *)	910,000

Source : J.U.B.M.

*) Provisional figures.

Out of the total of rice originating from domestic purchases and from imports, the JUBM (Food Foundation) sold about 664,000 tons for consumption in Djawa and about 439,000 tons for consumption in regions outside Djawa during the year under review.

With regard to imported rice, during the year under report the JUBM allocated to:

About :

Djawa	469,000 tons
Sumatera	255,000
Kalimantan	86,000
Sulawesi	42,000
Maluku & Irian Barat	27,000
Bali & Nusa Tenggara	11,000

The final rice stocks of the JUBM and the , BPP for 1959 totalled 165,000 tons as against 163,000 tons for the previous year, out of this stock total was recorded in :

	About :
Djawa	122,000 tons
Sumatera	32,000
Kalimantan	6,000
Sulawesi	3,000
Maluku	1,000

For the 1960 domestic rice consumption needs, the Government already worked out a rice importing programme covering about 910,000 tons, to be drawn from the countries as enumerated in the table above.

As regards the development of the rice prices in the domestic free market, the following may be observed. The rice prices in several large cities in Djawa —which, during the final quarter of 1958 generally showed an upsurging tendency—rose further in the beginning of 1959. Afterwards, the rice prices in the large cities of Djawa steadily showed a declining tendency up to the end of the first semester of 1959. In the second quarter of 1959 all large cities in Djawa quoted the following lowest rice prices.

Cities:	Price p/kg	Month recorded
Djakarta	Rp 5.60	June
Bandung	Rp 5.50	June
Semarang	Rp 5.25	May
Surabaya	Rp 4.75	May
Jogjakarta	Rp 4.50	May
Malang	Rp 4.70	May

The rice prices in the largest cities of Djawa showed a reverse trend during the second semester of 1959; steadily increasing up to the end of 1959. The highest rice quotation in Djawa during 1959 was found in Djakarta, i.e. Rp 8.50 per kg. for the months of January and February 1959. As regards the development of the rice prices in the free market outside Djawa the following may be noted. On the whole, the large cities outside Djawa (with the exception of Palembang, Pangkalpinang and Bandjarasin)

TABLE 47 — RICE PRICES
(Rp/kg)

End of	Djawa country side	Djakarta	Surabaya	Palem- bang	Medan	Pontia- nak	Makasar
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 December	5.91	7.80	5.75	9.24	10.15	11.—	6.65
1959 March	5.50	7.34	5.50	10.56	6.74	10.50	6.65
June	4.82	5.60	5.—	10.00	7.25	11.75	4.80
September	5.34	6.20	5.48	10.00	7.25	12.00	4.80
December	6.40	6.50	5.34	11.37	7.25	13.50	5.25

Source : C.B.S.

showed a declining tendency in rice prices during January up to and including May. Afterwards some cities—such as Pontianak and Menado—showed a steadily increasing tendency up to the end of 1959; the other large cities recorded very unstable rice prices up to the end of 1959. The lowest rice price was quoted at Makassar in October 1959, i.e. Rp 4.56 per kg. The highest rice prices outside Djawa during 1959 was recorded at Pontianak in December 1959, viz. Rp 13.50 per kg. and at Pangkalpinang, i.e. Rp 12.95 per kg. These two large cities recorded steadily increasing rice prices during the year under report.

The JUBM rice selling prices to the general public and for injecting into Djawa and outside Djawa during 1959 may be studied from the table below.

J.U.B.M. RICE SELLING PRICES TO THE GENERAL PUBLIC. 1959

D J A W A :	Up to November 1959		November/December 1959	
	Quality U.S.A.	Quality BP/BA/O.J.S.I	Quality U.S.A.	Quality BA/O.J.S.I./BP
Djakarta-Raya	375.—	375.—	420.—	420.—
West Djawa	375.—	375.— *)	420.—	420.—
Central Djawa	350.—	350.—	405.—	405.—
East Djawa	325.—	325.—	390.—	390.—
OUTSIDE DJAWA	Quality U.S.A./B.A.	Quality BURMA/CHINA T.A./B.C.	Quality U.S.A./B.A.	Quality BURMA/CHINA T.A./B.C.
Medan	399.—	369.—	429.—	409.—
Padang	—	371.50	—	411.50

Palembang	—	379.—	444.—	424.—
Pangkalpinang	400.41	370.41	—	410.41
Pontianak	390.—	360.—	427.50—	407.50—
Bandjarmasin	385.—	355.—	415.—	395.—
Balikpapan	406.—	376.—	436.—	416.—
Ambon	400.—	370.—	435.—	415.—

Source : J.U.B.M.

*) For the period 21—8—1959 up to 21—10—1959: Rp 526.50

International rice situation

As may be seen from the table below, based on the F.A.O. preliminary figures, the 1959 world paddy output reached about 265.4 million metric tons, indicating an increase of about 14.9 million metric tons (+ 5.9%) above the foregoing year's production.

World paddy output (thousand metric tons)		
Countries	1958	1959 *)
Europe	1,650	1,640
North & Central America	2,940	3,380
South America	5,150	5,540
Asia	236,600	250,300
Africa	4,000	—
Oceania	160	140
T o t a l	250,500	265,400

*) Provisional figures

Source : F.A.O.

This paddy output increase was mainly due to the rise in production in Central and North America: from about 2.9 million metric tons to about 3.4 million metric tons (+ 17%) in South America: from about 5.1 million metric tons to about 5.5 million metric tons (+ 7.8%) and in Asia from about 23.6 million metric tons to 250.3 million metric tons (+ 5.8%). The rise in the 1959 paddy production in Asia was found in: Pakistan, Cambodia, Burma, Thailand, Japan and Indonesia.

Pakistan — a rice importing country — which in the foregoing year had to contend with a bad crop, showed a significant paddy crop increase in 1959, i.e. from about 12.0 million metric tons to 14.9 million metric tons (+ 24%). This paddy yield increase was in ratio with the expansion in the paddy planting acreage in Pakistan, i.e. from about 9.1 million ha. to about 9.4 million ha. The 1959 paddy production in Cambodia increased by 18%, i.e. from about 1.2 million metric tons to about 1.4 million metric tons. Burma — the main rice exporting country — which in the foregoing year enjoyed a good crop, showed in 1959 a further paddy output rise by 7%, i.e. from about 6.6 million metric tons to about 7.0 million metric tons. The paddy production increase in Burma was in line with the expansion of the paddy planting acreage i.e. from about 4.0 million ha to 4.2 million ha. The same applied to the paddy output of Thailand — the second rice exporting country — which in 1959 enjoyed an increase from about 7.1 million metric tons to about 7.5 million metric tons (+ 5%). Throughout 1959, the paddy planting acreage in Thailand was stepped up from about 5.3 million ha. to about 5.5 million ha. The rice production of Japan — the second rice-importing country in Asia — which in the foregoing year showed an increase in its paddy yield, showed in 1959 a further increase by 4%, i.e. from about 14.9 million metric tons to 15.6 million metric tons. Japan's paddy planting acreage did not show any significant changes in 1959.

The trends in the 1959 international rice trade may be summed up as follows. A number of important rice-exporting countries generally showing decrease in 1958, showed increases in their rice export volumes throughout 1959. Burma — the principal rice exporter — having had to cope with setbacks in its 1958 exports, increased its exports in 1959 by 19%, i.e. from 1,412,000 long tons to 1,680,000 long tons. The Chinese People's Republic, enjoying a fast increase in its rice exports in the foregoing year, in 1959 emerged with a further increase by 7%, i.e. from 700,000 long tons to 700,000 long tons. Vietnam and Pakistan enjoyed increases in their 1959 rice exports by respectively 81% and 16 times, i.e. from 133,000 long tons to 241,000 long tons and from 5,000 long tons to 80,000 long tons. Through the rice export increases of these countries, the overall 1959 Asian rice exports volume increased by 8%, i.e. from 3,823,000 long tons to 4,141,000 long tons. The rice exports of other countries — such as the United States — depicting a significant decrease during the foregoing year, in 1959 showed a fast increase from 585,000 long tons to 686,000 long tons (+ 17%).

In contrast to the rice export situation, the overall Asian rice import volume experienced a setback by 10%, i.e. from 3,556,000 long tons to 3,211,000 long tons. This decline in the overall rice imports was mainly ascribable to the decrease in the 1959 import totals of such importing countries as: Japan, India, Pakistan, while in 1959 the Philippines managed to cover their needs by their domestic output. Japanese 1959 rice imports showed a setback of 44%, i.e. from 506,000 long tons to 281,000 long tons, and was mainly due to the progress made in its 1959 rice output by 4%. The same applies to the rice imports of India and Pakistan. which in 1959 dropped with respectively 31% and 8%, viz. respectively from 427,000 long tons to 293,000 long tons and from 338,000 long tons to 310,000 long tons. The Pakistan rice import decline was also ascribable to improvements in the 1959 rice output by 24%.

Half of the 1959/1960 world rice transactions were effected on a “Government to Government” contract basis. The major part of the “Government to Government” contracts concerned rice of the quality generally quoted at £ 32.0.0. per ton. The 1960 “Government to Government” Contracts amounted to about 2.7 million long tons. From this total, about 1.5 million long tons were exported by Burma to its principal buyers: Indonesia, India and Ceylon.

The Bangkok price of 100% white rice 1st quality, standing at £ 48.1.0 per long ton by the end of 1958, declined to £ 46.8.0 per long ton at the outset of 1959. Thereafter, the Bangkok quality rice quotation consistently increased, reaching its 1959 peak in May with £ 49.5.0 per long ton. As from June 1959, rice prices showed a downward trend again to £ 45.0.0. per long ton at the end of 1959.

Forestry

As a follow-up on the projects in forestry and within the framework of the Forestry Service's 1958-1960 Plan, in 1959 about 50.2 thousand ha of forests—which already turned into bare plots on hill and mountain slopes --were again afforested, among others an area of 40 thousand ha in Djawa/ Madura. As is already known, the forests covering an area of 3 million ha in Djawa/Madura comprised among others 1.9 million ha of productive forests, 830 thousand ha of protective forests and 140 thousand ha of wild animal forests. These expanses of forests already constituted an irreducible mini-

mum, so that the afforestation of bare plots on hill and mountain slopes should be executed with the least possible delay. In this re-afforestation scheme, the main emphasis is placed on the planting of a variety of woods in line with the aims so as to develop forest industry programmes, such as the planting of djarum (conifers) wood, djati (teak) wood, etc.

One of the problems encountered was the difficulty in re-afforestating the bare plots on hills and mountain slopes constituting the property *of the* rural population whose agrarian techniques have already dropped below subsistence level. In this connection, the Forestry Service has enlightened and educated the rural population as to the great dangers being faced to have them agree to transmigrate, but these efforts met With failure because on the average the population was averse to leaving their plots of land even though their yields are very low already.

Overtures *for* foreign credit grants in the forestry field were received, among others, from Western Germany +or the setting up of a research center in Indonesia, while Japan also offered to open up a forestry development project in Kalimantan, under the economic cooperation scheme within the Indonesian Japan War Reparations Agreement.

Live-Stock

On scrutinizing table 48, it will be apparent that in 1959 the total of pigs showed a fair increase (+30%) and the number of horses rose by 3%, but these increases were not in proportion to the setbacks occurring in the other kinds of live-stock, such as goats/sheep, cows and buffaloes which respectively decreased by 12%, 4% and 2%. The over-all quantity of large live-stock decreased from 18,974,000 heads during 1958 to 18,123,000 heads in 1959 or by 4.6%.

Although the number of live-stock decreased, yet the total of live-stock slaughtered increased. According to the figures recorded in slaughter-houses all over Indonesia (743 units) a total of 2,601,410 heads of live-stock were slaughtered in 1959 as against 2,397,761 heads in the previous year, indicating an increase of 8.5% .

Throughout 1959, transportation difficulties, occurring since the K.P.M. left Indonesia, still constituted an impediment toward a smooth interinsular live-stock trade. Because of the lack of shipping space, both live-stock for slaughter and domestic cattle/draft animals were detained in producing regions. In the second half of 1959, a surplus of about 1.5 million heads of live- stock was available in the islands of Nusatenggara. On the other hand, the shortage in live- stock—in particular live-stock for slaughter—made itself very much felt in the regions of Djawa, Sumatera and Kalimantan. All these factors resulted, among others, in the rather substantial disproportion in the prices of meat in these regions, viz. between Rp 30.— per kg. and Rp 45.— in Djawa, and Rp 50.— per kg. to Rp 70.— in Sumatera, while in Nusatenggara the price of meat ranged between Rp 17.50 and Rp 25.— per kg.

TABLE 48 — LIVESTOCK
(‘000 head)

	Cows	Buffaloes	Horses	Goats and sheep	Pigs
1940	4,141	3,003	693	6,948	1,253
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
1958	5,081	2,866	654	8,881	1,492
1959	4,876	2,822	671	7,811	1,943

Source : Veterinary Service

Upgrading measures in the live-stock field were launched energetically. The Grati (Pasuruan) centre already completed her quantity rehabilitation programme and presently the Veterinary Service is working to implement her quality rehabilitation drive by means of:

- a. importing; breeder stock from abroad;
- b. by cross-breeding ordinary milking cows with parent stock;
- c. applying artificial Insemination.

This last method is becoming more and more known in Indonesia. Benefits to be derived from artificial insemination are among others:

1. The import of breeder stock from abroad is not necessary since their sperm suffices.
2. The sperm of a parent stock of + 5 cc. can be mixed with glucose prophan, egg-yolk and antibiotics to a total of 25 cc. For fecundating one female cow 1 cc. would be sufficient.
3. The prevention of diseases resulting from inbreeding, such as the contagious abortion.

Aside from this artificial insemination centre at Grati, there are at present 4 other artificial insemination centres, viz. at Pakong (Madura), Ungaran, Kebumen and in the village of Tjikolok (Bandung).

The mixed live-stock and agricultural undertaking at Tebingpanjang, set up at an outlay of Rp 12 million, is nearing its completion. The first aim will be to introduce 500 milking cows.

In the second half of 1959 the opening of the Institute for Combatting foot and mouth diseases at Waru (Surabaya) was inaugurated. This Institute was set Up at the beginning of 1954 with I.C.A. aid and until its completion absorbed the amount of Rp 40 million. This Institute will undertake researches in foot and mouth diseases and prepare vaccine. According to an agreement, this Institute will also cater to the vaccine need of 4 neighbouring countries, viz. the Philippines, Thailand, Vietnam and Malaya. With the operation of this Institute, the imports of vaccine totalling 86,000 litres to the value of Rp 21.7 million per annum, can be dispensed with; on the other hand, the exports of vaccine to the above-mentioned countries are expected to yield Rp 44.8 million in foreign exchange per year. The importance of said Institute can be understood, considering the fact that a head of cattle contaminated by the foot and mouth diseases will decrease in weight at an average of 40 kgs. In addition to this new institute, there are two other bureaux at Bogor entrusted with the task of combatting 18 kinds of cattle diseases found in Indonesia. During 1959, not less than 11,528 heads of live-stock were afflicted with cattle diseases.

A new live-stock field intensified at this time is the rabbit raising centre in Central Djawa. This region often has to face the danger of famine and is always threatened by hunger oedema, and, since rabbits have a high protein content, it is hoped that through

the consumption of rabbit meat these dangers could be reduced. Nowadays the general public has started to take a liking to rabbit meat, while its price ranges between Rp 15.— and Rp 40.— a head.

As regards fowls, no definite figures are available, but according to an estimate there were about 367,632,000 chickens and a total of about 17,760,000 ducks. Slaughtered chickens and ducks totalled respectively 232,132,000 and 5,920,000 during 1959, while eggs for consumption were estimated at around 1,307 million.

The milk production for the year under review was estimated at around 22,683,000 litres as against 21,713,000 litres in 1958, indicating an increase of 4.5%.

Exports of livestock during this year totalled 36,518 heads or an increase of 6% compared with 1958 (34,586 heads). These exports destined for Singapore, Penang, and, in particular, the trial exports to Hongkong, brought satisfactory results. Exports to said colony were started only this year and consisted of 300 buffaloes, 2,860 cows and 3,200 pigs. This was made possible because the Chinese People's Republic and Thailand restricted their live-stock exports to Hongkong.

Fisheries

Based on incoming provisional figures, during the year under report 740,000 tons of fish was caught as against 685,000 tons in 1958 representing an increase of 8%. Of this total of 740,000 tons, 423,000 tons was the yield from sea fisheries and the balance of 317,000 tons constituted the production of inland fisheries. On studying table 49, it will be clear that the production of sea fisheries, both according to regions and as a whole, did not show much improvement as compared With the foregoing year, while the yield of inland fisheries increased by 20% as against 1958 and almost reached the 1957 catch level. An increase in inland fisheries was manifested in all regions, viz. in Djawa/Madura (+ 8.9%), Sumatera (+ 43.3%), Kalimantan (+ 17.1%) and East Indonesia (+ 66.7%). On the whole, this increase in yield was the result of favourable weather conditions, i.e. the occurrence of rather a long and dry season open waters (Sumatera and Kalimantan) was greatly facilitated. Moreover, during the year under report together with the restoration of security, fish catching could gradually be resumed in the regions outside Djawa, which in the previous year because of the rebellion could not realize

TABLE 49 — PRODUCTION OF FISHERIES
(‘000 tons of fresh fish)

	Sea fisheries				Inland fisheries			
	1941	1957	¹⁾ 1958	²⁾ 1959	1941	1957	1958	²⁾ 1959
Djawa and Madura	...	116	115	115	37	85	90	98
Sumatera	...	120	124	125	24	61	30	43
Kalimantan	...	85	90	91	64	144	129	151
East Indonesia	...	85	92	92	22	31	15	25
Total	315	406	421	423	147	321	264	317
¹⁾ Revised figures ²⁾ Provisional figures								

Sources : Sea Fisheries Service ; Inland Fisheries Service

their yield of fisheries. In Djawa, the increase in production was due to the enlargement of the acreage in ponds, and sawahs (paddy-fields) used for the raising of fish. Particularly in West Djawa great progress was in evidence. Meanwhile, West Djawa suffered a loss of about Rp 1.9 million as a result of the long dry season in 1959, so that the fish could not lay eggs/hatch eggs and the big fish perished.

Transportation difficulties also had their effect on fisheries. As is known, the fish surplus areas are the islands outside Djawa, while the consumption areas—which also constitute the minus areas—are in Djawa.

On the other hand, the need for salt by regions outside Djawa remained very much dependent on the consignments from Madura. These salt transports had to cope with shortages because the existing P.G.S.N.-owned ships could not cover the needs, while owners of other ships remained reluctant since for the shipments of salt special space would be required.

In Kalimantan and Sumatera, the shortage of salt resulted in the fact that not the whole catch of fish could be treated into salted fish so that they had to deteriorate. The salt consumption and the production of salted fish during 1959 amounted to respectively 81,834 tons and 327,096 tons.

Efforts to improve fisheries have been or are being made. In the sea fisheries field, researches were conducted on ikan tongkol (tunny) in Western Sumatera, ikan kembung (mackerel) at Tandjung Pinang, and seed-beds of kerang (shell-fish) in the Bay of Kebola (Alor). Furthermore, experiments were conducted in the following fish-catching methods:

- a. The American method, i.e. the fish-catching method for open seas by using fishing boats (longline-fishing) in the Riau waters.
- b. The Japanese method, i.e. the method for catching fish in coral seas by using nets (muroami-fishing) in the vicinity of the islands Senajan, Buaja and Salengung Pose.
- c. Fish-catching in seas studded with underwater channels or underwater caves (gillnet-fishing) of Pulau Laut (Kalimantan).
- d. Fish-catching according to local methods using throwing-nets in the waters of Riau and the Bay of Djakarta and by means of dragnets, stools and tunnelnets at Pulau Laut.
- e. Fish-catching by means of V-shapped "otter trawl" nets for raking fish at the bottom of the sea, and by means of "mid-water trawl" nets for other catches.

This last method yielded satisfactory results.

In addition, several other sea fisheries projects are in existence, viz.

- a. A fish cannery pilot project at Ambon is nearing its completion, with the exception of the installation of vital equipments ordered from Japan via the I.C.A.
- b. The community fishery project at Kotabaru—aside from the canning department which was completed—will not be ready within the scheduled period (1959) because of various difficulties.
- c. The laboratory at Pedjompongan, near Djakarta, has already been completed.

Within the framework of the 1959 mechanization scheme, the sea Fisheries Service surrendered 18 motor-vessels: to cooperatives (4). persons (2). services/foundations (11) and to others (1).

Private enterprises were given concessions for pearl diving and pearl culture, fish catching in free seas and fish canning. To channel/coordinate these diverse projects, a Bill on Sea Fisheries was forwarded to the Council of Ministers for legalization in the middle of 1959.

As regards inland fisheries, researches were conducted in the cultivating techniques in experimental ponds, researches on udangwatang (shrimp genus) in ponds, experiments with cassava leaves as fish-food for the gurame fish, and dedak (bran) as fish-food for goldfish. In the technological field, experiments were made in the salting of gabus into petis (a kind of jelly serving as a condiment) and flour, while investigations were made in the yarn offered by Japan within the framework of the War Reparations.

In Kalimantan, the lakes closed down in the past were again opened up for fish cultivation, among others the lakes Gab, Bahade, Dindjong, Ngajan, Mesanget and Mensalui. The three lakes which all this time served as the fish source for East Kalimantan are the lakes Djempang, Semajang and Melintang.

Based on the figures from the Central Bureau of Statistics, fish and fish product imports declined, i.e. from 17,468 tons in 1958 to 16,132 tons in 1959 or a decrease of 7.6%. On the other hand, imports of dried/salted fish— 1959 figures are not yet available—up to and including September totalled 12,843 tons as against 10,964 tons in the corresponding period of 1958, indicating an increase of 17.1%.

The fish trade—both fresh fish and dried/salted fish—which all this time was controlled by foreigners, has now been transferred into Indonesian hands, while fish prices remained high because prices of fishing tackle and the cost of living for fishermen remained high.

At the beginning of 1960, the opening of the fish canning works “Munchar” in East Djawa, utilizing modern machineries with a capacity of up to 1,500 tins a day, was officiated.

Agricultural export commodities

Rubber

According to the figures published by the International Rubber Study Group, world production of natural and synthetic rubber amounted to 3,698,000 long tons in 1959, signifying an increase of 497,000 long tons or 16% if compared with production in the foregoing year. Consumption increased by 13%, namely from 3,228,000 long tons in

1958 to 3,678,000 long tons in the year under report, all of which is evident from tables 50 and 51.

The increase in world production of rubber occurred both in natural and in synthetic rubber, with the greatest increase recorded for the latter. The increase in world production of natural rubber was principally attributable to the production rise in Indonesia — by a portion of about 50 % of the over-all increase in production of natural rubber—while the increase in world production of synthetic rubber mainly originated from the United States. It may be added that the increase in the Indonesian production was concluded from the rise in the export figures, indicating an increase in the production of smallholders rubber.

TABLE 50 — WORLD PRODUCTION AND CONSUMPTION OF SYNTHETIC RUBBER
(⁰⁰⁰ long tons)

Production	1957	1958	1959	Consumption	1957	1958	1959
United States	1,118	1,055 ¹⁾	1,380	United States	926	880 ¹⁾	1,071
Canada	132	135	101	United Kingdom	57	63	79
West Germany	12	23	48	France	50	55	66
Other countries	1 ¹⁾	30	104	Canada	48	47	57
				West Germany	47	54	69
				Other countries	130	149	216
World total	1,263 ¹⁾	1,243 ¹⁾	1,633	World total ²⁾	1,258	1,248 ¹⁾	1,558
¹⁾ Revised figures ²⁾ Exclusive of Russia							

Source : Rubber Statistical Bulletin

In the production of synthetic rubber, the United States recorded an increase of 325,000 long tons or 83% of the over-all world production increase in synthetic rubber. It may be added, that although efforts towards increasing the synthetic rubber yield grew more evident in various countries of Western Europe (Western Germany, England, France and the Netherlands), Czechoslovakia, Poland, Rumania, Soviet Union and Asia (India, Japan, Chinese People's Republic), yet the United States constituted the largest synthetic rubber producing country with a portion of 84.5%, of the world synthetic-rubber production in 1959, as against 84.9% in 1959 Whereas production in synthetic rubber producing countries on the whole increased during 1959, Canada showed

a reverse development; in this country production declined, namely from 135,000 long tons in 1958 to 101,000 long tons in 1959.

The increase in world consumption of rubber was evident both in natural rubber and in synthetic rubber by the largest increase in the latter-mentioned variety, while this increase in the consumption of both varieties of rubber was mainly attributable to the consumption increase in the United States.

Of the increase in world consumption of natural rubber amounting to 130,000 long tons, the United States participated for 54%, while its part in the increase in the world consumption of synthetic rubber totalling 320,000 long tons was 60%.

TABLE 51 — WORLD PRODUCTION AND CONSUMPTION OF NATURAL RUBBER
(‘000 long tons)

Production	1957	1958	1959	Consumption	1957	1958	1959
Indonesia	685	668 ²⁾	721	United States	539	485	555
Malaya	638	664	698	United Kingdom	182	175	181
Ceylon	98	100	92	France	135	137	133
Vietnam and Cambodia	100	104 ²⁾	108	Russia ¹⁾	78	209	232
Other countries	382	422 ²⁾	446	Other countries	956 ²⁾	974 ²⁾	1,004
World total	1,903	1,958 ²⁾	2,065	World total	1,890 ²⁾	1,980 ²⁾	2,105
¹⁾ Net imports directly procured from producing countries ²⁾ Revised figures.							

Source : Rubber Statistical Bulletin

The increase in world consumption of rubber — the greatest part of which, as explained above, was attributable to the consumption increase in the United States— found its main cause in its economic recovery taking place since the 2nd semester of 1958 (with the termination of the recession) and which continued throughout 1959. This was among others, reflected in the greatly increased demand for rubber for stock-piling purposes, for the expansion of the motorcar production, and for other reconstructional projects.

Based on the figures and analysis on the world production and consumption of rubber given above (see also tables 50 and 51), it may be added that the role played by natural rubber in world production as well as in world consumption underwent a significant change in 1959, if compared with 1958. Its portion in the world production figure of rubber dropped from 61% in 1958 to 56 % in 1959, while in world consumption, its part declined from 61% to 57%. In this connection, it might be worthwhile to consider the future of natural rubber, as already touched upon in the report for the year 1958-1959.

The expansions and plans for the production of synthetic rubber in several countries in 1959 (particularly in the United States) and the consumption increase of this material in said countries (principally the United States, which is incidentally the greatest natural rubber importing country) may be considered indicative of the fact that the part to be played by synthetic rubber will keep growing in the future. The background of the efforts of the countries concerned in enlarging their productivity and consumption of synthetic rubber revolved for a major part around political motives so as not to be too dependent on the imports of natural rubber in the future, particularly in times of war. It is clear that these endeavours to become self supporting are greatly promoted by the growing potency and rapid technological progress, assisted by research work in the countries concerned, all of which appears to raise expectations for a still more marked progress in the field of synthetic rubber manufacture in the future.

Up to what extent synthetic rubber in the future will crowd out the position of natural rubber will, of course, for a major part depend on how far these technological progress and research activities will yield that variety of synthetic rubber incorporating all the characteristics of natural rubber and attendant manufacturing costs equal to the production costs of natural rubber. That this does not at all constitute an impossibility can, for instance, be proved by the manufacture of such synthetic rubber varieties as "Coral" (developed by "Firestone"), "Ameripol S.N." (developed by "Goodrich"), while other kinds of synthetic rubber made from polysoprenes, for instance, by "Shell Chemical", "U.S. Rubber" and "Philips" proved to incorporate such natural rubber qualities as wear and heat resistance, both characteristics highly desirable for the manufacture of heavy truck tires, tires for agricultural implements, and tires for planes.

As regards the production cost factor, it might for the time being be said that the manufacturing costs of synthetic rubber will always remain higher than those for natu-

ral rubber; but just now hopes are high that in the long run—because of the rapid technological progress and the growing intensive research activities—it will become more and more possible to have all increase in production volume and to raise the efficiency in the manufacture of synthetic rubber, which in final instance will press down manufacturing costs so that they can equal, if not be lower than the production costs of natural rubber; all in all, of course, resulting in a more and more difficult position for natural rubber in days to come.

On the other hand, as regards the prognosis On the position of natural rubber, there are opinions that are not too pessimistic; the considerations put forth revolved among others around the lower costs in the case of a physical production, longer exploitation periods, higher profits in the production of natural rubber if compared with the production of synthetic rubber, which is more based on the use of technological science necessitating a greater outlay. Moreover, there is the increased standard of living causing an increase in the need for goods utilizing rubber (assuming that the technological level will not undergo a marked change) and the as yet inadequate synthetic rubber production volume to cover this increase in demand, so that there are reasons for saying that the position of natural rubber—for some years to come at least—is not as dark as it is at this moment depicted by certain prognosticators. However, it seems to us that due attention should be paid to such factors as technological progress and intensification of research activities — which have been mentioned time and again—as well as to the current symptoms pointing to an increase of both the production and consumption of synthetic rubber in many countries, which all in all will in years to come render the position of natural rubber precarious. As has already been touched upon in the report for the year 1958-1959, it is exactly the production costs, the quality and the price that form the strategic considerations in strengthening the position of natural rubber against the competition of synthetic rubber.

It is to be hoped that efforts towards increasing the efficiency in replanting with high-grade seedlings, and that both operational and economic commercial research work will be taken in hand with more despatch in natural rubber-producing countries; all in all increasing the possibility for pressing down production costs, increasing the production volume, increasing the quality, and preventing price increases. It is to be understood that all these factors are important for strengthening the position of natural rubber against the competition from synthetic rubber in days to come or at least for complementing

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 $\frac{22}{32}$	24.23	67.44	135.2
1954	5.99	1 7 $\frac{13}{16}$	23.64	67.30	110.9
1955	11.31	2 8 $\frac{7}{8}$	39.14	114.16	128.2
1956	9.12	2 4 $\frac{1}{16}$	34.17	96.76	144.7
1957	11.50	2 1 $\frac{29}{32}$	31.15	88.75	115.7
1958	18.87	1 11 $\frac{13}{32}$	28.07	80.25	93.5
1959 ¹⁾ 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
April	24.35	2 3 $\frac{5}{8}$	33.62	94.90	119.8
May	25.95	2 5 $\frac{13}{16}$	36.52	103.74	131.8
June	27.50	2 4 $\frac{1}{16}$	34.39	96.18	121.2
July	30.—	2 4 $\frac{19}{32}$	35.18	98.08	123.5
August	32.75	2 7 $\frac{1}{32}$	38.42	107.57	137.8
September	30.50	2 6 $\frac{7}{16}$	40.21	105.40	129.2
October	30.75	2 6 $\frac{21}{32}$	41.66	104.92	125.7
November	45.50	3 0 $\frac{1}{4}$	45.03	127.08	154.4
December	55.25	2 9 $\frac{15}{16}$	41.52	117.07	135.6
¹⁾ At beginning of period. ²⁾ Spot.					

Sources: Rubber Statistical Bulletin ; Daily Market Service

each other in meeting the world needs for rubber. As an illustration of the above-mentioned activities for strengthening the position *of* natural rubber—which should be taken as an example by our country—should be mentioned the projects undertaken by Malaya for placing her natural rubber industries in a competitive position to synthetic rubber, among others, by:

- the setting up of a rubber secretariat in Malaya
- the establishment of a consulting service for rubber goods-manufacturers
- establishing an operational research team with the main task of decreasing production costs and increasing the production volume, and by
- replanting schemes which are more and more vigorously taken up by the a-fore-mentioned country.

The rising curve in the rubber price structure in the world market -noticeable since the beginning of the 2nd semester of 1958 (with the termination of the recession in the United States and in Western Europe) —appeared to continue during the period of this report.

World market quotations on the whole continuously increased during the first months of 1959, broke off in June, to rise consistently towards the end of the year and to drop off in the month of December 1959. By way of example, according to the quotations of the New York market, the price of R.S.S. I rubber increased from US \$ cent 30.28 in the beginning of 1959 to US \$ cent 34.39 in June, rose consistently and reached the highest quotation for the year, namely US \$ cent 45.03 in November; in conformity with the custom in the rubber trade activities—which as a rule decline towards the end of the year—the price again dropped to US \$ cent 41.52 in December 1959. The rising trend of natural rubber prices mentioned above was attributable to a surplus demand for natural rubber over the 1959 production.

Demand for natural rubber appeared to increase in 1959 which was mainly ascribable to the recovery of the economy and the increased briskness of trade. This was reflected in the natural rubber consumption, which increased in the United States and which was principally utilized in the expansion of the motorcar industry and tire consumption, and in the large-scale purchases by the Soviet Union and the Chinese People's Republic in the South East Asian markets which were still continuing during the year under report.

By way of illustration, as regards tires, it may be stated that their sale (of all kinds) during the year under review was estimated to total 114 million pieces, while the 1958 production reached the total of about 104 million pieces. As regards the motorcar industry, it may be added that during the year under review, the manufacture of new motorcars in the United States reached the total of 5.6 million units. In this total was not yet included the production of trucks in the United States which was estimated to have increased by 26%, namely from 871,000 units in 1958 to 1,100,000 units in 1959. It may be noted that the revolution in the thinking of the motorcar works magnates at the Big Three (namely regarding the manufacture of compact cars, hence abandoning the traditional manufacturing policy of confining themselves to the production of big cars as was mentioned in the report for the year 1958-1959) proved to have reached its concretization in 1959.

On the other hand, while it should be admitted that natural rubber production increased during the year under review, yet this increase was far from adequate to cover the demand increase for this rubber variety; all in all resulting in an excess of demand over supply from productions as explained above, which in turn pushed prices up to higher ceilings during the year under report.

As regards the development of R.S.S.I. rubber in Djakarta, it may be mentioned that quotations increased consistently throughout 1959, namely from Rp 23.14 at the beginning of 1959 to Rp 53.88 per kg. at the end of the year. This price increase in the local market was among others attributable to the fact that the New-Style P.P.N. ceased dumping its rubber into the local market, so that supply for the greater part depended on the rubber production of private estates which proved to be still very much limited if compared to the demands of rubber merchants who needed to cover their time deliveries already contracted. The price increase in the local market, not accompanied by a proportionate price increase abroad, caused a mounting price disparity, which, if left untended might paralyze activities of private rubber exporters. As is known, price disparity is chronically symptomatic in the Indonesian rubber trade; compare, for instance, the New York and Djakarta quotations for January 1959, respectively amounting to US \$ cent 30.28/lb and Rp 23.14,/ kg (consult table 52). Based on a rough calculation according to the official, prevailing rate of exchange, the abovementioned quotations (without reductions for P.B.E. and PUEKS of 20 % each) resulted in a price disparity of Rp 2.07 or about 9% as expressed in the local price. Afterwards this disparity increased further to 24 % in December 1959, namely with a quotation of Rp 53.88/kg in Djakarta and US \$ cent 41.52/lb in the New York market.

TABLE 53 - PRODUCTION AND EXPORTS OF ESTATE RUBBER
(net tons)

	Production	Export
1938	175,066	156,758
1954	288,188*)	244,280
1955	266,588*)	237,308
1956	265,994	234,443
1957	258,494	239,115
1958	244,113*)	206,496
1959	225,736	214,742
*) Revised figures.		

Source : C.B.S.

As is evident from table 53, the setback in the production of estate rubber as encountered in the foregoing year appeared to be continuing in the year under report; the production for this year decreased by about 18,377 tons net or 8 % as against the 6% decline of 1958. The production increase—becoming noticeable in the final quarter of 1958 —(after gradually adjusting the productivity in the nationalized estates—see the report for the year 1958-1959) appeared to be impossible to maintain during the year under review.

Production decreased in the first quarter of 1959, and—after showing a fluctuating development in the second and third quarters—began to show an improvement in the final quarter, but at the year's end the production figure was still below the production level of the beginning of the year. According to the figures obtained from the Central Bureau for Statistics, on the other hand, exports of estate rubber increased by 4% during the year under report, while revenues also increased as a result of the increase in the world market prices —see the explanation above—namely by 32%.

As regards the countries of destination for the exports of estate rubber it may be mentioned that in 1959 the United States remained the leading buyer with 76,288 tons net as against 67,896 tons net in 1958. Other important buyers were the Chinese People's Republic (51,730 tons net), the United Kingdom (25,402 tons net), Western Germany (18,082 tons net) and Russia (17,197 tons net) as against respectively 34,259, 29,288, 26,730 and 16,561 tons net in 1958. It appears from these totals that exports of estate rubber to the United States, the Chinese People's Republic and Russia increased during the year under report, while exports to the United Kingdom and Western Germany decreased; it should be added that during 1959, Indonesia did not export any rubber at all to the Netherlands; in fact, the suspension of all exports (hence not only of rubber) to this country continued since the end of 1957 within the framework of the West Irian campaign. Of the over-all 1959 exports of small holders rubber, a total of 196,720 tons (consisting for the greater part of smallholders blankets and barkcrepe, namely, 125,664 tons net) was consigned to the United Kingdom (1958: 71,248 tons); Singapore followed with a total of 140,345 tons (1958: 147,930 tons), while the United States and the Chinese People's Republic took third and fourth place, respectively with 79,990 tons (1958- 74,225 tons) and 29,889 tons (1958: 45,993 tons).

Exports of smallholders and estate rubber to Belgium and Luxemburg which in 1958 totalled 4,412 tons (consisting for the greater part of estate rubber) —declined to 3,890 tons in 1959 (estate rubber: 3,101 tons, smallholders rubber: 789 tons), while exports of rubber to Brazil — which in 1958 consisted only of smallholders rubber total-ling 86 tons—did not occur at all during the year under report.

TABLE 54 — EXPORTS OF SMALLHOLDERS' RUBBER FROM THE PRINCIPAL PRODUCTION AREAS
(tons of dry rubber)

	1938	1956	1957	1958	1959
West Kalimantan	30,354	74,168	84,853	82,523	74,671
South and East Kalimantan	27,390	52,664	62,698	61,275	66,954
Palembang	23,964	77,645	59,247	51,767	96,496
East Sumatera	20,280	53,705	52,881	54,731	64,863
Djambi	22,206	56,283	43,876	35,237	55,791
Tapanuli	4,044	9,254	8,248	5,823	10,366
Lampung	5	28,794	29,306	22,216	35,784
Other areas	18,353	60,833	66,047	55,419	69,703
Total reported exports	146,596	413,346	407,156	368,991	474,628

Source : C.B.S.

A survey of exports of smallholders rubber from the principal producing areas is given in table 54; from this table can be seen that in 1959 Palembang was the major smallholders rubber exporting area, namely with a total of about 96,496 tons, indicating a rapid increase as against the foregoing year, during which period exports reached only 51,767 tons. With the exception of West Kalimantan which suffered a setback—i.e. from 82,523 tons to 74,671 tons— exports of smallholders rubber from other producing centers generally showed an improvement during the period under report with the biggest percentage increase for the Palembang production area, namely 86%. Setbacks in smallholders rubber exports encountered these past few years and which were mainly attributable to the overaging of the trees, showed improvements in the year under report, namely with a total production which increased from about 368,991 tons in 1958 to 474,628 tons in the year under review, or an increase of about 29%.

Regarding the endeavours in attaining a greater production of rubber—as touched upon in the report for 1958-1959—activities for replanting and new-planting appeared

not to have run according to schedule. For example, in East Kalimantan the total on replantings covered only 423,320 trees on a projected area of about 850 ha.

In the Palembang production area new plantings with high-grade seedlings were conducted by smallholders under the guidance of officials from the Smallholders Rubber Service. Of the programmes for the renewal and the replanting of rubber fields over 6,000 ha and for the expansion of the pilot estate of 190 ha in South Sumatera only respectively 3,420 ha and 15 ha were realized, while credit grantings in this production area were already started on a selective and efficiency basis. Aside from setting up some experimental fields in the West Djawa region, a Centre Field for Smallholders Rubber Research with an expanse of about 41 ha and covering a programme for 30 years will be established in the Bogor area. In addition, within the framework of generally improving the production of rubber, an exchange of information/findings on the rejuvenation of rubber plantings was also initiated between Indonesia, and Malaya. Considering the vast expanses of areas yet uncultivated in Indonesia, future newplantings should be undertaken more intensively; for instance, in East Kalimantan may be expected an increase in newplantings of at least 4,000 ha per year. It would also be worthwhile to investigate whether the rejuvenation programme for smallholders rubber plantings (which over-all covered not less than 260,300 ha within 10 years) could not be conducted mechanically and coordinated with the agricultural mechanization scheme for dry fields which was already launched for increasing the food yield.

Also whether for the afore-mentioned programme it would not be possible, for instance, to use dry fields for the planting of paddy or other foodcrops by way of "rotation crops".

It is up to us to do our utmost to retain our position as the biggest natural rubber producer in the world. It should be admitted that of late the abovementioned position started showing signs of slipping into the hands of Malaya. With a steadily increasing production volume and replanting and research schemes that are continuously taken in hand with vigour and drive. At the end of 1959, for instance' this country was expected to have effected its replanting programme covering an area of 1 million acres, while in addition *it* was already planned to open up forests over an expanse of 1 million acres for turning them into rubber estates (1 acre = 0.40463 ha) coincident with a consulting and aid campaign which proved to be widely acclaimed by rubber tree growers.

Progress was also achieved in the research field, as witness the treatment of old trees with hormones. The increasing use of chemicals, the intensification of a selective growing method with the aim of developing a rubber tree genus able to withstand disease, vigorous, and having a high latex yield, and the adoption of new and more perfect methods for tapping, clearly demonstrated the possibility of a considerable increase in productivity; for instance, in the next five years production is estimated to reach 900,000 tons of rubber annually as against the aggregate yield in the past years (since 1954) revolving around 650,000 tons (the Indonesian rubber yield in the years since 1950 was around 700,000 tons).

Exports of smallholders rubber specified as to qualities are given in table 55; it will be apparent from this table that its composition underwent some changes. While, both in volume (45.1%) and in yield (48.6%), exports of "sheets" took the greatest part in the over-all exports of smallholders rubber for 1958, during the year under report this role was transferred to "blankets and barkcrepe". The latter-mentioned rubber variety participated with 48.7% and 48.4 % (1958: 43.8% and 41.5 %) respectively in volume and revenues of the over-all exports of smallholders rubber. Exports of this quality recorded an increase of 69,365 tons to 230,994 tons during the year under review, with the greatest export increase to the United Kingdom, namely, from 47,659 tons in 1958 to 125,664 tons during the year under report, or an increase of 73.8% of the over-all increase in the exports of smallholders rubber.

TABLE 55 — EXPORTS OF SMALLHOLDERS' RUBBER
ACCORDING TO QUALITIES
(dry rubber)

	Volume (tons)				Value (Rp '000)			
	1958	%	1959	%	1958	%	1959*)	%
Sheets	166,410	45.1	194,281	40.9	848,358	48.6	1,346,820	43.0
Blankets and barkcrepe	161,629	43.8	230,994	48.7	724,141	41.5	1,513,968	48.4
Scraps	4,781	1.3	9,083	1.9	19,595	1.2	54,146	1.7
Slabs	36,172	9.8	40,270	8.5	152,107	8.7	215,371	6.9
	368,992	100	474,628	100	1,744,201	100	3,130,305	100
*) US \$ 1 = Rp 11.40								

Source : C.B.S.

Copra

Sales of copra by the I.K.K.I. (Induk Koperasi Kopra Indonesia—Central Copra Co- operative) reached a total of 105.3 thousand tons during 1959 as contrasted to 102.6 thousand tons in 1958. Despite the slight improvement (+ 2.7 thousand tons), this total was still far below the pre-1957 figures. This can be understood since the region where the I.K.K.I operates does not yet cover the whole of Indonesia as was the case with the Jajasan Kopra (Copra Institute) formerly. In this connection, the I.K.K.I. could only serve the needs of domestic coconut oil factories.

The success of the I.K.K.I. as a new sole distributor of copra can be seen in the improvement in the sales of copra originating from “Other regions” (principally Djawa and South Sumatera) which kept rising and topped the figures prevailing under the Jajasan Kopra. From table 56, it can be seen that within only three years, the copra sales from “Other regions” increased five-fold, i.e. from 13.6 thousand tons in 1956 (when the Copra Institute was still in operation) to 66.3 thousand tons for 1959.

The decline in the copra sales from West Kalimantan, i.e. from 43.7 thousand tons in 1958 to 37.5 thousand tons in 1959 was mainly caused by financing and transport difficulties, while in East Indonesia, the I.K.K.I. has not yet been able to play the role she was expected to. There, aside from the usual problems as met with in other regions, the security factor also made itself felt. The total of copra co-operatives amounted to 42 central co-operatives and 914 primary co-operatives in 1959 as against 32 central co-operatives and 779 primary co-operatives for 1958. If compared with the situation

TABLE 56 — SALES OF COPRA BY I.K.K.I.
(‘000 net tons)

	East Indonesia	West Kalimantan	Other areas	Total
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
1959	1.5	37.5	66.3	105.3

Sources : Jajasan Kopra,
Induk Koperasi Kopra Indonesia (since July 1957)

prevailing at the beginning of the establishment of the I.K.K.I. in the middle of 1957— with 19 central co-operatives and 252 primary co-operatives— within 2 1/2 years the number of central co-operatives increased by more than 100%, while primary co- operatives showed a gain of more than 270%.

The export of copra rose with 16,380 tons or 13.7% in 1959 as compared with 1958, i.e. from 116,925 tons to 133,305 tons. This total in essence, constitutes only 50% of the pre-1957 export level. Copra export proceeds increased by Rp 109.2 million or 58.3%, i.e. from Rp 187.2 million to Rp 296.4 million. The gain in export returns, which was higher than the volume increase, was among others due to the fact that the average copra world price during 1959 was higher than in the preceding year.

The average London c.i.f. European ports quotation for Straits copra, in 1958, was £ 72.0.0 per long ton, whereas 1959 recorded £ 91.0.0 per long ton. The upturn in the price structure was caused by the decline in world market offerings as a result of catastrophes in the Philippines of late years and also by the prohibition of copra exports from Indonesia in the second quarter of 1959. At the beginning of January 1959, £ 88.10.0 per long ton was quoted, which further reached a peak of £ 100.0.0 per long ton by the middle of May. By the end of December, the price dropped to £ 89.0.0 per long ton.

Exports to Singapore decreased by more than 50%. (44,431 tons), from 84,196 tons during 1958 to 39,764 tons in 1959.

TABLE 57 — EXPORTS OF COCONUT PRODUCTS
(net tons)

	Copra	Copra cakes	Coconut oil
1938	554,481	91,861	20,020
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	—
1959	131,230	117,564	—

Source : C.B.S.

Notwithstanding, Singapore remained the first-ranking copra export destination, while Penang (20,415 tons) and Western Germany (14,562 tons) were second and third copra-importing countries. Notable were the imports of Western Germany which increased thirteen-fold, i.e. from 973 tons during 1958 to 14,562 tons in 1959.

Exports of copra cakes in the year under review also showed a slight improvement (4,282 tons or 3.4%) if compared with exports in the previous year. Proceeds also increased by Rp 15.1 million or 28.8%, i.e. from Rp 51.5 million to Rp 66.6 million. As in 1959, England with an import of 60,269 tons, Western Germany (46,944 tons) and Belgium and Luxemburg (5,856 tons) still constituted the major copra cakes importing countries, who respectively took first, second and third place as copra cakes importing countries. These three countries absorbed 96%, of the total exports of copra cakes.

Exports of coconut oil could still not be realized, because coconut oil production could not yet cover domestic needs.

Palm Oil

In 1959, the production of palm oil and palm kernels declined, respectively by 10,000 tons (7%) and 2,000 tons (6 %) as compared with the previous year's production. The average monthly yield for 1959 was 11,500 tons for palm oil and 2,800 tons for palm kernels as contrasted to respectively 12,300 tons and 2,900 tons for 1958. This decline in production was caused by disturbances of law and order in North Sumatera, while the greater part of the trees were too old to produce much.

The export of palm oil for the period under review decreased by 27 % (28,000 tons), i.e. 103,700 tons as against 131,600 tons for the year before. The export of palm kernels likewise underwent a decrease from 35,500 tons to 32,600 tons, signifying a drop of 8 %.

The prices of both products in the world market were on the average higher than the 1958 levels. The quotation for palm oil, which at the beginning of the year was B frs 10,900 per metr. ton, rose to reach its peak (B frs 13,300 per metric ton) by the end of May. From then on, the price went down, but did not go lower than B. frs 11,800 per

metric ton. The price structure for palm kernels during 1959 also showed an improvement. At the beginning of the year a quotation of £ 64.10.0 was reached, which kept increasing as far as £ 75.10.0 per long ton by the end of May. From then on, a downward trend was evident until a low of £ 69.15.0 per long ton was reached by the end of December, but this price was still higher than the level prevailing at the beginning of January 1959.

Although world market prices of both products showed an increase, export returns, however, showed a different picture.

TABLE 58 — PRODUCTION AND EXPORTS OF PALM OIL AND PALM KERNELS
(net tons)

	P r o d u c t i o n		E x p o r t s	
	Palm oil	Palm kernels	Palm oil	Palm kernels
1938	226,668	48,036	220,752	47,439
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
1959	137,481	33,164	103,694 *)	32,649 *)
*) Provisional figures				

Source : C.B.S.

Because there was a great decline in the export quantity (27 %), the export yield of palm oil went down by 11 %, i.e. Rp 220.4 million as against Rp 270.7 million for 1958. The position with the export yield of palm kernels was different. Even though palm kernels exports diminished, still the increase in the world market price could materialize an improvement in returns as much as 11%, i.e. from Rp 43.4 million to Rp 54.2 million.

Principal export destination countries for palm oil were Western Germany (20,702 tons), Belgium and Luxemburg (1 8,224 tons), Japan (17,045 tons) and the Netherlands (23,078 ton). Although exports to the Netherlands decreased by 66.7%, this country still constituted the first- ranking export destination. Western Germany and Belgium and

Luxemburg respectively took second and third place, with an increase in imports of 10,568 tons (106 %) and 6,323 tons (53%) as compared with 1958. Just as was the case with the year before, Japan still took fourth place as a palm oil export destination, even though exports to that country rose with 8.464 tons or 98.8% as compared with the foregoing year.

Fibres

In the year 1959, the output as well as exports of *hard fibres* suffered setbacks of respectively 4,856 tons (17%) and 8.052 tons (29.6%) as compared with the foregoing year.

All through the year under report, world market prices of hard fibres showed an upward trend. Whereas B.E.A. sisal averaged £ 72.11.8 per ton during the previous year, in 1959 it averaged £ 90.9.1. per ton. The quotation of B.E.A. sisal indicated a price level of £ 79.0.0. per ton at the beginning of the year, and steadily rose to £ 100.0.0. per ton at the middle of the year. By the end of December, a price of £ 95.0.0. per ton was recorded.

TABLE 59 — PRODUCTION AND EXPORTS OF
HARD FIBRES
(net tons)

	Production	Exports
1938	95,000 ¹⁾	90,079
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
1959	22,496	19,370 ³⁾
¹⁾ Partly estimated since the majority of the estates did not report ²⁾ Revised figure ³⁾ Provisional figure		

Source : C.B.S.

Export proceeds on hard fibres for this year declined by Rp 7.0 million (17%), i.e. from Rp 42.7 million for 1958 to Rp 35.7 million for 1959. This was among others caused by the above- mentioned drop in export volume to the tune of 29.6%.

Australia, as the first export destination country for the year under review, showed a drop in imports by 10.2%, when compared with 1958. The same applied to exports to the United States which decreased by 29 % . whereas Japan, which formed the principal export destination country the year before, only imported a total of 3,233 tons as contrasted to 7,323 tons for 1958. Worthy of note was the emergence of the European part of Russia as a new fibre importing country with an import take totalling 1,034 tons.

The cultivation of rami in Central Djawa received great attention from the part of the Government, since this was included in the programme for enlarging the production of clothing and the drive on saving on foreign ex-change expenditures. In the Kedu region, the planting of rami covering all area of 400 ha was planned, and the Dana Pembangunan Territorium IV (Territorium IV Reconstruction Funds) set aside an outlay of Rp 7 million. It is hoped that within five years *at the latest*. Central Djawa will be running its own rami factory. For the time being, the Central Djawa rami fibre yield is being machine-cleaned at Pematang Siantar.

From table 60 it can be seen that *capoc* exports rose with 603 tons (23 %) during 1959, while proceeds dropped with Rp 0.7 million, hence fetching Rp 11.8 million. This was principally caused by the world market price drop resulting from the competitive price policy launched by Thailand. Just as was the case in the preceding years. the principal Indonesian capoc-buying countries were the United States (with an import total of 1,861 (tons) Belgium and Luxemburg (398 tons) and New Zealand (250 tons) respectively assuming second and third place as export destination countries. Notable was that Western Germany imported only 75 tons as contrasted to 325.4 tons of the year before.

In the year 1959, the export of kapok seeds decreased by 791 tons, whereas returns increased by Rp 0.6 million i.e. from Rp 10.7 million to Rp 11.3 million. Japan was the only Indonesian kapok seed importing country with a take of 15,864 tons.

Aside from the distribution of selected capoc seedlings and contests in the planting of capoc sponsored by the Djawatan Pertanian Rakjat (Service for Indigenous Agri-

TABLE 60 — EXPORTS OF CAPOC PRODUCTS
(net tons)

	Capoc	Capoc seeds
1938	15,445	7,123
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
1959	3,262	15,864

Source : C.B.S.

culture) to improve and enlarge the production, the N.V. Kapok also took special pains in fetching the best price possible in the foreign market. The methods adopted were along the lines of:

1. increasing the quality and intensifying the terms and conditions for exports of dry capoc, giving courses in capoc treatment, and providing for the training of capoc cadres;
2. finding ways and means in the operation of a single-seller-system while cooperating with the biggest Asian capoc producers.

Cinchona

Both the production as well as the export of cinchona bark in the year of 1959 suffered setbacks of respectively 279 tons (7.9%) and 1,472 tons (36.6%) as compared with the foregoing year. Virtually all the cinchona bark exports went to Belgium and Luxemburg, i.e. 2,575 tons of the total export volume aggregating 2,583 tons.

Exports of quinine rose by 42 tons (420%), hence reaching a total of 52 tons for 1959 while returns increased by Rp 2 million (200%) reaching a total of Rp 3 million. The most important quinine importing country was the Chinese People's Republic with an import total of 30 tons or 60% of the aggregate on quinine exported.

TABLE 61 — PRODUCTION AND EXPORTS OF CINCHONA PRODUCTS
(net tons)

	Production (dry bark)	E x p o r t s	
		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
1959	3,639	2,583	52

Source : C.B.S.

Forestry products

Wood felling for industry firewood, and charcoal in its entirety — computed into roundwood equivalents — in 1959 increased by about 87,000 m³ i.e. from 3,716,000 m³ in 1959 to about 3,803,000 m. Notwithstanding this, the 1959 production was still below the 1957 yield level.

On studying the production aggregates according to wood varieties and regions of production, it becomes evident that the increase in the yield of wood for industry was found in all islands, with the exception of Sumatera and Sulawesi.

TABLE 62 — TIMBER FELLING IN VARIOUS AREAS
(‘000 m³, rough timber equivalent)

	Djawa and Madura	Sumatera	Kalimantan	East Indonesia	Total
1939	1,810	1,570	562	92	4,034
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 *)	1,993	1,381	294	48	3,716
1959	2,094	1,239	357	113	3,803
*) Revised figures					

Source : Forestry Service

The production of industrial wood in Djawa rose with about 16,000m³, in Kalimantan 68,000 m³, in Nusa Tenggara 17,000 m³, while declines in production were encountered in Sumatera and Sulawesi totalling respectively 49,000 m³ and 2,000 m³. The setback in industrial wood production, particularly in Sumatera, was strongly influenced by the great lack in shipping space and by the high sea freight rates for transportation to consumption centers - principally to Djawa — and also by the condition of the wood market in Singapore.

TABLE 63 — TIMBER FELLING ACCORDING TO TYPES
(‘000 m³, rough timber equivalent)

	Lumber	Fire-wood	Charcoal	Total
1939	2,009	1,667	358	4,034
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 *)	1,812	1,471	433	3,716
1959	1,855	1,585	363	3,803

*) Revised figures

The production of firewood increased by about 114,000 m³ if compared with the production in 1958. In Djawa and Madura, the production of firewood from teak was adjusted to the needs of the State Railways Service as the most important user and to the needs of other important undertakings. The production of wood for firewood in Djawa and Madura increased in 1959 by 86,000 m³, i.e. 1,295,000 m³ as against 1,209,000 m³ in 1958.

TABLE 64 — IMPORTS AND EXPORTS OF THE PRINCIPAL
KINDS AND PRODUCTS OF WOOD
(tons)

	Imports			Exports		
	Triplex cases	Wood pulp	News print	Teak	Otherkinds of timber	Fire wood
1938	23,586	500	6,196	13,281	304,073	84,536
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	190,050 *)	9,888 *)
1957	4,403	916	11,884	10,521	177,015 *)	8,007 *)
1958	7,162	539	14,336	7,688	130,610 *)	6,580 *)
1959	4,245	1,283	16,055	8,768	127,313	8,820

*) Revised figures.

Source : C.B.S.

The production of *charcoal* decreased from 433,000 m3 in 1958 to 363,000 m3 in 1959. Aside from wood, the following produce were also recorded:

wood bark for tanning purposes	about	8,135 tons
cucalyptus oil (Macassar oil)	about	51,205 litres
turpentine oil	about	26,000 litres
“gondorukem” (arpuspinus)	about	100 tons
lacquer	about	163 tons

Exports of industrial wood in their entirety showed a decline in 1959 if compared with 1958. On the other hand, exports of firewood and charcoal showed an increase surpassing the 1957 level. Exports of all sorts of industrial wood including that for consignment trade, and counter-import to Singapore, decreased from 138,298 tons in 1955 to 136,081 tons in 1959. Conversely, exports of teak wood—as the most valuable wood variety—increased from 7,688 tons in 1958 to 8,768 tons in 1959. This total still remains below the 1957 level.

TABLE 65 — EXPORTS OF FOREST BY-PRODUCTS
(gross tons)

	Copal	Damar	Rattan
1938	11,828	8,017	36,068
1954	5,952	5,768	30,413
1955	5,604	6,367	30,340
1956	4,547	5,451	30,097
1957 ¹⁾	4,526	3,910	32,893
1958 ¹⁾	3,525	3,644	27,360
1959 ²⁾	3,630	4,692	33,111
¹⁾ Revised figures. ²⁾ Provisional figures.			

Source : C.B.S.

The consignment trade in wood and its counter-import between Sumatera (Riau) and Singapore decreased from 125,063 m3 in 1958 to 115,480 m3 in 1959. Exports of firewood from Sumatera on a consignment and counter-import basis, increased from 6,580 tons in 1958 to 8,820 tons in 1959. Exports of charcoal on a barter basis, also from Sumatera to Singapore, rose from 13,346 tons in 1958 to 14,703 tons in 1959.

Sugar

According to the figures from the Sugar Research Centre, the 1959 sugar output was 855,800 tons as against 770,000 tons in 1958, indicating an increase of 11%. The rise in production was in proportion to the increase in the number of sugar mills participating in the milling process, i.e. from 52 units to 54 units. The acreage of sugar-cane plantings increased from about 52,500 hectares to about 55,500 ha (+ 5.5%), while the crystal output, quintal/ha for 1959, rose by 1%, i.e. from 104 to 105 quintal of crystal-sugar per ha.

In 1960, the Government proposes to step up the sugar output in such a manner that a target of 1,000,000 tons may be expected. Efforts in this direction cover, among others, the intensification of the plantings of both estate cane plantings and smallholders cane plantings which, it is hoped, will yield an average of respectively 130 and 85 quintals per hectare. Through the institution of the Welfare Drive Command (Komando Gerakan Operasi Makmur) it is hoped that undertakings will be in a position to acquire good plots of grounds for the planting of first-cut sugar canes, while the rentals of plots of grounds on lease will be adjusted to the owner's preferences.

The acreage of smallholders cane plantings—which in 1958 amounted to about 38,000 hectares—suffered same setbacks in 1959 and dropped to about 35,000 hectares.

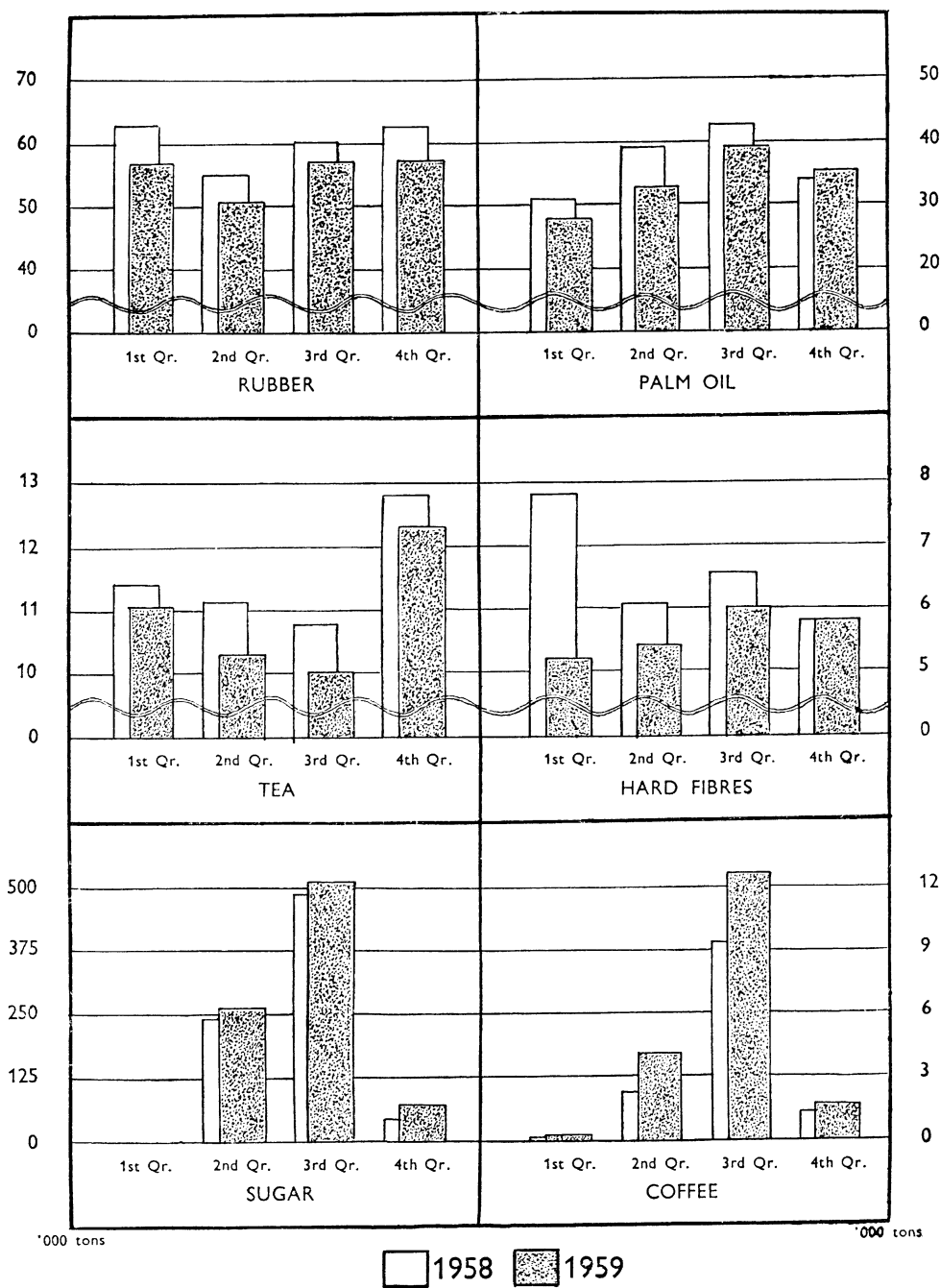
As may be seen from table 66, exports of sugar, which in 1958 decreased by 40%, showed a further drop in 1959 from about 87,100 tons to about 39,500 tons (— 55%). This setback in export volume, aside from being the result of the preceding year's decline in sugar output, also found its cause in the unfavourable world market sugar prices prevailing during the period of January up to and including July 1959. About 704,000 metric tons were earmarked for the 1959 domestic consumption. In this total was com-

TABLE 66 — PRODUCTION AND EXPORT OF SUGAR

	Estates		Overall	
	Planted Area (ha)	Yield per ha qt crystal	Production net tons, tel quel	Exports Net tons
1938	84,829	164	1,400,340	1,175,292
1954	49,256	120	717,742	120,327
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
1959	55,554	105	855,852	39,050

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

CHART IV — PRODUCTION OF ESTATE AGRICULTURE



puted about 260,000 metric tons being the balance of the 1958 crop. Hence the average 1959 monthly consumption may be fixed at about 59,000 tons indicating a decrease of about 6,000 tons when compared with the average 1 95 8 monthly consumption. The

TABLE 67 — SUGAR EXPORTS OF INDONESIA

Destination	Volume ('000 tons)		Value *) (Rp. million)	
	1958	1959	1958	1959
Japan	—	1.3	—	1.1
People's Republic of China	40.6	—	37.4	—
Burma	—	4.1	—	4.3
Thailand	2.2	—	2.2	—
Singapore	4.5	5.9	5.0	5.3
Indo China	6.0	3.0	5.6	2.5
Ceylon	9.1	—	8.4	—
Hongkong	20.3	2.4	21.2	1.9
Korea	4.4	10.5	4.1	8.9
Other countries	—	12.3	—	10.5
Total	87.1	39.5	83.9	34.5

*) US \$ 1 = Rp. 11.40

Source : C.B.S.

TABLE 68 — PRODUCTION WORLD SUGAR
(in-tons telquel).

1959/1960*)	Pre-War Average	1955/1956	1956/1957	1957/1958	1958/1959
Djawa	1,172	851	785	828	770
Philippine.	882	1,107	1,500	1,090	1,250
Rest of Asia	2,340	3,613	4,191	4,268	...
Asia	4,395	5,571	6,026	6,186	...
United States	1,530	2,110	2,317	2,575	2,553
Cuba	2,835	4,740	5,672	5,700	5,778
Rest of United States	4,978	9,082	9,718	0,111	...
America	9,443	5,932	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 *) Not available

drop in the 1959 sugar consumption may, among other, be linked up with the difficulties encountered in transportation.

Table 67 shows the decline in the 1959 sugar exports.

So far, Korea constituted the most important purchasing country with a take of about 10,500 tons as against about 4,400 tons in 1958. Singapore ranked second with about 5,900 tons (in 1958: about 4,500 tons) . The Chinese People's Republic— the principal sugar buyer in the preceding year — did not import Indonesian sugar in 1959. The same applied to Ceylon and Thailand who dropped out as Indonesian sugar buyers in 1959, while Burma purchased again about 4 100 tons.

As regards the trend in the world market sugar prices during the year under report the following may be stated.

The world market sugar price, which revolved around the level of US \$ cts 3.67 per lb f.a.s. Cuba at the close of 1958, showed a steadily declining trend in the period from January 1959 to July 1959. The world market sugar price moved between US \$ cts 2.07

TABLE 69 — WORLD CONSUMPTION OF SUGAR *)
('000 tons tel quel)

	Prewar average	1955/1956	1956/1957	1957/1958
United States	6,062	7,750	7,962	8,050
Rest of America	2,603	6,099	5,361	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	1,409	11,710
Europe	11,259	16,170	17,774	18,180
India and Pakistan	1,379	2,235	2,400	2,475
Rest of Asia	2,395	3,874	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 from 1958/1959 and 1959/1960 not yet available				

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

and US \$ cts 3.00 per lb f.a.s. Cuba during that period, while it revolved around US \$ cts 2.55 per lb f.a.s. Cuba in July 1959. The consistent drop in the world market sugar price during that period, aside from the good 1959/1960 world crop, was also caused by the world market sugar surplus amounting to 1,000,000 tons. Afterwards, the world market sugar price showed a steadily rising trend to a quotation of US \$ cts 3.17 per lb f.a.s. Cuba to October 1959. Aside from rumours of a Cuban offer to France covering a quantity of 100,000 tons, the sugar price increase was also due to the Soviet Union's readiness to absorb Cuban sugar to a quantity of 250,000 tons. From October to December 1959, the sugar price fluctuated around US \$ cts 2.91 and US cts \$ 3.03.

The 1959 "free world market" need for sugar, estimated at 5,580,000 metric tons on February 23, 1959, by the Statistical Committee, decreased to 5,465,000 metric tons on June 17, 1959. This final estimate was not changed to the end of 1959. The total 1960 "free world market, sugar need was estimated at around 5,700,000 metric tons on November 26, 1959.

Tea

Tea output in 1959 amounted to 43,741 tons or about 6% lower than in the previous year. This setback was experienced by both estates in Djawa and outside Djawa respectively with 1,655 tons and 1,184 tons. Reasons for this decline in the tea produc-

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

	Production		Exports
	Total	Of which from bought-up leaf	
1938	80,538	12,206	71,921
1954	46,930	8,208	40,415
1955	43,995	5,451	29,087
1956	42,931	3,274	34,470
1957	47,570	3,545	35,701
1958 ¹⁾	46,580	4,088	34,944
1959 ²⁾	43,741	4,201	29,667
¹⁾ Revised figures ²⁾ Provisional figures			

Source : C.B.S.

tion during 1959 were the lack of care devoted to the culture of this plant, the security factor principally affecting estates outside Djawa and unfavourable climatic conditions.

The Volume of tea-Leaves purchased from the population, on the other hand, showed an increase of 113 tons (+ 28%) as compared with 1958 (4,088 tons) .

Table 70 shows that the export Volume of tea decreased by 5,277 tons (— 18%), while export proceeds totalled Rp 230.6 million or Rp 53 million (—19%) less than in the foregoing year. The decline in exports during 1959 was, among others, caused by transportation problems. The principal Indonesia tea purchasing countries for 1959 were the United Kingdom with 12,012 tons, Belgium and Luxemburg (6,404 tons) and Australia (3,550 tons), while the United States, Western Germany and Singapore consitited other important purchasers.

As regards the development of tea prices in the world market, it may be mentioned that tea of medium (m) B.O.P. quality —which in the beginning of 1959 quoted Rs 2.05 per lb in Colombo—went up to Rs 2.35 per lb at the end of May. In June and July the price dropped to Rs 2.00 per lb to rise again to Rs 2.25 per lb by the end of November. At the end of December a price of Rs 1.80 per lb was quoted.

At the beginning of 1959, Djakarta quoted Rp 16.75 per 1/2 kg for tea of medium B.O.P. quality. In June this price climbed to Rp 18.00 per 1/2 kg and at the end of December Rp 20.00 per 1/2 kg was quoted.

It should be mentioned here that in the last few years Indonesia was being crowded in the international tea market by India, Ceylon and the People's Republic of China so that Indonesian tea exports for 1959 did not present a satisfying picture.

Coffee

The 1959 production of estate-grown coffee totalled 18,365 tons or 46% higher than in the preceding year. Output of estate coffee on the island of Djawa as well as outside Djawa went up throughout 1959, but the increase in the yield outside Djawa was insignificant (17 tons) whereas in Djawa, chiefly in the East Djawa regions, it recorded 5,695 tons.

It should be observed that this 1959 output improvement was due to the Government assistance given in the prevention of coffee pilferages. The average monthly yield for estate-grown coffee, which in 1958 totalled 1,054 tons, rose to 1, 531 tons.

As may be seen from table 71, the output of smallholders coffee decreased by 5,000 tons, Viz. from 65,000 tons in 1958 to 60,000 tons in 1959. This decline was mainly caused by the unsatisfactory law and order conditions in smallholdings principally outside Djawa.

Coffee exports in 1959 showed an improvement, in volume as well as in proceeds, respectively by 37% (+ 10,211 tons) and 4% (+ Rp 9.2 million) if compared with 1958. Coffee export earnings in 1959 totalled Rp 215.3 million. The volume of smallholders' coffee constituted a major portion of the total coffee export in 1959, namely 30,663 tons or 81 %. The increased in export volume was 37%, while proceeds rising with only 4% depicts the fact that the 1959 coffee price suffered a decline. The setback in the coffee price throughout 1959 was caused by the increasing offerings of Brazil in the world market which resulted in a price drop.

The main country of destination for the export of coffee in 1959 was the United Kingdom with twice the import volume of the preceding year (12,043 tons in 1958 to 26,593 tons in 1959). Other important countries were Singapore (2,347 tons), Penang

TABLE 71 — PRODUCTION AND EXPORTS OF COFFEE
(net tons)

	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
1954	14,445	42,800	36,927
1955	16,053	45,000	23,170
1956	13,021	55,000	57,373
1957	15,284	60,000	50,957
1958	12,574 ²⁾	65,000	27,842
1959	18,368 ³⁾	60,000	38,053
¹⁾ Partly estimated ²⁾ Revised figures ³⁾ Provisional figures			

Sources : C.B.S. ; Aperdi.

(2,216 tons) and Italy (2,050 tons). It may be added that new Indonesian coffee purchasing countries in 1959 were Western Germany and Russia.

The New York coffee price for Brazilian Santos quality showed a downward trend. At the beginning of the year, US \$ cent 37.51 per lb was quoted, which rose to US \$ cent 40.26 at the end of March, and from the end of April steadily declined to US \$ cent 34.89 per lb at the end of December.

The domestic price at the beginning of 1959 was recorded at Rp 2,150.— per quintal, from the end of February up to and including October it steadily decreased to Rp 1,650.— per quintal, but at the end of November it reversed to Rp 2,150. - per quintal.

Cocoa

Cocoa production in 1959 showed a decline of 12% as compared with the foregoing year, namely from 1,323 tons to 1,161 tons in 1959.

The 1959 cocoa exports totalled 302 tons to the value of Rp 2.9 million, indicating a decline in volume as well as in proceeds, viz. by 38% and 34% respectively if compared to the exports of the preceding year which totalled 486 tons to the value of Rp 4.4 million. Causes for the setback in cocoa exports —aside from transportation difficulties

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

	Production	Exports
1938	1,584	1,572
1954	1,164	597
1955	1,227	390
1956	1,478	542
1957	1,186	470
1958	1,323	486
1959 *)	1,161	302
*) Provisional figures		

Source : C.B.S.

--were also to be found in the increasing success in the competition by other producing countries.

In 1959, Indonesian cocoa importing countries were Belgium and Luxemburg with 221 tons and Western Germany with 80 tons, while Japan suspended her imports.

Of the Bahia cocoa price in the world market, it may be said that it showed a downward trend. At the beginning of 1959, US \$ cent 34.70 per lb was quoted, decreasing to US \$ cent 32.90 per lb at the end of June, then dropping further to US \$ cent 27.69 per lb by the end of December.

Tobacco

In 1959 both the cultivated acreage and the resulting crop of smallholders tobacco showed an improvement if compared with the foregoing year. In 1959, the acreage showed an expansion of 16,400 ha (+ 11%), if compared with 1958, i.e. 171,200 ha as against 154,800 ha. The harvested acreage in 1959 also showed an increase of 15,300 ha (+ 10%) i.e. from 150,200 ha in 1958 to 165,500 ha. This increase was found in East Djawa and also in Central Djawa.

Climatic conditions in 1959 were less favourable to tobacco plantings as a result of which the yield declined. However, because of the expansions in acreage this setback was compensated.

As was the case during the previous year, it was evident that smallholders preferred the planting of Virginia tobacco to other varieties, in particular in East Djawa. In addition, in the Jogjakarta area, the cultivation of the "Vorstenlanden" variety was again intensified because this tobacco genus has been wellknown in the world market for a long time already. It may be added that the Besuki smallholders variety, known as the "Kampong Krosok" in the past, has considerably lessened these days. There was, however, another variety, "Hang Krosok", the treatment of which did not differ from that as practised by Dutch estates in the past. This was mostly attributable to the activities of the (Government) Jajasan Perrin (Indonesian Smallholders Agricultural Institute), which, with the aid of Government credit, initiated the setting up of curing sheds. Due to

Government guidance the quality of smallholders tobacco steadily improved. Furthermore, to maintain a growth in the quality of the tobacco, responsible quarters organized the issuance of ammonium sulphate fertilizers to tobacco planters.

The exported volume of tobacco during the year 1959, namely of the 1958 crop, totalled 15,369 tons net. Compared to the same period of the foregoing year, the exported total volume showed a decline of 6,690 tons (— 30%); yet this figure was still higher than the exported volume of tobacco in 1957 (+ 1,196 tons).

TABLE 73 — PRODUCTION AND EXPORTS OF TOBACCO
(net tons)

	Estate production		Exports
	Deli	Djawa	
1938	13,786	20,924	49,204
1954	3,268	4,185	19,193
1955	3,457	3,548	12,897
1956	3,042	3,921	11,493
1957	2,833	5,782	14,173
1958	1,880	3,856	22,059 ¹⁾
1959	15,369 ²⁾
¹⁾ Revised figure. ²⁾ Provisional figure.			

Source : C.B.S.

Indonesian tobacco of good quality continuously fetched high prices in the auctions at Bremen. Because in the auctioning season of 1959, estate tobacco were still overshadowed by the persistence of legal disputes with the Dutch ex-owners, much of the demand shifted to smallholders tobacco, so that said tobacco varieties ultimately fetched relatively better prices than the same varieties of estate quality.

Since demand for tobacco, such as Sumatera tobacco, far exceeded the production capacity of Indonesia, medium and small industries in Europe were often crowded out by competition from big industries, which compelled the former to switch over to cheaper Italian and synthetic tobacco. Hence, it may be observed that the decreased supply and the very high prices of Sumatera tobacco, resulted in the Italian and synthetic tobaccos gradually creating their own markets in Europe. Such symptoms should receive proper attention because it might result in our losing buyers among the medium and small cigar-manufacturing industries if this condition should persist..

The competition against Indonesian tobacco in Western Europe will increase in intensity considering the fact that the joint outer tariff wall of the Common Market against Indonesian tobacco was set at 30% ad valorem.

Spices

The export volume of *pepper* over the whole year of 1959 was 1 1/2 of that of 1958. In 1959, the export volume totalled 29,278 tons and this figure was the biggest total if compared with the years previously, but was still only 50% of the 1938 export volume which amounted to 55,549 tons. Exports of white pepper amounted to 5,490 tons valued at Rp 37.9 million and black pepper exports totalled 23,788 tons with a value of Rp 99.9 million in 1959. From table 74 it will be evident that the volume of black pepper exports constituted the biggest figure after the war.

Main importers of Indonesian pepper were Singapore (18,000 tons to the value of Rp 37.9 million), the United Kingdom (9,136 tons with a value of Rp 46.2 million), while the United States imported only black pepper (707 tons to the value of Rp 3.4 million) during 1959.

The Muntok white pepper price in Singapore demonstrated an upward trend during 1959. At the end of January 1959, Str \$ 135.— per picul was quoted, which rose to

TABLE 74 — EXPORTS OF SPICES
(gross tons)

	P e p p e r			Nutmegs and mace	Cassia
	White	Black	Total		
1938	11,350	44,199	55,549	4,811	2,505
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
1959 *)	5,490	23,788	29,278	5,154	7,733
*) Provisional figures					

Source : C.B.S.

Str \$ 155.— per picul at the end of April. At the end of June, the price dropped to Str \$ 132.— and from July on it steadily increased so that by the end of December Str \$ 261.— was quoted.

During 1959, exports of *nutmegs* and *mace* totalled 5,154 tons or about 2 1/2 times bigger than the previous years' exports and 343 tons more than the pre-war's total (4,811 tons). Proceeds of exports of nutmegs and mace also showed an improvement of about twice the amount (Rp 35.6 million in 1958 to Rp 79.9 million in the following year).

Export destination countries for nutmegs and mace in 1959 were Singapore (3,420 tons) and the United States (466 tons).

Export weight of *cassia* in 1959 totalled 7,733 tons to the value of Rp 30.4 million as against 5,247 tons to the value of Rp 19.4 million in the foregoing year, indicating that volume as well as price respectively increased by 47% and 57%. The major portion of the cassia was exported to Belgium and Luxemburg (4,045 tons to the value of Rp 17.0 million) and Singapore (2,436 tons to the value of Rp 7.7 million).

Clove production throughout 1959 was far from satisfactory, while the domestic need far exceeded the yield. To cover this need, in 1959 cloves and clove-stalks were imported from British East Africa amounting to 3,093 tons to the value of Rp 27.5 million and from Madagascar and Reunion totalling 1,811 tons to the value of Rp 15.5 million.

From table 74 can be seen that exports of spices in 1959 showed an improvement. This improvement was mainly due to enlargements in the acreage and also to the price development abroad which was satisfactory throughout 1959.

It may be added that—to save on clove imports—the Gappri (Gabungan Perusahaan Pabrik Rokok Indonesia - Association of Indonesian Cigarette Manufacturers) and the Service for Indigenous Agriculture (Dinas Pertanian Rakjat) introduced a project to promote the planting of clove-trees in East Djawa and Central Djawa by means of Zanzibar seedlings.

Mining

Oil

Since 1st January 1959 the NIAM— 50% of its capital owned by the Government and 50% by Shell —was changed into PERMINDO. As is known, exploration and exploitation of the NIAM were entrusted to Shell, but with its transition into the PERMINDO, the latter has its own exploration and exploitation management, though for the time being with technical assistance from the Shell. At the outset, the distribution of all the PERMINDO products was done by Shell, but as from 1st January all sales were managed by the PERMINA running the ex-BPM concessional areas and oil factory in North Sumatera since the beginning of 1957. Eighty per cent of its crude oil production, amounting to 18,500 tons a month, was sold to the Refinery Association of California since August 1958. The sales contract with the latter-mentioned company will expire by the end of May 1960. According to an agreement concluded between the Government and Japan, Japan will render technical assistance as well as a loan aggregating \$ 50 million, partly repayable in oil. It is hoped that the pre- war production level, i.e. 1 million tons annually, will be attained in the near future.

Crude oil production in 1959 amounted to 19,226 thousand tons indicating an increase of 2,952 thousand tons or 18.1% if compared with the foregoing year. The oil companies participating in the production were the following :

	1958	1959
Shell	3,665,000 tons	4,394,000 tons
PERMINDO	1,406,000 „	1,565,000 „
SVPM	3,720,000 „	4,602,000 „
CPPM	7,318,000 „	8,197,000 „
PERMINA	165,000 „	468,000 „

Source: Mining Service.

Imports of crude oil and derivative products, if compared with 1958. decreased respectively by 7.1% and 43.5%. Exports of crude oil decreased by 39.7%, while exports of oil derivative products slightly increased, namely 1.7 %.

Important export destination countries for crude oil were the United States, Australia, Japan and the Philippines. Exports to these countries comprised 93.2% of the over-all 1959 oil exports.

Production of petrol and kerosene showed an increase respectively by 114,000 tons and 71,000 tons i.e. 2,230,000 tons and 1,572,000 tons in 1959 as against 2,116,000 tons and 1,501,000 tons in 1958.

TABEL 75 — PRODUCTION, IMPORTS AND EXPORTS OF OIL AND OIL PRODUCTS
(‘000 tons)

	Crude oil		Oil products		
	Production	Imports	Exports	Imports	Exports
1938	7,398	—	68	158	5,999
1954	10,775	2,279	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	15,566*)	3,277	6,950	467	8,663
1958	16,274*)	1,257	7,343	457	6,024
1959	19,226	1,163	4,444	255	6,126
*) revised figures					

Source : Central Bureau of Statistics

It is evident from table 76 that domestic consumption of petrol, kerosene and crude fuels kept mounting from year to year. From 1953 to 1958, the average annual petrol consumption increased by 7%, kerosene by 15%, and crude fuels by 33%. But in 1959, consumption of both petrol and crude fuels diminished by respectively 4,000 tons and 542,000 tons, whereas the kerosene consumption increased slightly, namely by 32,000 tons or 3 %. This was mainly attributable to difficulties in transportation and distribution.

Meanwhile, in the beginning of 1959, Shell announced an expenditure programme totalling US \$ 65 million, for the laying of pipes to a total length of 260 kms from its oilfield at Tandjung to the factories at Balikpapan. It is hoped that at the end of 1961 crude oil to the quantity of 2 million tons a year will be transported from Tandjung.

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	1,971
1958	677	1,002	1,282
1959	673	1,034	740

Source : Djawatan Pertambangan

As regards Stanvac, it may be mentioned that for improvements of its factories at Sungai Gerong and for increasing its production in the Lirik area, an outlay of US \$ 80 million was already expended.

Tin

From the development of the production figures of tin as is shown in table 77, it can be seen that the 1959 tin ore production of Indonesia fell with 1,585 long tons to 21,616 long tons as compared with the foregoing year. This production originated from the mines at:

	1958	1959
	(in thousand long tons)	
Bangka	16.2	14.4
Belitung	5.9	6.1
Singkep	1.1	1.1
T o t a l	23.2	21.6

Of the above production, the major portion amounting to 66.7% was the yield from the mines at Bangka. Compared with 1958, the Bangka tin ore production declined by 11.1%, while the production at Belitung increased by 3.3 %.

The decline in the Bangka production was caused by the decrease in the tin ore content per ton earth aside from difficulties met with by the dredgers through the lack of supplies in equipment.

TABLE 77 — PRODUCTION AND EXPORTS OF TIN
(long tons)

	Production of tin in concentrates	E x p o r t s	
		Tin in concentrates	Tin metal
1938	29,728	13,699	7,207
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*)	23,201	18,346	215
1959	21,616	18,426	285
*) Revised figure			

Exports of tin in 1959 showed an increase after undergoing a setback of 88.3% in 1957. Moreover, exports of tin ore, which in 1958 suffered a substantial decrease (33%) if compared with the year previously, in 1959 slightly increased by 0.4% as against 1958. The export in September 1959 showed the lowest figure, namely 491 long tons, while the April figure was the highest, namely 3,239 long tons. The average monthly figure was 1,535 long tons. Main export destination countries were as follows:

	1958	1959
	(in long tons)	
United States	1,596	5,770
England	10,019	6,522
Netherlands	2,731	473

In 1959, tin ore exports to the United States rose by 174 long tons (3.1%) to 5,770 long tons as against 1958, while exports to England and to Netherlands dropped by respectively 3,497 long tons (35 ,%) to 6,522 long tons and by 2,258 long tons (82,1%) to 473 long tons. The decline in the exports to the Netherlands was due to the general deterioration in the relations with that country as a result of political controversy.

Export quotas determined by the International Tin Council in 1959 were divided into 4 controlled periods, viz.

	1st Quarter 1959		2nd Quarter 1959		3rd Quarter 1959		4th Quarter 1959	
	%	Export quota (long tons)	%	Export quota (long tons)	%	Export quota (long tons)	%	Export quota (long tons)
Belgian Congo & Ruanda-Urundi	8.92	1,784.0	8.92	2,052.6	9.05	2,262.5	9.05	2,715.0
Bolivia	19.92	3,984.0	19.92	4,581.6	19.40	4,850.0	19.40	5,820.0
Indonesia	19.41	3,882.0	19.41	4,464.3	18.90	4,725.0	18.90	5,670.0
Federation of Malaya	37.50	7,500.0	37.50	8,725.0	37.75	9,437.5	37.75	11,325.0
Federation of Nigeria	5.90	1,180.0	5.90	1,357.0	6.10	1,525.0	6.10	1,830.0
Thailand	8.35	1,670.0	8.35	1,920.5	8.80	2,200.0	8.80	2,640.0
Total :	100.00	20,000.0	100.00	23,000.0	100.00	25,000.0	100.00	30,000.0

The tin export quota for Indonesia for 1959, based on said agreement, was fixed at 18,741.3 long tons, while for the other countries enumerated in the above table, the total was 79,258.7 long tons. Based on the records of the International Tin Council, the 1959 tin exports of Indonesia was 20 long tons short of the established quota.

In table 78 can be seen that the tin ore production of Indonesia in 1959, totalling 21,616 long tons, constituted 16% of the world production, totalling 138,000 long tons. Compared with 1958, world production increased by 3,000 long tons or 2%. This in-

TABLE 78 — WORLD PRODUCTION AND CONSUMPTION OF TIN
(000' long tons)

Production of tin in concentrates					Commercial consumption				
	1956	1957	1958	1959		1956	1957	1958	1959
Malaya	62.3	59.3	38.5	37.5	United States	60.5	54.4	48.0	45.8
Indonesia	30.1	27.7	23.	21.6	United Kingdom	22.2	21.8	20.4	24.7
Bolivia	26.8	27.8	17.7	23.8	Other countries	77.3	78.8	79.6	91.3
Belgian Congo	14.8	14.3	11.2	10.3					
Other countries	47.0	50.9*)	44.4*)	44.8					
Total *)	181.0	180.0*)	135.0*)	130.8	Total	160.0	155.0	148.0	161.8
*) Revised figures									

Source: International Tin Council, Statistical Bulletin.

crease was due to the increase of the tin ore production in Bolivia by 34.4% (6,100 long tons) to 23,800 long tons, after undergoing a decline of 36.4% or 10,100 long tons in 1958. This production fluctuation was due to the export quotas fixed for Bolivia.

TABLE 79 — AVERAGE TIN PRICES
(£/long ton)

	London - cash	New York-prompt	Singapore ex-works
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
1959	785.4	816.1	778.0
1959 January	758.7	794.8	755.8
December	789.2	793.0	758.7

Source : International Tin Council, Statistical Bulletin

World tin consumption in 1959 rose with 13,800 long tons to 161,800 long tons as against 1958. The reason for this increase was because the consumption in the United Kingdom and in other countries increased by 4,300 long tons and 11,700 long tons to 24,700 long tons and 91,300 long tons, whereas the tin consumption in the United States decreased by 2,200 long tons to 45,800 long tons as against 1958.

A small part of this increase in consumption during 1959 was due to the tin industry. On the whole, the use of tin in the United States as well as in other countries increased during the first semester of 1959; this increase steadily rose in other countries in the second semester of 1959, but in the United States the use of tin declined as a result of the strike in the steel industry.

The production of tin in 1959 totalled 8 million tons as against 7.4 million tons in 1958. The major part of this increase, totalling 0.5 million tons, constituted the production of countries other than the United States. The tin consumption in the industries manufacturing electrolytic tinplate rose with 300 tons to 60,800 tons in 1959 as against 60,500 tons in 1958. The major part of the increase in world consumption in 1959 totalling 14,000 tons to 102,000 tons, as against 88,000 tons for 1958, was caused by the increase in the consumption of the alloys, soldering- tin, anti-friction metal, copper and chemicals

The average tin price for London Cash, since the end of January 1959, steadily increased up to November and dropped from then on, but still revolved above the January average price. The average prices for New York prompt and Singapore ex-works increased in February 1959 and from then on began to fluctuate.

Russian tin exports to Western Europe in the first semester of 1959 showed a declining trend. Exports to the United Kingdom declined by 450 tons to 6,072 tons as against 6,522 tons of the over-all imports in 1958. Exports from the Chinese People's Republic to Western countries also declined. The table below indicates the export figures from Russia, the Chinese People's Republic, Poland and Hungary to the United Kingdom, the German Federation, Switzerland, France, Denmark, India and the Netherlands.

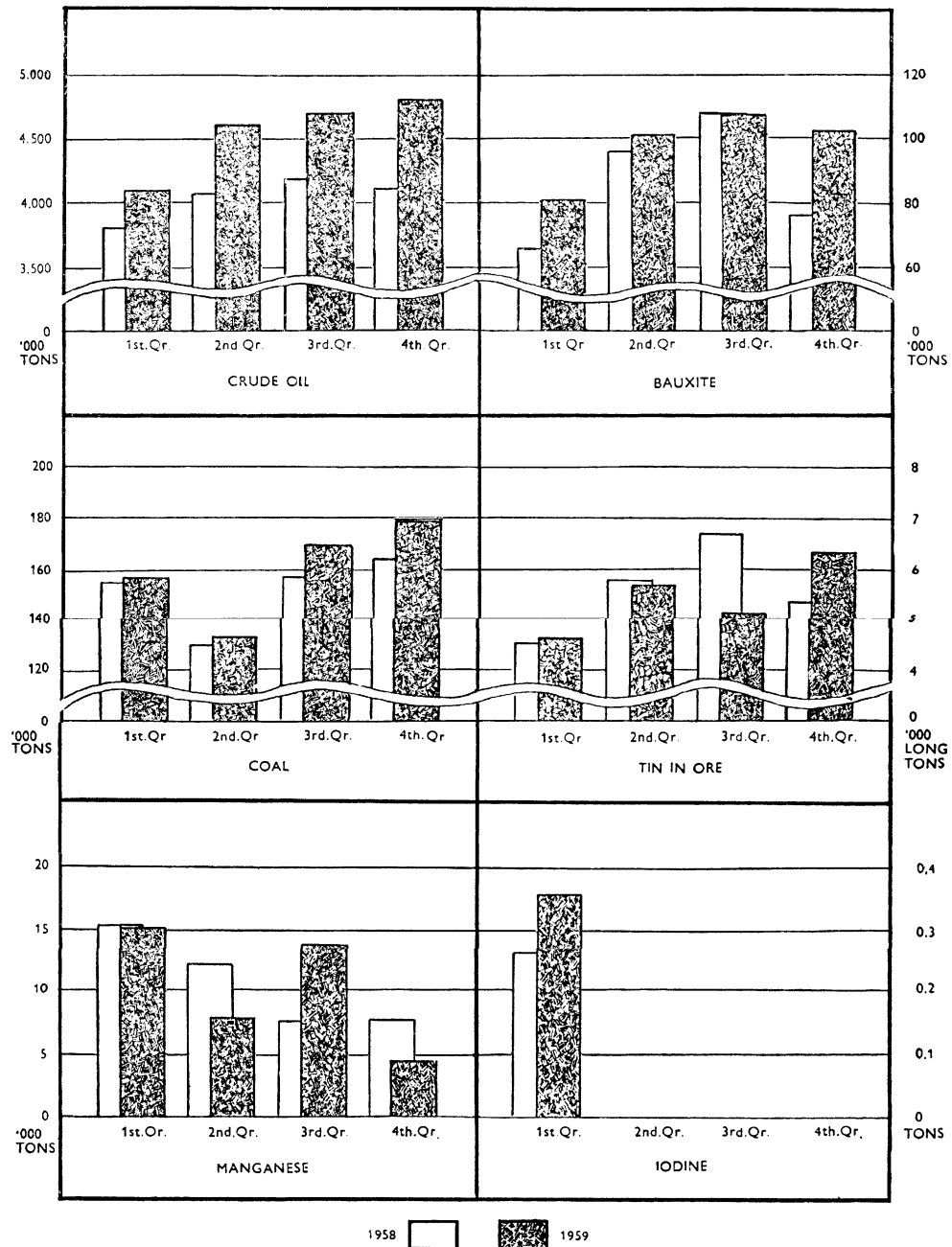
	1958 (in long tons)		1959
	1st Semester	2nd Semester	1st Semester
Russia	8,764	8,429	5,777
The Chinese People's Republic	349	1,521	246
Poland	754	421	523
Hungary	—	25	49
T o t a l	9,867	10,396	6,595

Other mining products

Coal production in 1959 totalled 638,000 tons or 35,000 tons (5.8%) higher, if compared with 1958. The afore-mentioned production came from the mines at:

	1958	1959
	(in thousand tons)	
Bukit Asam	503	564
Umbilin	59	38
Batu Panggal	28	27
Sigihan	3	5
Lua Bukit	5	4
Muara Bakah	1	—
Batu Piring	4	—
Total	603	638

CHART V — MINING PRODUCTION



Of the above production, the greatest portion amounting to 94.3% came from the Government coal mines at Bukit Asam and Umbilin, both of which are in Sumatera, while the remaining 5.7% was produced in Kalimantan by the B.A.P.P.I.T.-controlled mining enterprise N.V. SEBUKU at Batu Panggal and Sigihan, by a private enterprise (Lua Bukit) and by the people (Muara Bakah and Batu Piring).

If compared with 1958, the coal production at Bukit Asam showed an increase of 120%, while the production at Umbilin and Batu Panggal decreased respectively by 36% and 3.6%. The increase in the coal production at Bukit Asam was the result of the improvement in transportation. If no further difficulties are met with in transportation, the 1960 production is expected to reach the target of 60,000 tons. On the other hand, the decrease in the coal production at Umbilin as against 1958 was caused by security disturbances while the decrease in the production at Batu Panggal resulted from the closing down of some mines.

Coal exported in 1959 totalled 14,600 tons to the value of Rp 1.5 million, as against 19,411 tons to the value of Rp 2 million during the previous year. Hence both export volume and value decreased respectively by 21%, and 25%.

The main export destination countries in 1959 were Thailand and Hongkong, with respectively 9,400 tons worth Rp 0.9 million and 4,900 tons worth Rp 0.4 million. Coal exporting ports were Palembang and Samarinda with respectively 9,400 tons and 4,900 tons.

TABLE 80 — PRODUCTION AND EXPORTS OF BAUXITE AND COAL
(’000 gross tons)

	P r o d u c t i o n		E x p o r t s	
	Bauxite	Coal	Bauxite	Coal
1938	245	1,457	274	368
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
1959	387	647	247	15

Sources : C.B.S. ; Djawatan Pertambangan.

During 1959, the bauxite production increased by 43,000 tons (12.5%) totalling 387,000 tons as compared with the foregoing year. This increase in production is still within the capacity limits, as in 19 51 a production of 642,516 tons was reached. The reason for the decline in the production since then was because the United States switched over her imports of bauxite to Guyana. Based on the increased demand from Japan, the bauxite production for 1960 was planned to reach the 400,000 tons. It should be mentioned that in February 1960, an agreement was concluded with Japan under which Indonesia was to export 800,000 tons within 2 years. After showing an increase in 1958, bauxite exports in 1959 again fell by 145,000 tons totalling 247,000 tons. This decline in exports found its cause in the competition from the United Kingdom in the world market, aside from the suspension of exports from September 1959 on to February 1960.

Besides the productions mentioned above, the output of *manganese* in 1959 decreased by 1,195 tons totalling 42,794 tons as compared with the foregoing year. This decline in production was caused by the suspension in production as a result of the monetary measures in August 1959. In 1959, a total of 32,300 tons of manganese was exported worth Rp 6.3 million as against 44,000 tons valued at Rp 11.9 million in 1958. The main export destinations of manganese were Japan and Western Germany purchasing respectively 30,400 tons worth Rp 5.9 million and 1,900 tons valued at Rp 0.4 million. Manganese exporting ports were Tandjung Priok, Sourabaya and Tjilatjap with respectively 219 tons, 1,656 tons and 30,468 tons.

In addition, the production of *iodine* increased by 89 kgs in 1959 reaching 356 kgs, as against 267 kgs in 1958.

In 1960, the Mining Service will undertake surveys for the setting up of mining objects. The mining programme will be adjusted to the availability of capital, exports and machineries. In this connection, said surveys will have as emphasis such mining deposits which should already have been undertaken by presently available capital and which should produce a yield in the shortest time possible. Based on these considerations, the Mining Service programme for 1960 will be limited to some projects only, viz.:

- a. to reconstruct existing mines, the operations of which do not move smoothly, so that in the shortest time possible a normal stage of production could be achieved;

- b. to open up such new mines able to bring in foreign exchange or to save on foreign exchange;
- c. to exert herself in giving guidance to enterprises short on capital or on expertness for undertaking such surveys so that mining enterprises run by smallholders or by private national capital, may be expanded.

For defraying the costs of the surveys Rp 70 million was set aside to cover among others research, planning, laboratory work, while the reconstruction part of the undertakings will be handled by the enterprises themselves.

As 1960 survey objects were earmarked the coal mines at Umbilin, nickel in Sulawesi, and monasit sand on Bangka Island. Besides, another survey on iron ore in Kalimantan and Flores, the gold mine operated by smallholders at Lebongtandai and the continuation of the production of lead found in the mines of Tjikotok will be carried on.

Industry

The irregularity in the imports of raw and auxiliary materials, the security situation and other factors had a bearing on the industrial activity and productivity levels.

One event at the beginning of 1959 deserving mention was the formation of associations of allied industries under the instigation of the Government which—aside from the aim of having the imports and the distribution of raw and auxiliary materials conducted efficiently — also purported to have the Government exercise a better surveillance on production and sales.

With the formation of a Working Cabinet and the breaking up of the Ministry of Industries into two separate bodies, viz. the Department of Basic Industries & Mining and the Department for People's Industries, a change in the Cabinet was instituted on July 1959.

Meanwhile, the industrial policy could be formulated as follows:

TABLE 81 — INDEX FIGURES OF IMPORTS OF INDUSTRIAL RAW MATERIALS (1950 = 100)

	1940	1957	1958	1959
Breweries : malt (inclusive of flour and extract)	—	319	79	148
Printing works : paper	67	165	114	151
Paint industry - zinc white	151	144	100	86
red lead	298	139	91	66
Weaving mills - cotton weaving yarns	85	69	105	133
Batik works : grey shirtings, sheetings and supers	61	26	26	25
bleached cambrics and shirtings	261	33	215	93
wax (various kinds)	83	593	794	655
Kretek works : cloves	64	65	76	57
Construction shops : sheet iron	257	534	232	324
bar iron	157	262	170	204
profile iron	212	259	113	146
Building industry : cement	111	217	78	211
Miscellaneous : caustic soda	104	174	211	159

Source : C.B.S.

1. to institute a differentiation in the affairs of mining/basic industries and people's industries;
2. the consolidation and reconstruction of existing industrial projects, such as: to discourage expansions in the capacities of those industries which now principally had to import raw materials, to compile industrial statistical data since the results of such an analysis and their treatment will serve as a highly valuable working basis for the execution of future industrial programmes;
3. to set up and/or encourage the realization of industrial projects using mainly domestic raw materials;
4. to intensify and to expand the supervision over people's industries (chiefly house and village industries)—both technologically and from an economic point of view—and to mechanize or to set up pioneering industries or model industries.

In December 1959, the Committee for Import Planning—entrusted with the task of determining the basics for imports as well as for the distribution of raw materials,

units of equipment, spareparts and accessories required by domestic industries—had established the main guiding principles pertaining to the importation of industrial materials. The industrial groupings were divided into 3 classes, viz.

- 1) to the first class belonged those industrial undertakings intended to receive adequate foreign exchange allotments for enabling them to operate on a 100 % production capacity basis (food and clothing industries, foreign exchange-yielding industries and Government- owned industries).
- 2) to the second class belonged such industries which would be allotted foreign exchange allocations gradually to reach a 100% real production capacity level (manufacture of domestic raw materials, industries 51% of the shares of which are Government-owned, and foreign-exchange-saving industries).
- 3) to the third class belonged those industries excluded from the above-mentioned 2 groups; foreign exchange allotments granted to this class were only meant to keep them in running condition, but if necessary, their production capacity would be decreased to below real-production- capacity level or they would further not be allotted any foreign exchange at all.

As regards the industrial projects of the Department of Industry being defrayed within the Japanese War Reparations scheme, it may be stated, that the Department of Industry started putting into execution a cotton spinning project for the Textiles Research Institute at Bandung with a capacity of 80.000 spindles with an outlay of \$ 400,000. The other projects requiring a defrayment of \$500,000 comprised:

- I. a plywood industry at Bandjarmasin;
2. the mechanization of the Bamboo projects (at Jogja and at Makassar), and of a cocoanut fibre project at Tangerang;
3. equipments and instruments for various Services, Research & Educational Institutes;
4. cotton spinning projects at Medan, in the Lesser Sunda Islands, at Makassar and at Padang; a rayon spinning project at Palembang.

As for the textiles industry, the following may be cited :

Indonesia is to receive from the Chinese People's Republic a credit amounting to Us \$ 30 million for the establishment of textiles factories. Three textiles factories—the locations of which, however, have not yet been decided upon—can be set up within these two years out of this Chinese People's Republic credit.

The *Leppin* (Lembaga Penjelenggara Perusahaan Industri = Institute for the Management of Industrial Undertakings) will set up a textiles factory at Makassar, situated south of Donggaja, in 1960. The machineries are to be imported from Japan, Switzerland, Germany and Italy. The outlay will amount to about Rp 6,300,000.

TABLE 82 — MAIN WEAVING MILLS

	Number of mills		Yarn consumption (tons)	Production			
	Total	In operation		Sundry ('000 metres)	Slendang Sarong Towels		
					('000 pieces)		
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	10,760	66,336	1	2,707	3,019
1958 *)	64	62	10,667	55,748	—	2,288	2,704
1959*) 1st quarter	65	62	2,235	13,107	—	490	637
2nd „	65	64	1,475	7,405	—	435	570
3rd „	65	62	1,752	8,886	—	465	612
*) Provisional figures							

Source : C.B.S.

In April 1961, the G.K.B.I. (Gabungan Koperasi Batik Indonesia = Association of Indonesian Batik Co-operatives) hopes to own a cambric works able to produce 12 million yards of cambric per year. The total defrayment for the factory is estimated at about Rp 325 million.

In May 1960, the Cotton Spinning Mill at Tjilatjap already inaugurated its second works with a capacity of 30,000 ton spindles and involving a defrayment of Rp 212 million. (Since 1957 up to now the first factory already yielded a full annual production capacity of 3,000 tons of yarn).

Within the framework of the Working Cabinet's Programme to provide the population with sandang-pangan (food and clothing), on October 1959, the Vice-Minister of People's Industries and the Vice-Minister of Trade resolved to form an agency especially to arrange for the stocking up of sandang (clothing) for the Indonesian population and which organ was named the B.U.B.P. (Badan Urusan Bahan Pakaian = Textiles Affairs Foundation). The duties entrusted to this foundation extended themselves into 3 fields; viz:

planning : to submit proposals to the Minister, e.g. on the kinds, the total quantities and the qualities of auxiliary materials/semifabricates needed by textiles factories and to be imported or produced domestically, the standardization of the textiles production to be adhered to by textile works and the like, execution and finally supervising.

Also in providing for essential clothing for the population, the two attainments mentioned below ought to be stressed :

1. As from January 1960, the G.K.B.I. (Association of Indonesian Batik Cooperatives) already succeeded in producing a "batik sandang" (essential batik cloth), the price of which was aligned to the Government ruling, and as wholesalers and retailers for which cooperatives would be considered foremost.
2. the success in the production of "the first silk cloth", made from silk yarn obtained from Japanese silk worm cocoons at Rantjakole (Bandung). This satisfactory experiment was undertaken by the Bandung Textile Research Institute on a joint-project basis with an Indonesian silk industry, the "Karna Djaja" Company.

To enumerate the problems confronting textile producers, the following would be arrived at :

1. the high prices of weaving yarn prevailing at the free market :
2. the stocking up system of weaving yarn both by the J.B.P. and by State enterprises had not yet found a regular pattern;

3. the difficulties met with in standardization—as prescribed by the Department of Industries—as a result of the uncertainty of the kind of yarn being imported;
4. problems met with in the distribution field;
5. the increase in production costs resulting from the rise in electric (power) rates, oil prices and so on.

In November 1959, the asbestos cement works at Kebajoran Lama started its first production. As is known, this factory was set up with the aid of New Zealand within the framework of the Colombo Plan. Aside from providing additional employment, the gains to be derived from the erection of this asbestos cement factory would be of 2 kinds, viz.

1. the saving of foreign exchange to the amount of US \$ 600,000 per year;
2. an incentive to asbestos mine operators already embarking on operations at Halmaheira (Maluku).

Up to this moment, Indonesia counts 3 motorcar tire factories, viz. Intirub, Good Year and Dunlop. In the meanwhile, the erection of the Indorub Tire Factory at Palembang—started some years ago—had to be suspended; the Government plans to take over this factory which so far is a privately-owned undertaking. The Indorub Tire Factory was set up since 1956 with an outlay, resulting from C- credits, totalling DM 10 million. It is expected that from 1962 on 80% of the domestic tire requirements could be covered by the domestic tire industry alone, if the Indorub Tire Factory could assume production in 1962.

In the middle of 1960, the setting up of the Blabag (Magelang) paper works is expected to be finalized and to start operations. As is known, this factory was set up on the initiative of the Bank Industri Negara and from its inception an outlay of Rp 70 million was planned; technical experts were to be drawn from Italy.

The survey for the setting up of a paper works at Takengon (Central Atjeh) is now under way. In the meanwhile, in the middle of 1959, the Department for Veterans Af-

TABLE 83 — LICENSED CAPACITY OF CONTROLLED INDUSTRY

Industrial group	Unit	End of 1958	End of 1959		
			Total	Djawa	Other islands
Printing works	'000 m ² printing/hr	3,308	3,484	2,964	520
Rice milling works	h.p.	4,190	4,004	3,413	591
Spinning mills	spindles	129,046	126,436	124,936	1,500
Weaving mills	hand looms	118,897	151,065	143,422	7,643
	machine looms	16,524	17,042	16,596	446
Knitting mills	knitting machines	3,460	5,709	5,557	152
Textile printing works	machines	29	38	38	—
Cigarette works	'000 cigarettes/minute	263	278	215	63
Ice works	tons/month	38,417	45,140	29,016	16,124
Frying pan works	tons/month	665	534	492	42
Rubber remilling works	'000 tons/year	178	183	3	180

Source : Department of Industry

fairs already started the erection of two paper works projects, viz. at Pematang Siantar (North Sumatera) and at Martapura (South Kalimantan), both absorbing a total outlay of US \$ 3.2 million. It is hoped that the setting up of these 2 projects would be finalized within 2 years. The paper works at Pematang Siantar is to produce newsprint while the one at Martapura will produce writing paper.

As regards this paper industry may be added that in line with a longterm plan covering a period of 4 years, the Department of Industry is to promote paper works project to absorb 4 to 5 US \$ million.

During the year under report, the cigarette industry met with problems in the supply of cloves—since prices and their importation were ill regulated — in the shortages and in the irregular stocks of wrapping paper and finally, in the shortages of excise paper tape.

In the course of 1960, a fertilizers factory, to be named the “SRIWI DJAJA” fertilizers works, will be set up in South Sumatera with a defrayment of Rp 2.7 billion, out of which total will be found an Eximbank credit amounting to US \$ 32 million in the shape of machineries and experts needed for the setting up of said factory. This “SRIWIDJAJA” fertilizers works will be a State industry with shares owned by the Central Government and by the Southern Sumatera Regional Government, respectively 60% and 40%. The statutory capital amounted to Rp 100 million. This fertilizers works is expected to produce 100,000 tons of

urea per year, while the auxiliary materials needed for manufacturing the fertilizers will come from the oil mills at Sungai Gerong and to be supplied by the Stanvac.

The position on the imports of raw materials for industries, large textile mills and the capacities of undertakings subject to such regulations as to conform to their licensing, can be studied from respectively tables 81, 82 and 83.

In final instance, it would be worthwhile to dwell separately upon such undertakings or associations of undertakings as the B.I.N., Leppin, Bappit and M.I.I.

B.I.N. (Bank Industri Negara = State Industrial Bank)

In carrying out its tasks, the B.I.N. met with internal problems (within **its** own sphere of operations) and with external ones (outside the B.I.N.sphere of influence). Among the internal problems was the lack of skilled labour. However, this shortage is gradually diminishing since many of the students on a B.I.N.-fellowship/Working Agreement basis have begun to finalize their studies. The external problems may be divided into 4 categories:

1. the procedures for the importation of goods more often took so much time that they could easily upset production schedules and retard the development of the industries concerned;
2. the existence of such T.P.I., B.E. and other regulations greatly hamper entrepreneurs/credit-takers whose operations depended on the imports of auxiliary materials and capital goods from abroad;
3. the existing sea transportation problems had a bearing on undertakings depending on inter-insular shipping, for instance: undertakings outside the island of Djawa and in process of being erected could not in time finalize the construction of their factories since equipments/building materials did not arrive according to schedule;
4. the temporary difficulties resulting from the Government monetary measures of 25th August 1959.

The provisional figures on the credits given out by the B.I.N. to its own industrial undertakings at the end of 1958 and 1959 indicated respectively Rp 667 million and Rp 876 million.

At the present moment, the industrial undertakings owned by the B.I.N. total 24. The industry to develop its production fastest was the P.T. Pabrik Ban & Karet Indonesia (Intirub). The factory just launching production was the P.T. Pabrik Asbestos Semen, and those not yet having assumed production are the P.T. Pabrik Kertas Blabak and the P.T. Pabrik Peti Natar.

On 25th April 1954, the B.I.N. set up the P.T. Usindo corporation as a supplier and sole distributor for all the B.I.N. productive enterprises. The aim was to have all the managers/executives of the B.I.N. productive undertakings to devote all their attention to management and production problems peculiar to their own fields, while the sales of their products as well as the supply of the needed materials etc. were to be taken care of by this new corporation. Up to this moment, the Usindo has succeeded in executing about 90% of the materials supply need of the B.I.N. undertakings. At the distributive end, the Usindo also succeeded for 90%, with the exception of jutebags and mining products. In the meantime, the Usindo did some exports of tea from the Mardjandi Estate.

Leppin

The Lembaga Penjelenggara Perusahaan² Industri (Industrial Undertakings Institute), abbreviated to Leppin, or LP3I, is an Institute formed by the Ministry of Economic Affairs in March 1956. With the splitting up of the Ministry of Economic Affairs into the Ministry for Industries and the Ministry for Trade, the Leppin organization itself splitted up into 2 institutes on April 1958, viz.

1. The Leppin under the Ministry for Industries,
2. The Jado under the Ministry for Trade.

With the formation of the Working Cabinet on July 1959, the Ministry for Industries was further broken down into the Department of Basic Industries/Mining and the Department for People's Industries. Thence the Leppin resorted under the Department for People's Industries.

As for the duties of this organization, they can roughly be divided into 2 parts:

- a. to set up new pioneering or new pilot projects. By pioneering projects are meant undertakings to serve as models to enterprises not yet called into existence at given localities where the productive factors would be suited for such enterprises. Pilot undertakings are to serve the population in the immediate vicinity — who, through their industry, handicraft or by plying their tools, are already producing identical products — and are, among others, aimed at giving technological guidance so as to increase the quality and the quantity of their products or at providing employment for the industrious or craft community whose products will afterwards undergo a finishing treatment at the pilot undertakings.
- b. to give mechanization aid in the shape of equipments /machineries under a hire-purchase payment plan.

The Leppin projects that should be set up were based on Government regulations, of which' from 1951 to 1959, there were 117. The establishment of so projects were finalized up to 1959, while 17 others are expected to be ready in 1960, and the erection of so other projects wer susedpended or cancelled because of diverse factors, such as: surveying results proving the inadvisability of setting up certain projects, security disturbances in various regions, sea transportation problems, lack of required manpower (outside Djawa), monetary measures impeding smooth operations, import licensing procedures for machineries/auxiliary materials from abroad generally requiring rather much time yet.

Aside from the problems in creating projects as mentioned above, various other problems were encountered in the management and the maintenance of those projects already finalized. The most important one concerned managerial experts who so far are not available in adequate numbers.

The outlay that has been absorbed since 1956 up to and including 1959 was Rp 430 million, while the portion of the capital hit by the freezing measures aggregated to Rp 18 million.

In 1960, 2 other projects will still be set up in Central Kalimantan and 1 micro-hydro-electric power station. Under the Japanese War Reparations Act will be set

up 17 plywood projects, and a tanine project as well as a micro-hydro-electric power station within the framework of credits from Yugoslavia.

B.A.P.P.I.T.

Based on Government Regulation 10/1958, the B.A.P.P.I.T. (Badan Penjelenggara Perusahaan² Industri & Tambang = Organization for the promotion of Industries & Mining Undertakings) was formed for safeguarding the management transition of all Dutch enterprises on 3rd Desember 1957 so that the continuity and the smooth operations of such organizations could be guaranteed continuously.

Among the duties of this agency were:

1. to run and to control the management of such enterprises that have been taken over as well as possible
2. to arrange for the production finance and for other expenditures of such enterprises.

The enterprises placed under the control of the B.A.P.P.I.T. were 180 in number.

Compared with the production position of 1957 —namely before the transfer of control was effected—the 1959 production could be said to have undergone a decline. This found its cause in diverse problems met with by the afore-mentioned enterprises, such as:

1. The difficulties in obtaining raw materials both from abroad as well as domestically through the lack of foreign exchange, difficulties in sea transportation and often also in overland transportation.
2. Local regulations often hampered production and distribution.
3. Difficulties in acquiring machineries and spareparts through lack of foreign exchange, so that the replacement of worn-out equipments and their maintenance could not be done as expected.

4. The lack in experts, most of all at the moment of taking over since the Dutch experts left the enterprises practically all at the same time.
5. Purchasing problems.

For the years 1961 — 1965, the B.A.P.P.I.T. has planned to renew all old machineries and to expand some branches of undertakings which will require an overall outlay of Rp 4.5 billion including foreign exchange to the amount of Rp 897 million. This investment programme still requires the approval of the Government.

M.I.I.

In the private industrial sector, the Musjawarah Industri Nasional (MINAS = National Industrial Conference) was held in November 1959. This conference led on 5th November 1959 to the formation of the M.I.I. (Madjelis Industri Indonesia = Indonesian Industrial Council), which constituted an improvement of the M.I.I. set up on 22nd February 1955.

The M.I.I is a top league of regional/associations industrial organizations/ allied mining enterprises and is national but nonpolitical of nature. The aims are, among others, to increase the quality of private industries, to widen the scope of activities, and to strengthen the position of the private industrial and productive sector, to aid the Government in its efforts in materializing its industrial programmes.

In trying to attain its afore-mentioned aims, the M.I.I. concentrated its efforts, among others, on the following fields: giving support, guidance, information, centralizing productive elements, providing arbitration, standardization, training, etc.

Membership to the M.I.I. is divided into 2 kinds, viz. according to the kind or field of activities of the undertakings and to the region where the undertaking is domiciled. Memberships in kind count 57, among which are 3 cooperatives, viz. the G.K.B.I. (batik), Soteksi (textiles) and Koteksi (textiles); while there are 8 regional M.I.I.— members.

The main problem met with by the M.I.I.-members is found in the foreign exchange allocations system, which—because of its irregular nature—hence tends to disrupt production.

Transport

Road Transport

With the readiness of several countries to extend credits to the Government, the programme for expanding the road nets involving a total length of 75,000 kms can be much more speeded up.

The construction of new roads in Central and West Kalimantan to a total length of 1,620 kms—to be financed by credits from the Soviet Union and Czechoslovakia—could get under way at the beginning of 1960. The construction of new roads to an aggregate length of 160 kms connecting Balikpapan—Samarinda is now energetically being taken up. It is hoped that this project will be completed within 3 years.

The project for the construction of the Tarutung—Bukittinggi highway, the costs of which were originally to be defrayed by a loan from the I.C.A. has, for the time being, to be postponed for security reasons. As a substitute, the projects for the road construction between Palembang—Prabumulih in South Sumatera and between Djakarta —Tjipinang Tjempedak in West Djawa were taken up. It is hoped that the extension of the road net in North Sulawesi and Nusatenggara can be financed by a Colombo Plan aid.

It looks as if the laying down of new roads will have priority on the part of the Government. Amounts earmarked for these projects totalled Rp 340 million. The outlay needed for the repair and maintenance of existing roads was estimated at about Rp 172 million, whereas the funds set aside by the Government amounted to only Rp 73.5 million.

In connection with high prices and the difficulty in obtaining motor vehicles—caused by import restriction measures and by the availability of too wide a range of motorcar makes—the raising of the petrol price and the prohibition for stepping up transport rates, many transport enterprises faced difficulties, which in turn affected the flow of goods and the movement of passengers, predominantly in such large cities as Djakarta Raya. 160 units of diesel buses complete with accessories, — a donation from Australia within the framework of the Colombo Plan—were arriving as from the beginning of 1960.

It may be added here that the 20 units of “Ikarus” diesel buses—purchased by the Government from Hungary and earmarked for the DAMRI in Djawa—have already arrived together with 3 Indonesian technical experts trained in the aforesaid country.

Railways

From the figures in table 84, the conclusion may be drawn that both passenger and freight transportation by the State Railways showed an improvement throughout 1959. If compared with the preceding year, the total on passengers transported increased about 12.5 % and the aggregate on freight carried with 4.2 %.

TABLE 84 — RAILWAY TRAFFIC

	Passengers carried (‘000)		Freight carried (‘000 tons)	
	Djawatan Kereta Api	Deli Spoorweg Maatschappij	Djawatan Kereta Api	Deli Spoorweg Maatschappij
1938	48,083	4,117	6,915	844
1954	122,238	3,475	5,340	1,305
1955	147,010	4,394	5,822	1,253
1956	131,879	4,173	5,579	1,271
1957	136,776	...	5,244	...
1958 ¹⁾	156,028	...	5,004	...
1959 ²⁾	168,480	...	4,666	...
¹⁾ Revised figures. ²⁾ Provisional figures.				

Sources : Djawatan Kereta Api ; Deli Spoorweg Maatschappij

Proceeds from passenger and freight transportation in 1959 amounted to Rp 683.4 million and Rp 439.8 million respectively as against Rp 567.2 million and Rp 434.4 million in 1958.

Notwithstanding the fact that the revenues of the State Railways showed an improvement, exploitation losses remained substantial. Even though transport rates were raised in 1960, it is expected that the State Railways will still have to face a loss. Among the factors adversely affecting the undertaking may be cited: the excessively high exploi-

tation costs in proportion to the freight rates, the old equipment and their exceeding shortage; damages resulting from catastrophes as well as disturbances of law and order. The fact that the State Railways themselves have their own reconstruction programme also constituted a factor in raising exploitation costs.

For the purpose of adding to the railway equipment and their workshops, the Government has ordered locomotives and workshop equipments to the total amount of around DM 4 million, spareparts to the amount of US \$ 691,784, 2,000 box-cars and 90 units of other rolling stock.

Aside from operating its own 2 ships—each with a capacity for 500 passengers—to service the ferrying link between Sumatra-Djawa, 2 chartered ships with a capacity of 250 passengers each were also put in operation. In addition, it was also planned to set up a station at Pandjang in 1960 with a projected outlay of Rp 1,500,000.—.

Meanwhile, the Bandung-Surabaya express, which was suspended for some time, was put into service again on February 1st, 1960, via Tasikmalaja-Kroja-Jogjakarta.

Shipping

During the year of 1959, the shipping field went through many changes. To adjust it to the implementation of the guided economy, the Government outlined the main principles to govern the assignment of responsibilities connected with the shipping field, viz.:

- a. ocean shipping or international shipping shall be carried out by Government enterprises, national private enterprises or mixed enterprises comprising private capital and the Government and, if necessary, shall also be permitted to enlist foreign participation;
- b. the main interinsular shipping shall be carried out by the shipping company owned by the Government, i.e. the P.T. Pelni;
- c. coastal / regional shipping shall be carried out by national regional shipping companies under the authority / control of the grade I Autonomous Regional Govern-

ments assisted by the Pelni. This entails that the Regional Government and the Pelni may own the shares, if deemed necessary. The Regional Government assisted by the Department of Maritime Communications and the Pelni shall determine the number of shipping companies to be set up in its region, and where deemed necessary a merger of the various existing shipping companies may be formed;

- d. Local shipping may be carried out by private companies having been granted an operating license by the Grade I Autonomous Regional Government on the basis of the Regulations of the Department of Maritime Communications.

At the beginning of 1959, the number of shipping companies in existence totalled 160 as against 88 at the beginning of 1958. This indicates an increase of almost 100%.

The total number of ships operated at the beginning of 1960 amounted to 217 units with a carrying capacity of 353,019.41 DWT. Considering the shipping space need of the country, which is in its reconstruction phase, this total is clearly inadequate, moreover, facilities for repairs in existence, such as ship's docks, may be said to be still far from sufficient. To add to the number of ships the Government is endeavouring:

- a. the construction of new ships by domestic shipyards;
- b. the purchase of new or used ships from abroad;
- c. the chartering of foreign ships.

In their implementation the following was stipulated:

1. All ships of 700 DWT downwards should be purchased and constructed in the country itself. The afore-said tonnage limit may be increased in relation to the capacity of domestic shipyards.
2. All purchases of foreign ships for domestic shipping shall be effected by the Government only, while the purchase by private companies of foreign ships for ocean shipping may be considered on an incidental basis.
3. "Charter-purchases" still in effective realization and undertaken by national private companies are given the opportunity for finalization. "Charter-purchases" that have not yet been realized at all shall be cancelled.

It may be observed that the results of the activities of the Pelni, operating 56 ships with a tonnage of 88,142.25 BRT, still leave much to be desired. Aside from the far from adequate number of ships it owns, its operational schedules still remain uncertain of character. All these factors have their bearing with the transition period in which the lack of alignment between policies issued by the Government and by the shipping company itself is still frequently felt. To provide for the shortage of shipping space ships were chartered in 1959 to a monthly average of 17 units totalling 63,029 DWT. To cover the losses it always has to face, in November 1959 the freight rates were raised with 100%. This increase in freight rates is also to enable the Pelni to charter ships. In 1959 Djakarta Lloyd owned 2 ships with a capacity of 12,930 DWT. Besides, it engaged in chartering ships to a monthly average of 5 units with a capacity of 30,726 DWT. In order to enlarge its fleet the Government has planned the purchase of 6 ships from Japan with a total tonnage of about 45,000 DWT.

The new and used ships bought by the Government, and which arrived in 1959, were respectively 12 and 14 units.

On 8th March 1960, a contract covering the technical research for the project of setting up ports and harbours in Indonesia was signed between the Government and the Development Loan Fund. This research will be defrayed by a D.L.F. loan amounting to \$ 6,000,000 and signed in June 1959. The ports and harbours included in this project are :

in Sumatera	: Palembang, Pandjang, Djambi, Belawan and Bagan Siapi-api.
in Kalimantan	: Pontianak and Sampit.
in Sulawesi	: Makasar and Bitung.
in Maluku	: Ambon and Ternate.
in Nusatenggara	: Bima, Tenau (Timor) and Benoa (Bali).

Airways

Although still facing many difficulties, passenger airlift as well as freight-age by the Garuda Indonesian Airways increased during 1959, respectively with 33.4% and 11.7 % if compared with 1958 (table 85).

The mileage covered, which at the end of 1958 stood at 7,610 kms, increased to 8,950 kms by the end of December last year, which among others was made possible because:

1. law and order was restored in several regions as a result of which flight schedules could be run according to plan again;
2. of the increase in the number of pilots and technical personnel, resulting in an increase of flight frequencies, while the upkeep and maintenance of flight equipment also improved.

TABLE 85 — AIR TRANSPORT BY GARUDA INDONESIAN AIRWAYS

	Aircraft kilometres flown (‘000)	Freight and mail (tons)	Passengers carried
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
1959	8,950	11,519	367,000

Source : G.I.A.

Airlifting activities during 1959 yielded Rp 424.3 million as against Rp 365.5 million in 1958. Even so it should be mentioned that the demand for air service still far exceeded the availability the G.I.A. could offer, which was among others caused by:

1. the lack of operational personnel for the training of whom time is required;
2. the fact that frequently G.I.A.-planes were requisitioned for special Government needs;
3. aviation fuel difficulties in several regions;
4. the condition of aerodromes, often requiring repairs, which made them unusable for some time.

The G.I.A. fleet at the end of December 1959 decreased by 1 DC-3 plane as a result of an accident, hence leaving 38 planes, consisting of 3 Convair-440, 8 Convair-340, 8 Convair-240 and 19 DC-3. It may be added that 3 Lockheed Electras, ordered from the United States of America, are expected to arrive here at around September 1960.

At the present moment, the number of pilots totals 103, aviation mechanics 23 and flight radio operators 34.

Training programmes for preparing capable Indonesian experts to cover all fields of air transport activities received keen attention. Till the end of 1959, the G.I.A. training programmes covered 114 kinds of courses ranging from commercial, operational, and administrative to the technical fields.

The outlay earmarked for training purposes, which in 1954 totalled Rp 3 million, was in 1959 increased to Rp 12 million.

Prices and wages

Prices

During 1959, the weighted price index numbers of 12 foodstuffs in the countryside of Djawa and Madura demonstrated a fluctuating trend. The decrease in the index numbers in the first quarter and at the beginning of the second quarter, was principally due to the decrease in the prices of rice, maize, cassave and batatas. The average price of pounded rice, which in January 1959 stood at Rp 6.— per kg., dropped to Rp 5.50 in March in anticipation of the harvest, to decline further and in May reached its lowest price during the year on record, i.e. Rp 4.64 per kg. Afterwards, the prices reviewed above kept increasing up to the end of the year.

As regards the weighted price index numbers for 19 foodstuffs in the large cities, it may be observed that on the whole an upward trend manifested itself. The index figure for Djakarta rose from 287 for December 1958 to 325 for December 1959. At Makassar, the index figure climbed from 262 to 284, and at Medan and Pontianak the index figures increased respectively from 353 to 357 and from 382 to 488. The indicated increases showed over all sorts of commodities. As causes may, among others, be observed here:

TABLE 86 — INDEX NUMBERS OF FOOD PRICES

	Twelve foodstuffs (1953 = 100)	Nineteen foodstuffs (Djakarta 1953 = 100)			
	Country side of Djawa	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	180 ¹⁾
1958	244	258	232	259	304
1959	271	311	272	338	425
1959 March	259	312	281	310	388
June	256	300	265	345	421
September	266	314	268	344	438
December	307	325	284	357	488
¹⁾ Average figure of 3 months.					

Source : C.B.S.

the increase of the volume of money in circulation, the lack of transport, the increase in demand/population which was out of proportion to the increase in supply of goods (such as meat, eggs, milk) while the import of other commodities decreased (such as corned beef and salted fish).

Textile prices, both in the countryside as well as in cities, within the period of 1 year jumped to higher than twice their previous levels. The price of 24" printed shirtings, flowered/plain stood at Rp 16.39 per metre in the countryside in December 1958; in December 1959 it climbed to Rp 41.44 per metre, while in Djakarta during the comparable period said price rose from Rp 13.29 per metre to Rp 38.33 per metre.

The changes in the volume of money in circulation due to the Government monetary measures taken in August 1959 and the further developments proved to be followed by the prices of commodities, both in the countryside as well as in cities. It may be said that all prices of commodities dipped in September, but afterwards rose again in the following months, and even surpassed the price levels prior to the monetary measures.

CHART VI — INDEX NUMBERS OF PRICES OF 19 FOODSTUFFS.

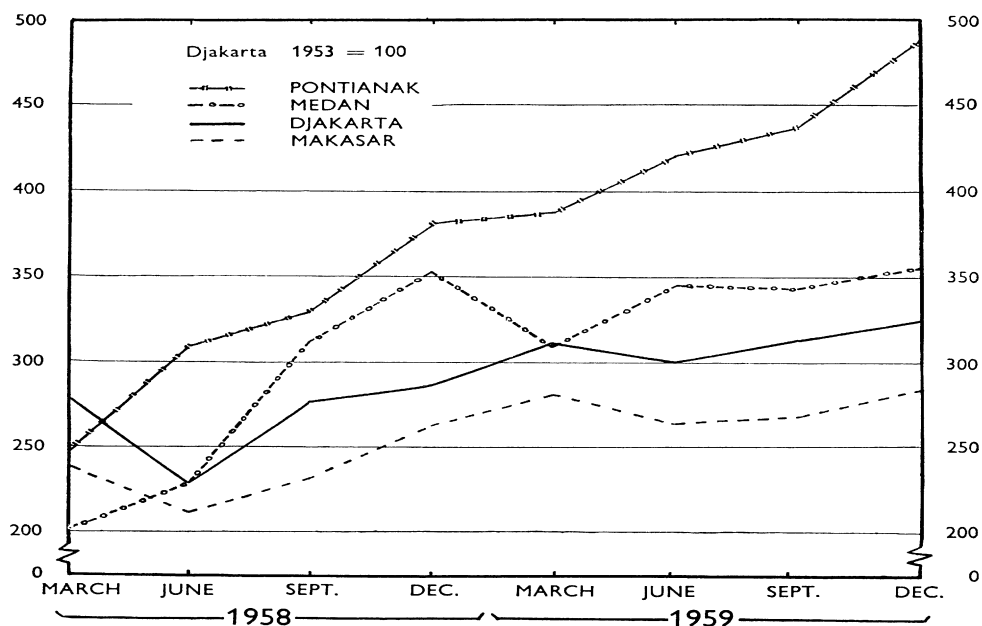


TABLE 87 — PRICE INDEX NUMBERS OF EXPORT AND IMPORT COMMODITIES
(1953 = 100)

	Exports (fob-prices) (weighted index numbers)				Imports (wholesale prices) (unweighted index numbers)			
	18 export products	of which :			44 import commo- dities	of which :		
		4 estate products and tin	10 small- holders' products	3 forest products		6 food- stuffs	10 kinds of textiles	13 che- mical products
1953	100	100	100	100	100	100	100	100
1954	100	99	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	101	102	100	70	247	244	248	208
1959	117	114	120	67	—	—	—	—
1959 March	113	114	112	70	—	—	—	—
June	119	119	119	71	—	—	—	—
September	157	146	165	70	—	—	—	—
December	129	122	136	57	—	—	—	—

Source : C.B.S.

The weighted price index numbers for 18 kinds of export products also showed an increase during 1959. While for December 1958, the index number was 103, for December the following year this number climbed to 129. This increase was due to the rise in the weighted price index numbers of small holders' product, estate-grown product and tin.

Wages

Generally the minimum wage level during the year under report, it compared with that of the preceding year, showed negligible increases although prices for the daily necessities of life kept rising as a result of the increased price level.

This wage control was among others made possible by:

- a. preventive measures and suggestions by the Government—including the control of strikes—launched so as to control as much as possible the increase in wages;
- b. the fact that labour itself observed certain limits in its demands for wage increases;
- c. subsidies in the form of rice which passably lightened the burden caused by the mounting prices of the daily necessities of life.

Table 88 depicts the wage trend in money and in kind as prevailing in the estate agricultural sector in Djawa and South Sumatera. The wage level in the sugar industry in Djawa in 1959 rose with Rp 1.87 per day, as compared with the year before. This wage level increase consists of both, money and in kind respectively of Rp 0.55 per day and Rp 1.32 per day. Conversely, wages in the sector for perennial crops went down to Rp 7.95 per day as a result of the decrease in the wage level in the shape of goods of as much as Rp 0.95 per day. When compared with the year before, the same applies to the sector for perennial crops in South Sumatera in 1959, where the downturn amounted to Rp 2.20 per day. This amount in decrease resulted from the small increase in wage level in the shape of money, whereas, on the other hand, the decrease in wage level in the shape of goods was considerable.

TABLE 88 — MINIMUM WAGES IN ESTATE AGRICULTURE
(Rupiahs per day)

	End of				
	1941	1956	1957	1958	1959
DJAWA					
<i>Sugar industry</i>					
Absolute wage					
in money	0.275	4.50	4.75	4.75	5.30
in kind	—	4.20	4.80	4.58	4.80
Total	0.275	8.70	9.55	8.23	10.10
<i>percentage</i>	100%	3,164%	3,537%	2,993%	3,673%
Nominal wage					
per net working day	0.275	10.65	—	—	—
<i>percentage</i>	100%	3.873%	—	—	—
<i>Perennial crops</i>					
Absolute wage					
in money	0.275	4.25	5.50	5.30	5.30
in kind	—	2.65	2.65	3.60	2.65
Total	0.275	6.90	7.15	8.90	7.95
<i>percentage</i>	100%	2.509%	2.600%	3.236%	2.891%
Nominal wage					
per net working day	0.275	7.60	—	—	—
<i>percentage</i>	100%	2.764%	—	—	—
SOUTH SUMATERA					
<i>Perennial crops</i>					
Absolute wage					
in money	0.35	4.25	4.25	4.45	4.75
in kind	—	7.60	7.90	10.40	7.90
Total	0.35	11.85	12.15	14.85	12.65
<i>percentage</i>	100%	3,386%	3,471%	4,243%	3,614%
Nominal wage					
per net working day	0.35	13.88	—	—	—
<i>percentage</i>	100%	3,966%	—	—	—

Source : Labour Control Service

The trend in daily wages in the various industries in Djawa at the opening of 1959 may be observed from the figures in table 89. In studying this table, it should be noted that— apart from the estate agricultural sector — no clear-out picture as regards the true wage level can be drawn from the figures since they concern wages in money only.

On the whole, small industries have no large capital funds available, so that because of this lack they find themselves unable to increase wages. In this industrial sector—as long as the increase in price level did not force a shutdown of the factories—a drop in

TABLE 89 — MINIMUM DAILY WAGES IN VARIOUS INDUSTRIES IN DJAWA

	Beginning of		
	1957	1958	1959
Estate agriculture	Rp. 4.25 à 4.80	Rp. 5.30	Rp. 5.30
Food and beverages	" 4.— " 5.—	" 7.75	" 5.— à 18.33
Mining	" 8.— " "	" ...	" 10.— " 20 —
Tobacco industry	" 4.50 " 5.—	" 8.60	" 7.—
Sugar and rice factories	" 5.— " 6.50	" 8.35 à 12.58	" 10.—
Chemical industry	" 4.50 " 6.—	" 6.25 " 8.—	" 7.70 " 16.50
Leather industry	" ...	" 9.75	" 8.— " 12.—
Furniture industry	" 4.— " 6.—	" 12.—	" 7.— " 25.—
Textile industry	" 4.— " 5.76	" 11.80	" 8.50 " 9.75
Transport companies	" ...	" 14.16	" 11.66 " 47.—
Metallurgic industry	" 5.75 " 6.50	" 12.71	" 15.89 " 26.83
Ship-building	" ...	" ...	" ...
Coconut oil industry	" 7.— " 10.—	" 8.50	" 6.60 " 17.50
Ice factories	" 6.25 " 7.75	" 9.50	" 18.50

Source : Labour Control Service

the real wage value may be said to be in evidence principally because of the increased price level of the daily necessities of life.

As a follow-up to the monetary measures of August 1959, Decrees of the Minister of Finance nos 7 and 10 were issued involving the freezing of part of the salaries of employees of Government enterprises, which among others stipulated that for net salaries over 2,000.— per month only 50% will be paid out to a maximum of Rp 4,000.— so that the net salaries that may be received by such employees shall not exceed Rp 6,000.— per month. With the issuance of Decree of the Minister of Finance no 34 retroactive as from August 25th, 1959 on, the above decrees nos 7 and 10 were repealed. Decree no 34 stipulates that employees of Government enterprises with a salary below Rp 9,000.— per month are entitled to get the amount in full. whereas the excess over Rp 9,000.— will be frozen for the time being.

As for the employees of Dutch enterprises that have been taken over by the Government, their wage and salary scalings were adjusted to those of the P.G.P.N. (Peraturan Gadjil Pegawai2 Negeri—Salary Regulations of Government Workers) considering the fact that the position of such enterprises have now changed from private enterprise to Government enterprise. In addition, to stimulate the zest for working of the workers of

such enterprises, supplementary rulings, such as: family allowance, general allowance, expense account allowance, etc. were instituted, which were more attractive when compared to the rulings applicable to Government workers.

Labour Affairs

Labour Legislation

In contrast to 1958, throughout 1959 the Government did not issue any laws exclusively pertaining to labour affairs. However, this report incorporates some Government regulations relating to Government workers and employees/ labourers of Dutch-owned enterprises which have been nationalized or affected by nationalization, since these groups also constitute a major working, force important to the reconstruction.

On 29th December 1958, Government Regulation no 68/1958 regulating the age limit of Government officials came into force. According to this regulation, government officials reaching the age of 55 years should submit an application for resignation hence entitling them to a pension. Certain exceptions were made in the case of government officials whose age limit in service is regulated by law or by any other regulation higher than the present Government regulation, for instance, in the case of judges, the Chairman of the Finance Control Council, etc., also in the case of experts whose services are clearly very much needed. This exception, applicable to official-experts, still need being based on a Presidential Decree on the advice of the Minister concerned and channelled via the Dewan Urusan Pegawai (Council for Government Officials' Affairs). This Government Regulation no 68/1958, in essence formed a modification and an addendum to the Premier's Circular Letters dated 24th August 1957 no 14/R.I./1957 and dated 6th January 1958 no 1/R.I./1958, and should also not be separated from Law no 20/1952 relating to the pensioning of civil servants, particularly relating to the norms regulating the right on pensions, the age limit and the duration of service connected with the pensions. To put the governing apparatus on a sound basis and to increase its operative efficiency, the preparatory period of 1 year was given for the implementation of this age this regulation, so that at the age of 56 at the latest every public servant should already have resigned on a pension basis.

An important Government follow-up measure within the framework of smoothing out and increasing the usefulness of the State's apparatus was Presidential Regulation no 2/1959 prohibiting Government officials grouped under F upwards in the P.G.P.N. 1955, all members of the Armed Forces and Police, as well as directors/managers/staff of enterprises/organisations which are directly or indirectly owned by the State, to be members of political parties.

At the beginning of March 1959, Government Regulation no 7/ 1959 on the increase of basic salaries of Government officials according to the P.G.P.N. —1955 was promulgated, retroactively effective as per 1st January 1959. The lowest basic salary of Government workers (the A2/II group) was increased from Rp 85.— to Rp 135.— and the highest basic salary (the F VIII group) was increased from Rp 1,620.— to Rp 2,700.—

The extent of living allowances also underwent some changes. While still retaining the system of dividing the country into cost-of-living-rate regions— according to Government Regulation no 52/1952—the regulation on living allowances was set at 0% for regions where the cost of living is at the lowest and 80% for regions with the highest cost of living rate. These percentages were applicable to the new basic salaries.

Pensioned civil servants, widows/their orphans entitled to receive in Rupiah currency a pension or an allowance characterized as a pension, based as follows on prevailing basic salaries:

- a. prior to 1st May 1952: receive an extra income of 160%;
- b. from 1st May 1952: 125%;
- c. from 1st January 1959: 55%;

An important feature of this Government Regulation no 7/1959 was the repealing of the expert allowance for officials which all this time has given cause to many criticisms and protests. For expert officials whose expert allowances have been withdrawn, the Government has established transition salaries.

Finally, there are 2 important measures on labour affairs which should be emphasized and which are aimed at standardizing enterprises. On 1st November became operative the regulation stipulating that certain enterprises may obtain a permit from the

Head of the Department of Labour Control for putting people at work for 8 hours a day/48 hours per week. This deviation from the working hours regulation in force so far (i.e. 7 hours a day/40 hours per week) was considered necessary by the Department of Labour with the aim of speeding up and increasing production. Enterprises who were given permits to increase their working hours involve:

1. Agricultural and live-stock undertakings.
2. Fishery enterprises.
3. Foodstuff industries.
4. Industries engaged in the production of beverages.
5. Tobacco industries.
6. Textile industries.
7. Factories producing tricot articles, other articles of clothing and other textile articles made from semifabricates.
8. Chemical industries.
9. Enterprises engaged in providing services.

The Badan Nasionalisasi Perusahaan' Milik Belanda (Organization for nationalizing Dutch enterprises), better known under the name of BANAS, announced that as from 1st December 1959 collective labour agreements drawn up and agreed to by employers and workers (I.A.O. and/or C.A.O.) may no longer apply in such ex Dutch-owned enterprises. Such collective agreements, in force or drawn up prior to 1st December, will remain effective up to 1st March 1960, with the exception of those articles on such matters as grants, remunerations, bonuses, etc. The employment contract in such enterprises will be further arranged by the BANAS, but not in the form of I.A.O. and C.A.O. These matters will be aligned to the Government practices current in standardizing labour affairs in its comparable enterprises.

On 17th November, the Labour Minister issued Regulation no 11/1959 concerning request for transferring workers from one region to another. With the existence of this regulation, entrepreneurs may no longer on their own try to find the workers they need but have to apply to the Employees Placement Bureau giving all the information on the vacancy and principally on the terms and conditions of working. After the Employees Placement Bureau has agreed to the working requirements and other terms put forth by the enterprise, such an application will be forwarded to the Regional Employees Placement Bureaux who are supposed to be in a position to supply the needed workers.

Travelling expenses, sojourning expenses, pocket money etc. for the worker as well as for his family have to be borne by the applicant- entrepreneur. Should the travelling/ transportation expenses be arranged by the entrepreneur himself or by a private company, then the Employees Placement Bureau has the right to step in and is responsible for assigning its officials to supervise matters in such a way that everything be arranged as best as possible. This regulation contains articles to the effect that the formulation, signing and implementation of employment agreements between employer and employee always be witnessed and supervised by competent officers from the Department of Labour. The important aim of this regulation is to protect labour against abusive summons.

Labour disputes and strikes

As set out in table 90, originating from the Department of Labour, in 1959 the number of disputes amounted to 2,822 cases involving 1,947,155 workers. The comparative figures for 1958 were 3,350 cases involving 2,975,922 workers, so that the total of disputes during 1959 decreased by 16% and the number of workers involved decreased by 35%. As was the case with 1958, for 1959, the demand for higher wages (1,195 cases or 42% of the total number of disputes) constituted the most frequent cause for disputes, followed up in rank by demands for working opportunities (1,048

TABLE 90 — LABOUR DISPUTES IN 1959

Economic sector	Number of disputes	Workers involved	Nature of disputes	Number of disputes	Workers involved
Agriculture, forestry, stock-breeding, fishing	850	790,649	Wages	1,195	812,320
Mining	27	58,405	Working hours	26	18,361
Industry	1,251	954,572	Employment	1,048	739,033
Building & contracting	78	10,832	Other working conditions :		
Public utilities	11	3,777	a. Social security	89	96,793
Trade	222	40,833	b. Special lebaran bonus	156	108,915
Transport, docks and communications	241	80,615	c. Others	166	98,200
Services	142	7,472	Labour Movements/ Labour Agreements	136	69,711
			Miscellaneous	6	3,822
Total	2,822	1,947,155	Total	2,822	1,947,155

Source : Department of Labour

cases or 37% of the total of disputes). The major part of disputes occurred in the industrial sector (1,251 cases or 44% out of the total of disputes) while the sectors agriculture, cattle breeding, forestry and fisheries assumed second place. (850 cases or 30% of all disputes). What could serve as a background for the development in the sectors agriculture, cattle breeding, etc.—which, in the case of disputes were relatively better off than the industrial sector—was, among others, the change in the wages system in the ex Dutch-owned undertakings (see: Wages) which proved to be favourable to lower workers.

TABLE 91 — STRIKES

	Strikes	Strikers	Man hours lost
1954	319	157,582	2,385,730
1955	469	238,872	4,097,803
1956	505	340,203	6,968,931
1957	128	1,079,537	7,921,477
1957 ¹⁾	151	62,024	863,257
1958	55	13,578	98,060
1959 ²⁾	70	26,626	219,237
¹⁾ Revised figures, the general strike as part of the West Irian campaign excluded. ²⁾ Provisional figures			

Source : Department of Labour

Compared with 1958, according to table 91, the total number of strikes, the total on strikers and the total on man-hours lost during 1959 increased by respectively 27%, 100% and 124%. The major part of strikes took place in the sectors agriculture, cattic breeding, etc. (49 strikes of 79% of the over-all number of strikes), while the industrial sector assumed second rank 18 strikes or 26% of the over-all number of strikes). 850 disputes in the agricultural sector resulted in 49 strikes, while the 1,251 disputes occurring in the industrial sector gave effect to only 18 strikes. Demands giving much cause for strikes revolved on the wages question (27 strikes or 39%) and on demands for working opportunities (22 strikes or 31%). Although throughout this year of 1959 the prices for daily necessities increased out of proportion, yet strikes due to demands for higher wages occurred only 27 times, while 1958 recorded 28 times. The greatest factor to cause the increase in the total of strikes during 1959 was the demand for working opportunities (1958: 17 —1959: 22). As a matter of fact, many were already the efforts made by tile Government in enlarging the scope for working opportunities, for instance, in the agricultural field (rice projects) in various places outside Djawa. Yet certain phe-

nomena indicated that the decreasing tendency in working opportunity had actually not yet been wholly surmounted. As an example pertaining to these phenomena could serve: the mass dismissal in the working forces of the B.P.M. and the S.V.P.M. with modernization and reorganization given as

Among the many efforts of the Department of Labour in steering the labour force towards advancement, should be put forward the improvements scored in increasing productivity.

From June up to October 1959, the Institute for Labour Productivity conducted demonstrations at Bandung for increasing efficiency. The demonstrations were proceeded by lectures and information in the executives and entrepreneurial management world and by a “one- month-course” in efficient executive and productive techniques. Afterwards 9 enterprises were picked out as experimental projects in which—under the supervision of I.L.O. experts —students could put their techniques into practice. As results of these experiments could be reported that the productivity could be stepped up ranging from 20% to 400% in 6 undertakings. The over-all outlay for these experiments—amounting to Rp 200,000—yielded results in the shape of a productivity increase estimated at between Rp 15 million and Rp 20 million.

Unemployment

The aim of the Labour Department in conducting surveys in the number of unemployed persons as set forth in the foregoing year's report—appeared not to have been able to yield definite results as yet. According to said Department, the estimated total of unemployed persons by the end of 1959 was 2.2 million or 0.6 million more than that of 1958. Differing from past years, in this number of unemployed persons was often found many secondary school graduates, among whom, no insignificant number of graduates of post secondary schools. Aside from the slow progress made in providing for working opportunities—compared with the rapid increase in the number of the working force available—the developments in the economic and financial fields generally constituted the main causes for said unemployment.

Co-operatives

Even though during the reporting year, the economic and financial conditions were generally less encouraging, trends in the cooperatives movement sector, however, gave much reason for hope. Aside from the increasing appreciation and support of the community with regard to the co-operative movement, the rising trend was also due to the consistent guidance given by the Government. This guidance assumed further concrete forms through the establishment of the Transkopemada Department (Departemen Transmigrasi, Koperasi dan Pembangunan Masyarakat Desa = Department of Transmigration, Co-operatives and Village Community Development) at the time when the Working Cabinet was formed on July 9, 1959.

An event worth mentioning for studying developments in the co-operative movement was the issuance of the Trade Minister's decree of May 14, 1959, No 2933/M, revoking the licenses of foreign small shopkeepers domiciled outside the cities of regencies, municipalities, residencies and provinces. This revocation was made effective as from January 1, 1960. The resolutions adopted at the Conference of Services within the sphere of the Ministry of Trade, conducted at Tjipajung at the end of June, were necessary for coping with the situation resulting from the revocation measure. Aside from establishing methods for the distribution of goods—the imports for which were to be conducted by the Government—this conference afterwards resolved to fill up the vacuum in foreign-run village shops by small and bigger shops owned by co-operative organizations as well as by individual nationals.

In this connection, it may be mentioned that approbations were received from the part of the Co-operatives Movement itself. At the end of July the Indonesian Co-operative Council conducted a working conference attended by representatives of co-operative movements from virtually all provinces in Indonesia, by representatives of the Board of Directors of the Bank Tani dan Nelayan (Farmers and Fishermen Bank), by representatives of the Board of Directors of Provincial Co-operative Banks, of the Indonesian Co-operative Bank, the head of the Directorate for Domestic Trade and by the head of the Department for Co-operatives. Aside from the resolutions on problems revolving around warehousing, distribution methods and organizational matters, this conference gave voice to the capability of the co-operative movement for making available the finances and manpower needed in carrying out the Trade Minister's decree No 2933/M referred to above.

At the outset of September an all-Indonesia Co-operatives Congress was held at Solo, which, aside from coming up with resolutions on the perfection and consolidation of the co-operative movement organization in general, also gave expression to its capability for fulfilling the assignments entrusted to them in contributing to the execution of the guided economy. Such sentiments of capabilities were continuously and consistently expressed by congresses and conferences of co-operatives movements of all kinds, levels and regions through'

In line with these trends, on December 9, 1959, the Government issued Government Regulation No 60/1959 on the development of the co-operatives movement. This Government Regulation contained a new line of action for imbuing the co-operatives function—as outlined in Act No 79/1958—with the spirit and fervour of the 1945 Constitution again becoming effective as from July 5th, 1959. By issuing this Government Regulation No 60/1959, the Government has firmly laid down rulings for activating and implementing the co-operatives movement as:

- a. an instrument for carrying out guided economy based on Indonesia socialism.
- b. a foundation for the economic life of the Indonesian nation.
- c. a basis for regulating the people's economy towards attaining a decent standard of living in a just and prosperous democratic community.

While the previous Government's steps with regard to the co-operatives movement were only to provide guidance, Government Regulation No 60/1959 now aims at promoting, sponsoring, guiding, protecting, and supervizing the growth of the co-operatives movement. These active duties were entrusted to all Government central and regional agencies relative to their respective fields.

Government Regulation .No 60/1959 concentrates on the setting up of 7 kinds of co-operatives, viz. village co-operatives, agricultural co-operatives, cattle breeders co-operatives, fishermen co-operatives, home industries co-operatives, loan and savings co-operatives, and consumers co-operatives. This division in principle emphasizes a membership consisting of persons whose livelihoods are directly connected with the nature of the co-operatives specified. The operating region covers an administrative unit Constituting the domicile of members and/or the operational environment of the co-operative itself, i.e. the village, the regency, and the province; in reality most of the village co-operatives are in essence primary multi-purpose co-operatives.

TABLE 92 — NUMBER OF CO — OPERATIVE SOCIETIES
(as at December 31)

	1958		1959	
	Total	Registered	Total	Registered
Village Co-operatives	4,750	138	5,382	62
Agriculture Co-operatives	531	33	1,456	8
Castle Breeders Co-operatives	}	—	13	—
Fishermen Co-operatives		6	195	3
Home Industries Co-operatives		5	1,007	5
Loan and Saving Co-operatives		211	4,102	75
Consumers Co-operatives	805	6	1,930	3
Others Co-operatives	486	7	516	6
T o t a l	14,146	406	16,601	162
¹) Revised figures				

Source : Service for Co-operatives

Based on the order mentioned above, the nature or level of the co-operatives have been established as follows: primary co-operatives in villages, central co-operatives in regency cities, joint co-operatives in provincial cities and mother co-operatives in the State's capital. In every operating region may be set up only one kind of co-operative of the same level, and in where two or more co-operatives of the same kind or level have already been licensed within one operating region, the executives concerned have been instructed as soon as possible to organize a fusion.

A much more realistic note was struck by the issuance of the President's Instruction No 2/1960 of March 16, 1960, for the setting up of a Badan Penggerak Koperasi (Co-operatives Activating Organ), and abbreviated to BAPENGKOP. The members consisted of representatives of Ministers and heads of Government agencies whose fields of duty have a direct bearing on the growth of the co-operatives movement. This organization aims at simultaneously, intensively guiding and according to a blue-print to expand, protect and coordinate the growth of co-operatives. In executing these main duties, the BAPENGKOP should always bear in mind Act No 79/1959 and Government Regulation No 60/1959 and is directly responsible to the President. On the strength of the above-mentioned Instruction No 2/1960, the composition of the central BAPENGKOP was set up by means of Presidential Decree No 120/1960 as follows:

Chairman :

The Transkopemada Minister.

1st Vice-Chairman :

The representative of the Minister for Home Affairs and Autonomous Regions.

2nd Vice-Chairman :

The representative of the Minister for Manpower Mobilization.

3rd Vice-Chairman :

The representative of the Chief War Administrator.

Secretary :

The head of the Central Co-operatives Service.

As regards the composition of the BAPENGKOP in the Autonomous resorts I and II almost the same set-up as of the Central Government was found, viz. Chairman: the Regional Head, Vice- Chairman: the local representative of the War Administrator and Secretary: the Head of the local Co-operatives Service.

With the coming in force of Government Regulation No 60/1959, the schematic arrangement of the co-operatives movement had to undergo some changes, and in this connection tables 92 and 93 also had to be adjusted.

According to table 92, the total number of co-operatives of all kinds increased from 14,146 to 16,601 (+ 17%). Based on the adjustments on the strength of Government Regulation No 60/1959 on the promotion of the co-operatives movement, the number of registered co-operatives as legal entities have markedly declined, i.e. from 406 in 1958 to 162 in 1959.

The same applies to the figures on the total number of co-operatives so that the 1959 figures in table 93 are still provisional, Because various largest co-operatives were not yet in a position to submit specific figures. This was due to the grand-scale adjustments to be made in line with Government Regulation No 60/1959 on the development of the co-operatives movement.

According to the provisional figures of the Central Co-operatives Service, all over Indonesia up to the end of 1959 were found 16,357 primary cooperatives, 235 central

TABLE 93 — CO — OPERATIVE SOCIETIES IN THE
VARIOUS AREAS.

	End of	
	1958	1959 *)
Djakarta Raya	356	464
West Djawa	3,750	3,969
Jogjakarta	327	408
Central Djawa	2,147	2,834
East Djawa	3,203	3,936
Djawa	9,783	11,611
Atjeh	106	151
North Sumatera	744	921
Riau	193	119
Djambi	64	274
West Sumatera	750	786
South Sumatera	379	272
Sumatera	2,236	2,523
West Kalimantan	352	1,786
Central Kalimantan	105	106
South Kalimantan	211	410
East Kalimantan	141	236
Kalimantan	809	1,538
Sulawesi	680	521
Bali	111	133
West Nusa Tenggara	80	116
East Nusa Tenggara	98	159
Maluku	309	293
West Irian	35	35
Indonesia	14,146	16,601
*) Provisional figures		

Source : Djawatan Koperasi Pusat

co-operatives and 9 joint co-operatives, as against respectively 13,930, 208 and 8 for 1958. The 1958 total of members of cooperatives was 2,193,316 persons, which increased to 2,666,289 persons in 1959.

The total on savings of all kinds increased from Rp 908 million to Rp 1,205 million in 1959 (+ 33 %) . Savings consisted of capital savings, compulsory savings, voluntary savings and other savings. At the time of commemorating the Co-operatives Day, on July 12, 1958, the co- operative, movement actually only planned for reaching the Rp I billion target. Hence the above- mentioned total already exceeded the target by Rp 205 million. The turnover increased from Rp 5,757 million to Rp 7,194 million in 1959 (+ 25%).

Conversely, the provisional figures on reserves fell back as follows :

	1958	1959
	(In millions of Rp)	
Reserves	177	132
Reserves for educational purposes	19	16
Reserves for the reconstruction of operating regions	23	17
Reserves for social purposes	16	15
Reserves for employees welfare	11	11
D e b t s	710	726

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, 1960, annex to this Report as Appendix A,
- b) the Profit/Loss account of the seventh financial year, covering the period between April 1, 1959, and March 31, 1960, 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 OF GOLD DEPOSITED ON ITS BEHALF WITH I.M.F. AND I.B.R.D. Rp 1,566,045,803.47

Based on article 16, Bank Indonesia Act 1953, the total on "Claims on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D." is considered as gold reserves. In said article 16 it was stipulated that aside from gold and reserves consisting of generally convertible foreign exchange, also rights to draw on the International Monetary Fund and on the International Bank for Reconstruction and Development—which have been or shall be endorsed to the Bank by virtue of Law—are included as reserves against demand liabilities of the Bank.

Since, by means of Government Regulation No 43/1959, dated August 24, 1959, the counter-value of the Rupiah currency vis-a-vis foreign currency was fixed at an exchange rate of Rp 45.—= US \$ 1.—, the gold value was also revaluated, and by virtue of Government Regulation in lieu of Law No 25/ 1959, dated December 21, 1959, it was set at Rp 50,510.80 per Kg. fine gold. Based on the foregoing, the gold holdings of

Bank Indonesia on August 25, 1959, were revaluated at Rp 50,510.80 per Kg. fine gold, while the "Claims on the Government on account of gold deposited on its behalf with the I.B.R.D." amounting to US \$ 2.2 million were revaluated at the new rate of Rp 45.— = US \$ 1.—.

The balances of the accounts stated above, totalled per March 31, 1960, as follow:

Gold coin :

14,335.518,374 Kg.fine at Rp 50,510.80	Rp	724,098,501.47
--	----	----------------

Gold bullion:

14,708.682,143 Kg.fine at Rp 50,510.8	Rp	742,947,302.--
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Claims on the Government on account of gold deposited on its behalf with:

<i>International Monetary Fund</i>	Rp	-----
--	----	-------

<i>International Bank for Reconstruction and Development</i>	Rp	99,000,000 --
--	----	---------------

Total	Rp	1,566,045,803.47
		=====

compared with the status as per

March 31, 1959	Rp	443,792,747.32
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indicating that the Bank's monetary reserves increased by Rp 1,122,253,056.15 owing to:

- | | | | |
|--|-----|----|----------------|
| 1. sales of gold coins of Bank Indonesia, Amsterdam Branch | -/- | Rp | 9,779,766.68 |
| 2. procurement of gold coins and bullion from the Foreign Exchange Fund, available as a result of confiscations and public mining activities | | Rp | 4,118,783.59 |
| 3. procurement of bullion from the Federal Reserve Bank of New York, New York | | Rp | 326,177,031.29 |
| 4. difference resulting from the revaluation of the balance sheet value of the reserves on gold bullion, gold coin per August 25, 1959, | | | |

at the new value of 1 Kg. fine = Rp 50,510.80 based on Govern- ment Regulation in lieu of Law No 25/1959, dated December 21, 1959	Rp	1,368,616,966.82
and the difference re- sulting from the re- valuation of the “Claims on the Gov- ernment on account of gold deposited on its behalf with the I.B.R.D.” amounting to US\$ 2.2 million at the new exchange rate of US \$ 1.—=Rp 45.—based on Gov- ernment Regulation no 43/ 1959	Rp	73 920,000.--
5. payment of gold bullion to the I.M.F. for cover- ing Government needs resulting from the increase of the Indonesian quota by 50 % of US \$ 110 million = US \$ 55 million. Of this total should be deposited as a subscription in gold 25 % or US \$ 13.75 million; for this requirement the gold bullion paid to the I.M.F. was 392,857,143 troy oz. (= 12,219,232,147 Kg.) fine gold at US \$ 35 = US \$ 13.75 million, at the balance sheet value of: 12,219,232,147 Kg. fine at Rp 50,510.80	--/--	Rp 617,203,191.13
6. payment of the quarterly charges (on February 1, May 1, August 1 and November 1) to the Inter- national Monetary Fund, in compliance with Fund Agreement — Article V, section 8 c through d,		

supplemented by Rules and Regulations, section 1—4, which should be effected in gold and which was the result of the surplus value occurring between the Fund's holdings and the quota allotted to Indonesia. The total of the Fund's holdings per March 31, 1959, was US \$ 137,496,270.39 (= value 3,928,464,868 troy oz. fine gold at US \$55), and was at first decreased by the total of voluntary repurchase (the first) amounting to US \$ 9 million from the drawings on the I.M.F. amounting to US \$ 55 million and afterwards increased by a part of the total on the increased quota for Indonesia, i.e. $75\% \times \text{US } \$ 55 \text{ million} = \text{US } \$ 41.25 \text{ million}$, resulting in US \$ 169,746,270.39 (= value 4,849,893,440 troy oz. fine gold), while the Indonesian quota, due to the increase as mentioned sub 5, turned into US \$ 165 million (= value 4,714,285,714 troy oz. fine gold). Computation of the charges was based on an interest rate increasing every six months by $1/2\%$ (to a maximum of 5%), the latest computed interest rate being 4% . To pay off the charges mentioned above, the following gold bullion payments were made to the I.M.F.

on 1- 5-1959	6,694,878	troy oz.
1- 8-1959	6,560,705	troy oz.
1-11-1959	5,313,526	troy oz.
1- 2-1960	1,449,358	troy oz.

Or to a total of 20,018,467 troy oz. fine gold at
balance sheet value

--/--

Rp 23,596,767.74

Increase

Rp 1.122,253,056.15

At the 13th annual meeting of the Board of Governors of the I.M.F. held in New Delhi a resolution for increasing the membership quota so as to strengthen the I.M.F. finances was adopted and was afterwards accepted by the members.

The quota increase for Indonesia was set at 50% that the original quota of US \$ 110 million was increased by US \$ 55 million to US \$ 165 million. In connection with this increase, the Indonesian subscription total should also be raised, i.e. by 25% of US \$ 55 million = US \$ 13.75 million, to be paid in gold bullion. This payment was effected on October 21, 1959, with a consignment of fine gold to the I.M.F. amounting to 392,857,143 troy oz. (— 12,219,232,147 Kg.) fine gold at US \$ 35 -- US \$ 13.75 million.

With said gold bullion payment the paid-up portion—which prior to said payment amounted to US \$ 27.5 million — increased to US \$ 41.25 million or equal to 25% of the new Indonesian quota amounting to US \$ 165 million.

Meanwhile the total on drawings from the I.M.F. also underwent mutations, i.e. due to the first voluntary repurchase effected on July 21, 1959, to the amount of US \$ 9 million, so that the total of said drawings amounted to US \$ 46 million.

It is self-evident that the above-mentioned deposit in the shape of gold amounting to US \$ 13.75 million did not cause the total gold portion to exceed the total on drawings (respectively US \$ 41.25 million and US \$ 46 million). In this connection, based on Schedule D of Articles of Agreement of the I.M.F. and also based on article 3 of Act No 5/1954, the countervalue of the deposit of US \$ 13.75 million—which essentially should be entered into the debit of the account “Claims on the Government on account of gold deposited on its behalf with the I.M.F.” cannot be permanently accommodated to that account, but should be transferred to the account “Claims in Rupiahs on the Government on account of deposits made on its behalf with the I.M.F.”. Due to this, the balance of the first-mentioned account did not change and remained nil. As for this topic, further reference is made to page 231 under the heading “Claims in Rupiahs on the Government on account of deposits made on its behalf with the I.M.F.”

FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT Rp 13,455,333,986.97
FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES Rp 1,150,514,326.44

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 prevailing per March 31, 1960.

This balance sheet heading comprised the following components :

Convertible foreign exchange holdings:	Rp13,455, 333,986.97
Other foreign exchange holdings	Rp -----

	Rp 13,455,333,986.97
	=====

In article 16, paragraph I of the Bank Indonesia Act 1953, as amended by Act No 84/1958, it was among others stipulated that generally convertible foreign exchange holdings are included in the Bank’s monetary reserves.

Since all the foreign exchange held at that period by the Foreign Exchange Fund—aside from US \$ and Stg £—comprised foreign exchange of countries which entered the “European Monetary Agreement” on December 29, 1958, as well as foreign exchange at all times convertible against Stg £ (Malayan \$, Hongkong \$ and Australian £), based on the letter of the Monetary Board No Sekr./D.M./I67/59, dated September 5, 1959, all foreign exchange holdings of the Foreign Exchange Fund were to be classified among convertible foreign exchange holdings as from January 6, 1960, on.

The convertible foreign exchange holdings of the Foreign Exchange Fund as per March 31, 1960, amounted to Rp 13,455,333,986.97. The items included under the heading “Foreign Exchange Fund, foreign liabilities” constituted the countervalue in Rupiahs—computed on the basis of the official parity rate prevailing on March 31, 1960 — of the debts of the Foreign Exchange Fund on account of credits received under payment agreements concluded with other countries. These items consisted virtually for the full 100% of the Fund’s debts on the so-called “Major A-account” with the Nderlandsche Bank, £ Sterling account with the State Bank of the Soviet Union, £ Sterling account with the People’s Bank of China and £ Sterling account with the Statni Banka Ceskoslovenska.

The movements in the Foreign Exchange Fund assets and liabilities during the calendar year of 1959 were discussed earlier in this report.

Obligatory cover for demand liabilities of the Bank on the Basis of article 16, Bank Indonesia Act 1953, as amended by Act No 84/1958.

The idea that the State should be in possession of adequate foreign purchasing power in the form of gold and reserves consisting of generally convertible foreign exchange, was stipulated in article 16, paragraph 1, Bank Indonesia Act 1953 (as amended), running as follows:

“The Bank shall undertake that the total amount of bank notes, balances on current accounts, 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 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”.

In this paragraph, the amount of the reserves is connected with the total of currency and deposits in Indonesia.

The demand liabilities of Bank Indonesia during the period of March 31, 1959, through March 31, 1960, are itemized in table 94 showing an increase of the liabilities by about Rp 9,219.5 million.

The total cover on the basis of article 16, paragraph 1, Bank Indonesia Act 1953, as of March 31, 1960, comprised the following components:

Gold coin and bullion	Rp	1,467,045,803.47
Claims in gold on the Government (deposits with I.B.R.D.)	Rp	99,000,000.--
Foreign Exchange Fund, gold and convertible foreign exchange accounts	Rp	13,455,333,986.97
<hr/>		
The total cover as per March 31, 1960	Rp	15,021,379,790.44
<hr/>		

Based on the above mentioned total cover as against demand liabilities to the amount of Rp 37,010,039,809.74 the percentage of said cover works out at 40.59%.

TABLE 94 — DEMAND LIABILITIES AND MONETARY RESERVES OF THE BANK
(Rp. '000)

	Bank notes	Deposits	Drafts and transfers payable	Total of liabilities	Monetary Reserve	
					Amount	As %
1959 March 31	20,712,236	7,035,073	43,257	27,790,566	2,356,593	8.48
April 29	21,161,541	7,296,162	33,724	28,491,427	1,975,703	6.93
May 27	21,948,665	6,797,981	41,587	28,788,233	1,703,995	5.92
June 24	23,052,300	6,440,264	73,773	29,566,337	1,712,179	5.79
July 29	24,045,882	7,135,484	39,874	31,241,240	1,870,130	5.99
August 26	25,359,454	4,528,499	62,445	29,950,398	1,833,741	6.12
September 30	19,620,132	3,937,515	89,027	23,646,664	2,139,870	9.05
October 28	21,409,954	5,242,255	85,044	26,737,253	8,832,450	33.03
November 25	22,787,754	5,422,332	76,562	28,286,648	9,897,814	34.99
December 30	25,618,543	6,699,436	212,753	32,530,732	11,281,604	34.68
1960 January 27	27,392,057	6,156,921	128,468	33,677,446	12,633,720	37.51
February 24	28,725,358	6,752,896	56,212	35,534,466	13,380,755	37.65
March 31	30,782,828	6,153,677	73,535	37,010,040	15,021,379	40.59

In paragraph 2, article 16 (as amended) of Bank Indonesia Act 1953 it is stipulated that the Bank shall endeavour to maintain the cover—as referred to in 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 for the years 1957, 1958 and 1959 were respectively: Rp 7,295 million, Rp 4,868 million and Rp 4,175 million, still computed against the rate of US \$ 1.-- = Rp 11.40.

Since the cover (as referred to in article 16, paragraph 1, Bank Indonesia Act 1953) was revaluated at the new rate—based on Government Regulation No 43/1959 (US \$ 1.—= Rp 45.—) and Government Regulation in lieu of Law No 25/1959 (1 Kg fine gold = Rp 50,510.80) —to arrive at an exact ratio said import figures should also be revaluated at the rate of US \$ 1.— = Rp 4s.—.

Subsequently said import figures will amount to respectively Rp 28,793 million, Rp 19,214 million and Rp 16,479 million.

On the basis of these figures the total imports in the 3 months, referred to in paragraph 2, article 16, Bank Indonesia Act 1953, would be:

$3/36 \times \text{Rp } 64,486 \text{ million} (\text{Rp } 28,793 \text{ million} + \text{Rp } 19,214 \text{ million} + \text{Rp } 16,479 \text{ million}) = \text{Rp } 5,374 \text{ million}.$

To cover this import value there was a sum available to the amount of Rp 15,021 million.

On the basis of paragraph 3, article 16, Bank Indonesia Act 1953, 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 amount to: $20\% \times 20\%$ of Rp 37,010,039,809.74 = Rp 1,480,401,592.39

The amount available in Indonesia, computed on the basis as prescribed for in the 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	1,373,235,181.17
Claims on the Government on account of gold deposited on its be half with the I.B.R.D	Rp	99,000,000.--
Foreign Exchange Fund, generally convertible foreign exchange	Rp	13,455,333,986.97

Total	Rp	14,927,569,168.14
		=====
CONSOLIDATED ADVANCES TO THE GOVERNMENT	Rp	3,367,845,000.--

This account was opened on July 1, 1953, on the strength of article 42 paragraph 1, Bank Indonesia Act 1953; the balance at the outset being Rp 3,838,000,000.—.

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 into the Profit/Loss account of Bank Indonesia.

In compliance with the above-mentioned Monetary Board Decree the first redemption of consolidated advances was made on March 31, 1956; employing the 21/2% interest due on that date.

The balance of consolidated advances after the fourth redemption instalment on March 31, 1959, totalled	Rp	3,461,396,250.--
Deducted on account of redemption by 1 37th of the above sum	Rp	93,551,250.--

Balance on March 31, 1960	Rp	3,367,845,000.--
		=====

ADVANCES TO THE GOVERNMENT	Rp 24,445 ,479,987.13
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The above total was the March 31, 1960, balance of advances on current account extended to the Government since July 1, 1953, by virtue of article 19, Bank Indonesia Act 1953, as amended by Act No 84/1958.

In the course of the year under report, the Government took certain monetary measures, viz.

- a. the devaluation of bank notes in the denominations of Rp 1,000.—and Rp 500—in circulation on August 25, 1959 (Government Regulation in lieu of Law No 2/1959, dated August 24, 1959). The sum total of this devaluation amounted to Rp 8,521,492,500.—was frozen to the credit of the Treasury Account;

- b. the revaluation of the Rupiah currency vis-a-vis foreign currency based on a counter-value of Rp 45.—== US \$ 1.— (Government Regulation No 43/1959). Subsequently the price of gold also needed a revaluation; said new value being set at Rp 50,510.80 (previously Rp 12,796.05) per Kg fine gold (Government Regulation in lieu of Law No 25/1959, dated December 21, 1959). The profit amounting to Rp 1,442,536,996.82 resulting from the revaluation of the gold holdings of the Bank Indonesia on August 25, 1959, as well as from the revaluation of "Claims on the Government on account of gold deposited on its behalf with the I.B.R.D." was credited to the Treasury Account;
- c. the freezing of every bank deposit to the size of 90% of the amount exceeding Rp 25,000.— (Government Regulation in lieu of Law No 3/1959, dated August 24, 1959). On the strength of Government Regulation in lieu of Law No 26/1959, dated December 21, 1959, the Finance Minister was empowered to conclude a loan on the account of the State, to a maximum equal to the frozen deposits. Furthermore, in the Finance Minister Decrees No 1/1960, No 2/1960, and No 3/1960, it was stipulated and provided for how those balances frozen by the Bank Indonesia and by other banks were to be transferred to the Treasury Account. The total on frozen balances transferred in this manner up to March 31, 1960, amounted to Rp 1,989,076,190.--.

Aside from the above, during the year under report was also entered on the Government's account the difference resulting from the revaluation based on the new rate of exchange, i.e. Rp 45.— US \$ 1.—covering:

- 1) the balances of the I.M.F. and I.B.R.D. current accounts; the difference amounting to Rp 1,589,179,336.54 being debited to the Government's account ;
- 2) the balance of the account "Claim in Rupiahs on the Government on account of deposits made on its behalf with the I.M.F."; the difference amounting to Rp 924,000,000.— being credited to the Government's account.

Furthermore, during the year under review, said Government's account was credited with the proceeds resulting from:

- a) T.P.I. (Tambahan Pembayaran Impor — Import surcharges) based on Foreign Exchange Institute Announcement A. No. 79, dated June 27, 1957, which should be

paid by importers. The amount levied during the year under report was about Rp 2,917,000,000.--.

By means of Government Regulation No 42/1959, dated August 24, 1959, the regulations on the payment of said T.P.I. were substituted by those on the payment of the pungutan Impor (PUIM—Import levies).

In Foreign Exchange Institute Announcemcnt A. No. 84, dated August 26, 1959, it was stipulated that for every import transaction based on S.I.D. (Import License) and issued by the B.D.P. on or after August 25, 1959, a PUIM levy should be paid according to the kind of imported commodities and for which a classification into 6 groupings, mentioned below, was provided for:

0%	of purchasing price for group	I
25%	of purchasing price for group	II
50%	of purchasing price for group	III
100%	of purchasing price for group	IV
150%	of purchasing price for group	V
200 %	of purchasing price for group	VI

The proceeds of these PUIM levies, deposited by the Foreign Exchange Fund during the year under review, amounted to about Rp 4,185,000,000.—.

- b) Tambahan Pembayaran Impor Efek (T.P.I.E. = Levies on imported stocks and bonds) on the strength of the Foreign Exchange Institute Announcement A. No. 62, dated February 19, 1955, which was still in force. The payable T.P.I.E. amounts to 331/3% of the stock exchange price and is levied from the parties concerned/involved on imported stocks and bonds. The total deposit on T.P.I.E. during the year under report amounted to about Rp 2,800,000.—.
- c) Tambahan Pembayaran Transfer; (T.P.I.—Levies on transfers) based on Emergency Law No 5/1954, dated March 2, 1954, which, at that period was only effective on transfers to abroad made by foreign film companies and was debited to their R.R.B.P. accounts. The total settled through the intermediary of foreign exchange banks amounted to Rp 1,600,000.—.

- d) Pembayaran Bukti Ekspor (P.B.E. — Export Certificate Settlement) amounting to 20% of the proceeds on the sale of Bukti Ekspor (B.E.—Export Certificate), which began to be effective when the B.E. System was introduced on June 20, 1957. Payments of P.B.E. during the year under review totalled Rp 3,148,000,000.—. Since the B.E. System was repealed by Government Regulation in lieu of Law No 4/1959, dated August 24, 1959, the P.B.E. still collected since August 25, 1959, concerned only the B.E. surrendered on the basis of (Export) Foreign Exchange contracts and transactions closed during the period when the B.E. System was still in force. By Prime Minister's Decree No 359/P.M./1958 dated August 6, 1958, 10% of the P.B.E. proceeds must be returned to the producing regions. In this connection, out of said P.B.E. proceeds was paid back to the producing regions concerned the amount of Rp 240,000,000. - so that the total P.B.E. collected by the Government amounted to only Rp 2,908,000,000. - .
- e) Pungutan Ekstor (PULKS—Export Levies) amounting to 20% of the foreign exchange countervalue to be received by the exporter. These export levies became effective as from August 25, 1959, and were based on Government Regulation in lieu of Law No 4/1959, dated August 24, 1959, and on the Foreign Exchange Institute Announcement A No 84 dated August 26, 1959. Since the date the payment of PUEKS became obligatory up to March 31, 1960, receipts on PUEKS amounted to Rp 3,219,000,000.—but since out of these PUEKS proceeds a portion of 10% should also be returned to the producing regions, the total of Rp 277,000,000.- was reimbursed to the regions involved, so that the PUEKS-amount collected by the Government amounted to only Rp 2,942,000,000. - .

When totalling the Government debit account, the total debit balance on Government accounts must be deducted with advance/guarantee payments made by importers in line with the regulations in force before the B.E. System was introduced, i.e. advance payments made by importers (based on Foreign Exchange Institute Announcement B No 609, dated September 6, 1955, and B, No 680, dated March 8, 1956) which amounted to about Rp 30,800,000.— as per March 31, 1960; these deposits were refunded upon receipt by the importers of the foreign exchange allotted. After the B.E. System was repealed (Government Regulation in lieu of Law No 4/1959 dated August 24, 1959), importers need no longer make advance payments; now importers are held by Banks to make only guarantee deposits.

Pertaining to this matter, readers are further referred to Chapter IV of this report which incorporates wider observations on this subject.

CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF DEPOSITS MADE ON ITS BEHALF TO THE I.M.F.....	Rp	1,856,250,000
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The balance of this account shows an increase amounting to Rp 1,542,750,000. - due to the following:

a. debit mutation resulting from the transfer of the countervalue of US \$ 13.75 million at Rp 45.— as ex- plained on page 223	Rp	618,750,000
b. debit mutation resulting from the revaluation of gold de- posits amounting to 2 S ~o of US \$ 110 million (initial quota) = US \$ 27.5 million at Rp 33.60 (= new rate of exchange of Rp 45 minus the old rate of exchange of Rp 11.40)	Rp	924,000,000

	Rp	1,542,750.000
		=====

BANK NOTES IN CIRCULATION	Rp	30,782,828,011
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During the year under report, the total on banknotes in circulation increased by Rp 10,071 million (the specific total as per March 31, 1959, being Rp 20,712 million).

Table 95 presents information on the outflow from and inflow into the Bank's offices (including Government notes) covering the period from April 1, 1959, up to and including March 31, 1960.

From the figures of said table may be seen that banknotes flowing out of the Bank's offices (taken up into circulation) during the reviewing year amounted to Rp 18,634 million, among which were banknotes totalling Rp 18,633 million.

On comparing this end total with the increase in the amount of banknotes put into circulation during the year under report—which amounts to Rp 10,071 million—a difference of Rp 8,562 million is found, which is explained below.

On the strength of Government Regulation in lieu of Law No 2/1959, dated August 24, 1959, banknotes in the denominations of Rp 1,000 and Rp 500 (in circulation on August 25, 1959) were devaluated to Rp 100 and Rp 50 respectively. Due to this devaluation, the total on banknotes in circulation decreased by Rp 8,521 million.

Based on Government Regulation in lieu of Law No 6/1959, dated September 14, 1959, the devaluated banknotes in the denominations of Rp 1,000 and Rp 500 were withdrawn from circulation, with the right for presenting such banknotes as legal tender repealed as per January 1, 1960. The amount that was not presented as legal tender totalled about Rp 41 million, which — on the

TABLE 95 — OUTFLOW FROM AND INFLOW INTO THE BANK'S OFFICES
(bank notes and Government notes ; Rp '000)

	1957/1958	1958/1959	1959/1960
Djakarta	— 813,582	— 2,026,219	— 5,847,256
Bandung	— 605,719	— 1,075,491	— 1,117,361
Jogjakarta	— 362,592	— 506,734	— 654,342
Kediri	— 205,697	— 187,555	— 126,278
Malang	— 290,469	— 403,210	— 512,091
Semarang	+ 374,238	+ 943,437	+ 516,728
Solo	— 70,510	+ 1,325	— 12,611
Surabaya	— 106,212	— 16,735	— 757,121
Tjirebon	+ 49,418	+ 64,058	+ 72,587
Djember	— 24,789	— 489,702	— 855,373
Total Djawa offices	— 2,055,914	— 3,696,826	— 9,267,896
Medan	— 812,644	— 557,040	— 3,422,639
Padang	— 334,936	+ 180,950	+ 5,373
Palembang	— 866,463	— 1,083,661	— 3,080,332
<i>Total Sumatera offices</i>	— 2,014,043	— 1,459,751	— 6,497,598
Bandjarmasin	— 273,014	— 363,550	— 792,668
Pontianak	— 184,876	— 375,971	— 822,306
<i>Total Kalimantan offices</i>	— 457,890	— 739,521	— 1,614,974
Makassar	— 271,605	— 277,679	— 638,761
Menado	— 311,126	+ 57,658	— 307,326
<i>Total Sulawesi offices</i>	— 582,731	— 220,021	— 946,087
Ambon, Maluku	— 146,985	— 113,796	— 249,282
Ampenan, Lombok	+ 4,698	— 28,655	— 58,101
Total offices outside Djawa	— 3,196,951	— 2,561,744	— 9,366,042
Grand total	— 5,252,865	— 6,258,570	— 18,633,938
— = outflow + = inflow			

strength of Article 12, paragraph 5, of the Bank Indonesia Act 1953— may be added to the Bank's profit for the current bookyear. This, at the same time, implies that the total of banknotes written off from circulation amounted to about Rp 41 million.

Subsequently, the balance on banknotes in circulation during the year under report—due to said monetary measures— shrank with Rp 8,521 million + Rp 41 million = Rp 8,562 million, i.e. equal to the difference referred to above.

Finally, it may be added that during the year under review, the outflow of banknotes occurred in sizable amounts in the months of August, September, November and December I 959.

The 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, i.e. in the number of denominations of Rp 0.50 up to and including Rp 10—which relatively decreased every year if compared with the number of denominations of Rp 25 up to and including Rp 1,000 — did not take place during the year under report.

TABLE 96 — BREAK DOWN OF THE CIRCULATION OF BANK NOTES AND GOVERNMENT NOTES

Denomination	March 31, 1940		March 31, 1959		March 31, 1960	
	Amount in Rp '000	% of total	Amount in Rp '000	% of total	Amount in Rp '000	% of total
Rp. 1,000.—	0,920	9.9	4,440,600	20.5	—	—
„ 500.—	7,181	3.4	3,546,973	16.3	—	—
„ 100.—	42,352	20.1	6,241,268	28.7	19,838,546	61.7
„ 50.—	13,693	6.5	2,786,206	12.8	4,111,926	12.8
„ 25.—	30,167	14.3	2,014,802	9.3	3,389,435	10.6
„ 10.—	52,698	25.0	1,139,891	5.3	2,069,637	6.4
„ 5.—	43,795	20.8	616,292	2.8	1,430,980	4.5
„ 2.50	—	—	448,327	2.1	642,159	2.0
„ 1.—	—	—	454,433	2.1	621,781	1.9
„ 0.50	—	—	23,269	0.1	22,780	0.1
Total	210,806	100.0	21,712,061 ¹⁾	100.0	32,127,244 ²⁾	100.0
¹⁾ Rp 20,712 million in bank notes and Rp 1,000 million in Government notes. ²⁾ Rp 30,783 million in bank notes and Rp 1,344 million in Government notes.						

The number of denominations of Rp 10 and downward in percentage of the total number of notes in circulation on March 31, in the years 1952 through 1959, was consecutively : 37.3%, 30.5%, 28.2%, 24.0%, 22.3%, 18.2%, 14.8%, and 12.4%, while on March 31, 1960, this percentage did not decline further, but, on the contrary, increased to 14.9% due to the increased percentage in the denominations of Rp 10 and Rp 5.

The number of denominations of Rp 25 and upward in percentage of the total number of notes in circulation on the dates and years mentioned above was consecutively : 62.7%, 69.5%, 71.8%, 76.0%, 77.7%, 81.8%, 85.2%, and 87.6%, while on March 31, 1960, this percentage did not rise further, but declined to 85.1 %. This was due to the fact that on August 25, 1959, the largest denominations, viz. those of Rp 1,000 and Rp 500—based on Government Regulation in lieu of Law No 2/1959 —were devaluated to 10% of their original values, and later on those banknotes were withdrawn from circulation with the stipulation that as from January 1, 1960, their values as well as their rights for submission as legal tender were revoked. In the meanwhile, the percentage of the Rp 100 denomination amounted to 61.7% on March 31, 1960, while the percentage in the denominations of Rp 1,000, Rp 500 and Rp 100 amounted to 65.5 % on March 31, 1959.

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. Only its 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 totaling the Government debt.

The supplies on Government notes in circulation were again reported in the official Gazette as from May 24, 1954—as had been the pre-war custom —and no longer in footnotes in the abridged weekly balance sheets of the Bank.

Government notes in circulation On March 31, 1960, consisted of the following amounts and denominations :

Rp 107,000,000.-- in denominations of Rp 5 and Rp 10 issued under Act No 17, dated October 12, 1951 (Government Gazette No 100/1951);

Rp 287,000,000.-- 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, 1959 (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 950,000,000.-- 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. Act No 71/1958, jot Decrees of the Minister of Finance, Nos.177869/U.M.I., dated October 22, 1958, 96153/ U.M.I., dated July 21, 1959 and 148599/U.M.I., dated October 26, 1959.

Rp 1,344,000,000. –
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CURRENT ACCOUNT BALANCES	Rp	4,791,578,685.75
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This heading includes :

1. <i>Government, Special Account No. 2 pertaining to I.C.A. Aid to the amount of</i>	Rp	279,493,502.51
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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 since 1951.

The balance at the beginning of the year under re- view was	Rp	323,551,131.73
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In the year under review the counterpart funds increased by notification to the amount of	Rp	183,016,353.15
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Total	Rp	506,567,484.91
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Part of this amount was spent in the year under
review for projects approved by the authorities involved,
viz. for :

The Public Administration

Institute.....	Rp	9,545,857.40
Dept. of Education & Cultural Affairs	Rp	17,012,000.--
Dept. of Agriculture	Rp	40,937,000.--
Dept. of State Police	Rp	20,000,000.--
Dept. of Health	Rp	7,500,000.--
Photogrammetric Service	Rp	2,500,000.--
Central Bureau for Statistics	Rp	500,000.--
Bureau for State Planning	Rp	4,000,000.--
Malaria Eradication	Rp	40,000,000.--
Health Education Centre Project	Rp	6,000,000.--

I.C.A. Building & Staff			
Accommodation Project	Rp	56,900,000.--	
I.C.A.Mission	Rp	22,179,125.--	Rp 227,073,982.42

Bringing the balance, on March 31, 1960, to	Rp	279,493,502.51	=====

Counterpart funds pertaining to I.C.A. aid, received by Indonesia, which on March 31, 1960, no notification had as yet been received, are found under "Sundry Accounts" on the credit side of the balance sheet.

2. *Government, Counterpart Canadian Foodstuffs Assistance Program to the amount of* Rp 23,480,263.35
-
-

This total constituted the countervalue amount of the Canadian Government aid within the framework of the "Colombo Plan" aggregating Can. \$ 500,000 in the shape of foodstuffs, viz. flour and milk powder. The Agreement between the two nations (Indonesia /Canada) on this aid was concluded on July 3, 1959, based on Note No 132 of the Canadian Ambassador.

3. I.M.F. and I.B.R.D. Rp 2,153,101,183.30
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-

In the present year under report the I.M.F. and I.B.R.D. balances—representing the Rupiah- countervalue of the US \$ amounts—were revaluated at the new rate of exchange on the account of the Government, i.e. at Rp 45 = US \$ 1 as stipulated by Government; Ordinance No 43/1959, dated August 24, 1959.

Aside from the above, as has been set forth are as follows:
"International Monetary Fund (I.M.F.), Account No. 1"

Of the Indonesian quota amounting to US \$ 165 million, 75% of the countervalue (based on the new rate of US \$

1 = Rp 45) should be deposited in Rupiahs or	Rp 5,568,750,000.--	
decreased by : demand notes, issued by the Govern- ment, were deducted to the amount of	Rp 5,494,200,000.-- -----	
		Rp 74,555,000.--
increased by : the countervalue of Government drawings to the amount of US \$ 46 million (= US \$ 5 S million minus US \$ 9 million) at Rp 45.—		Rp 2,070,000,000.--
decreased by: US \$ payments to the I.M.F. and transfers to I.M.F. Account No. 2	Rp 24,148.11 Rp 143,684.22 ----- --/--	Rp 167,832.33 -----
Balance as per March 31, 1960		Rp 2,144,382,167.67
<i>“International Monetary Fund (I.M.F.), Account No 2</i>		Rp 224,367.74
Items not directly connected with monetary transactions were entered on this account		----- Rp 2, 144,606,535.41
(among others, payment of subscriptions on I.M.F. maga- zines).		
<i>“International Bank for Reconstruction and Development (I.B.R.D.), Account A”</i>		Rp 8,494,647.39
At first, the Government deposited the Rupiah countervalue of US \$ 198,000 at Rp 11.40 = 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 as of April 1954.

Out of this amount, payments were made on behalf of the I.B.R.D., leaving a balance of Rp 2,154,130.80 on March 31, 1959, which— on revaluation—turned into Rp 8,494,647.89 on March 31, 1960.

Total of the balances of the I.M.F. and I.B.R.D. current accounts as per March 31, 1960

Rp 2,153,101,153.30

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4. *U.S. Surplus Commodities Sales Account, Public Law 480*

Account "S.A.C. No. I" Rp 1,197,780,322.35

Account "S.A.C. No. II" Rp 1,137,723,414.24

Rp 2,335,503,736.59

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To the "S.A.C. No I" account was deposited the countervalue of the Surplus Agriculture Commodities, which were delivered to Indonesia by the United States on the strength of the agreement dated March 2, 1956, based on U.S. Public Law 480. Reimbursements received through the Credit Commodities Corporation up to and including March 31, 1960, totalled (including freight charges), for:

rice US\$ 45.3 million = Rp 675.3 million

flour US \$ 5.7 million = Rp 75.4 million

tobacco US \$ 14.9 million = Rp 270.- million

cotton US \$ 30.3 million = Rp 547.1 million

Total US \$ 96.2 million

Rp 1,567.8 million

In the above mentioned agreement, it was stipulated that 20% of the overall total on said reimbursements may be used by the Disbursing Officer in Indonesia to cover his expenses. Settlements made by said Disbursing Officer up to and including March 31, 1960, amounted to —.

--/--

Rp 170.0 million

Rp 1,397.8 million

Based on the letter of the Director of the ICA— USA Operation Mission to Indonesia No 11/1095, dated October 1, 1959, Confidential, was paid out to the State Treasury for defraying a Government project, the amount of

----- ---/--- Rp 200,-- million

Balance of the “ S.A.C. I” account per March 31, 1960, Rp 1,197.8 million

On May 29, 1959, was signed between the Governments of the United States and the Republic of Indonesia the IInd Agreement, i.e. on the consignment of the original surplus agricultural commodities amounting to US \$ 40.3 million, which was increased as per October 1, 1959, to US \$ 51.6 million. Reimbursements received within the framework of this Agreement up to and including March 31, 1960, totalled, for:

rice	US \$	17.7 million =	Rp	781.9 million
cotton	US \$	4.4 million =	Rp	199.1 million
flour	US \$	3.5 million =	Rp	1 56.7 million

Total US \$ 25.6 million Rp 1,137.7 million

Total of the balances of the Accounts “S.A.C. I and II” per March 31,1960 . . . Rp 2,335.5 million
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Banking Department

FOREIGN BILLS AND BALANCES Rp 2,056,491,674.02

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 on route.

TABLE 97 — DOMESTIC CREDITS GRANTED BY THE CENTRAL BANK
(Rp '000)

At March 31st	Advances to the Government	Consolidated advances to the Government	Semi-Govern- ment institu- tions	Banks	Private sector	Total
	1	2	3	4	5	3 + 4 + 5
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	283,501	735,192
1957	7,894,165	3,648,499	545,191	182,759	276,589	1,904,449
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	245,247	1,954,701
1960	24,445,480	3,367,845	2,679,037	5,754,367	142,046	8,575,450

These claims were valued at the official parity rate effective on March 31, 1960.

As to the items, it may be noted that the 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 1,884,173.10

The nominal value of Government and Bank Notes held at the Bank's offices is not taken up under this heading, nor under "Banknotes in circulation" for the reason that the notes are not actually in circulation.

BILLS DISCOUNTED AND ADVANCES ON COLLATERAL, PAYABLE IN RU-
PIAH Rp 8,575,450,158.77

The considerable increase in domestic credits during the year under report if compared with the foregoing year, was mainly caused by factors connected with the monetary measures taken by the Government in the month of August 1959 (devaluation of

banknotes in the denominations of Rp 1,000 and Rp 5,00 and the freezing of deposits). To cover the resulting deficit in liquidity (including the liquidity deficit for defraying expenses of the various enterprises themselves), the Bank Indonesia — under guarantee of the Government in the shape of Treasury notes and bills—gave out credits to banks, State enterprises, and Government agencies. Part of those credits were channelled via banks, the remainder being granted direct to the enterprises mentioned.

From the figures of the under-mentioned table, it is evident, that the considerable increase in credits granted is to be found in the sectors “Banks” and “State enterprises/ Government agencies/semi-official organizations “ which —if compared with the position as per March 31, 1959 —increased respectively about Rp 5,359 million and Rp 1,366 million.

Credit grants to State banks, viz. to Bank Negara Indonesia, Bank Umum Negara, Bank Dagang Negara, Bank Tani dan Nelayan (for the distribution of fertilizers) and Bank Rakjat Indonesia (for paddy purchases) totalled Rp 5.6 billion on March 31, 1960.

Aside from the above, credit grants were also made out to national banks, viz. among others, to Bank Umum Nasional for financing export transactions.

The increase in the total on credit grants in the sector “State enterprises/ Government agencies/semi-official organizations” was mainly due to the credits given out to:

- a) J.U.B.M. for importing rice,
- b) The State enterprises (Usindo, Triangle, Indevitra, Satya Negara, and Juda Bhakti) for importing commodities covered by the S.A.C. Agreement and for financing the inter-insular distribution of sugar,
- c) Central Trading Coy. for importing commodities under the S.A.C. Agreement program, for financing exports and for the supply of basic commodities for North and Central Sulawesi.
- d) P.T. Mira Sari for importing fertilizers and for financing the inter insular distribution of sugar.
- e) Bappit for financing nationalized enterprises.
- f) Bapphar for importing pharmaceuticals.
- g) State Electric Company for importing equipments and spareparts.

- h) Badan Urusan Dagang for financing the State enterprises.
- i) P.T. Tambang Timah Belitung.

Since the Bank Indonesia is preparing itself for its task to function as the Central Bank, the granting of credits to the non-bank division of the private sector is gradually passed on the other banks.

Accordingly it is to be understood why the total on credit grants by Bank Indonesia in this sector per March 31, 1960, showed a decline if compared with the position of the foregoing year.

The largest credit grants in the non-bank sector was made to the Indonesian Fortune Lloyd, sugar factories, industrial enterprises and rubber manufacturers.

INVESTED CAPITAL, RESERVE FUND, SPECIAL RESERVE AND PENSION FUND	Rp	546,786,913.06
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The Bank is entitled—under Article 17, paragraph 1, Bank Indonesia Act 1953—to invest its Capital, Reserve Fund and its Special Reserve.

Securities making up the invested capital and reserve fund will be discussed at greater length later in this report. These securities have been valued at list prices per March 31, 1960, 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 = Rp 11.91 and US\$ 1 = Rp 45.

On March 31, 1960, the <i>Capital invested</i> in securities totalled	Rp	24,999,982.40
increased by :		
purchase of securities to the amount of	Rp	1,074,737.58
difference resulting from revaluating the securities in foreign currency and which are physically abroad, based on Ordinance No 43/1959	Rp	23.616,082.13

treasury note transfer from the "Special Reserve Investment"	Rp	75,000,000.--
advanced value of the securities per March 31, 1960,		
and entered to the credit of the Reserve Fund	Rp	467,009.84

	Rp	125,157,811.95
decreased by:		
redemptions/sales of securities	Rp	1,243,348.75
transfer of securities to :		
"Reserve Fund Investment"	Rp	446,400.--
"Special Reserve Investment"	Rp	23,468,412.90

Balance On March 31, 1960	Rp	99,999,650.30
		=====
On March 31, 1959, the <i>Reserve Fund Investment</i> in securities aggregated	Rp	24,999,994.30
increased by:		
purchases of securities to the amount of	Rp	549,953.94
difference resulting from revaluating the securities in foreign currency and which are physically abroad, based on Ordinance No 43/1959	Rp	28,974,967.85
transfer from "Capital Investment"	Rp	446,400.--
advanced value of the securities as per March 31, 1960	Rp	2,616,414.03
decreased by:		
redemptions / sales of securities	Rp	663,600.--
transfer of securities to "Special Reserve Investment,"	Rp	28,969,800.--

Balance on March 31, 1960	Rp	27,954,330.12
		=====

According to article 17, paragraph 2, Bank Indonesia Act 1953 advances in value of the securities in which the Capital and Reserve Fund have been invested, must be added to the Reserve Fund, until the Reserve Fund has reached the amount of the Bank's Capital.

As, based on Government Regulation in lieu of Law No 11/1960, dated March 23, 1960, the Bank's Capital was raised to Rp 100 million, the advanced value of the securities per March 31, 1960 from Capital Investment" and "Reserve Fund Investment" could be added to the Reserve Fund.

The difference resulting from the revaluation of the securities in foreign currency in which the Capital and Reserve Fund were invested was for the time being not added to the Reserve Fund, in anticipation of further rulings to this effect.

Such value advances were credited to the account "Differences resulting from the revaluation of investments/foreign exchange based on Government Regulation No 43/1959" drawn up under the balance sheet heading "Sundry Credit Accounts".

On March 31, 1959 the <i>Investment of the Special Reserve</i> in securities aggregated	Rp	254,894,860.30
increased by:		
purchases of securities amounting to	Rp	83,993,118.60
transfers from:		

Capital investment.....	Rp	23,468,412.90	
Investment of Reserve Fund	Rp	28,969,800.---	
Other investments	Rp	414,348.---	

	Rp	52,852,560.90	

advanced value of securities per March 31, 1960 credited to "Special Reserve Fund"	Rp	16,691,420.20

	Rp	408,431,960.--
decreased by:		
redemption of securities to the amount of	Rp	45,713,900.--
transfer to "Capital Investment" in the shape of a 5% Treasury Bill	Rp	75,000,000.--

Balance as per March 31, 1960	Rp	287,718,060.--
		=====

The Pension Fund Investment on March 31, 1959 was in:			
Securities	Rp	67,053,814.40	
Mortgages	Rp	9,969.32	
	-----		Rp 67,063,783.72
increased by:			
purchases of securities	Rp	26,208,453.93	
difference resulting from the revaluation of securities in for			
eign exchange physically abroad based on Govern			
ment Regulation No 43/1959			
	Rp	16,602,743.33	
difference resulting from the revaluation of securities abroad			
under the safe-keeping of the Amsterdam Branch ..			
	Rp	23,022,192.60	
advanced value of securities per March 31, 1960	Rp	2,090,204.22	
	-----		Rp 134,987,377.82
decreased by :			
sales and redemptions of securities...	Rp	3,869,518.61	
mortgage redemptions	Rp	2,986.57	
	-----		Rp 3,872,505.18

Balance on March 31, 1960	Rp	131,114,872.64	
	=====		
consisting of :			
securities	Rp	131,107,889.89	
mortgages	Rp	6,982.75	

Total			Rp 131,114,872.64
			=====

As was the case with the differences resulting from the revaluation of securities in foreign exchange of other investments, the difference resulting from the revaluation of the Pension Fund and Reserve Fund securities were also entered into the account, "Differences resulting from the revaluation of investments/foreign exchange based on Government Regulation No 43/1959", and was not added to the "Pension Fund".

PREMISES AND INVENTORY	Rp	144,313,972.90
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Since article 9 of the company Tax Exemption Decree was revoked by the Finance Minister's Decree No 148758/I.N., dated October 28, 1959 (Government Gazette No 93/1959), the total expenditure for the expansion of premises and/or the additional erection to buildings purchased before the 'moment of adjustment' — which, in preceding years on the strength of said article 9 could be written off at once—as from the present year under report may be written off only over a period of 15 to 40 years, i.e. in line with the table of article 4 of the 1953 Company Tax Exemption Decree. For the Bank this writing-off period was fixed at 20 years.

Such was also the case with the expenditures made for financing new constructions which were completed during the year under report, in so far as their depreciation was effected to the debit of the reserve "Depreciation for on defrayment of new constructions".

The writing off period for buildings purchased after the "moment of adjustment" referred to above was set at 20 years.

In line with the repeal of the above mentioned article 9, the value of office inventory and household effects—which in previous years were written down to Rp 1 at once—as from the present year under report, their writing down will be effected according to the table of article 4 of the 1953 Revaluation Decree i.e. in the course of 5 years, hence, in the same manner as applied to the writing down of second-hand household effects.

The office premises and inventory of the Amsterdam Branch were entered at their residual value, in compliance with local fiscal regulations and computed against the official rate (Nf I = Rp 11.91).

The above mentioned amount of Rp 144,313,972.90 also includes a total of Rp 106,834,802.94 which so far has been expended on new buildings (including the building-sites) but so far have not yet been surrendered.

During the year under report, the final writing off was effected on a residue amounting to Rp 1,797,938.13 being the multiplication difference resulting from the revaluation of premises and inventories per April I, 1949, thereby reducing said multiplication difference to nil.

SUNDRY ACCOUNT (debit)	Rp	533,119,096.78
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This heading is specified in :

<i>Sundry debtor accounts</i>	Rp	232,729,556.57
<i>Government payment orders and bills, and Stamps duties</i>	Rp	1,330,893.75
<i>Miscellaneous</i>	Rp	13,341,213.70
<i>Assets of the Amsterdam Branch</i>	Rp	285,717,432.76

Total on March 31, 1960	Rp	533,119,096.78
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The item "Assets of the Amsterdam Branch" covers the countervalue at the official rate (Nf 1 = Rp 11.91) of the the assets of the Amsterdam Branch as per March 31, 1960, insofar as they have not been entered in the balance sheet under other items.

CAPITAL	Rp	100,000,000.--
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Based on Government Regulation in lieu of Law No11/1960, dated March 23, 1960, the capital of Bank Indonesia was raised from Rp 25,000,000.—to Rp 100,000,000.—.

Because of this, the sum of Rp 75,000,000.—, made available for this purpose, was transferred from the Special Reserve.

RESERVE FUND.....	Rp	100,000,000.--
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The balance of the Reserve Fund per March 31, 1959, amounted to	Rp	25,000,000.--
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Based on article 17, paragraph 2, of the Bank Indonesia Act 1953, to the Reserve Fund was added the advanced value on securities as per March 31, 1960, of :

Capital Investment	Rp	467,009.84
Investment of Reserve Fund	Rp	2,616,414.03

(Interest gained on Capital and Reserve Fund investments, respectively amounting to Rp 1,400,975.90 and Rp 1,475,850.99 were credited to the Profit/Loss account on the strength of article 17, paragraph 2, Bank Indonesia Act 1953).

Article 34, paragraph 5, Bank Indonesia Act 1953, prescribes that of the approved net profits of the Bank, first of all should be set aside a sum intended for the Special Reserve Fund; 20% of the remaining net profits must be paid to the Reserve Fund until this Fund equals the Bank's Capital.

Based on said ruling, from the Profit Loss account was transferred to the account Reserve Fund, the sum of	Rp	71,916,576.13
bringing the reserve fund, as per March 31,1960, to	Rp	100,000,000.--
SPECIAL RESERVE	Rp	289,681,808.74

The Special Reserve referred to in article 6, Bank Indonesia Act 1953, totalled on March 31, 1959	Rp	347,990,388.54
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This amount was increased by: entry of the advanced value of securities per March 31, 1960, from Special Reserve Fund investments under article 17, paragraph 2, Bank Indonesia Act 1953, to the amount of	Rp	16,691,420.20
	Rp	364,681,808.74

(The interest of the investments to the amount of R p 13,141,802.65 was entered to the credit of the Profit. Loss Account under article 17, paragraph 2, Bank Indonesia Act 1953) a transfer to Bank's Capital in line with the ruling as set forth in Government Regulation in lieu of Law No 11/1960 relative to increasing the Bank's Capital from Rp 25 million to Rp 100 million	---/----	Rp	75,000,000.--
This amount of Rp 75 million was made available from the Special Reserve for this purpose)		Rp	289,681,808.74

Since the size of this amount of Rp 289,681,808.74 was for the present considered adequate for coping with the risks intended for absorption by the Special Reserve, during the present year under report—with the exception of the accruals resulting from the value advances of Special Reserve securities as per March 31, 1960—no credit entries were made to Special Reserve to the debit of the Profit/Loss Account.

PENSION FUND	Rp	165,381,000.---
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The balance of this account aggregated on March 31, 1959	Rp	105,898,000.---
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increased by:

contributions received, less refunds	Rp	1,295,731.28.---
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interest on capital invested	Rp	5,389,678.84.---
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advanced value of securities per March 31, 1960	Rp	2,090,204.22.---
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entry of interest and remuneration paid by "Nillmij", arising from insurance agreements	Rp	11,464,082.51.---
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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	3,418.17.---
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Grants chargeable to the Profit/Loss Account	Rp	33,351,445.36.---
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	Rp	159,492,560.38.---

decreased by :

pension and subsistence allow-	Rp	9,112,492.23
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ances paid		
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additional allowances paid in ad-		
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dition to pensions and subsis-		
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tence allowance on the		
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strength of article 56, Pension		
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Fund Regulation, effective as		
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from August 1, 1955	Rp	1,611,148.32
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payment of purchase prices of and premiums for pension assur- ances minus refunds	Rp	6,244,903.68		
transfer to the credit of the Profit/ Loss Account Amsterdam Branch	Rp	709,727.26		
miscellaneous	Rp	288.89		
	-----		Rp	17,678,560.38

plus the difference resulting from :
the revaluation of the Reserve balance as per April 1, 1959,
to cover obligations in Dutch Guilders at the Amsterdam
Branch against the new rate of Nf 1 Rp 11.91 (on April 1,
1959 Nf 1 = Rp 3)

			Rp	165,381,000.--
Balance on March 31, 1960			=====	

This balance—in accordance with article 35, paragraph 2, Bank Indonesia Act 1953,—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	6,153,676,616.43
DRAFT ON OWN OFFICES	Rp	73,535,182.31

Among the totals of the current account balances (non-Government) — the over-all total of which (if compared with those of March 31, 1959) decreased by about Rp 880 million—are found the balances of clearing banks amounting to about Rp 2.707 million, as against about Rp 3,363 million per March 31, 1959.

Transfer System (Giro)

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.

As was the case in the previous year, also during the year under report an increase was found in the number of banks participating in the clearing business.

TABLE 98 — TRANSFER AND CLEARING OPERATIONS

Financial year	Local transfer (no clearing) at the offices of the Central Bank in Indonesia		Transfer (mail and telegraphic) between the offices of the Central Bank in Indonesia		Clearing and "central settlement" between banks in Indonesia	
	Number	Amount (Rp '000)	Number	Amount (Rp '000)	Number	Amount (Rp '000)
1939/1940	150,424	866,511	—	390,415	1,039,940	2,281,908
1940/1941	152,982	1,253,617	—	681,978	1,024,544	3,056,171
1951/1952	102,425	9,580,507	68,626	9,650,630	683,446	27,649,722
1952/1953	100,666	15,702,618	74,584	11,184,574	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
1959/1960	71,633	36,683,008	94,636	42,924,309	1,027,393	129,748,530

The Bank Negara Indonesia, Pontianak branch, inaugurated on July 27, 1959, was accepted as from December 1959 on as a member of the local clearinghouse, while the Bank Rakjat Indonesia at Bandung changed its status from sub-clearant to full member of the clearinghouse.

Aside from the additions, the Clearing Office membership also decreased by the suspension of the Great Eastern Banking Corporation Ltd. as a member, on the strength of the Central War Administrator's Decree No Kpts/Peperda 01104/1959, dated December 15, 1959, ordering said Bank to stop all activities and operations in the banking field, so that subsequently as from the date referred to above, said Bank's offices in Djakarta, Semarang and Surabaya withdrew from the local clearing offices.

Table 98 depicts developments in the transfer system from April 1, 1959, up to and including March 31, 1960.

It should be further explained that in connection with the surrender of all assets and liabilities as well as of the management of the Nationale Handels bank N.V. in Indonesia to the Bank Umum Negara — on the strength of Government Regulation No 39, year 1959 jo Government Regulation in lieu of law No 1/1959 — the membership of the Nationale Handelsbank N.V. in Indonesia was thereby abrogated and transferred to Bank Umum Negara.

During the year under review, the number of sub-clearants increased by the following :

at Djakarta	:	P.T. Bank Pembangunan Nasional
at Bandung	:	P.T. Bank Ekonomi Nasional
		P.T. Sedjahtera Bank Umum
at Surabaya	:	P.T. Bank Niaga
at Medan	:	South East Asia Bank Ltd.
		Bank of Sumatra N.V.,
		Bank Keradjinan Pedjuang Kemerdekaan N.V
at Pontianak:	:	P.T. Bank Umum Nasional.

In summary, at the end of the year under report, the number of banks in 9 places in Indonesia participating in the clearing system was 98, 61 of which participated in the direct clearing business, while the remaining 37 participated indirectly.

No changes occurred 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	503,416,130,--
On March 31, 1959, this reserve totalled	Rp	42,384,597,50

increased by :

transfer from the Profit/Loss Account for company tax payment over the 7th (1959/1960) financial year, to the amount of	Rp	498,389,880.--
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and decreased by :

payments of the company tax of Bank Indonesia over the 6th (1958/1959) financial year, to the amount of	Rp	37,358,347.50.--
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bringing the balance on March 31, 1960, to	Rp	503,416,130.--
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SUNDRY ACCOUNTS (credit)	Rp	12,080,849,736.32
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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	150,321,915.73
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During the year under review this amount was added with the countervalue of US \$ grants extended to Indonesia under the I.C.A. aid programme, to the amount of	Rp	34,491,855.22
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	Rp	184,813,770.95
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-- discussed elsewhere in this report —

whereas by notification was transferred to “Special Account No. 2 pertaining to I.C.A. aid” under the heading “Current Account Balances (Government) “

-- a sum to the amount of ---/--	Rp	183,016,353.18
--	----	----------------

bringing the balance on this interim account, on March 31, 1960, down to	Rp	1,797,417.77
--	----	--------------

Also taken up under this heading :

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. programme, was entered on this account to the amount of

	Rp	29,525,057.85
<i>Sundry, accounts of the Foreign Exchange Fund in Rupiahs</i>	Rp	5,423,135,769.26

	Rp	5,454,458,244.88

Foreign Exchange Fund, receipts of guarantee payments

Rp 490,426,147.23

Registration accounts

In this account was deposited the balance with Bank Indonesia frozen on the strength of Government Regulation in lieu of Law No 3/1959 dated August 24, 1959. Based on the Finance Minister's Decrees No 1/1960 dated January 28, 1960, and No 2/1960 dated February 22, 1960, part of this account was already transferred to Government's credit. The remainder of the balance of this account stood on March 31, 1960 at

Rp 5,065,876,700.--

Liabilities, Bank Indonesia Amsterdam Branch

Rp 296,400,455.42

The item "Liabilities, Bank Indonesia Amsterdam Branch" represents the countervalue—based on the rate of Nf 1 — Rp 11.91 — of the liabilities on March 31, 1960, of the Bank Indonesia Amsterdam Branch, insofar as they have not been entered under other balance sheet headings.

Miscellaneous accounts Rp 773,688,188.79

Total on March 31, 1960

Rp 12,080,849,736.32

Profit / Loss Account

The gross income of Bank Indonesia increased by about Rp 718 million over the 7th financial year, 1959/ 1960, when compared with the income over the 6th financial year 1958/1959.

The item “Interest of discounts and balances of foreign currencies, rate differences, profit on gold coins and bullion and sundries” increased by about Rp 19.5 million, which may be explained as follows.

With the abrogation of the B.E. System on August 25, 1959, based on Government Regulation in lieu of Law No 4/1959, in setting foreign exchange contracts the Bank could again earn on the difference in rates (under the B.E. System, the Bank only received a commission for the purchase/sale of Export Certificates). Because of this, during the year under report, earnings on rate differences could increase by Rp 18.3 million.

In addition, during the year under report the profit on gold coins and bullion increased by Rp 1.6 million, which—apart from certain gold transactions—was mainly obtained from gold deposits with the I.M.F. in connection with the increase of the Government subscription by 50% or US \$ 55, million. of this amount 25% or US \$ 13,750,000 had to be paid in gold.

Against the above mentioned increases can be offset the decrease in the interest on the balance in foreign exchange amounting to Rp 0.4 million resulting from the Cut in the interest on the Small “A” account in the books of the Amsterdam Branch, and paid out to the Central Office. This interest dropped because of the decreasing balance in the Small “A” account and because of the drop in the interest rate from 2 13/16% to 1 3/4 %.

Under the item “Interest on advances to the Government” amounting to about Rp 843, 2 million (for the previous financial year this item amounted to Rp 640.6 million, but the amount entered into the Profit Loss Account was only Rp 317.8 million since — on the strength of the Minister of Finance’s letter no. 5 8 1 17 / U.M.I., dated May 5, 1959—the amount of Rp 322.8 million was directly transferred to the profit of the Government), was included the letter no 58117/ U.M.I., dated May 5, 1959—the amount

of Rp 322.8 million article 42, Bank. Indonesia Act 1953 — amounting to about Rp 17.3 million (for the previous year it was Rp 17.8 million; the decrease amounting to about Rp 0.5 million being the result of the ruling as mentioned on page. 228).

TABLE 99 — RECAPITULATIONS OF THE CREDIT ITEMS OF THE
PROFIT AND LOSS ACCOUNT
(Rp '000)

	Financial Year	
	1958/1959	1959/1960
Interest on bills discounted and on foreign balances profit on exchange, on coin and bullion and on sundries	19,595	39,045
Interest on advances : <i>to the Government</i>	317,775	843,242
<i>to others</i>	66,498	163,019
Commission	88,347	122,420
Interest on securities	12,130	16,01
Banknotes of Rp. 1000,— and Rp. 500,—, not ex- changed according to P.P.P.U.U. No 6/1959	—	40,702
Dividends of De Javasche Bank concerning the previous bookyear, being lost through superannuation	4	—
Disparity in value of Security of Capital investment and Reserve Fund	2,002	—
Profit of the Branch Office in Amsterdam	422	115
Total	506,773	1,224,562

Although as a result of the monetary measures, the Government gained some profit items (see page: 252), yet the present reporting year's interest to be paid by the Government on advances extended to the Government—based on article 19, Bank Indonesia Act 1953 - - - was larger than the amount to be paid in the previous bookyear, viz. Rp 825.9 million in the year under review, while in the previous year it was Rp 622.8 million. It may be stated in this connection that the Government debit at the outset of the preceding financial year amounted to Rp 17.2billion, which afterwards rose to Rp 27.4 billion at the close of said financial year, while the Government debit at the beginning of the present financial year totalled Rp 27.4 billion which afterwards rose to Rp 31.8 billion in August 1959, and which — as a result of the above mentioned monetary measures—dropped to Rp 23.6 billion at tuld overcome their liquidity problems due to the devaluation of banknotes in the denominations of Rp 1,000 and Rp 500 as well as due to the freezing of their balances, on the strength of both Government Regulations in lieu of Law No 2 /1959 and No 3/1959.

Furthermore credits were granted to State enterprises in relation with their assignments in the Government importing field. Said credits were given Bank Indonesia directly or through State banks.

The increase in the item "Commission" by Rp 34.1 million mainly resulted from commission receipts on transactions in the import/export sector. (because the rates of the foreign exchange increased, commissions were computed on larger totals). Aside from that, receipts on commissions earned on domestic transfers also increased, while commissions on B.E. sales/purchase transactions decreased by the repealing of the B.E. System on August 25, 1959.

The item "Interest on securities"—in compliance with article 17, paragraph 2, Bank Indonesia Act 1953—covers the interest on securities in which Capital Reserve Fund and Special Reserve are invested.

The profit item "Untendered banknotes in the denominations of Rp 1,000 and Rp 500" based on Government Regulation in lieu of Law No 6/1959 was sufficiently expounded on page 231 under the heading bank notes in circulation.

Profit of the Amsterdam Branch: since transactions from Indonesia via the Netherlands during the year under report were more and more restricted, the activities of the Amsterdam Branch were subsequently affected, as a result of which net profits decreased by Nf 43,300 (the profits for the present financial year amounted to Nf 12,100—the preceding book year's profit was Nf 55,400).

Said profit of Nf 12,100 could still be realized since the interest payable on the Small "A" account kept decreasing; this being due to the fact that both the balance on the Small "A" account and the applicable interest percentage decreased. Expenditures could be reduced.

The profit amounting to Nf 12,100 was transferred to Indonesia and the proceeds — after deducting 20% PUEKS — amounted to Rp 115,140.98.

The item "General Expenditures" during the present reporting year showed an increase by Rp 22.7 million. This rise was mainly due to increase in :

- a. personnel expenses to the amount of about Rp 12.3 million;
- b. office supply expenses to the amount of about Rp 3.9 million;
- c. transport expenses for bank notes because of the increase in banknotes despatches in connection with the Government monetary measures in the year under report as well as banknote exchange charges by about Rp 2. 8 million;
- d. miscellaneous expenses (among others for defraying the costs of running the London and New York agencies, donations, trunk calls, and cables) by about Rp 3.7 million.

TABLE 100 — RECAPITULATION OF THE DEBIT ITEMS OF THE
PROFIT AND LOSS ACCOUNT
(Rp. '000)

	Financial year	
	1958/1959	1959/1960
General expenses	88,318	111,033
Ground tax, upkeep and insurance of building	8,033	8,763
Depreciation of building	4,851	2,470
Depreciation of furniture	7,277	3,178
Depreciation of uncollectable debt	—	39
Printing cost of bank notes	164,696	137,882
Transfer to Reserve as compensation for extra-ordinary losses sustained by the agencies at Padang and Menado	4,377	—
Transfer to Pension Fund	37,247	33,351
Transfer to Reserve for Company Tax	37,258	498,390
Net profits (including transfer to Reserve Fund and Special Reserve)	154,616	429,456
Djumlah	605,773	1,224,562

The item "Maintenance ground-rent and insurance of office buildings and houses" rose by about Rp 0.7 million, mainly as a result of increased own personnel expenses as well as of higher prices of materials and increased wages. The item "Depreciation of office-buildings and houses" amounting to Rp 2.5 million can be broken down as follows:

- a. Rp 1.6 million representing the maximum fiscal depreciation permitted under article 3, paragraph 3, of the Company Tax Exemption Decree 1953 based on the market value per April 1, 1949 (the so-called “moment of adjustment”) .
- b. Rp 0,9 million from depreciation for extensions repair of constructions and depreciation of buildings purchased since 1956 (depreciation according to the table in article 4 of Company Tax Exemption Decree 1953).

The item “Depreciation for furniture” decreased by Rp 4.1 million originating from the maximum permissible fiscal depreciation during the previous years based on article 9 of Company Tax Exemption Decree 1953 on amounts expended in connection with necessary renewals and extensions in the means of transport, office requirements, and household effects—could no longer be applied during this reporting year with the abrogation of said article.

The depreciation on said motor vehicles and inventories, as from the present reporting year on, should be applied in line with the table occurring under article 4 of the Company Tax Exemption Decree 1953.

The item “Expenses on the printing of bank notes” to the amount of about Rp 137.9 million was for defraying the printing charges of bank notes ordered in the year under review.

Other expenditures, depreciations, and reserves have, insofar as necessary, been reviewed earlier under this chapter.

The above mentioned mutations yielded a net profit of	Rp	429,455,845.34
Based on article 34, paragraph 5, Bank Indonesia Act 1953,		
20% of said profit was deposited to the Reserve Fund (under		
the stipulation that the total of said Reserve Fund was not to		
exceed the total of the Capital i.e. Rp 100,000,000)	Rp	71,916,576.13

thus bringing the profit to the State to	Rp	357,539,269.21
		=====

APPENDICES

APPENDIX A

BALANCE SHEET AS AT MARCH 31, 1960

Assets

Liabilities

		Issue	Department		
GOLD COIN AND BULLION, BALANCES IN CONVERTIBLE FOREIGN EXCHANGE AND CLAIM ON THE GOVERNMENT ON ACCOUNT OF GOLD DEPOSITED ON ITS BEHALF WITH I.M.F. AND I.B.R.D. :			FOREIGN EXCHANGE FUND, FOREIGN LIABILITIES	Rp.	1,150,514,326.44
Gold	Rp. 1,467,045,803.47	Rp. 1,566,045,803.47	BANK NOTES IN CIRCULATION	"	30,782,828,011.—
Claim in gold on the Government	" 99,000,000.—		CURRENT ACCOUNT BALANCES :		
FOREIGN EXCHANGE FUND, FOREIGN EXCHANGE ACCOUNT:			Government, Special Account re :		
Gold coin and convertible foreign exchange balances	Rp. 13,455,333,986.97	" 13,455,333,986.97	I.C.A. Aid	Rp.	279,493,502.51
Other foreign exchange	" —		Canadian F.A.P.	"	23,480,263.35
CONSOLIDATED ADVANCES TO THE GOVERNMENT (ARTICLE 42)		" 3,367,845,000.—	I.M.F. and I.B.R.D.	"	2,153,101,183.30
ADVANCES TO THE GOVERNMENT		" 24,445,479,987.13	S.A.C. Account No. I and II	"	2,335,503,736.59
CLAIM IN RUPIAHS ON THE GOVERNMENT ON ACCOUNT OF PAYMENTS MADE ON ITS BEHALF TO I.M.F.		" 1,856,250,000.—	Sub total	Rp.	36,724,921,023.19
		Rp. 44,690,954,777.57	Banking Department	"	7,966,033,754.38
					Rp. 44,690,954,777.57
			Department		
FOREIGN BILLS AND BALANCES WITH CORRESPONDENTS ABROAD		Rp. 2,056,491,674.02	CAPITAL PAID UP	Rp.	100,000,000.—
CASH : SUBSIDIARY COINS		" 1,884,173.10	RESERVE FUND	"	100,000,000.—
DISCOUNT AND ADVANCES ON COLLATERAL PAYABLE IN RUPIAHS			SPECIAL RESERVE	"	289,681,808.74
Discounts	Rp. 25,706.68		PENSION FUND	"	165,381,000.—
Advances on collateral	" 8,575,424,452.09	" 8,575,450,158.77	CURRENT ACCOUNT BALANCES (NON-GOVERNMENT) ...	"	6,153,676,616.43
INVESTMENT OF CAPITAL, RESERVE FUND SPECIAL RESERVE AND PENSION FUND :			DRAFTS ON OWN OFFICES	"	73,535,182.31
Invested capital	Rp. 99,999,650.30		RESERVE FOR COMPANY TAX	"	503,416,130.—
Invested Reserve Fund	" 27,954,330.12		SUNDRY ACCOUNTS	"	12,080,849,736.32
Invested Special Reserve	" 287,718,060.—	" 546,786,913.06	SHARE OF THE TREASURY IN THE NET PROFIT	"	357,539,269.21
Invested Pension Fund	" 131,114,872.64				
PREMISES AND INVENTORY :					
Premises	Rp. 135,768,096.42	" 144,313,972.90			
Inventory	" 8,545,876.48	" 533,119,096.78			
SUNDRY ACCOUNTS					
Sub total		Rp. 11,858,045,988.63			
Issue Department		" 7,966,033,754.38			
		Rp. 19,824,079,743.01			Rp. 19,824,079,743.01

Provisionally approved by the Monetary Board at its meeting of March 4, 1961 and sanctioned by the Government of the Republic of Indonesia in Cabinet on June 9, 1961.

Djakarta, November 10, 1959

Governor and Managing Directors of Bank Indonesia:

SOETIKNO SLAMET
BOERHANOEDIN
B. GANDASOEBRATA
SOERJADI

APPENDIX B

PROFIT AND LOSS ACCOUNT

FOR THE 7TH
AS AT

FINANCIAL YEAR 1959/1960
MARCH 31, 1960

Liabilities

Assets

GENERAL EXPENSE ACCOUNT		Rp 111,032,593.95	INTEREST ON BILLS DISCOUNTED AND ON FOREIGN BALANCES, PROFIT ON EXCHANGE, ON COIN AND BULLION AND ON SUNDRIES		Rp 39,044,848.85
GROUND TAX, UPKEEP AND INSURANCE OF BUILDINGS		„ 8,763,190.13	INTEREST ON ADVANCES: TO THE GOVERNMENT	Rp 843,241,777.74	.. 1,006,260,492.41
DEPRECIATION OF BUILDINGS		„ 2,469,553.75	TO OTHERS	„ 163,018,714.67	.. 122,420,488.98
DEPRECIATION OF FURNITURE		„ 3,177,523.52	COMMISSION		„ 16,018,629.54
WRITING OFF OF UNCLAIMABLE DEBTS		„ 39,109.43	INTEREST ON SECURITIES		„ 40,701,975.—
PRINTING COSTS OF BANK NOTES		„ 137,882,434.28	BANKNOTES of Rp 1,000.— and Rp 500.— not changed according to P3. U2. No. 6/1959		„ 115,140.98
TO PENSION FUND		„ 33,351,445.36	PROFITS OF THE BRANCH OFFICE IN AMSTERDAM		
TO RESERVE FOR COMPANY TAX		„ 498,389,880.—			
NET PROFITS:					
TO RESERVE FUND	Rp 71,916,576.13				
SHARE OF THE TREASURY	„ 357,539,269.21	„ 429,455,845.34			
		Rp 1,224,561,575.76			Rp 1,224,561,575.76

Provisionally approved by the Monetary Board at its meeting of March 4, 1961 and sanctioned by the Government of the Republic of Indonesia in Cabinet on June, 9 1961.

Djakarta, November 10, 1960
Governor and Managing Directors of Bank Indonesia :
SOETIKNO SLAMET
BOERHANOEDIN
B. GANDASOEBRATA
SOERJADI

APPENDIX C

BANK INDONESIA

Management as per October 31st 1960

Monetary Board

Minister of Finance	:	R.M. NOTOHAMIPRODJO	: Chairman
Acting Governor of Bank Indonesia	:	R. SOETIKNOSLAMET	: Member and chair man by absence of the Minister of Fi nance
Minister of Distribution	:	J. LEIMNA	: Member
Minister of Production	:	Brigadir General D. SOEPRAJOGI	: Member
Minister of Development and Construction	:	CHAERUL SALEH	: Member

Managing Directors

R. SOETIKNO SLAMET	:	Acting Governor
BOERHANOEDIN	:	Managing Director and 2nd Deputy Governor
R. B. GANDASOEBRATA	:	Managing Director
R. SOERJADI	:	Acting Managing Director
R. SOEGIARTO	:	Senior officer with the rank of Managing Director.

Delegate in Europe

KHOUW BIAN TIE	:	
R. W. DIAJAKOESOEMA	:	Deputy

HEAD OFFICE DJAKARTA
GENERAL MANAGEMENT AFFAIRS

Assistant Managing Directors

TAN LIANG OEN : Inspector
R. HERTATIJANTO

Co-ordinator for the Personnel, Establishment and Maintenance Dept.

SULWAN S. ASTRADININGRA T

Inspection Department

M. HOLTZ : Assistant Manager

Central Administratin Department

E. E. P. POUBLON : Manager
PADMI WIRAATMADJA : Assistant Manager
J. BRUGMAN : Officiating Assistant Manager
MASRI SAL EH : Officiating Assistant Manager

Accountant Department

H. B. VORTMAN : Manager
A. ULAOH : Officiating Assistant Manager
H. THIJSEN : Assistant Manager
A. R. D. RICHIR : Assistant Manager

Personnel Department

S. SOEDITO : Officiating Deputy Manager
KHOE SOE LIEM : Officiating Deputy Manager
A. BACHTIAR : Officiating Assistant Manager

Establishment Department

R. DHOEMADI SINGOWIGOENO : Manager
ACHMAD MARTINOES : Assistant Manager
TAN THIAM JAN : Assistant Manager

Maintenance Department

J. A. H. ONDANG : Manager
Rd. A BDULSALAM WIDJ OJOATMODJO : Assistant Manager

Legal-Affairs and Secretariat Department

ACHMAD EFFENDIE : Officiating Assistant Manager
T. M. ZAHIRSI AH : Officiating Assistant Manager

Cash Department

AMHAR Glr. Soetan Palembang : Manager
LAY SIONG KWAN : Deputy Manager
SOENINDIJO : Assistant Manager

Bank notes Department

ABDUL HAMID Glr. M. PARLINDUNGA : Manager

ECONOMIC DEVELOPMENT AFFAIRS

Acting Managing Director

R SOERJADI

Savings Mobilization Department

LIE SEE TIK : Officiating Assistant Manager

Department for Banks for Economic Developments

M. DJOKO SOEDOMO : Officiating Assistant Manager

Co-operative Movements Department

RACHMAT SALEH : Manager
SUDARSONO : Officiating Assistant Manager

ECONOMIC RESEARCH & STATISCS AFFAIRS

Research Department

RACHMAT SALEH : Manager
MARIHOT. P .HUTAB AR AT : Officiating Assistant Manager

Balance of Payment Department

SOEKSMONO BESAR MARTOKOESOEMO : Officiating Manager

PUBLICATION & STATISTICS DEPARTMENT

E. A. SIE DHIAN H0 : Officiating Assistant Manager

MONETARY AFFAIRS

Assitant Managing Director

M. DJOEANA KOESOEMAHARDJA : Officiating Assistant Manager

Government and Credit Department

TAN TIONG D JIN : Manager
TJIOF 11IANG HAM : Deputy Manager
SOEJAKTO SOEPARDAN : Deputy Manager
IRLAN SOEHENDRA : Officiating Assistant Manager

Banking Supervision Department

SOEGANDA : Officiating Assistant Manager
PRANOWO SOEWANDI : Assistant Manager
KOEN SURYATM ODJO : Assistant Manager

Money & Capital Market Department

P. DE QUACCK : Manager
MOELJONO : Assistant Manager

FOREIGN AFFAIRS

Assistant Managing Director:

OEY BENG TO

Foreign Department

R. SULAKSANA SUPARTO	:	Manager
TJOA SIEN KIEN	:	Assistant Manager

Department of Foreign Exchange Fund

R. MARKOEM DJOJOHADISOEPARTO	:	Manager
TJOA TIANG TJOEN	:	Deputy Manager
O. D. TANGKERE	:	Assistant Manager

Exchange Operations Department

N. KERKHOVEN	:	Manager
J. A. FRANSZ	:	Deputy Manager
ROCHANI DJAJASMITA	:	Assistant Manager
R. SOEJOTO	:	Assistant Manager
J. HARAHA	:	Assistant Manager
F. J. PATTIASINA	:	Officiating Assistant Manager

BRANCH OFFICES

Ambon

R. HAMDANI	:	Officiating Manager
SOEGIONO	:	Cashier

Ampenan

R. S. NATAEEGAWA	:	Officiating Manager
I GUSTI PUTU WISESA	:	Accountant

Bandjarmasin

R. SOEMARTONO Ms	:	Manager
ACHMAD SIROD	:	Officiating Deputy Manager
ISKANDAR bin ANANG ARIF	:	Acting Accountant

Bandung

M.RIFAI	:	Manager
R.SOEWIGNJO SOETJOKOESOEMO	:	Officiating Deputy Manager
MAHFUD JAKILE	:	Cashier
J. TH LEMAIRE	:	Cashier
R.ABAS	:	Accountant
TUBAGUS USMAN	:	Assistant Accountant

Djember

R. ARIANTO WIRIOSAPUTRO	:	Officiating Manager
R. MASHERMAN	:	Accountant

Jogjakarta

I NJOMAN MOENA	:	Manager
DJOKO SOETARGO	:	Cashier
LIE HWAY KIONG	:	Accountant

Kediri

R. SOEJATNO SOEMARDJO	:	Officiating Manager
TAN PING HWIE	:	Accountant

Makassar

R. H. KAMARGA	:	Manager
G.WNAJOAN	:	Deputy Manager
B. R. B0HANG	:	Accountant

Malang

WIJARDI	:	Officiating Manager
E.A.KOETIN	:	Deputy Manager
OEI SIOK TIEN	:	Accountant
R. SOENDORO POERBOADIWINOTO	:	Assistant Accountant

Medan.

M. RIFAI	:	Officiating Manager
R. MARTOJO KOENTO	:	Deputy Manager

JONO S. SURIA	:	Officiating Cashier
JOHNY MARDJONO	:	Officiating Cashier
ABDUL QAHAR	:	Acting Cashier
LOH THIM LOK	:	Accountant

Menado

R. R. WENAS	:	Officiating Manager
A. NELWAN	:	Accountant

Padang

NANDANG KOMAR	:	Manager
NOEK HARTONO HARDJOPRANO T O	:	Cashier
MAHJOEDI N	:	Accountant
CHAIDIR MARTAMIN	:	Assistant Accountant

Palembang

R. M. SOEMIRAT SOKRJODARMODJO	:	Manager
BAMBANG SUSILO	:	Deputy Manager
SIAMSOEDDIN SUDJAJA	:	Cashier
WHIE PEK SOEI	:	Accountant

Pontianak

GUSTI ABDUL AZIS	:	Deputy Manager
OH SOEI BIE	:	Officiating Deputy Manager
SOEKIJ ATO	:	Officiating Cashier
R. SOEROTO DONO	:	Accountant

Semarang

E. SOEKASAH SOMAWIDJAJA	:	Manager
ONG SIAN TJONG	:	Deputy Manager
R. KOESMADI SASTRODIPOERO	:	Cashier
R.H. SUNARSO MURDOATMODIC	:	Cashier
SUNJOTO KUSUMODIDJOJO	:	Cashier
KHOE SOE KHOAN	:	Accountant

Solo

ARKO BAKSONO	:	Officiating Manager
OESMAN IBRAHIM	:	Officiating Cashier
R. SOENARTO	:	Accountant

Surabaya

J. A. SEREH	:	Manager
JO TEK SOEI	:	1st Deputy Manager
R. SOEJANTO	:	2nd Deputy Manager
F. H. RARUNG	:	Cashier
SUPARTO WIGNJASUBRATA	:	Cashier
R. RACHMAD	:	Officiating Cashier
HAN SIK BIE	:	Officiating Cashier
R. OEMAR SAID	:	Accountant
J. ENAS	:	Assistant Accountant

Tjirebon

R. P. SOEMA DI PRADJA	:	Officiating Manager
SOEWARN O POESPOWIDJO	:	Cashier
PHOA HONG GIN	:	Accountant

Branch Office, Amsterdam

KHOUW BIAN TIE	:	Managing Director
L. SWAAN	:	Managing Director
R. H. DJAJAKOESOEMA	:	Assistant Managing Director
Jhr. E. R. D. ELIAS	:	Secretary

Proxies

B. H. BURGEMEESTER
J. M. PAL M
H. J. VERBEEK WOLTHUYS

Representatives Office in U.S.A. (New York)

R. A. KARTADJOEMENA : *Representatives*

Representatives Office in Greaf Britain (London)

KHOUW BIAN TIE : Representative

R. H. DJAJAKOESOEMA : Deputy Representative

APPENDIX D

INTEREST TARIF OF BANK INDONESIA

IN FORCE AS I FROM JULY 1st, 1953

<i>Bills of Exchange</i> with at least three signatures (minimum interest ten days)	3	%
<i>Bills of Exchange anti acceptances</i> with two signatures, accepted by persons, firms of companies established in Indonesia (minimum interest ten days)	5 1/2	%
<i>Promissory Notes</i> with two signatures, accepted by persons, firms or companies established in Indonesia (minimum interest ten days)	6	%
<i>Bills of Exchange</i> drawn against credits opened by the Bank (minimum interest eight days)	4 1/2	%
N.B. Bills of Exchange, Promissory Notes, etc of a currency exceeding ninety days of which are to be considered as extended debt and have, therefore a currency exceeding ninety days, 1/2% more		
<i>Government Auction Promissory Notes</i> if payable in places where the Bank has its own office (with a minimum of Rp 1.—)	3	%
<i>Ditto</i> , if payable elsewhere in Djawa or Madura with a minimum of Rp 1.25	3	%
<i>Ditto</i> , if payable elsewhere outside Djawa or Madura (ten days addition interest with a minimum of Rp 1.50)	3	%
<i>Bills of Exchange</i> in local currency payable abroad (minimum interest ten days)...	3	%

LOANS AND ADVANCES IN CURRENT ACCOUNT AGAINST :

<i>Bills of Exchange</i>	5	%
<i>Promissory Notes</i>	6 1/2	%
<i>Government Auction Promissory Notes</i>	3	%
<i>Securities: Bonds of the Government of Indonesia as well as of autonomous provinces and municipalities in Indonesia</i>	3	%
Bonds issued by mortgage banks established and operating in Indonesia	3	%
All other bonds	3 1/2	%
Shares	4	%
<i>Gold and silver</i>	3	%
<i>Sugar, rice, oils and jats</i>	4 1/2	%
<i>Other export produce</i>	5	%
<i>Import commodities</i>	5	%

APPENDIX E

SURVEY OF THE PRINCIPAL ITEMS OF THE WEEKLY ABRIDGED BALANCE SHEETS

(Rp '000.)

Date	Gold coin and bullion, balances in convertible foreign exchange and claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D. *)	Foreign Exchange Fund, foreign exchange account	Consolidated advances to the Government	Current advances to the Government	Claim in rupiahs on the Government on account of payments made on its behalf to I.M.F.	Foreign Exchange Fund, foreign liabilities	Bank notes in circulation	Deposits of : the Government (including Special Accounts), I.M.F. and I.B.R.D. **)	Foreign bills and balances with correspondents abroad	Discounts and advances on collateral, payable in rupiahs	Invested capital, reserve fund, special reserve and pension fund	Deposits, drafts and transfers payable	Government notes in circulation
1959													
1 April	443,793	2,038,946	3,461,396	27,430,362	313,500	214,666	20,385,018		266,518	1,935,050	365,080	7,355,730	998,558
7 "	441,141	2,007,762	3,461,396	27,528,263	313,500	177,039	20,688,116	965,770	279,487	2,194,956	365,101	6,997,276	1,003,482
15 "	441,141	2,003,399	3,461,396	27,800,657	313,500	197,616	20,899,093	1,059,077	332,726	2,072,644	365,101	6,833,766	1,003,889
22 "	441,138	1,957,415	3,461,396	27,710,240	313,500	194,642	21,126,041	1,033,898	302,449	2,208,922	365,261	6,492,641	1,003,517
29 "	441,153	1,665,587	3,461,396	28,476,649	313,500	194,503	21,161,541	1,033,898	614,843	2,245,990	365,199	7,329,886	1,004,608
6 May	441,273	1,632,855	3,461,396	28,653,366	313,500	187,344	21,197,372	1,008,136	390,440	1,935,209	365,205	7,072,435	1,010,692
13 "	441,276	1,522,769	3,461,396	29,050,557	313,500	224,021	21,438,494	1,008,136	480,051	1,983,863	365,323	7,196,856	1,010,380
20 "	498,135	1,384,400	3,461,396	29,069,744	313,500	224,522	21,752,311	1,008,136	476,738	2,099,759	365,126	6,983,946	1,013,100
27 "	495,374	1,330,265	3,461,396	29,125,543	313,500	191,586	21,948,665	992,536	420,351	2,120,863	365,348	6,839,568	1,014,301
3 June	495,388	1,337,731	3,461,396	29,339,313	313,500	187,288	22,183,263	992,536	401,285	2,298,508	365,348	6,900,281	1,018,469
10 "	488,288	1,323,101	3,461,396	29,604,823	313,500	172,624	22,458,267	992,536	391,336	2,328,453	365,337	6,867,205	1,023,151
17 "	488,768	1,345,752	3,461,396	29,851,747	313,500	177,498	22,915,731	983,286	381,676	2,355,177	365,337	6,731,881	1,032,064
24 "	488,768	1,345,933	3,461,396	30,103,678	313,500	169,477	23,052,301	983,286	404,883	2,168,651	365,337	6,514,039	1,033,429
1 July	488,768	1,354,549	3,461,396	30,311,261	313,500	203,767	23,182,783	957,949	441,751	2,437,732	365,337	6,680,369	1,039,267
8 "	489,246	1,415,999	3,461,396	30,335,648	313,500	169,921	23,294,070	957,949	335,503	2,454,462	365,337	6,698,225	1,032,004
15 "	489,246	1,490,632	3,461,396	30,799,206	313,500	196,730	23,518,946	957,949	272,557	2,420,869	365,248	7,013,146	1,035,415
22 "	489,246	1,520,348	3,461,396	30,985,672	313,500	203,504	23,720,309	815,349	232,025	2,350,984	365,485	7,428,075	1,041,971
29 "	489,246	1,474,836	3,461,396	30,894,684	313,500	275,359	24,045,883	815,349	314,891	2,322,185	365,504	7,175,359	1,063,361
5 August	489,243	1,398,750	3,461,396	31,091,505	313,500	351,425	24,370,008	815,349	517,598	2,692,413	365,602	7,350,144	1,058,629
12 "	489,433	1,373,451	3,461,396	31,231,255	313,500	335,385	24,733,108	815,349	539,742	2,766,599	365,585	7,301,912	1,061,988
19 "	489,433	1,416,202	3,461,396	31,346,144	313,500	321,854	25,181,923		384,797	2,793,758	365,607	6,974,506	1,063,320
26 "	489,433	1,396,345	3,461,396	31,764,319	313,500	324,411	25,359,454		401,439	2,696,447	365,649	4,590,944	1,063,183
2 September	486,822	1,448,608	3,461,396	23,565,455	313,500	307,076	17,185,495	866,154	561,250	2,941,672	365,649	5,091,203	1,069,035
9 "	486,822	1,604,343	3,461,396	24,224,568	313,500	301,205	17,705,144	866,154	301,277	3,177,114	372,375	4,404,203	1,077,757
16 "	486,822	1,630,603	3,461,396	24,445,999	313,500	365,729	18,369,484	866,154	410,602	3,338,208	372,348	3,288,987	1,078,759
23 "	486,822	1,710,365	3,461,396	24,803,141	313,500	337,789	18,837,489	866,154	576,489	3,474,192	369,772	3,741,443	1,087,337
30 "	486,822	1,740,098	3,461,396	25,203,492	313,500	323,949	19,620,123	866,154	627,244	3,541,206	369,772	4,026,543	1,100,537
7 October	486,822	1,879,075	3,461,396	25,901,841	313,500	325,222	20,364,526	866,154	710,964	3,780,577	369,772	4,572,932	1,099,450
14 "	486,822	1,917,646	3,461,396	26,211,787	313,500	314,703	20,890,465	866,154	680,575	3,678,500	362,772	4,597,986	1,109,358
21 "	1,573,778	7,319,693	3,461,396	25,727,971	1,856,250	1,219,077	21,277,351	2,468,083	1,998,855	3,787,119	386,254	5,025,173	1,114,895
28 "	1,573,778	7,623,665	3,461,396	25,621,786	1,856,250	1,174,998	21,409,955	2,467,583	1,740,182	3,869,544	381,362	5,327,300	1,146,095
4 November	1,574,307	7,980,682	3,461,396	25,818,684	1,856,250	1,169,259	21,569,661	2,467,575	1,706,321	3,744,824	453,674	5,551,119	1,169,409
11 "	1,574,307	8,241,561	3,461,396	26,110,969	1,856,250	1,148,632	21,962,333	2,467,567	2,038,149	3,962,096	527,024	6,051,229	1,165,843
18 "	1,574,307	8,482,003	3,461,396	26,055,546	1,856,250	1,126,201	22,480,174	2,467,567	2,296,055	3,619,810	527,022	5,868,750	1,177,781
25 "	1,574,309	8,768,034	3,461,396	26,211,382	1,856,250	1,019,977	22,787,754	2,461,567	2,173,973	3,485,828	527,045	5,498,895	1,192,453
2 December	1,574,309	8,921,079	3,461,396	26,012,034	1,856,250	1,066,045	23,343,900	2,457,567	2,095,096	3,638,847	527,033	5,143,947	1,205,444
9 "	1,574,625	9,090,244	3,461,396	26,025,172	1,856,250	978,919	23,803,132	2,438,175	2,551,797	4,072,193	527,033	5,678,937	1,206,858
16 "	1,566,277	9,323,889	3,461,396	26,501,939	1,856,250	1,041,831	24,551,523	2,403,175	2,588,753	4,156,090	526,902	5,441,390	1,226,008
22 "	1,566,274	9,395,538	3,461,396	27,269,621	1,856,250	989,381	25,167,337	2,403,175	2,497,128	4,276,507	526,902	5,692,206	1,230,427
30 "	1,566,274	10,100,415	3,461,396	28,271,363	1,856,250	1,033,836	25,618,543	2,403,175	1,972,281	4,366,693	527,120	6,912,190	1,245,922
1960													
6 January	1,566,315	10,390,450	3,461,396	27,918,212	1,856,250	1,044,146	26,189,647	4,066,191	2,003,050	4,532,484	527,120	6,416,058	1,248,236
13 "	1,566,315	10,369,453	3,461,396	27,698,996	1,856,250	926,402	26,615,467	4,205,658	2,177,302	4,768,999	527,119	6,201,332	1,250,440
20 "	1,566,674	10,863,048	3,461,396	27,271,704	1,856,250	994,896	27,047,826	4,208,388	1,899,017	5,216,140	527,112	6,124,018	1,276,995
27 "	1,566,681	11,067,041	3,461,396	27,345,864	1,856,250	990,992	27,392,058	4,266,244	1,992,773	5,477,860	527,112	6,285,389	1,285,467
3 February	1,566,681	11,189,022	3,461,396	27,632,434	1,856,250	926,210	27,724,492	4,319,514	1,823,273	6,119,036	527,091	6,590,622	1,289,574
10 "	1,566,681	10,966,175	3,461,396	27,471,449	1,856,250	938,475	28,067,802	4,377,199	1,848,300	6,880,136	526,798	6,658,103	1,300,307
17 "	1,564,404	11,482,123	3,461,396	26,895,608	1,856,250	980,456	28,477,321	4,467,849	1,956,928	7,474,205	526,734	6,416,397	1,328,152
24 "	1,564,404	11,816,353	3,461,396	26,803,546	1,856,250	939,664	28,725,358	4,485,283	1,619,060	8,813,913	526,976	6,809,109	1,323,419
2 March	1,565,671	12,072,716	3,461,396	26,733,508	1,856,250	964,188	29,399,647	4,630,062	1,650,130	8,648,048	527,537	5,970,446	1,333,680
9 "	1,565,671	12,427,249	3,461,396	26,160,248	1,856,250	1,076,007	29,659,531	4,630,272	1,468,648	8,003,496	525,065	6,093,883	1,339,632
16 "	1,565,849	12,659,832	3,461,396	26,128,895	1,856,250	1,052,531	30,061,143	4,713,031	1,334,399	8,200,369	525,035	6,120,581	1,340,003
23 "	1,566,046	12,731,491	3,461,396	25,367,957	1,856,250	1,043,095	30,437,392	4,742,891	1,611,891	8,284,310	525,058	6,141,737	1,341,515
31 "	1,566,046	13,455,334	3,367,845	24,370,424	1,856,250	1,150,514	30,658,403	4,791,579	2,011,106	8,611,106	525,058	6,237,555	1,344,041

*) Commencing with the balance-sheet as per 6-1-1960 the name of the item reads as follows :

Gold coin, bullion and claim on the Government on account of gold deposited on its behalf with I.M.F. and I.B.R.D.

**) As per 6-1-1960 reads as follows : Deposits : Government, special account re I.C.A. aid Government, Canadian F.A.P., I.M.F. & I.B.R.D. and S.A.C. account No. I and II.

APPENDIX F

IMPORTS OF CONSUMER GOODS INTO INDONESIA

	Gross weight (^{000 tons})				Value (Rp million ¹⁾)			
	1938	1957	1958	1959 ¹⁾	1938	1957	1958	1959 ¹⁾
Meat and canned meat products	1.8	0.4	0.3	0.4	0.8	3.5	3.6	4.1
Milk and related products	19.9	24.4	14.9	12.5	5.3	116.7	76.8	55.1
Butter and margarine	6.1	0.2	0.1	—	4.2	1.7	0.5	0.3
Cheese	1.2	0.5	0.1	0.1	0.7	4.3	0.6	0.7
Fish, dried or salted, Asiatic varieties	61.6	26.4	16.3	15.0	11.0	61.2	28.2	26.8
Rice	334.2	563.4	681.5	604.2	22.1	956.4	1,003.5	864.4
Wheat flour	85.3	156.0	96.8	92.3	7.7	186.6	101.2	96.5
Fruits (incl. marmalades, jams, etc).	7.2	7.9	7.4	5.2	1.8	13.5	8.9	6.2
Vegetables	13.9	5.0	1.0	1.5	2.5	9.5	3.5	4.6
Spirits, distilled and undistilled	11.5	2.0	0.9	1.2	4.5	10.8	4.4	5.9
Tobacco and tobacco products	1.6	—	0.1	—	1.9	0.6	1.4	0.6
Sugar and related products	2.7	0.5	1.9	0.5	0.6	1.8	4.4	1.5
Coffee, tea, cocoa and chocolate	2.6	0.1	—	—	1.8	0.8	0.6	0.6
Kerosene	27.5	0.3	0.9	1.5	1.1	0.2	0.3	0.8
Sewing cottons	1.1	1.0	1.0	1.7	2.7	27.6	16.9	34.2
Cotton piece goods :								
dyed	11.1	15.9	6.3	3.1	12.7	275.8	103.1	45.4
printed	5.6	9.8	5.6	3.6	8.0	192.1	103.2	57.8
coloured woven	7.9	2.9	1.3	1.0	8.9	44.2	18.9	14.6
Cotton singlets and mesh shirts	2.7	0.1	—	—	3.2	2.5	0.9	0.4
Other clothing	3.8	0.3	0.2	0.3	6.9	6.2	5.2	2.8
Table and kitchen ware of earthenware and china	14.5	19.8	1.5	1.5	1.9	35.6	3.0	2.8
Sundry household articles of glass	5.4	5.1	1.6	2.5	1.0	10.8	2.9	3.7
Sundry household articles of metal	3.3	3.3	0.6	0.2	1.8	12.4	3.1	2.2
Matches	2.3	—	0.4	—	1.0	0.2	1.1	0.1
Wireless sets and sewing machines	1.7	6.6	4.3	1.4	2.8	46.1	26.8	7.9
Bicycles	0.8	9.3	2.8	4.3	0.8	69.6	19.9	28.1
Bicycle tyres	0.7	1.9	0.3	0.5	0.6	18.8	2.8	4.1
Other consumer goods	141.2	64.2	26.5	25.7	88.4	807.0	411.3	346.4
Total	779.2	927.3	874.6	780.2	206.7	2,916.5	1,957.0	1,618.6
Of which oil companies	27.5	9.1	11.6	21.4	1.1	351.4	63.5	101.2
Total excl. oil companies	751.7	918.2	863.0	758.8	205.6	2,565.1	1,893.5	1,517.4
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	1957	1958	1959 ²⁾	1938	1957	1958	1959 ²⁾
Dyestuff, prepared from coal tar	2.2	3.1	1.7	2.5	4.3	72.3	36.1	57.9
Fertilizers	122.4	207.9	157.0	254.6	7.5	185.2	115.9	156.1
Cloves and clove stems	5.7	7.2	8.3	6.3	3.7	77.2	81.2	54.7
Cases	23.9	3.7	7.0	4.2	3.8	12.0	19.2	12.8
Gunny bags	55.8	15.9	10.8	26.5	10.2	48.3	30.9	66.2
Cotton yarns	9.1	10.6	16.1	20.5	10.1	160.1	206.9	242.0
Cotton piece goods:								
unbleached	7.3	3.6	3.6	3.4	6.7	44.8	44.1	41.6
bleached	19.8	20.1	13.0	5.6	25.9	415.0	241.2	114.0
Paper and manufactures thereof	54.1	89.2	68.8	64.1	6.9	266.0	204.2	162.8
Building cement	121.0	312.7	112.4	303.9	1.6	109.1	37.4	83.3
Iron and steel rolled products	114.3	174.2	84.8	105.5	14.8	459.4	176.9	182.8
Iron roofing material and accessories	20.2	7.8	2.9	1.4	4.0	32.7	13.8	6.2
Tin plates and sheets	27.5	23.7	19.0	29.9	7.2	55.1	38.3	61.3
Nails, tacks and spikes	14.7	22.9	5.7	3.0	2.1	48.3	12.7	5.7
Mineral fuels (other than petroleum products)	84.2	41.7	21.3	46.0	1.5	18.7	7.1	13.7
Kerosene, gasoline and lubricating oils	93.3	338.0	329.2	161.3	3.5	128.7	126.1	51.8
Oil and other oil products ¹⁾	37.5	3,403.8	1,387.3	1,211.7	1.5	788.0	351.1	288.3
Other raw and auxiliary materials	243.9	684.8	265.9	351.9	39.1	1,426.1	900.2	885.9
Total ¹⁾	1,056.9	5,370.9	2,514.8	2,602.3	154.4	4,347.0	2,643.3	2,487.1
Of which oil companies ¹⁾	142.3	3,845.7	1,787.6	1,525.3	6.7	1,080.0	623.9	543.7
Total excl. oil companies	914.6	1,525.2	727.2	1,077.0	147.7	3,267.0	2,019.4	1,943.4
¹⁾ Of which oil for re-export	—	3,277.2	1,257.3	1,162.9	—	626.9	214.1	191.5
²⁾ Provisional figures								

Source : C.B.S.

APPENDIX H

IMPORTS OF CAPITAL GOODS INTO INDONESIA

	Gross weight ('000 tons)				Value (Rp million)			
	1938	1957	1958	1959 ¹⁾	1938	1957	1958	1959 ¹⁾
Iron and steel structures	2.4	6.9	5.2	3.4	0.6	26.4	19.5	19.7
Electric cables	2.8	6.0	5.6	5.7	1.1	50.0	40.7	39.4
Office machines	0.3	0.7	0.3	0.2	1.1	45.2	19.8	15.8
Motor vehicles	13.6	14.8	10.8	13.1	12.1	219.1	153.7	174.3
Motor vehicle tyres and tubes	0.9	3.3	1.2	1.2	1.1	54.7	18.2	20.9
Stationary internal combustion engines	2.2	2.8	1.6	1.7	2.5	68.0	31.9	41.7
Textile machinery	3.4	3.7	1.3	0.7	1.4	41.8	15.4	6.9
Mining machinery	14.7	7.1	1.6	3.1	10.5	38.2	31.9	42.5
Other industrial machinery	4.5	19.5	5.6	6.2	2.8	267.9	97.7	63.9
Other capital goods	121.9	114.4	83.5	89.2	84.2	1,083.6	830.4	696.5
Total	166.7	179.2	116.7	124.5	117.4	1,894.9	1,259.2	1,121.6
Of which oil companies	—	50.0	37.3	54.3	—	433.7	303.6	406.9
Total excl. oil companies	166.7	129.2	79.4	70.2	117.4	1,461.2	955.6	714.7
¹⁾ Provisional figures								

Source : C.B.S.

APPENDIX I

PRODUCTION, EXPORTS AND CONSUMPTION OF INDONESIA'S FOODCROPS

Maize	1957	1958	1959 *)
Area harvested : Djawa and Madura (ha) Other islands	1,556,000 541,000	2,107,000 595,000	1,678,000 612,000
Indonesia	2,097,000	2,702,000	2,290,000
Production : Djawa and Madura (tons of kernels) Other islands	1,290,000 510,000	2,012,000 622,000	1,475,000 617,000
Indonesia	1,800,000	2,634,000	2,092,000
Exports	—	—	—
Available for consumption	1,800,000	2,634,000	2,092,000

Cassava and cassava products	1957	1958	1959
Area harvested : Djawa and Madura (ha) Other islands	987,000 205,000	1,075,000 266,000	1,188,000 268,000
Indonesia	1,192,000	1,341,000	1,456,000
Production : Djawa and Madura (tons, dry) Other islands	1,792,000 675,000	2,025,000 795,000	2,271,000 904,000
Indonesia	2,467,000	2,820,000	3,175,000
Exports	43,165	21,520	146,362
Available for consumption	2,423,835	2,798,480	3,028,638

Batatas	1957	1958	1959 *)
Area harvested : Djawa and Madura (ha) Other islands	277,000 118,000	303,000 146,000	258,000 136,000
Indonesia	395,000	449,000	394,000
Production : Djawa and Madura (tons, dry) Other islands	399,000 261,000	1,751,000 1,352,000	1,490,000 1,387,000
Indonesia	660,000	3,103,000	2,877,000
Exports	—	—	—
Available for consumption	660,000	3,103,000	2,877,000
*) Provisional figures			

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

Groundnuts	1957	1958	1959
Area harvested : Djawa and Madura (<i>ha</i>)	289,000 48,000	283,000 48,000	300,000 64,000
Other islands Indonesia	337,000	331,000	364,000
Production : Djawa and Madura (<i>tons, peeled nuts</i>)	192,000 37,000	191,000 40,000	200,000 56,000
Other islands Indonesia	229,000 3,400	231,000 2,900	256,000 4,300
Exports			
Available for consumption	225,600	228,100	251,700

Soya beans	1957	1958	1959
Area harvested : Djawa and Madura (<i>ha</i>)	462,000 41,000	533,000 61,000	532,000 81,000
Other islands Indonesia	503,000	594,000	613,000
Production : Djawa and Madura (<i>tons, dry</i>)	299,000 28,000	380,000 38,000	375,000 55,000
Other islands Indonesia	327,000 —	418,000 —	430,000 —
Exports			
Available for consumption	327,000	418,000	430,000
*) Provisional figures.			

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

APPENDIX J

GOVERNMENT REGULATION No 2 YEAR 1959 REMAIN PRINCIPLES FOR THE EXECUTION- OF THE ACT ON THE NATIONALIZATION OF DUTCH ENTERPRISES.

THE PRESIDENT OF THE REPUBLIC OF INDONESIA.

Considering:

that the Government deems it necessary to determine a Government Regulation which contains basic provisions for the execution of the Act on Nationalization of Dutch Enterprises (Act No 86 year 1958)

With a view to:

- a. Articles 1, 2 item (II and article 3 item (2) of the Act on the Nationalization of Dutch Enterprises (Act No 86 year 1958, Government Gazette 1958 No 162);
- b. article 98 of the Provisional Constitution of the Republic of Indonesia;

Having heard:

The Cabinet Council in its session on February 6, 1959;

Has decided:

To enact:

GOVERNMENT REGULATION RE MAIN PRINCIPLES FOR THE EXECUTION
OF THE ACT ON THE NATIONALIZATION OF DUTCH ENTERPRISES (ACT NO 86
YEAR 1959).

CHAPTER 1 CHARACTER AND NATURE OF ENTERPRISES

Article 1

1. Dutch-owned enterprises which may be nationalized according to article 1 of the Act on the Nationalization of Dutch Enterprises (Act No 86 year 1958) are:

- a. enterprises which form entirely or partly the property of Dutch nationals and are domiciled in the territory of the Republic of Indonesia;
- b. enterprises owned by a corporate body of which the total or a part of the company's capital or establishment capital originates from individuals of Dutch nationality and said corporate bodies are domiciled in the territory of the Republic of Indonesia;
- c. enterprises which are situated in the territory of the Republic of Indonesia and which form entirely or partly the property of individuals of Dutch nationality who are domiciled outside the territory of the Republic of Indonesia;
- d. enterprises which are located in the territory of the Republic of Indonesia and form the property of a corporate body which is domiciled in the territory of the Kingdom of the Netherlands.

2. It will be determined by a separate Government Regulation which enterprises in connection with item (1) will be nationalized.

Article 2

1. In an enterprise to be nationalized as referred to in article I item (l) sub a, c and d above are included the entire property and reserves, whether they are immovables or movables or form a right or claim.

2. In the enterprises to be nationalized as referred to in article 1 item (1) sub b are included all shares in the company's capital not owned yet by the Republic of Indonesia.

Article 3

Of every enterprise nationalized a specification will be made out concerning the entire property and reserves, inclusive of all shares in the capital of enterprises with a structure of a limited liability company, which specification is executed by the body / committee for regulating enterprises as referred to in article 4.

CHAPTER II

BOARD / COMMITTEE FOR REGULATING ENTERPRISES, BOARD FOR THE NATIONALIZATION OF DUTCH ENTERPRISES, BOARD FOR THE FIXATION OF INDEMNIFICATIONS

Article 4

The Board or Committee which, on the basis of a separate Government Regulation, separate Governmental Decree or Decree of the War Administrator, or on the basis of Government Regulation No 23 year 1958 (Government Gazette year 1958 No 39), is for the time being administering Dutch owned enterprises which have been taken over by the Government, executes now, in addition to this task also the task respectively as the Board or Committee for regulating enterprises to be nationalized under the general guidance and directives from the Board for the Nationalization of Dutch Enterprises, which is established by a separate Government Regulation to maintain uniformity in the execution of the nationalization of ex-Dutch owned enterprises.

Article 5

1. The Committee for the Fixation on Indemnifications as referred to in article 2 item (1) of Act No 86 year 1958 consists of at least:

- a. a representative of the Department of Justice, as Member and concurrently Chairman;
- b. a representative of the Department of Finance, as Member and concurrently Chairman;
- c. a representative of the Department of Defence as Member;

2. The above-mentioned members are appointed by the Premier on the suggestion of the Ministers concerned;

3. The Premier may appoint several persons from private circles or from other Services / Offices as referred to in item (1) as Committee member;

4. A secretariat is established with said Committee, headed by a Secretary. The Secretary is appointed by the Premier on the suggestion of the Committee Chairman.

Article 6

The further provisions concerning the duties and working scheme of the Board for the Nationalization of Dutch Enterprises and Committee for the Fixation of Indemnifications as referred to in articles 4 and 5 above will be regulated in a separate Government Regulation.

CHAPTER III

Article 7

1. In the enterprises which have been nationalized, a good co-operation is maintained between the management of the enterprise and the workers in order to increase the production and labour productivity in the form to be further regulated by the Minister of Labour.

2. In enterprises to be nationalized the labour relation is continued wherever possible on the basis of equal working conditions, by bringing it in line with the conditions of the enterprises concerned.

3. Everything connected with the continuation of the working relation as well as the working conditions, will be further regulated in a regulation from the Minister of Labour.

4. In the determination of the regulation as referred to in items (1) and (3), the Minister of labour takes into consideration the directives of the Board for the nationalization of the nationalization of Dutch enterprises as referred to in article 4.

CHAPTER IV TRANSITIONAL PROVISIONS

Article 8

The responsibilities of the Board / Committee for Regulating Enterprises to be nationalized as referred to in article 4 commences on the date the enterprises concerned are transferred to said Board / Committee.

CONCLUSION

Article 9

This Government Regulation comes into operation together with and on the date of enforcement of the Act on the Nationalization of Dutch Enterprises (Act No 86 year 1958, Government Gazette No 162). In order that everybody may know the order is given to promulgate this Government Regulation by insertion in the Government Gazette of the Republic of Indonesia

APPENDIX K

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 2 YEAR 1959 RE DECREASE OF THE VALUE OF BANKNOTES OF Rp. 500 AND Rp 1,000.—

THE PRESIDENT OF THE REPUBLIC OF INDONESIA.

Considering:

1. that it is deemed necessary to reduce the amount of money in circulation for purposes of improving the financial and economic situation of the State;
2. that due to urgent circumstances said matter is necessarily regulated immediately by Government Regulation substituting an Act:

With a view to:

article 22 item (1) and article 23 items (2), (3) and (4) of the Constitution;

Having heard:

The Minister of Finance :

H as decided

To lay down:

GOVERNMENT REGULATION SUBSTITUTING AN ACT ON THE DECREASE OF THE VALUE OF RP 500.- AND RP 1,000,- BANKNOTES

Article 1

The value of banknotes of Rp 500.— (five hundred rupiahs) and Rp 1,000.— (one thousand rupiahs) which are in circulation as of the date of enforcement of this Government Regulation substituting an Act, is reduced respectively to Rp 50.— (fifty rupiahs) and Rp 100.— (one hundred rupiahs) .

Article 2

The banknotes referred to in article 1 in the new value remain a legal means of payment, until the moment they are replaced by other banknotes.

Article 3

The implementation of article 2 and other matters are further regulated by the Minister / Vice Minister of Finance.

Article 4

This Government Regulation substituting an Act is valid as of August *25, 1959* at 6 a.m. (Djawa time).

In order that everybody may know. the order is given to promulgate this Government Regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX L

EMERGENCY ACT No 3 YEAR 1959 BE ISSUE OF PRIZED DEBENTURES FOR 1959

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

- a. that for defrayment: of the reconstruction it would be best to mobilize all existing financial means and not to depend exclusively on foreign aid;
- b. that domestic loans form a means usually used to obtain unchannelled finances so that it is deemed necessary to issue a debenture loan;
- c. that the results of said debenture loan should be used for reconstructional endeavours;
- d. that it is also considered necessary to attract participants in said debenture loan;
- e. that in connection with urgent circumstances it is necessary to lay down this regulation immediately.

With a view to:

Articles 37,41 and 96 of the Provisional Constitution of the Republic of Indonesia;

Having heard:

The Cabinet Council in its 182nd session on June 26, 1959;

Has decided:

To enact:

EMERGENCY ACT ON THE ISSUE OF PRIZED DEBENTURES FOR 1959

Article I

1. The Minister of Finance is authorized to issue a loan for the account of the State of two thousand million rupiah at the most by issuing debentures to bearer.

Said debentures are issued gradually every time in the amount and according to the procedure as well as period to be stipulated by the Government.

2. The proceeds obtained from the issue of debentures as referred to in item (1) are used to defray reconstructional endeavours of the Central Government as well as of the Regions which are carried out through the State Budget.

Article 2

1. Debentures as referred to in article I item (l) bear an interest of six per cent in one year and is paid on annual coupons on the dates to be fixed by the Minister of Finance.

2. Annual coupons not claimed become null and void after the expiration of five years after the date said coupons are due.

3. The coupons may be cashed at all offices of the Bank Indonesia and other bodies in Indonesia to be appointed by the Minister of Finance according to the procedure which will be further stipulated by him.

Article 3

1. This debenture loan is settled at par annually, for the first time during 1961 by lottery within twenty years at the latest on the dates and according to the procedure which have still to be stipulated by the Minister of Finance with the condition that settlement may be accelerated.

2. On top of the interest paid, a prize will be given annually for drawn debentures as referred to in article 1 item (1) in the amount and according to the procedure to be stipulated by the Minister of Finance.

3. For the settlement as referred to in article (I), basically one twentieth of the total amount of the loan issued by the Minister of Finance as referred to in article 1 item (1) is made available. A half per cent of the nominal amount of the debenture loan issued is available as prize without prejudice to the stipulation stated in item (I).

4. The right to collect the debentures available to be settled, also the right to collect the prizes, are forfeited after expiration of ten years after the date referred to in item (1).

5. The interest over debentures issued on the basis of this Emergency Act is only paid until the date as referred to in item (1).

Article 4

It is only possible to participate in this debenture loan in denominations of Rp 5,000.—(Five thousand rupiahs) of which the issue will be channelled through the Bank Indonesia and or if necessary through bodies to be appointed by the Minister of Finance.

Article 5

1. The debentures referred to in article I item (I) are signed by the Minister of Finance and will be registered by the Financial Control Board or according to another procedure which is approved by the Financial Control Board before issue and a registration evidence is given of said registration.

2. Concerning the existence of the participationship in the debenture loan mentioned in this Emergency Act and concerning the debentures issued, an account statement is made, of which the House of Representatives is informed after it has been examined and approved by the Financial Control Board.

3. The debentures received back because of settlement and coupons which have been paid, after being made invalid, will be sent by the Department of Finance to the Financial Control Board to be destroyed so that they can not longer be used in circulation.

Article 6

Expenses incurred for payment of interest, prizes and settlement of the debentures referred to in article 1 item (3), article 2 item (2) and item (3) and also the expenses to carry out the loan are burdened to the budget of the Republic of Indonesia.

Article 7

1. A debenture tax of ten per cent of the nominal value is levied on the first participation in this debenture loan.

2. If the first participation in the debenture loan causes the knowledge of information which gives certainty that based on "1944 Income Tax Ordinance" (GG 1944 No 17) "Property Tax Ordinance 1932" (GG 1932 No 450) and "Corporation Tax Ordinance 1925" (GG 1925 No 319) a tax in connection with the first participation is not levied or much too little tax is levied, tax is decreased or cancelled, the information concerning the period of levy on said tax in which registration for said debenture loan has been made and previous periods of levying of tax may not be used to fix the tax which is still of temporary nature or to review the decision or to levy tax, if at first an exemption from tax has been given or to enable the collection of additional tax.

3. The debenture tax as referred to in item I of this article is refunded if the first participant can prove to the Head of the Tax Office that said first participation has been included in the properties which have been properly reported to the Tax Service for purposes of calculating income tax, property tax and corporation tax. In this case article 7 item (2) is not applicable.

4. Prizes given at the date of settlement are exempted from income tax.

5. Prizes given on the date of settlement are exempted from lottery tax, on the basis of article 2 sub a of Act No 22 year 1954 (Government Gazette No 75 year 1954).

Article 8

All registration evidences, receipts, confirmations of agreements and other letters made out to implement this Emergency Act are free of stamp duty.

Article 9

Substitutes are given according to the regulations to be stipulated by the Minister of Finance for debentures and coupons which become lost or damaged.

Article 10

The banks and other bodies to be pointed out by the Minister of Finance which participate in aiding the implementation of this debenture loan may be given a commission according to the regulations to be stipulated by the Minister of Finance.

Article 11

Matters which have not been regulated for the implementation of this act are determined upon by the Minister of Finance.

Article 12

This Emergency Act may be called “the Emergency Act on the Issue of Prized Debenture Loan for 1959” and is valid as of the date of promulgation.

In order that everybody may know the order is given to promulgate this Emergency Act by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX M

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 3 YEAR 1959 RE FREEZING OF A PART OF DEPOSITS WITH BANKS

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering:

1. that it is considered necessary to reduce the amount of money in circulation for purposes of improving the financial and economic situation of the State;
2. that due to urgent circumstances the above matter is necessarily regulated by Government Regulation substituting an Act;

With a view to:

article 22 item (1) and article 23 items (2) and (4) of the Constitution;

Having heard;

The Minister of Finance;

Has decided:

To lay down:

GOVERNMENT REGULATION SUBSTITUTING AN ACT ON FREEZ- ING OF A PART OF DEPOSITS WITH BANKS

Article 1

Management / Executives / Entrepreneurs of all Government as well as private Banks, are obliged to freeze a certain part of every deposit in the name of any individual, corporate body or civil or military Government Office.

Article 2

By deposits in article 1 are meant time deposits, as well as balances on account current or clearing accounts, entered in the accounts of the Bank concerned at the moment of enforcement of this Government Regulation substituting an Act.

Article 3

The part as referred to in article 1 is 90% (ninety per cent) from the amount in excess of Rp 25,000.—(twenty-five thousand rupiahs) for every deposit.

Article 4

The Banks concerned give a full report within the shortest possible time concerning the matter referred to in articles 1, 2 and 3 to the Minister / Vice Minister of Finance.

Article 5

The deposits frozen will be replaced by a long-term loan by the Government to the Depositor.

Article 6

The Government may grant exemption for a part or for the whole of this regulation on freezing, to social and religious institutions and government offices on their request.

Article 7

The depositors affected by this regulation may be granted a loan or other relaxations for certain purposes, if said matter is in line with the policy of the Government in the financial and economic field.

Article 8

1. Whoever performs actions in deviation of the provisions of articles 1, 2, 3 and 4 of this Government Regulation substituting an Act is punished by imprisonment of at most two years and / or a fine to a maximum of one million rupiahs.

2. The actions referred to in item (1) are regarded a crime.

Article 9

The further implementation of the stipulations is regulated by the Minister / Vice Minister of Finance.

Article 10

This Government Regulation substituting an Act is in force as of August 25, 1959 at 6.00 hours (Djawa time).

In order that everybody may know, it is instructed to promulgate this Government Regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX N

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 4 YEAR 1959 RE THE REVOCATION OF THE EXPORT CERTIFICATE SYSTEM (B.E.). THE PRESIDENT OF THE REPUBLIC OF INDONESIA.

Considering:

1. that it is deemed necessary to simplify and to promote foreign trade;
2. that caused by urgent circumstances said matter is necessarily arranged soon by Government Regulation substituting an Act;

With a view to:

article 22 item (1) and article 23 items (2), (3) and (4) of the Constitution;

Having heard:

The Minister of Finance;

Has decided:

To lay down:

GOVERNMENT REGULATION SUBSTITUTING AN ACT CONCERNING THE REVOCATION OF THE EXPORT CERTIFICATE SYSTEM (B.E.)

Article 1

As of the enforcement of this Government Regulation substituting an Act the Export Certificate (B.E.) system as referred to in Government Regulation dated June 20, 1957, concerning the Decree of Monetary Board dated June 18, 1957, No 30, is revoked.

Article 2

The value of the rupiah is fixed by Government Regulation.

Article 3

Every export is affected by export levies (PUEKS) which will further be arranged by Government Regulation.

Article 4

import is affected by import levies (PUIM), which further will be arranged by Government Regulation.

Article 5

The execution of the further regulations is arranged by the Minister / Vice Minister of Finance.

Article 6

This Government Regulation Substituting an Act is valid as of August 25, 1959.

In order that everybody may know, it is instructed to promulgate this Government regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX O

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 5 YEAR 1959 RE STIPULATION IN THE FISCAL FIELD CONCERNING THE DECREASE OF THE VALUE OF Rp 1,000.—AND Rp 500—BANK NOTES.

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering:

- a. that it is necessary to have a further stipulation concerning the consequences in the fiscal field because of the monetary measures referred to in Government Regulation substituting an Act No 2 year 1959 re the decrease of the value of Rp 1,000.—and Rp 500.—banknotes;
- b. that due to urgent circumstances, it is necessary to create this regulation immediately;

With a view to:

1. Articles 2, 4, 5 and 5a of the Income Tax Ordinance 1944;
2. Articles 3, 4, 5, 6, 8 and 9 of the Corporation Tax Ordinance 1925;
3. Article 23 item (2) jo. article 22 of the Constitution;

Having heard:

The Minister of Finance;

Has decided:

To lay down:

GOVERNMENT REGULATION SUBSTITUTING AN ACT RE THE STIPULATION IN THE FISCAL FIELD CONCERNING THE DECREASE OF THE VALUE OF RP 1,000.— AND RP 500.— BANKNOTES.

Article 1

The amount of money of which the value is lost because of the Government Regulation substituting an Act No 2 year 1959:

- a. is not observed when calculating profits or income taxable in the meaning of the Corporation Tax Ordinance 1925 or Income Tax Ordinance 1944;
- b. will not be taken into account for whatever tax.

Article 2

This Government Regulation substituting an Act is in force as of the date of issue and valid retroactively August 25, 1959 6.00 a.m. (Djawa time).

In order that everybody may know the order is given to promulgate this Government Regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia

APPENDIX P

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 25 YEAR 1959 REVALUATION OF GOLD CURRENCY AND GOLD BULLION STOCKED WITH BANK INDONESIA

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

1. that in connection with the new stipulation re the counter-value of the rupiah currency in respect of foreign currency as stated in Government Regulation No 43 year 1959, it is necessary to make a new valuation in respect of gold currency and gold bullion stocked with Bank Indonesia;
2. that in connection with the pressing situation said matter must be immediately stipulated.

With a view to:

1. Act No 8 year 1953 (GG 1953 No 33);
2. Government Regulation No 43 year 1959 (Government Gazette No 93);
- 3 . Article 2 2 item (1) of the Constitution.

Having heard:

The Minister of Finance

Has decided:

To lay down:

**GOVERNMENT REGULATION SUBSTITUTING AN ACT RE VALUATION
OF GOLD CURRENCY AND GOLD BULLION STOCKED WITH BANK
INDONESIA.**

Article 1

By revoking all provisions which are contrary to this Government Regulation substituting an Act, the stock of gold currency and gold bullion owned by Bank Indonesia is valued at Rp 50,510.80 (fifty thousand five hundred and ten rupiahs eighty cents) for every kilogram of pure gold.

Article 2

This Government Regulation substituting an Act, is valid as of August 25, 1959.

In order that every body may know, it is instructed to promulgate this Government Regulation substituting an Act, by inserting same in the Government Gazette of the Republic of Indonesia

APPENDIX Q

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 26, 1959 REGARDING CONSOLIDATED LOAN 1959

Considering:

- a. that it is necessary to consolidate the frozen deposits with banks originating from the implementation of the monetary measures based on Government Regulation Substituting an Act No 3, 1959, into a long-term loan;
- b. that due to urgent circumstances it is necessary to regulate this issue with a Government Regulation substituting an Act;

With a view to:

1. Article 22 item (1) and article 23 items (4) and (5) of the Constitution;
2. Government Regulation substituting an Act No 3, 1959;
3. Announcment of the Minister of Finance No 4 dated August 25, 1959;

Having heard:

The Minister of Finance;

Has decided

To enact:

GOVERNMENT REGULATION SUBSTITUTING AN ACT RECONSOLIDATED LOAN 1959.

Article 1

The Minister or Finance is authorized to issue a loan on account of the State to an aggregate of the deposits frozen in consequence of Government Regulation substituting an Act No 3, 1959, by means of registered Acknowledgements of Debt and Debentures to bearer.

Article 2

(1) The frozen deposits with banks on account of Government Regulation substituting an Act No 3, 1959, are rounded off to multiples of Rp 100.— and converted into a long-term loan.

(2) Deposits below Rp 50,000.—(fifty thousand rupiah) are converted into debentures to bearer in denominations of Rp 100.—, Rp 5 00.—. Rp 1,000.—, Rp 5,000.—, and Rp 10,000.

(3) Of deposits from Rp 50,000.—(fifty thousand rupiah) upwards multiples of Rp 50,000.—(fifty thousand rupiah) are entered into the Register of Government Stock kept with the banks concerned according to instructions from the Central Administration of the Register of Government Stock with Bank Indonesia.

(4) The remainder of deposits entered into the Register of Government Stock as stipulated in item (3) are converted into debentures as referred to in item (2)

Article 3

(1) For deposits entered into the Register of Government Stock as referred to in article 2 item (3) no debentures will be issued during five years and they are not negotiable except with permission of the Minister of Finance. In said negotiation article 613 items (1) and (2) of the Civil Code shall not be applicable.

(2) After five years debentures to bearer will be issued for said accounts entered into the Register of Government Stock in the nomination of Rp 50,000.—(fifty thousand rupiah).

Article 4

(1) To debentures issued in pursuance of this Government Regulation substituting an Act shall not apply the obligation to be kept with banks appointed for keeping securities.

(2) Said debentures shall only be dealt with on the Djakarta Stock Exchange and shall not be used as security for credits from banks or other credit institutions.

Article 5

Frozen balances of Government or semi-Government bodies, foundations' enterprises, institutions, and funds, of which the specifications shall be decided by the Minister of Finance, shall be entered on the account of the General Treasurer with Bank Indonesia and shall be exempt from the stipulations in articles 2 and 3.

Article 6

Both debentures and blocked accounts entered into the Register of Government Stock shall accrue interest of $3\frac{1}{2}$ per cent annually and shall have a term of forty-five years, from September 1, 1959, on, with the possibility of future conversion.

Article 7

(1) Payment of interest shall be effected annually on September 1 st, for the first time on September 1st, 1960, for 12 months.

(2) Settlement shall be effected in 40 similar instalments, for the first time on September 1st, 1965. Settlement, the procedure of which shall be further stipulated by the Minister of Finance, may be accelerated if deemed necessary by the Minister of Finance.

(3) For the settlement as referred to in item (2) two and a half per cent is made available annually of the loan issued pursuant to this Government Regulation substituting an Act.

(4) The right to collect the debentures available to be settled shall be forfeited after expiration of ten years after the date referred to in item (2).

Article 8

(1) Annual coupons not claimed shall become null and void after the expiration of five years after the date said coupons are due.

(2) The coupons may be cashed at all offices of the Bank Indonesia and other banks in Indonesia participating in the issuance of the debentures, according to the procedure which will be further stipulated by the Minister of Finance.

Article 9

(1) The debentures referred to in articles 2 and 3 are signed by the Minister of Finance and will be registered by the Financial Control Board or according to another procedure approved by the Financial Control Board before issue and a registration evidence is given.

(2) Concerning the existence of the participation in this debenture loan and considering the debentures issued, an account statement is made, of which the House of Representatives is informed after it has been examined and approved by the Financial Control Board.

(3) The debentures received back because of settlement and coupons which have been paid, after being made invalid, shall be sent by the Department of Finance to the Financial Control Board to be destroyed.

Article 10

In the application of "Corporation Tax Ordinance 1925" (G.G. 1925 No 319) and "Income Tax Ordinance 1944" (G.G. 1944 No 17) as have been amended and supplemented—latest by Government Regulation substituting an Act No 13, 1959, and Government Regulation substituting an Act No 16, 1959;

a. debentures as referred to in this Government Regulation substituting an Act shall be considered to retain their par value for their first holder.

b. in relation with the stipulation under a., the loss suffered by the first holder by the sale or transfer of said debentures shall not be taken into consideration.

Article 11

Expenses incurred for payment of interest and settlement of the debentures referred to in article 7 items (1), (2) and (3) and also expenses to carry out the loan are burdened to the budget of the Republic of Indonesia.

Article 12

The banks and other bodies to be pointed out by the Minister of Finance of which participate in the implementation of this debenture loan may be given a commission according to the regulations to be stipulated by the Minister of Finance.

Article 13

Matters which have not been regulated for the implementation of this Government Regulation substituting an Act shall be determined by the Minister of Finance.

Article 14

This Government Regulation substituting an Act may be called "Government Regulation substituting an Act on the Consolidation Loan 1959" and is effective as of the date of promulgation, retroactive to August 25, 1979.

In order that everybody may know the order is given to promulgate this Government Regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX R

GOVERNMENT REGULATION No 42 YEAR 1959 RE EXPORT AND IMPORT LEVIES (PUEKS AND PUIM)

THE PRESIDENT OF THE REPUBLIC OF INDONESIA.

Considering:
that it is necessary to further regulate foreign trade;

With a view to:

Government Regulation substituting an Act No 4 year 1959 revocation of the
Export Certificate System” articles 3 and 4;

Having heard:
The Minister of Finance;

Has decided

To lay down:

GOVERNMENT REGULATION RP. EXPORT AND IMPORT LEVIES (PUEKS
AND PUIM).

Article 1

For every export the seller is obliged to pay the Government export le PUEKS) of
20% (twenty per cent) of the selling price received.

Article 2

For all kinds of import goods a grouping in six groups is made, i.e. group I to VI.

Article 3

For every import the buyer is obliged to pay the Government import levies (PUIM) of:

0 %	of the purchase price for group	I
25 %	of the purchase price for group	II
50 %	of the purchase price for group	III
100%	of the purchase price for group	IV
150%	of the purchase price for group	V
200%	of the purchase price for group	VI

Article 4

Further, the provisions concerning selling prices referred to in article 1, purchase prices stated in article 3 and grouping of goods in six groups as meant in article 2 prevailing at the moment of the enforcement of this Government Regulation are still valid.

Article 5

Further provisions to implement this Government regulation are stipulated by the Minister / Vice Minister of Finance.

Article 6

This Government Regulation shall come into force on August 25, 1959. In order that everybody may know, it is instructed to promulgate this Government regulation by inserting same in the Government Gazette of the Republic of Indonesia.

APPENDIX S

GOVERNMENT REGULATION No 43 YEAR 1959 REDETERMINATION OF THE VALUE OF THE RUPIAH CURRENCY

THE PRESIDENT OF THE REPUBLIC OF INDONESIA

Considering :
the necessity of determining the value of the Rupiah currency;

With a view to:
article 2 of the Government Regulation substituting an Act no. 4 year 1959 concerning the Revocation of the Export Certificate System (B.E.);

Having heard :
The Minister of Finance;

H a s d e c i d e d

To lay down:

GOVERNMENT REGULATION CONCERNING DETERMINATION OF THE VALUE OF THE RUPIAH CURRENCY

Article 1

The rate of the Rupiah currency against foreign money is determined at: Rp 45.— (forty-five rupiahs) against US \$ 1 (one United States dollar).

Article 2

This Government Regulation is valid as of August 25, 1959.

In order that everybody may know, the instruction is given to promulgate this Government Regulation by insertion in the Government Gazette of the Republic of Indonesia.

APPENDIX T

DECREE OF THE FIRST MINISTER OF THE REPUBLIC OF INDONESIA No 485/M.P./1959

THE FIRST MINISTER

Considering:

- (1) that the implementation of Act No 86/1959 (Act on the Nationalization of Dutch-owned enterprises) must yield the greatest benefit possible to the State and the People, and strengthen the Government in the maintenance of security and public order, so as to strengthen the defence of the State,
- (2) that what is meant by Dutch-owned enterprises which may be nationalized according to article 1 Act No 86/1959 is sufficiently clear as stipulated in article 1 Government Regulation No 2/1959 (G.G. 1959 No 5);
- (3) that in conformity with the foreign policy of the Government, which in principle is not declinatory to foreign investment in Indonesia, it is necessary to lay down regulations in line with a special policy regarding:
 - a. Dutch-owned enterprises in Indonesia having some non-Dutch foreign capital;
 - b. foreign enterprises having for 100% non-Dutch foreign capital, but of which the head-office is domiciled in the Netherlands;

With a view to:

- (1) Act no 86/1958 on the Nationalization of Dutch-owned enterprises (Government Gazette No 162/1958;
- (2) Government Regulation No 2/1959 on the bases for the execution of the Act on Nationalization;
- (3) Government Regulation No. 3/1959 on the establishment of B A N A S.
- (4) Act No 78/1958 on foreign capital investment.

HAS DECIDED:

To stipulate:

- regulations containing the Government policy regarding
- a. Dutch-owned enterprises having some non-Dutch foreign capital,
 - b. foreign enterprises in Indonesia having for 100 % non-Dutch foreign capital, of which the head-office is domiciled in the Netherlands.

Article 1

- (1) After nationalization, Dutch-owned enterprises as referred to in article 1 Government Regulation No 2/1959, partly owned by non-Dutch foreigners and regarded as vital by the Government, shall remain for 100% Government-owned, while compensation shall be given on that portion of the capital originally owned by non-Dutch foreigners.
- (2) In the case the enterprises as referred to in item (1) are not regarded vital by the Government, they may after nationalization, be made:
 - (a) joint enterprises of the Government with non-Dutch foreign capital, in which the Government shall own the major part of the capital with a minimum of 51%, the remaining part consisting of non-Dutch foreign capital to a maximum of 49%,
 - (b) joint enterprises of national entrepreneurs and non-Dutch foreign capital, by way of selling Government shares to National entrepreneurs as well as to non-Dutch foreigners.
 - (c) enterprises with 100% non-Dutch foreign capital by way of selling the enterprises and by selling the Government-owned shares to nonDutch foreigners who already/not yet own shares in the abovementioned enterprises, under the condition that their head-office shall be domiciled in Indonesia.
- (3) The procedure for sale and purchase/transfer of the ownership of shares/capital as referred to in item (2), price considerations, etc. shall be further regulated by B A N A S.

Article 2

- (1) Foreign enterprises with 100%, non-Dutch foreign capital having their head-office domiciled in the Kingdom of the Netherlands shall transfer said head-office to the Republic of Indonesia within 6 months from the date of issue of this decree, which time may be lengthened at the decision of the Government on application of the person concerned.
- (2) If within the time as referred to in item (1) the foreign enterprises concerned should not have its head-office domiciled in the Republic of Indonesia, as stipulated in Act No 78/1958, said enterprise shall be regarded as a Dutch enterprise and shall be liable to nationalization pursuant to Act No 86/1958 (Government Gazette No 162/1958) on the Nationalization of Dutch owned enterprises.
- (3) If the right of “erfpacht” (long-term lease) and other rights of concession which are necessary to ensure the continuation of enterprises as referred to under item (1) are terminating in the near future, the Government, if deemed necessary, may consider to renew those rights for a certain period.

Article 3.

The enterprises to be nationalized according to articles I and 2 shall be determined by a separate Government Regulation.

Article 4.

- (1) Those concerned with the matters referred to in this decree may apply to BANAS.
- (2) Matters which have not been regulated in this decree shall further be determined by separate regulations.

Article 5.

This decree is effective as of the date of promulgation, retroactive to December 3, 1957.

APPENDIX U

GOVERNMENT REGULATION SUBSTITUTING AN ACT No 11, 1960 RE CHANGE IN THE CAPITAL OF BANK INDONESIA

THE PRESIDENT OF THE REPUBLIC OF INDONESIA,

Considering:

1. that evidently the capital of Bank Indonesia as stipulated in the Bank Indonesia Act of 1953 is not in proportion to her present duties and therefore it is deemed necessary to increase the capital of Bank Indonesia;
2. that due to urgent circumstances, it is necessary to regulate the issue with a Government Regulation substituting an Act;

In view of :

Article 22 of the Constitution ;

Having heard :

The Cabinet Council in its session of March 8, 1960 ;

Has decided :

To enact: :

GOVERNMENT REGULATION SUBSTITUTING AN ACT *ON* CHANGE IN THE
CAPITAL OF BANK INDONESIA.

Article 1

Article 4 of the Bank Indonesia Act of 1953 (Government Gazette of 1953 No 40) is revised so as to read as follows :

“The Capital of the Bank shall be one hundred million rupiah.”

Article 2

This Government Regulation substituting an Act is effective as of the date of promulgation.

In order that everybody may know the order is given to promulgate this Government Regulation substituting an Act by insertion in the Government Gazette of the Republic of Indonesia.